



**Auditor of State  
Betty Montgomery**

JEFFERSON TOWNSHIP  
LOCAL SCHOOL DISTRICT  
PERFORMANCE AUDIT

MAY 4, 2004



**Auditor of State  
Betty Montgomery**

To the Residents and Board of Education of the Jefferson Township Local School District:

In May of 2003, the State Superintendent of Public Instruction placed the Jefferson Township Local School District (JTLSD) in fiscal caution. In accordance with the provisions of ORC §3316.041, the Auditor of State initiated a performance audit of JTLSD. The four functional areas assessed in the performance audit were financial systems, human resources, facilities, and transportation. These areas were selected because they are important components of District operations that support its mission of educating children, and because improvements in these areas can assist JTLSD in eliminating the conditions that brought about the declaration of fiscal caution.

The performance audit contains recommendations that provide opportunities for cost savings, revenue enhancements, and efficiency improvements. The performance audit also provides an independent assessment of JTLSD's financial situation and a framework for the District's financial recovery plan. While the recommendations contained within the performance audit are resources intended to assist in refining operations, District officials are encouraged to assess overall operations and develop other recommendations independent of the performance audit.

An executive summary has been prepared that includes the project history, a discussion of the fiscal caution designation; district overview, purpose and objectives of the performance audit; and a summary of findings, commendations, recommendations, and financial implications. This report has been provided to the Jefferson Township Local School District and its contents discussed with appropriate District officials and management. The District has been encouraged to use the results of the performance audit as a resource for improving its overall operations, service delivery and financial stability.

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

Sincerely,

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

May 4, 2004

# **Executive Summary**

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## **Project History**

Pursuant to Ohio Revised Code (ORC) § 3316.031(A), the State Superintendent of Public Instruction, in consultation with the Auditor of State (AOS), has developed guidelines for identifying fiscal practices and budgetary conditions that, if uncorrected, could result in a future declaration of fiscal watch or fiscal emergency within a school district. ORC § 3316.031(B)(1) further stipulates that the state superintendent may declare a school district in fiscal caution based upon a review of a school district's five-year forecast. According to ORC § 3316.042, the AOS may conduct a performance audit of any school district in a state of fiscal caution, fiscal watch or fiscal emergency and review any programs or areas of operation in which the AOS believes that greater operational efficiency, effectiveness and accountability of services can be achieved.

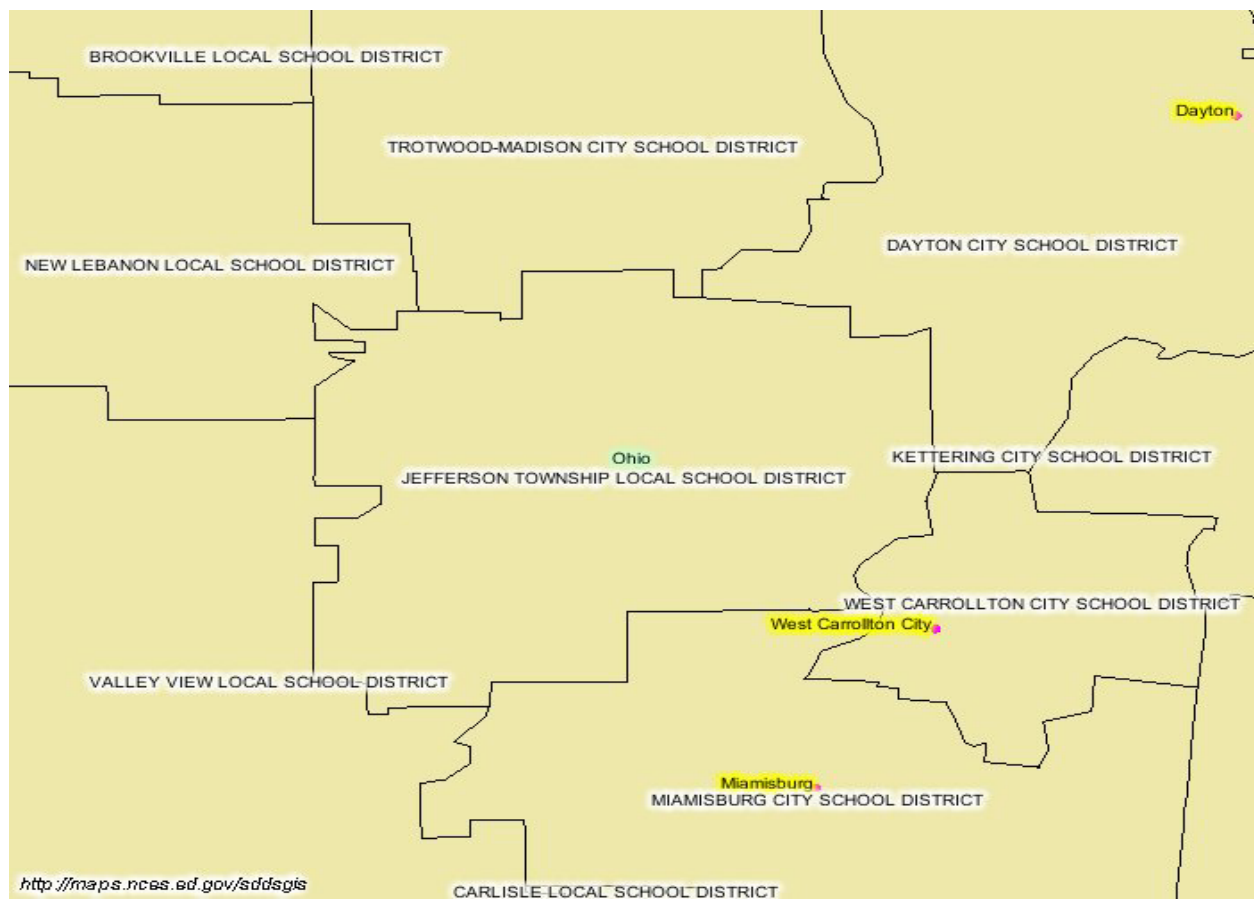
Jefferson Township Local School District (Jefferson Township LSD) was placed in fiscal caution by the Ohio Department of Education (ODE) on May 9, 2003. The placement was based on the General Fund deficit of \$347,335 as forecasted for FY 2002-03. The forecasted negative balance is approximately five percent of General Fund revenues for that period. As of January 2004, Jefferson Township LSD had not submitted a financial recover plan as required by ODE. However, the District has instituted cost reduction measures in Personnel Services expenditures for FY 2003-04 totaling approximately \$460,000. Including the reduction in personnel costs, the District's October 2003 five-year forecast reflects a deficit of approximately \$788,000. Refinements made to the October 2003 forecast based on revenue and expenditure trends shows that the District is likely to have a General Fund deficit for FY 2004 of approximately \$185,000.

Pursuant to ORC § 3316.031 and ORC § 3316.042, AOS initiated a performance audit of Jefferson Township LSD. The following four functional areas were included in the performance audit:

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

## District Overview

Jefferson Township LSD was established in 1970 through a consolidation of existing land areas and school districts. Jefferson Township LSD serves an area of approximately 35 square miles. It is located in central Montgomery County, approximately six miles southwest of Dayton, Ohio. Jefferson Township LSD is the 571<sup>st</sup> largest district in the State of Ohio (of 612 districts) in terms of enrollment and is the smallest public, non-charter school in Montgomery County. Currently, Jefferson Township LSD operates one elementary school, a middle school and a comprehensive high school. The following map depicts the boundaries of Jefferson Township LSD.



**Source:** National Center for Education Statistics (NCES) School District Demographics

Jefferson Township LSD has a population of 6,569 according to the 2000 census. A significant percentage of the District's population (17.3 percent) was school aged (18 years old or younger) while an additional 5.4 percent was less than five years old. Although Jefferson Township LSD

is located within a short distance of Dayton, its boundaries are in a predominantly rural area with limited commercial or industrial activity.

Jefferson Township LSD's average daily membership (ADM) for FY 2003-04 is 837 students. During FY 2002-03, FCSD employed approximately 101 full-time equivalent (FTE) employees, which included 42 regular instruction teacher FTEs. The overall student to teacher ratio for regular instruction staff during FY 2002-03 was 19.9.

The Jefferson Township Local School District Report Card issued by the Ohio Department of Education details the results of the District's student proficiency assessment for FY 2002-03. The District met 5 of 22 indicators, which resulted in a rating of academic emergency. In FY 2001-02, the District met 7 of 22 standards for a rating of academic watch.

Jefferson Township LSD was placed in fiscal caution on May 9, 2003. The District has yet to submit a financial recovery plan to ODE and, instead, has initiated the necessary steps to be placed into fiscal emergency. Jefferson Township LSD's per pupil operating expenditures (governmental funds) totaled \$10,481 in FY 2002-03, less than half of which was spent on direct student instruction. A majority of funding for Jefferson Township LSD is received from State sources (45.5 percent), although nearly as much is received from local property taxes (41.4 percent). The remainder is received from federal funding sources.

All of Jefferson Township LSD's school buildings were built in the 1950s and 1960s. The District has replaced the boilers in all buildings and has retrofitted energy efficient lighting into some areas of each building. Much of this work was financed by energy conservation bonds. Despite the steps that have been taken already, Jefferson Township LSD's buildings still require a substantial amount of work, including repairing roofing, recalibrating and replacing HVAC lines and controls, and replacing windows and doors. In October of 2002, the District's Board and administration moved into a newly-constructed and financed administration facility adjacent to the high school.

Jefferson Township LSD's enrollment has declined by about 10 percent over the past 10 years. Outbound enrollment into area community school districts has increased to nearly 100 students per year, and approximately 25 students enroll in career or vocational/technical classes. Of the District's remaining students, approximately 17 percent are categorized as having some type of disability.

Jefferson Township LSD completed FY 2002-03 with a negative fund balance of approximately \$493,000 and is projecting a negative ending fund balance of approximately \$788,000 for FY 2003-04. District officials have implemented some cost-cutting measures and have discussed the need for additional local revenues. A 6.5 mill levy lost by a narrow margin in November of 2003, and the same levy is on the ballot again in March of 2004.

## **Objectives, Scope and Methodology**

This performance audit assessed only the business operations of Jefferson Township LSD that impact the District's General Fund. Some assessments also included Disadvantaged Pupil Impact Aid and Permanent Improvement funds. Assessment areas included financial systems, human resources, facilities, and transportation. Data for FY 2003-04 year-to-date, and prior years (FYs 2000-01 to 2002-03) were evaluated in addition to information on the District's current operations. Jefferson Township LSD's May and October 2003 financial forecasts, along with their accompanying notes and assumptions, were also assessed for reasonableness.

The goal of this audit was to provide an independent assessment of current District operations to improve service delivery and optimize operational efficiency and effectiveness. The assessment and subsequent recommendations will help Jefferson Township LSD to increase efficiency and maintain its fiscal solvency in the forecasted future. By implementing the recommendations contained in this audit, Jefferson Township LSD could further bolster its financial standing, increase efficiency in service delivery, enhance planning processes and strengthen internal controls. Improving the overall operational condition of the district will have a positive impact on the instructional atmosphere to the benefit of both students and employees.

To complete this report, auditors gathered and assessed data from various areas, conducted interviews with Jefferson Township LSD personnel, and evaluated information from the selected peer districts. Covington Exempted Village School District (Covington Exempted VSD), East Guernsey Local School District (East Guernsey LSD), and Mississinawa Valley Local School District (Mississinawa Valley LSD) were selected as peers based upon comparability as identified by ODE, reviews of demographic information, and input from Jefferson Township LSD personnel. Best practice information was used from ODE, the State Employee Relations Board (SERB), American Schools and Universities (AS&U), and other related service industries.

## **Noteworthy Accomplishments**

Jefferson Township LSD's attention and responsiveness to its financial situation has helped the District move towards a positive ending General Fund balance rather than the negative ending fund balance previously projected. In addition to the steps the District implemented on its own, Jefferson Township LSD has taken steps to implement a significant number of the recommendations shared with District officials during the course of the audit. Noteworthy accomplishments were also identified during the course of the performance audit and are listed below.

*Human Resources*

- Jefferson Township LSD reduced staffing for FY 2003-04 by 22 positions for a savings of \$678,000 in salaries and estimated benefits savings of approximately \$160,000. Some of these savings, however, were offset by an average 4 percent pay increase for employees.
- Jefferson Township LSD has taken steps to improve its financial condition by eliminating or reducing some unnecessary expenditures, and reducing the number and cost of supplemental contracts. District officials have indicated their dedication to further reducing costs with input from this report.
- Jefferson Township LSD controls health care costs by participating in a health insurance consortium administered by the Montgomery County Educational Service Center. Additionally, the District requires a 20 percent employee contribution to pay for insurance benefits, resulting in actual District costs that are substantially lower than the peers.

*Transportation*

- Jefferson Township LSD uses a multi-tiered routing structure that enables the District to transport more students per bus, on average, than the peers. This also helps the District maintain a cost per student that is below the peer average for both regular and special needs students.
- Jefferson Township LSD operates a central fuel tank and uses appropriate internal and management controls to prevent improper use. The District's fuel costs per bus were below the peer average, due in part to efficient fuel management practices.

## **Key Recommendations**

The performance audit contains several recommendations pertaining to Jefferson Township LSD. The following are the key recommendations from the report:

*Financial Systems*

- Jefferson Township LSD should take steps to decrease General Fund expenditures and ensure that the majority of the District's spending is allocated to educational or direct instructional activities. In some categories, such as purchased services, supplies and

materials, and capital outlay, the District should attempt to reduce expenditure levels nearer to FY 2001-02 levels, adjusted for inflation.

- Jefferson Township LSD should reestablish its participation in several Federal grant programs to improve educational programs and offset applicable costs billed to the General Fund. Additionally, the District should ensure that all allowable costs are billed to restricted or special revenue funds.
- Jefferson Township LSD should reduce the number of cellular phones in use at the District, giving phones only to those people with a specific, demonstrated need. The District-owned cellular phones that remain in use should be governed by a Board-approved policy detailing restrictions on the use of the phones and requiring reimbursement from employees for making personal calls or exceeding plan limits.
- Jefferson Township LSD should strive to establish stability in the administration and to improve the overall governance of the District. The District should seek a permanent treasurer on a one or two-year contract and should consider implementing a formal training and orientation program for Board members.

#### *Human Resources*

- Jefferson Township LSD should conduct a detailed analysis of the duties and responsibilities of its clerical staff to determine if resources are being used efficiently and effectively in relation to the needs of the District. It may be possible for the District to consolidate the functions of the EMIS coordinator and administrative assistant into other clerical positions. This would enable the reduction of 1.0 FTE bookkeeper and 2.0 FTE clerical staff for a total annual cost savings of \$114,000.
- Jefferson Township LSD should consider reducing the number of sick days that can be accrued by both certificated and classified staff. The District should also consider reducing the amount of accrued sick leave paid out upon retirement. These changes, if implemented, would only apply to employees hired after the current negotiated agreements expire.
- During the next contract negotiation period, the District should specify cost of living and step increases for all the years of the contract. Additionally, the District should consider reducing bus driver salaries by developing a revised pay scale for drivers hired after June 30, 2004.



*Facilities*

- Jefferson Township LSD should work to reduce expenditures for purchased services, specifically focusing on telephone and copy-machine expenditures. The District should limit the number of staff authorized to use cell phones to only those staff that may need cell phones to perform essential job functions, such as principals. Potential annual costs savings are approximately \$7,000.
- Jefferson Township LSD should develop formal custodial and maintenance procedures to increase the efficiency and effectiveness of these services. The procedures should also specify the supplies to be used for each procedure. Once these supplies and procedures are identified, the District should consider joining a purchasing consortium and pursuing bulk discounts for custodial and maintenance purchases. The District should regularly review these purchases to ensure they are receiving competitive pricing. Estimated annual cost savings amount to \$18,000.
- Jefferson Township LSD should use a computerized maintenance management system (CMMS) or computerized spreadsheet to track maintenance requests and the time and resources used to complete each work order. The District could also use the system to implement a formally planned preventive maintenance program and a formal energy management and conservation program, both of which are designed to reduce the District's long-term facilities expenditures such as utilities and equipment.
- Jefferson Township LSD should develop a facilities master plan that incorporates a 10-year enrollment history, enrollment projections and the methodology used for those calculations, a list of cost estimates needed for capital improvements, and a description of the District's education plan. The District should also develop a schedule for equipment replacement and capital renewal, outlining when major equipment should be replaced, as well as sources of funding.
- Jefferson Township LSD should consider several options for achieving optimal utilization rates in all buildings. In considering future facility use, the District should consider closing Radcliff Middle School or securing capital funds to construct a single school facility. When deciding on either option, the District should determine and review enrollment projections, building capacity, grade structuring, the use of modular classrooms, and educational program needs.

*Transportation*

- Jefferson Township LSD should consider securing an outside vendor to provide regular bus fleet maintenance and repairs on the District's aging bus fleet for an estimated annual cost savings of \$5,800. Additionally, the District should assess fees to offset the actual cost of providing non-routine transportation, including co-curricular, athletic, and extra-curricular trips.

## **Additional Findings and Recommendations**

*Financial Systems*

- Jefferson Township LSD should review and update its open enrollment policy on an annual basis. The policy should prescribe the number of open enrollment spots available by grade level based on an analysis of the costs and revenues for each student and the educational priorities of the District.
- The District should strive to improve internal and management controls related to financial management processes. This should include developing a formal policies and procedures manual to guide and govern all financial practices and processes. The District should also form an audit committee to review internal practices as well as the results of the District's financial audits.

*Human Resources*

- Jefferson Township LSD should develop policies and procedures to ensure that it prepares and reconciles accurate reports for submission to the Educational Management Information System (EMIS). The District should also ensure that someone independent of the data gathering process reviews the information to ensure its accuracy.
- Jefferson Township LSD should change its food service staff positions from full-time to part-time and reduce total employee hours. Total savings for the District in salary and benefit costs would be \$41,200, although this would not impact the general fund.
- During the next round of negotiations, Jefferson Township LSD should attempt to negotiate the reduction or elimination of several employee benefits. The District should attempt to eliminate longevity pay for all employees hired after the expiration of the current contract and should consider reducing or eliminating the early retirement incentive.

*Facilities*

- The District should ensure transportation expenditures and purchased service expenditures for copy machines and telephone usage are not coded in the facilities 2700 code, resulting in an inaccurate record of facility expenditures.
- Jefferson Township LSD should perform grounds-keeping work with current custodial staff, eliminating the need for part-time laborers to perform this function. Using current custodial staff to perform the grounds-keeping function could reduce maintenance and operations costs. Estimated annual cost savings through implementation equate to \$8,500.
- Jefferson Township LSD should maintain custodial and maintenance training records and ensure that all staff receive instruction and updates on processes and procedures. The District should periodically review the records and procedures to ensure all custodians are receiving training and are following consistent guidelines for cleaning and maintenance of school facilities.

*Transportation*

- Jefferson Township LSD should develop a policy and subsequent procedures to ensure that T-forms are filled out accurately and timely. The District should also consider developing a formal bus replacement plan to assist in budgeting capital funds.
- The transportation coordinator should work with the treasurer to develop a formal bus replacement plan to maximize fleet effectiveness, reduce maintenance and repair costs, and ensure Jefferson Township LSD is properly budgeting for the funds needed to purchase new buses.

## **Summary of Financial Implications**

The following table summarizes the performance audit recommendations that contain financial implications which impact the District's General Fund. These recommendations provide a series of ideas or suggestions that Jefferson Township LSD should consider. The recommendations are divided into two categories: those that are subject to negotiation and those that are not. Also, the financial implication listed in **R2.6** is dependent upon the District receiving waivers from the Federal Government to expend money that remains in Grant fund coffers rather than returning it to the grantor. Therefore, **R2.6** is not shown in the forecast table (**Table 2-13**) nor in the summary of financial implications table that follows. In a similar fashion, **R3.4** impacts the Food Service Fund exclusively and therefore is not depicted in the **Table 2-13** or in summary table. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

### Summary of Financial Implications for All Sections

	Estimated Annual Cost Savings	Estimated Cumulative Cost Savings	Estimated One-Time Implementation Costs	Estimated Annual Cost
<b>Recommendations Subject to Negotiation</b>				
<b>R3.8</b> Eliminate retirement incentive		\$165,000		
<b>R3.9</b> Revise pay scale, reduce minimum work hours, revise cost-of-living compensation, and establish COLAs for forecast period		\$268,000		FY 2004-05: \$44,000 FY 2005-06: \$45,000 FY 2006-07: \$92,000 FY 2007-08: \$94,000
<i>Total Subject to Negotiation</i>		\$433,000		FY 2004-05: \$44,000 FY 2005-06: \$45,000 FY 2006-07: \$92,000 FY 2007-08: \$94,000
<b>Recommendations Not Subject to Negotiation</b>				
<b>R3.2</b> Reduce 1.0 FTE Bookkeeping and 2.0 FTE Clerical position.	\$114,000			
<b>R4.1</b> Jefferson Township LSD should reduce purchased service expenditures that include telephones and copy machines.	\$7,000			
<b>R4.3</b> Jefferson Township LSD should consider using purchasing consortiums and pursuing bulk discounts for maintenance and custodial supplies.	\$18,000			
<b>R4.4</b> Jefferson Township LSD should review the option of performing grounds-keeping work with current full-time custodial staff.	\$8,500			
<b>R4.5</b> Jefferson Township LSD should use a CMMS to track maintenance requests				\$1,500
<b>R4.7</b> Jefferson Township should maintain records and procedures for training			\$60	
<b>R4.9</b> Jefferson Township LSD should implement an energy management program.	\$28,000			
<b>R4.12</b> Jefferson Township LSD should consider closing Radcliff Middle School.	\$224,000			
<b>R5.2</b> Issue RFPs or solicit competitive bids for maintenance and repairs services.	\$5,800			
<b>R5.3</b> Assess fees to offset the actual cost of providing non-routine transportation.	\$75,700			
<b>R5.4</b> Replace six buses over the next five years				\$61,100
<i>Total Not Subject to Negotiation</i>	\$481,000		\$60	\$62,600
<b>Total Financial Implications</b>	<b>\$481,000</b>	<b>\$433,000</b>	<b>\$60</b>	<b>FY 05: \$106,600 FY 06: \$107,600 FY 07: \$154,600 FY 08: \$156,600</b>

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.

# Financial Systems

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## Background

This section focuses on the financial systems within the Jefferson Township Local School District (Jefferson Township LSD). The objective of this section is to analyze the current financial condition of the District and develop recommendations for improvements.

The Auditor of State's Office (AOS) recommended the establishment of fiscal watch and emergency laws for school districts to create predetermined monitoring mechanisms and criteria for fiscal responsibility, and provide technical assistance to help school administrators restore fiscal stability. Ohio Revised Code (ORC) § 3316.03 establishes fiscal watch and emergency laws for Ohio school districts. ORC § 3316.031 created the new category of fiscal caution. The difference between fiscal caution, watch and emergency is the severity of the school district's financial condition.

The Ohio Department of Education (ODE), in consultation with AOS, developed guidelines to identify fiscal practices and budgetary conditions that could lead to a financial crisis if uncorrected. Prior to declaring fiscal caution, ODE consults with the school board. The school board is then required to provide a written proposal to ODE detailing corrective actions to alleviate fiscal deficiencies. ODE can provide technical assistance to help school boards identify recovery measures for inclusion in proposals. If upon review of the proposal by ODE and AOS it becomes apparent that financial difficulties will likely continue, then a district will be declared in fiscal caution status.

Jefferson Township LSD was placed in fiscal caution on May 9, 2003, on the basis of potential deficits in FY 2002-03 and future years. Although the District completed FY 2001-02 with a cash balance of approximately \$335,483, that year's operating expenses exceeded revenues by \$503,687. The five-year forecast submitted May 30, 2003, showed an ending fund balance for FY 2002-03 of negative \$347,335, which is approximately 5 percent of projected revenues for that period. However, the actual results of operations for FY 2002-03 show that expenditures exceeded revenues by nearly \$570,000 which resulted in a deficit of \$236,000. The District submitted an updated forecast to ODE on October 24, 2003. The updated forecast depicted a deficit of \$788,076 in FY 2003-04. However, the prior year's ending fund balance had not been updated to reflect actual FY 2002-03 data. As illustrated in **Table 2-2**, the results of operations are forecasted to be negative each year through FY 2006-07 and further worsen the District's financial condition.

The District currently levies property taxes of 61.9 mills for operating costs, including a 2.00 mill permanent improvement levy. In November, 1999, voters approved a five-year 9.5 mill operating levy, which will expire in 2004. In November 2000, voters approved the 2.0 mill permanent improvement levy, which will expire in 2005. In both November, 2001 and 2002, voters approved two separate, 5.5 mill operating levies, which will expire in 2006 and 2007 respectively. The District was unsuccessful in the passage of a 6.5 mill, five-year operating levy which was placed on the November 2003 ballot. This additional millage would have raised an estimated \$371,000 annually.

Throughout this report, Jefferson Township is compared to three like-sized school districts with similar demographic information and operating ratios. The peers include Covington Exempted Village School District (Covington EVSD), East Guernsey Local School District (East Guernsey LSD), and Mississinewa Local School District (Mississinewa LSD)

### *Financial Operations*

**Table 2-1** shows selected FY 2002-03 discretionary expenditures as percentages of total General Fund expenditures for Jefferson Township LSD and the peer districts.



**Table 2-1: FY 2002-03 Discretionary Expenditures as a Percentage of General Fund Expenditures**

	Jefferson Township LSD	Covington EVSD	East Guernsey LSD	Mississinawa LSD	Peer Average
Prof. and Technical Service	3.9%	0.8%	3.8%	1.1%	1.9%
Property Services	2.7%	4.1%	2.7%	2.0%	2.9%
Mileage/Meeting Expense	0.6%	0.2%	0.3%	1.0%	0.5%
Communications	0.4%	0.4%	0.5%	0.1%	0.3%
Contract, Craft or Trade Service	0.0%	0.1%	0.0%	0.0%	0.0%
Pupil Transportation <sup>1</sup>	1.8%	0.0%	0.0%	0.0%	0.0%
Other Purchased Service	0.3%	0.4%	0.0%	0.0%	0.1%
General Supplies	2.4%	1.6%	2.6%	1.6%	1.9%
Textbooks/Reference Materials	0.8%	0.6%	0.6%	0.6%	0.6%
Supplies & Materials for Resale	0.0%	0.4%	0.0%	0.0%	0.1%
Food & Related Supplies/Mat	0.0%	0.0%	0.0%	0.0%	0.0%
Plant Maintenance and Repair	0.7%	0.8%	0.6%	0.5%	0.6%
Fleet Maintenance and Repair	1.0%	0.4%	1.2%	0.7%	0.8%
Other Supplies & Materials	0.1%	0.0%	0.0%	0.0%	0.0%
Land, Building & Improvements	0.0%	0.0%	0.0%	0.0%	0.0%
Equipment	1.0%	0.5%	1.0%	1.5%	1.0%
Buses/Vehicles	0.0%	0.4%	1.4%	1.0%	0.9%
Other Capital Outlay	0.2%	0.0%	0.0%	0.0%	0.0%
Dues and Fees	6.6%	6.7%	1.5%	3.1%	3.7%
Insurance	0.0%	0.2%	0.6%	0.0%	0.3%
Awards and Prizes	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>22.4%</b>	<b>17.6%</b>	<b>17.0%</b>	<b>13.2%</b>	<b>15.8%</b>

**Source:** Jefferson Township LSD, Covington EVSD, East Guernsey, and Mississinawa Valley LSD FY 2002-03 4502, Statement P Reports

<sup>1</sup> The peer districts did not include discretionary expenditures for pupil transportation in their 4502 Statement Ps.

As shown in **Table 2-1**, Jefferson Township LSD's percentage of total discretionary spending is more than 20 percent of total expenditures and almost 42 percent greater than the peer average. Several notable areas, including professional and technical services, pupil transportation, and dues and fees, are each at least 1 percent higher than the peer averages. These are examined in greater detail throughout the report.

The financial forecast presented in **Table 2-2** represents the treasurer's projection of Jefferson Township LSD's present and future financial condition in the absence of significant increases in revenues or reductions in expenditures. The forecast and accompanying assumptions are the representations of Jefferson Township LSD and are presented without further verification. However, this report evaluates the assumptions for reasonableness and accuracy. The projections, which incorporate the combined General and Disadvantaged Pupil Impact Aid (DPIA) Funds, and that portion of the Debt Service Fund relating to General Fund obligations, are accompanied by three years of comparative historical results, general assumptions and explanatory comments. Assumptions that have a significant impact on Jefferson Township LSD's financial recovery, such as unrestricted grants-in-aid, other revenues, salaries and wages, and fringe benefits were tested for reasonableness.

**Table 2-2: Jefferson Township Local School District Five-Year Forecast**

	Actual 2001	Actual 2002	Actual 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007	Forecast 2008
Real Estate Property Tax	2,006,751	2,023,547	2,148,839	2,154,135	2,175,676	2,306,217	2,329,279	2,352,572
Tangible Personal Property Tax	838,516	760,289	627,691	525,100	450,000	375,000	325,000	280,000
Unrestricted Grants-in-Aid	2,465,421	2,502,778	2,908,406	3,276,926	3,342,465	3,409,314	3,477,501	3,547,051
Restricted Grants-in-Aid	322,354	419,860	522,235	390,338	400,000	400,000	400,000	400,000
Property Tax Allocation	345,338	348,824	353,825	355,000	358,550	362,136	365,757	369,414
Other Revenues	190,973	253,749	688,860	506,628	506,628	506,628	506,628	506,628
<b>Total Revenues</b>	<b>6,169,353</b>	<b>6,309,047</b>	<b>7,249,856</b>	<b>7,208,127</b>	<b>7,233,319</b>	<b>7,359,295</b>	<b>7,404,165</b>	<b>7,455,665</b>
Advances In	150,000	150,000	77,713	0	0	0	0	
All Other Financial Sources	69,703	(34,455)	254,423	328,400	328,400	328,400	328,400	328,400
<b>Total Other Financing Sources</b>	<b>219,703</b>	<b>115,545</b>	<b>332,136</b>	<b>328,400</b>	<b>328,400</b>	<b>328,400</b>	<b>328,400</b>	<b>328,400</b>
<b>Total revenue &amp; Other financing</b>	<b>6,389,056</b>	<b>6,424,592</b>	<b>7,581,992</b>	<b>7,536,527</b>	<b>7,561,719</b>	<b>7,687,695</b>	<b>7,732,565</b>	<b>7,784,065</b>
Personal Services	3,885,594	4,160,654	4,313,190	3,941,068	4,019,889	4,100,287	4,182,293	4,265,939
Fringe Benefits	856,428	944,153	1,012,581	1,135,643	1,294,633	1,475,882	1,682,505	1,918,054
Purchased Services	942,880	960,406	1,518,525	1,565,729	1,612,701	1,661,082	1,710,914	1,762,242
Supplies, Materials & Textbooks	349,348	366,092	390,095	435,583	448,650	462,110	475,973	490,253
Capital Outlay	36,551	47,826	96,240	120,700	123,114	125,576	128,088	130,650
Debt Service Principal and Interest	0	0	29,957	0	0	0	0	
Other Objects	254,247	310,751	540,296	459,510	468,700	478,074	487,636	497,388
<b>Total Expenditures</b>	<b>6,325,048</b>	<b>6,789,882</b>	<b>7,900,884</b>	<b>7,658,233</b>	<b>7,967,687</b>	<b>8,303,011</b>	<b>8,667,409</b>	<b>9,064,526</b>
Operational Transfers- Out	40,345	31,075	33,865	220,000	220,000	220,000	220,000	220,000
Advances- Out	234,958	150,000	0	110,000	110,000	110,000	110,000	110,000
All Other Financing Uses	54	(42,678)	219,110	0	0	0	0	0
Total other financing uses	275,357	138,397	252,975	330,000	330,000	330,000	330,000	330,000
<b>Total expenditures&amp; financing</b>	<b>6,600,405</b>	<b>6,928,279</b>	<b>8,153,859</b>	<b>7,988,233</b>	<b>8,297,687</b>	<b>8,633,011</b>	<b>8,997,409</b>	<b>9,394,526</b>
<b>Result of Operations (Net)</b>	<b>(211,349)</b>	<b>(503,687)</b>	<b>(571,867)</b>	<b>(451,706)</b>	<b>(735,968)</b>	<b>(945,316)</b>	<b>(1,264,844)</b>	<b>(1,610,461)</b>
Beginning Cash Balance	1,050,519	839,170	335,483	(236,384)	(688,090)	(1,424,058)	(2,369,374)	(3,634,218)
<b>Ending Cash Balance</b>	<b>839,170</b>	<b>335,483</b>	<b>(236,384)</b>	<b>(688,090)</b>	<b>(1,424,058)</b>	<b>(2,369,374)</b>	<b>(3,634,218)</b>	<b>(5,244,679)</b>
Outstanding Encumbrances	108,346	91,712	78,988	100,000	100,000	100,000	100,000	100,000
Budget Reserve	77,259	77,259	77,259	0	0	0	0	0
"412" Textbook / Instructional	29,116	29,116	29,116	0	0	0	0	0
DPIA	55,000	55,000	55,000	0	0	0	0	0
Bus Services	16,905	16,646	16,646	0	0	0	0	0
<b>Ending Fund Balance</b>	<b>552,544</b>	<b>65,750</b>	<b>(493,393)</b>	<b>(788,090)</b>	<b>(1,524,058)</b>	<b>(2,469,374)</b>	<b>(3,734,218)</b>	<b>(5,344,679)</b>

Source: Jefferson Township LSD and ODE, May 30, 2003 and October 24, 2003.

Note: Because of the significant turnover in the Treasurer's Office, this forecast has been adjusted in its initial depiction to reflect the work of two separate treasurers. This forecast includes the historical set-aside amounts that were reflected in the May 2003 forecast but excluded from the October 2003 forecast. If the set-aside amounts are deducted, the ending fund balances are equal to the October 2003 forecasted amounts.

The financial projection in **Table 2-2** presents the Treasurer's projections of expected revenues, expenditures and fund balances in the District's General Fund for each of the fiscal years; including June 30, 2003, through June 30, 2007, with historical information presented for the fiscal years ended June 30, 2000, 2001 and 2002. As shown in **Table 2-2**, expenditures began outpacing revenues in FY 2001-02, causing a drawdown on the beginning cash balance.

The assumptions disclosed below are based on information obtained from Jefferson Township LSD. Although the assumptions appeared to change slightly between the May and October 2003 forecasts, additional information on the assumptions was not forthcoming as the district experienced two turnovers in the Treasurer's position between May and October 2003. Auditor notes, where applicable, are shown below the assumptions in italicized text and indicate additional information or areas where adjustments were made to the assumptions for the District financial recovery plan shown in **Table 2-18**.

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. The variances in historical amounts and forecasted amounts indicate that the following calculations were used in developing the forecast:

### **Revenues**

- The forecast notes state that property taxes are relatively flat with small jumps in reappraisal and update years. Also tangible property taxes are phasing out.
  - *More specifically, the forecast shows real estate and personal property tax revenue are projected to increase at 1 percent annually except in reappraisal and revaluation years (2006) when they are projected to increase by 6 percent. The most recent update in valuation occurred in 2002, with revenue increases to be realized starting on January 1, 2003. However this could be offset if two levies that will expire during the forecasted period are not renewed. This assumption appears reasonable based on historical data.*
- The forecast notes indicate that State Foundation Aid will not rise significantly and that a 2 percent increase is used. The treasurers assumed that growth in ADM would be relatively flat.
  - *The forecast shows unrestricted grants-in-aid is increasing by about 13 percent for FY 2003-04 and by 2 percent in the remaining years. This is the largest single source of revenue to the District, averaging about 40 percent of revenue. Historically, unrestricted grants-in-aid have increased throughout the State at a*

rate of about 2 percent; however, the Parity Aid phase-in should have resulted in larger increases in FY 2004-05 and thereafter. **R2.1** shows the adjustments to this assumption.

- Restricted grants-in-aid: No assumption was listed for this line item.
  - *The District's forecast shows restricted-grants-in-aid decreasing in FY 2003-04, presumably because of lost grant amounts, by approximately 25 percent and then increasing in FY 2004-05 by 2.5 percent. In the remaining years of the forecast, this amount is forecasted to remain flat. Restricted grants-in-aid consists of parity aid, DPIA and school bus funding which the District receives from ODE and represents approximately 7 percent of the forecasted revenue to the District. Historically, restricted grants-in-aid have increased throughout the State at a rate of approximately 1 percent. **R2.2** shows this adjusted assumption.*
- Other Revenues: No assumption was listed for Other Revenues.
  - *Based on the District's forecast, Other Revenues, which includes such items as interest, rent, tuition, open enrollment and fees, was forecasted to decline by 25 percent in FY 2003-04 and then remain flat for subsequent years. Other Revenues have historically been 3 to 4 percent of total revenues to the District, of which open enrollment was the major portion. **R2.3** shows the adjustments made to this assumption.*

### **Expenditures**

- The treasurers' notes indicate that Salaries and Wages were frozen and that cuts had been made. A 2 percent increase in salaries was projected through the forecast years to cover step increases.
  - *Based on the forecast, personal services, which are salaries and wages for certificated and classified personnel, are forecasted to decrease by 8.7 percent in FY 2003-04 and increase at 2 percent thereafter. The reduction in personal services is reflective of personnel reductions made by the board offset by a pay increase of 5 percent for remaining employees in FY 2004-05. However, the District is in the process of redirecting some salaries and benefits to Title I grant funds which is not reflected in the District's forecast. The effect of these changes is detailed in **R2.4**.*
- The District forecast notes indicate that insurance has increased 12-14 percent each year and is forecasted in that manner.

- *More specifically, fringe benefits, including employee retirement and health care, are forecasted to increase 12 percent in FY 2003-04 and 14 percent thereafter. It appears from the calculations that fringe benefits were adjusted based on the reductions, although the District could not confirm this. Projected amounts appear to be reasonable based on District historical data, although these rates of increase are low based on comparisons to State averages.*
- The District's forecast states that purchased services increased due to County ESC and community school charges. A rate of increase was not indicated.
  - *Purchased services were forecast to increase about 3 percent annually. However, these inflationary increases were predicated on FY 2002-03 actuals. Actual expenditures in this area rose over 150 percent between FYs 2000-01 and 2002-03. These large increases could not be explained by the District but appeared to be reflected in increased costs in other line items as well. These increased costs and recommended adjustments are detailed in **R2.5**.*
- The treasurers' assumptions indicated that cost of living increases were projected in supplies and materials. A rate of increase was not indicated.
  - *More specifically, supplies and materials were forecast to increase about 11 percent in FY 2003-04 and 3 percent thereafter. Similar to purchased services, the forecast amounts were based on large, unexplained increases in prior years. **R2.5** shows recommended expenditure adjustments in this line item.*
- The treasurers' assumptions indicated that cost of living increases were projected in capital outlay. A rate of increase was not indicated.
  - *Like the abovementioned line items, Capital Outlay was projected based on 2002-03 actuals which reflected large, unexplained increases. Capital outlay was forecast to increase 25 percent in FY 2003-04 and at 2 percent thereafter. **R2.5** shows recommended adjustments to expenditures in this line item.*
- Other Objects: No assumptions were included for Other Objects.
  - *Based on this District's forecast, other objects were forecasted to decrease 15 percent in FY 2003-04 and increase at 2 percent in the remaining forecast years. The large increases could not be explained. Adjustments to this line item are discussed in **R2.6**.*

## General Recommendations

### *Revenue and Expenditure Analysis*

- R2.1 Jefferson Township LSD should adjust the forecast assumptions for unrestricted grants-in-aid to more accurately reflect projected FY 2004-05 funding. Similarly, the District should ensure that parity aid and appropriate inflationary amounts are included. In future forecasts, the treasurer should use a more detailed methodology to estimate unrestricted grants-in-aid to ensure the forecast reflects the most accurate and up-to-date information. As unrestricted grants-in-aid represent the largest single revenue source for the District, accurate projections are essential in this line item.**

Jefferson Township LSD's projected unrestricted grants-in-aid amounts are based on FY 2002-03 actuals and use an inflationary value of 2 percent. However, this may understate unrestricted grants-in-aid as it does not reflect the phase-in of parity aid or the usual 2 percent increases in base per-pupil amounts.

As unrestricted grants-in-aid are more than 90 percent State Foundation revenue, the SF-3 simulation should be used as the "base" in the first year of projections. Based on ODE's SF-3 simulation for Jefferson Township LSD, FY 2004-05 is projected at \$3,578,241. Recommended forecasting practices for unrestricted grants in aid begin with developing a spreadsheet to model the SF-3. Using the SF-3 simulation amount as the base, projections should include estimates of ADM based on the District's enrollment projections. Parity aid should be increased in FY 2005-06 by 22 percent to ensure the full phase-in is reflected in the forecast. Per pupil amounts for future years should be increased annually at 2 percent unless a dollar amount has already been specified by the legislature. Lastly, the treasurer should identify any other factors that may impact enrollment or funding formulas and include these in the projections.

Using the methodology described above, **Table 2-3** shows Jefferson Township LSD's original forecast projections and adjusted amounts for unrestricted grants-in-aid, as well as the adjustment's effect on the ending fund balance.

**Table 2-3: Effect of Unrestricted Grants-in-aid Adjustments**

	FY 2003-04 Forecasted	FY 2004-05 Forecasted	FY 2005-06 Forecasted	FY 2006-07 Forecasted	FY 2007-08 Forecasted
<b>District Forecast</b>					
Unrestricted grants-in-aid	3,276,926	3,342,465	3,409,314	3,477,501	3,547,051
<b>Ending Fund Balance</b>	<b>(788,090)</b>	<b>(1,524,058)</b>	<b>(2,469,374)</b>	<b>(3,734,218)</b>	<b>(5,344,679)</b>
Adjusted Unrestricted grants-in-aid	3,276,926	3,578,000	3,674,000	3,747,000	3,822,000
<b>Adjusted Ending Fund Balance</b>	<b>(788,090)</b>	<b>(1,288,523)</b>	<b>(2,204,688)</b>	<b>(3,464,719)</b>	<b>(5,069,730)</b>
<b>Difference</b>	<b>0</b>	<b>235,535</b>	<b>264,686</b>	<b>269,499</b>	<b>274,949</b>

By increasing unrestricted grants-in-aid to the full FY 2004-05 SF-3 simulation amount and using the simulation as a base for future year's projections, the forecasted ending fund balance deficit is reduced by approximately \$250,000 annually. This projection includes the full parity aid amount as anticipated under the current phase in. Because parity aid resulted from the DeRolph decision, the likelihood of its discontinuation in the face of current State budget reductions is small. Therefore, it is a reasonable assumption to include the full phase-in amounts in future years.

**R2.2 Jefferson Township LSD should adjust the forecast assumptions for restricted grants in aid to more accurately reflect current funding and historical increases. In future forecasts, the treasurer should use a more detailed methodology to estimate restricted grants-in-aid to ensure the forecast reflects the most accurate and up-to-date information. As restricted grants-in-aid represent about 7 percent of revenues, accurate projections are essential in this line item.**

Jefferson Township LSD's projected restricted grants-in-aid amounts are based on FY 2002-03 actuals and a flat rate of \$400,000 in future years. However, this may overstate restricted grants-in-aid as the \$400,000 flat amount is well above the typical increase of 1 percent or less. Restricted grants-in-aid typically include Disadvantaged Pupil Impact Aid (DPIA).

As restricted grants-in-aid is about 7 percent of revenues, accurate calculations in this line item are essential. Based on ODE's SF-3 simulation for Jefferson Township LSD, FY 2004-05 DPIA is projected at \$391,788. This amount should be used as the base and amounts for future years should be increased annually at 1 percent. **Table 2-4** shows Jefferson Township LSD's original forecast projections and adjusted amounts for restricted grants-in-aid, as well as the adjustment's effect on the ending fund balance.



**Table 2-4: Effect of Restricted Grants-in-aid Adjustments**

	FY 2003-04 Forecasted	FY 2004-05 Forecasted	FY 2005-06 Forecasted	FY 2006-07 Forecasted	FY 2007-08 Forecasted
<b>District Forecast</b>					
Restricted grants-in-aid	390,338	400,000	400,000	400,000	400,000
<b>Ending Fund Balance</b>	<b>(788,090)</b>	<b>(1,524,058)</b>	<b>(2,469,374)</b>	<b>(3,734,218)</b>	<b>(5,344,679)</b>
Adjusted Restricted grants-in-aid	390,338	391,789	395,707	399,664	403,660
<b>Adjusted Ending Fund Balance</b>	<b>(788,090)</b>	<b>(1,532,269)</b>	<b>(2,473,667)</b>	<b>(3,734,554)</b>	<b>(5,334,697)</b>
<b>Difference</b>	<b>0</b>	<b>(8,211)</b>	<b>(4,293)</b>	<b>(336)</b>	<b>3,660</b>

By decreasing restricted grants-in-aid to amounts based on the FY 2004-05 SF-3 simulation, the forecasted ending fund deficit is increased by about \$9,000 over the life of the forecast. While this amount is not large in comparison to the projected deficit, the nature of the District's financial circumstances indicates a need for precision in estimating available resources (see also **R2.11** on management letter citations).

**R2.3 The District should adjust the forecast assumptions for other revenues to more accurately reflect historical trends. In future forecasts, the treasurer should use a more detailed methodology to ensure the forecast reflects the most accurate and up-to-date information.**

Jefferson Township LSD projected other revenues based on a 25 percent decrease in FY 2002-03 actuals for FY 2003-04 and a flat rate of \$400,000 in future years. However, this may overstate other revenues as there was no explanation for the large FY 2002-03 increase or the 25 percent reduction in other revenues for FY 2003-04. If the treasurer had specific information on the increases and reductions in this line item, it was not disclosed in the forecast or to other District personnel. Therefore, the District, without information to clarify the variances from year to year, should use a three-year average as the base for FY 2003-04 and then increase the base amount by 3 percent annually based on historical trends. **Table 2-5** shows Jefferson Township LSD's original forecast projections and adjusted amounts for other revenues, as well as the adjustment's effect on the ending fund balance.

**Table 2-5: Effect of Other Revenues Adjustments**

	FY 2003-04 Forecasted	FY 2004-05 Forecasted	FY 2005-06 Forecasted	FY 2006-07 Forecasted	FY 2007-08 Forecasted
<b>District Forecast</b>					
Other Revenues	506,628	506,628	506,628	506,628	506,628
<b>Ending Fund Balance</b>	<b>(788,090)</b>	<b>(1,524,058)</b>	<b>(2,469,374)</b>	<b>(3,734,218)</b>	<b>(5,344,679)</b>
Adjusted Other Revenues	377,861	389,196.4867	400,872.3813	412,898.5527	425,285.5093
<b>Adjusted Ending Fund Balance</b>	<b>(916,857)</b>	<b>(1,641,490)</b>	<b>(2,575,130)</b>	<b>(3,827,947)</b>	<b>(5,426,021)</b>
<b>Difference</b>	<b>(128,767)</b>	<b>(117,432)</b>	<b>(105,756)</b>	<b>(93,729)</b>	<b>(81,342)</b>

By decreasing other revenue to amounts based on a historical average and using a 3 percent inflationary measure, the District can mitigate any large scale fluctuations and present a more conservative estimate of other revenues.

**R2.4 Jefferson Township LSD should ensure that all applicable personal services and benefit expenditures are charged to the appropriate restricted funds. Charging these costs to eligible restricted funds diminishes the impact of these expenditures on the General Fund. Also, using restricted funds for applicable charges ensures that Jefferson Township LSD is using all its available resources in the most efficient manner (see also R2.7).**

Jefferson Township LSD did not expend all Title I funding received in FY 2002-03. The District usually receives about \$400,000 in Title I funding, but in FY 2002-03, it only expended about two-fifths of the grant amount. The District is currently in the process of identifying educational personnel whose salaries and benefits are appropriate Title I expenditures. The total amount of salaries and benefits identified is approximately \$289,000; however, the remaining funding was only about \$276,000. **Table 2-6** shows the effect of removing the identified educational personnel salaries and benefits from General Fund expenditures and applying them to Title I funds.

**Table 2-6: Effect of Title I Salary Adjustments on General Fund**

	FY 2003-04 Forecasted	FY 2004-05 Forecasted	FY 2005-06 Forecasted	FY 2006-07 Forecasted	FY 2007-08 Forecasted
<b>District Forecast</b>					
Personal Services	3,941,068	4,019,889	4,100,287	4,182,293	4,265,939
Fringe Benefits	1,135,643	1,294,633	1,475,882	1,682,505	1,918,054
<b>Ending Fund Balance</b>	<b>(788,090)</b>	<b>(1,524,058)</b>	<b>(2,469,374)</b>	<b>(3,734,218)</b>	<b>(5,344,679)</b>
Adjusted Salaries	3,719,068	3,797,889	3,878,287	3,960,293	4,043,939
<b>Adjusted Benefits</b>	<b>1,081,643</b>	<b>1,240,633</b>	<b>1,421,882</b>	<b>1,628,505</b>	<b>1,864,054</b>
<b>Adjusted Ending Fund Balance</b>	<b>(512,090)</b>	<b>(1,248,058)</b>	<b>(2,193,374)</b>	<b>(3,458,218)</b>	<b>(5,068,679)</b>
<b>Difference</b>	<b>276,000</b>	<b>276,000</b>	<b>276,000</b>	<b>276,000</b>	<b>276,000</b>

**Note:** \$222,000 was deducted from the Personal Services line item to reflect salaries applied to Title I funds. \$54,000 was deducted from the Benefits line item. These amounts were projected flat through the forecast period.

An annual reduction in General Fund salary and benefit expenditures of \$276,000 has a strong impact on Jefferson Township LSD's financial condition, as shown in **Table 2-6**. The District should ensure that the forecast depicts an appropriate allocation of costs to minimize overstatement of salaries and benefits. This is particularly important as salaries and benefits comprise 66.2 percent of expenditures.

**R2.5 Jefferson Township LSD should reduce expenditures in the purchased services, supplies and materials and capital outlay line items. By eliminating the excess costs identified in Table 2-7, the District can minimize the impact of non-educational expenditures on its finances. The Treasurer should use the historical data maintained in USAS to develop more realistic projections and help the District maintain conservative levels of expenditures. Detailed historical expenditure reports should be reviewed by the Treasurer, Superintendent and Board prior to developing the annual appropriation measure to identify areas of overspending.**

Between FY 2001-02 and 2003-04, expenditures in purchased services, supplies and materials and capital outlay increased 61.2 percent, 18.3 percent and 126.6 percent respectively. Although some of the increases in purchased services are attributed to community school and open enrollment payments, portions of the expenditures in each of these areas appeared to greatly exceed historical trends. Because of the turnover in the Treasurer's Office, most increases could not be explained.

**Table 2-7** shows noted high expenditure areas, recommended adjusted spending levels, and the reasons for each adjustment.

**Table 2-7: Cost Reductions in Discretionary Areas by Object**

Category	FY 2002-03 Actual	Adjusted Amount	Reason for Adjustment
<b>Purchased Services</b>			
General Other Instruction (Obj. 411)	\$39,700	\$10,000	District Estimate for FY 2003-04
General Other Support Services Pupil Health Services (Obj. 413)	42,200	10,000	District Estimate for FY 2003-04
Legal Services (Obj. 418)	39,300	15,000	Historical Average
Instructional Staff Meetings (Obj. 432)	14,000	3,500	District Estimate for FY 2003-04
Telephone Services (Obj. 411)	67,400	19,400	Elimination of cellular phones
Other Purchased Services and Office Supplies (Obj. 490)	20,000	5,000	District Estimate for FY 2003-04
<b>Supplies and Materials</b>			
Office Supplies (Obj. 512)	70,900	33,000	FY 1999-00 Actual
Motor Vehicle Repair Parts (Obj. 581)	29,300	14,500	Historical Average
<b>Capital Outlay</b>			
Equipment (Obj. 640)	75,900	47,000	Historical Average
Other Capital Outlay (Obj. 690)	16,500	3,000	Historical Average
<b>Totals</b>	<b>\$415,200</b>	<b>\$160,400</b>	
<b>Impact on General Fund</b>			<b>\$254,800</b>

The USAS can be used to develop projections based on historical and year-to-date data, and anticipated future years' expenditures. The USAS information, in turn, can be used to develop forecast assumptions. Although Jefferson Township LSD spent \$1,518,525 on General Fund purchased services in FY 2002-03, the USAS projections for FY 2003-04 only amount to \$379,634, indicating that the USAS system is not being used to assist in the development of forecast information. Likewise, Supplies and Materials expenditures were \$390,095 in FY 2002-03 but the USAS projections for 2003-04 only amounted to \$97,524. Finally, Capital Outlay expenditures in FY 2002-03 were \$96,200 but the USAS projection for FY 2003-04 was only \$24,000.

Despite the potential use of USAS projections, the District's forecast was developed using simplistic inflationary amounts based on prior years' expenditures. Prior expenditure details were not reviewed to isolate one-time purchases or high cost, discretionary areas of spending. Furthermore, it does not appear that efforts were made to reduce spending in high cost areas despite the projected deficit.

**Table 2-8** shows the effects of the above reductions on the forecasted ending fund balance.

**Table 2-8: Effect of Purchased Services, Supplies and Materials, and Capital Outlay Adjustments**

<b>District Forecast</b>	<b>FY 2003-04 Forecasted</b>	<b>FY 2004-05 Forecasted</b>	<b>FY 2005-06 Forecasted</b>	<b>FY 2006-07 Forecasted</b>	<b>FY 2007-08 Forecasted</b>
Purchased Services	1,565,729	1,612,701	1,661,082	1,710,914	1,762,242
Supplies	435,583	448,650	462,110	475,973	490,253
Capital	120,700	123,114	125,576	128,088	130,650
<b>Ending Fund Balance</b>	<b>(788,090)</b>	<b>(1,524,058)</b>	<b>(2,469,374)</b>	<b>(3,734,218)</b>	<b>(5,344,679)</b>
Adjusted Purchased Services	1,406,029	1,453,001	1,501,382	1,551,214	1,602,542
Adjusted Supplies and Materials	382,883	395,950	409,410	423,273	437,553
Adjusted Capital Outlay	78,300	80,714	83,176	85,688	88,250
<b>Adjusted Ending Fund Balance</b>	<b>(533,290)</b>	<b>(1,269,258)</b>	<b>(2,214,574)</b>	<b>(3,479,418)</b>	<b>(5,089,879)</b>
<b>Difference</b>	<b>254,800</b>	<b>254,800</b>	<b>254,800</b>	<b>254,800</b>	<b>254,800</b>

If Jefferson Township LSD is able to adjust its expenditures in purchased services, supplies and materials, and capital outlay, the District could realize savings of about \$254,800 annually.

*Financial Implication:* Reductions in expenditures in the Purchased Services, Supplies and Materials, and Capital outlay line items could result in a savings on \$254,800 for the District. This financial implication is reflected in **Table 2-17** showing the cumulative effects of adjustments on the ending fund balance.

**R2.6 Jefferson Township LSD should adjust its assumptions for the Other Objects line item. As large fluctuations have been noted in prior years, the treasurer should use an average of the three year history as the base amount and apply an appropriate inflationary factor. This amount should then be adjusted based on any additional information that might impact Other Objects.**

Jefferson Township LSD projected other objects based on a 15 percent decrease in FY 2002-03 actuals for FY 2003-04 and a 2 percent increase in future years. However, this may incorrectly state other objects as there was no explanation for the large FY 2002-03 increases or the 15 percent reduction in other objects for FY 2003-04. If the treasurer had specific information on the increases and reductions in this line item, it was not disclosed

in the forecast or to other District personnel. Therefore, the District, without information to clarify the variances from year to year, should use a three year average as the base for FY 2003-04 and then increase the base amount by 3 percent annually based on historical trends.

**Table 2-9** shows Jefferson Township LSD's original forecast projections and adjusted amounts for other revenues, as well as the adjustment's effect on the ending fund balance.

**Table 2-9: Effect of Other Objects Adjustments**

	FY 2003-04 Forecasted	FY 2004-05 Forecasted	FY 2005-06 Forecasted	FY 2006-07 Forecasted	FY 2007-08 Forecasted
<b>District Forecast</b>					
Other Objects	459,510	468,700	478,074	487,636	497,388
<b>Ending Fund Balance</b>	<b>(788,090)</b>	<b>(1,524,058)</b>	<b>(2,469,374)</b>	<b>(3,734,218)</b>	<b>(5,344,679)</b>
Adjusted Other Objects	379,484	390,868	402,595	414,673	427,113
<b>Adjusted Ending Fund Balance</b>	<b>(708,064)</b>	<b>(1,446,226)</b>	<b>(2,393,895)</b>	<b>(3,661,255)</b>	<b>(5,274,404)</b>
<b>Difference</b>	<b>80,026</b>	<b>77,832</b>	<b>75,479</b>	<b>72,963</b>	<b>70,275</b>

By decreasing other objects to amounts based on a historical average and using a 3 percent inflationary measure, the District can mitigate any large scale fluctuations and present a more conservative estimate of other objects.

**R2.7 Jefferson Township LSD should closely examine its discretionary expenditures and reduce expenditures in high cost areas to levels closer to the peer average. The District should concentrate on areas such as professional and technical services, meeting expenses, communications, general supplies, and dues and fees (see Table 2-1 and R2.5). Reductions in these areas would allow Jefferson Township LSD to reduce its discretionary expenditures to levels more commensurate with the peer districts.**

Jefferson Township LSD's discretionary expenditures comprise more than 22 percent of all expenditures as shown in **Table 2-1**. Discretionary expenditures comprise those costs which are not required of the school by contract or statute. Ohio Districts have a great amount of latitude in allocating discretionary expenditures. However, based on prior AOS studies, discretionary expenditures generally fall between 8 and 12 percent in financially healthy school districts. Usually, financially distressed school districts reduce their discretionary expenditures to rates below 8 percent. Jefferson Township LSD's discretionary expenditures appear excessive in light of its current financial condition.

Jefferson Township LSD's high level of discretionary expenditures indicates that the District is purchasing a high volume of goods that are not required for instruction or as a result of negotiated agreements. Because of the District's current financial condition, Discretionary expenditures should be reduced to minimum amounts. Although many of the high cost areas have been captured in **R2.5**, the District should seek reductions in all areas of discretionary expenditures. If Jefferson Township LSD was able to bring its discretionary expenditures down from 22 percent (\$1.6 million) to the peer average of 15.8 percent (\$1.2 million), the resulting savings would be approximately \$475,000. If the District was able to bring discretionary expenditures down to 10 percent (\$766,000), the resulting savings would be \$919,000.

**R2.8 As Jefferson Township LSD adjusts its discretionary and non-essential expenditures, it should closely monitor the spending patterns indicated in Table 2-11 and Table 2-12 and ensure the reallocation of monies it is currently receiving toward those programs and priorities which have the greatest impact on improving the students' education and proficiency test results. Furthermore, the District should analyze the cost reductions recommended in this report to aid its efforts to regain financial stability.**

Currently, each school district receives a performance accountability rating based on 22 performance standards from ODE. These 22 standards are minimum performance goals for public education in Ohio, and analyzing the number of ODE performance standards a school district meets should correlate to the school district's spending patterns. **Table 2-10** presents the number of performance standards Jefferson Township LSD and the peers met in FY 2000-01, FY 2001-02 and FY 2002-03.

**Table 2-10: ODE Performance Standards Comparison**

Number of Performance Standards Met	Jefferson Township LSD	Covington EVSD	East Guernsey LSD	Mississinawa Valley LSD	Peer Average
<b>FY 2002-2003</b> 22 Possible Standards	<b>5</b> Academic Emergency	<b>14</b> Continuous Improvement	<b>14</b> Effective	<b>12</b> Continuous Improvement	<b>13</b> Continuous Improvement
<b>FY 2001-2002</b> 22 Possible Standards	<b>7</b> Academic Watch	<b>15</b> Continuous Improvement	<b>18</b> Effective	<b>13</b> Continuous Improvement	<b>15</b> Continuous Improvement
<b>FY 2000-2001</b> 27 Possible Standards	<b>10</b> Academic Watch	<b>19</b> Continuous Improvement	<b>16</b> Continuous Improvement	<b>18</b> Continuous Improvement	<b>17</b> Continuous Improvement

Source: ODE School District Report Cards

The FY 2002-03 School Year Report Card for Jefferson Township LSD shows that the district met only 5 out of 22 performance standards, which places the District in

Academic Emergency. Compared to its peers, Jefferson Township LSD is lower performing by several standards

The allocation of resources between the various functions of a school district is one of the most important aspects of the budgeting process. Given the limited resources available, functions must be evaluated and prioritized. Analyzing the spending patterns between the various functions should indicate where the priorities of the school board and management are placed.

**Table 2-11** shows the distribution of revenue and expenditures for Jefferson Township LSD compared to the peer districts.

**Table 2-11: Revenue by Source and Expenditures by Object**

	Jefferson Township LSD	Covington EVSD	East Guernsey LSD	Mississinawa LSD	Peer Average
Property & Income Tax	38.5%	36.5%	18.9%	28.0%	27.8%
Intergovernmental Revenues	47.3%	56.3%	78.9%	63.7%	66.3%
Other Revenues	14.2%	7.2%	2.2%	8.3%	5.9%
<b>Total Revenue</b>	<b>\$7,205,417</b>	<b>\$5,332,833</b>	<b>\$7,560,274</b>	<b>\$4,975,969</b>	<b>\$5,956,359</b>
Wages	53.6%	63.5%	60.2%	56.1%	59.9%
Fringe Benefits	12.6%	12.4%	19.8%	16.7%	16.3%
Purchased Service	19.2%	12.5%	10.3%	14.0%	12.3%
Supplies & Textbooks	4.9%	3.9%	5.1%	3.3%	4.1%
Capital Outlays	1.2%	0.9%	2.4%	2.5%	1.9%
Debt Service	0.4%	0.0%	0.0%	1.0%	0.3%
Miscellaneous	6.8%	6.9%	2.1%	3.1%	4.0%
Other Financing Uses	1.3%	0.0%	0.1%	3.3%	1.1%
<b>Total Expenditures</b>	<b>\$7,913,313</b>	<b>\$5,287,435</b>	<b>\$8,099,126</b>	<b>\$5,156,173</b>	<b>\$6,180,911</b>

Source: Jefferson Township LSD, Covington EVSD, East Guernsey and Mississinawa Valley LSDs FY 2002-03 4502 Reports

As shown in **Table 2-11**, wages and fringe benefits are below the peer average when stated as a percentage of total expenditures. The District's supplies and textbooks are slightly higher than the peers while purchased services are significantly higher than the peer average. Purchased services expenditures are further detailed in **Table 2-7** and represent an area of large increases in expenditures from FY 2001-02 through FY 2003-04 budgeted amounts. These increases are in areas of discretionary expenditures related to support functions and have not contributed to the District's educational mission.



**Table 2-12** shows the operational expenditures 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 financial activities that are financed through taxes and intergovernmental revenues.

**Table 2-12: Governmental Funds Operational Expenditures by Function**

USAS Function Classification	Jefferson Township LSD		Covington EVSD		East Guernsey LSD		Mississinawa LSD		Peer Average	
	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp	\$ Per Pupil	% of Exp
<b>Instructional Expenditures:</b>	<b>\$5,155</b>	<b>50.8%</b>	<b>\$4,047</b>	<b>57.0%</b>	<b>\$4,278</b>	<b>54.5%</b>	<b>\$4,661</b>	<b>55.7%</b>	<b>\$4,300</b>	<b>55.6%</b>
Regular Instruction	\$3,271	32.3%	\$3,262	45.9%	\$3,357	42.7%	\$2,930	35.0%	\$3,219	41.6%
Special Instruction	\$1,071	10.6%	\$785	11.1%	\$648	8.3%	\$1,122	13.4%	\$812	10.5%
Vocational Education	\$80	0.8%	\$0	0.0%	\$246	3.1%	\$218	2.6%	\$160	2.1%
Adult/Continuing Education	\$0	0.0%	\$0	0.0%	\$4	0.1%	\$0	0.0%	\$2	0.0%
Extracurricular Activities	\$0	0.0%	\$0	0.0%	\$23	0.3%	\$0	0.0%	\$10	0.1%
Classroom Materials and Fees	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Miscellaneous	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other Instruction	\$733	7.2%	\$0	0.0%	\$0	0.0%	\$390	4.7%	\$98	1.3%
<b>Support Service Expenditures:</b>	<b>\$4,641</b>	<b>45.8%</b>	<b>\$2,617</b>	<b>36.9%</b>	<b>\$3,361</b>	<b>42.8%</b>	<b>\$3,437</b>	<b>41.1%</b>	<b>\$3,141</b>	<b>40.6%</b>
Pupil Support Services	\$388	3.8%	\$232	3.3%	\$492	6.3%	\$323	3.9%	\$366	4.7%
Instructional Support Services	\$496	4.9%	\$335	4.7%	\$319	4.1%	\$602	7.2%	\$396	5.1%
Board of Education	\$41	0.4%	\$8	0.1%	\$31	0.4%	\$19	0.2%	\$20	0.3%
Administration	\$1,030	10.2%	\$776	10.9%	\$841	10.7%	\$870	10.4%	\$827	10.7%
Fiscal Services	\$618	6.1%	\$241	3.4%	\$292	3.7%	\$275	3.3%	\$271	3.5%
Business Services	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$7	0.1%	\$2	0.0%
Plant Operation & Maintenance	\$1,109	10.9%	\$616	8.7%	\$623	7.9%	\$914	10.9%	\$694	9.0%
Pupil Transportation	\$763	7.5%	\$297	4.2%	\$757	9.6%	\$407	4.9%	\$521	6.7%
Central Support Services	\$197	1.9%	\$114	1.6%	\$7	0.1%	\$19	0.2%	\$44	0.6%
<b>Non-Instructional Services Expenditures</b>	<b>\$30</b>	<b>0.3%</b>	<b>\$67</b>	<b>0.9%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$21</b>	<b>0.3%</b>
<b>Extracurricular Activities Expenditures</b>	<b>\$312</b>	<b>3.1%</b>	<b>\$369</b>	<b>5.2%</b>	<b>\$214</b>	<b>2.7%</b>	<b>\$271</b>	<b>3.2%</b>	<b>\$278</b>	<b>3.6%</b>
<b>Total Governmental Fund Operational Expenditures</b>	<b>\$10,138</b>	<b>100.0%</b>	<b>\$7,100</b>	<b>100.0%</b>	<b>\$7,853</b>	<b>100.0%</b>	<b>\$8,369</b>	<b>100.0%</b>	<b>\$7,741</b>	<b>100.0%</b>

Source: Jefferson Township LSD, Covington EVSD, Mississinawa Valley LSD, and East Guernsey LSD FY 2002-03 4502 Reports

According to **Table 2-12**, Jefferson Township LSD's overall per pupil spending for FY 2002-03 of \$10,138 is approximately 31 percent higher than the peer average of \$7,741. In comparison, Covington EVSD, which has approximately similar enrollment, spends \$3,000 less per pupil than Jefferson Township LSD. In Jefferson Township LSD, nearly \$2,000 of the difference in cost is spent on support services and just \$300 of this is spent on pupil and instructional support. **Table 2-12** shows that Jefferson Township LSD is

dedicating a much larger portion of its revenue to support functions which draws scarce resources away from its educational mission and goals.

As discussed in the **human resources**, **facilities**, and **transportation** sections of this report, recommendations were made to reduce staffing, optimize facility usage and enhance transportation operations. These recommendations, if implemented could reduce expenditures and are further supported by the data in **Table 2-12**, which shows the following:

- **Other instruction for the District averages \$733 per pupil, while the peer average is \$98 per pupil.** “Other Instruction” is tuition paid by the District to other districts for residents that participate in open enrollment, post-secondary education, attend community or Mental Retardation and Developmental Disabilities (MRDD) schools. According to the FY 2002-03 SF-3 report from ODE, the District had a negative “open enrollment adjustment” of \$330,214.
- **Pupil support services at the District average \$388, while the peer average is \$366 per pupil.** Pupil support addresses those activities which are designed to assess and improve the well-being of pupils and supplement the teaching process. Some programs included within pupil services are guidance, health, attendance, and support services for students with special needs.
- **Instructional support services at the District average \$496 per pupil. The peer average is \$396 per pupil.** The District should consider the cost savings in the **human resource** section of this report.
- **Administrative services at the District average \$1,030 per pupil, while the peer average is \$827.** The District should consider the cost savings in the **human resources** section of the report.
- **Fiscal services at the District average \$618 per pupil. The peer average is \$271 per pupil.** A portion of this reflects the misclassification of educational service center charges to fiscal services.
- **Plant operation and maintenance expenditures at the District average \$1,109 per pupil and the peer average is \$694.** The District should consider the cost savings recommended in the **facilities** section of this report.
- **Pupil transportation at the District averages \$763 per pupil. The peer average is \$521 per pupil.** The District should consider the cost savings recommended in the **transportation** section of this report.

- **Central support services at Jefferson Township LSD average \$197 per pupil, and the peer average is \$44 per pupil.** Central support describes those services and activities, other than general administration, which support each of the other instructional and supporting services programs, including planning, research, development, evaluation, information staff, and statistical and data processing services, such as the position(s) responsible for EMIS reporting.

Several high cost areas can be attributed to overspending as highlighted in the previous recommendations. However, the effect of lower instructional expenditures can be seen in the District's low proficiency test results. If Jefferson Township LSD is able to reduce its support costs and redirect the savings to instructional support, the District may be able to improve its academic standing.

- R2.9 Jefferson Township LSD should review its policy regarding open enrollment and establish limits on the number of students accepted into the District. The policy should outline and predetermine annually the number of students it would accept based on openings for each grade level, programs offered, District staffing levels and space availability. The policy should be applied in conjunction with careful planning by District management. In addition, the District should review the overall cost-effectiveness of open enrollment. Jefferson Township LSD should incorporate an accurate cost per pupil when calculating revenues, expenditures, and breakeven points for the implementation of open enrollment as well as other programs and/or policies. The development of the open enrollment plan should include a detailed analysis of the marginal cost and revenue gains for each open enrollment student. Planning should be conducted at the classroom level to ensure that current resources can support the additional students.**

**During the course of the audit, the District began taking steps to implement this recommendation.**

Although the District adopted an open enrollment policy that included capacity limits, the District does not abide by these predetermined limits. Amended Substitute Senate Bill 140 (effective 10/2/89) directs the admission of students through open enrollment to include the establishment of caps based on programs, space, and staffing. ORC § 3313.98(B)(1)(a)-(c) indicates that each school district must declare its policy on open enrollment to reflect the following three options that are available:

- Entirely prohibit open enrollment;
- Allow open enrollment from adjacent districts; or
- Allow open enrollment from all other districts, both adjacent and non-adjacent.

Inter-district open enrollment allows students to be admitted to school districts tuition-free. *Anderson's 2003-04 Handbook of Ohio School Law* indicates, "The enrollment of students from other districts does not affect the average daily membership of either district for state funding purposes. Each student continues to be counted within the ADM of his home district. However, the Department of Education will annually subtract from the sending district and add to the receiving district, an amount for per pupil aid and excess costs which correspond to the number of students involved." This information was summarized from ORC § 3313.981(B) and (C).

In addition, the board must establish policies regarding application procedures and must establish the following restrictions pursuant to ORC § 3313.98(B)(2)(b)(i)-(iii):

- Stated capacity limits by grade level, school building and education program;
- A requirement that native students, who want to be enrolled, will be enrolled and that adjacent or other district students previously enrolled be given preference over first time applicants; and
- Procedures to ensure that an appropriate racial balance is maintained in the district schools.

**Table 2-13** illustrates the effects of open enrollment on attendance for Jefferson and in relation to its peer districts.

**Table 2-13 ADM and Open enrollment**

	Jefferson Township LSD	Covington EVSD	East Guernsey LSD	Mississinawa LSD	Peer average
<b>ADM</b>	750.96	789.23	1,112.4	703.32	868.32
<b>Net Open enrollment</b>	92.97	79.55	44.09	-20	34.55
<b>Total enrollment (rounded)</b>	843	869	1,156	683	903
<b>Open enrollment % of total enrollment</b>	11%	9%	4.0%	-3%	3.3%

Source: Jefferson Township LSD and Peers' SF-3

As shown in **Table 2-13**, when compared with the peers, the open enrollment policy adopted by Jefferson Township LSD has a significant impact on the District's total enrollment.

Although Jefferson Township LSD has marketed open enrollment in the past, it has not considered potential costs associated with open enrollment. The District has tried to offset students leaving the District to attend community schools by expanding its open

enrollment program. During FY 2002-03, the District had a community school transfer of negative \$330,214 for resident students attending community schools. The goal of more effective planning with regards to open enrollment should be to lower fixed costs per student through the maximum utilization of facilities and staff. Students that attend Jefferson Township LSD from other districts account for 11 percent of total enrollment and 15 percent of State Foundation revenue. Net funded open enrollment for approximately 93 students into Jefferson Township LSD accounted for nearly \$487,000 (\$5,184 per student) in revenue. However, native students provide about \$8,254 each in General Fund revenue. As noted in **Table 2-11**, Jefferson Township LSD had General Fund expenditures of \$9,387 per student.

While certain costs remain fixed regardless of the number of students enrolled, some costs, such as administrative, supplies, and textbooks, are variable and increase as the District accepts more open enrollment students. In addition, the revenue received through open enrollment is not fixed or secure. The enrollment of non-resident students may be impacted by the District's academic performance indicators and/or its financial condition.

Considering the significant number of open enrollment students historically entering the District and the District's current fiscal caution status, a clearly defined and specific open enrollment policy should be developed and implemented. The District should consistently adhere to the policy. Furthermore, all costs for student instruction and support should be evaluated in determining the cap that would maximize the financial and educational benefits of open enrollment.

A properly implemented policy would allow the District to forecast open enrollment students with a greater degree of reliability. The guidelines are not intended to limit school choice, but rather, to ensure that the accepting district develops plans that appropriately allocate teaching staff, space, and supplies. Such a policy would compel the District to review enrollment, programs, and staffing to ensure the most appropriate placement of students. In addition, the policy would further encourage District management to keep abreast of issues in surrounding districts that would affect the influx of open enrollment students.

**R2.10 Jefferson Township LSD should re-establish its participation in Federal grants programs. Because Federal funding is an important revenue component for the District, the treasurer should assume these duties within his or her office and should ensure that grant record keeping procedures are established to maintain adequate control and reporting of grant expenditures. In addition, the Superintendent should direct building principles to assist in identifying and assessing potential funding sources, advising appropriate personnel of available funding opportunities, developing proposals, and evaluating program effectiveness.**

**During the course of the audit, the District worked with ODE to spend down its grant accounts. At the time of publication, there was only \$117,582 remaining in grant carry-over funds.**

Jefferson Township LSD did not use \$443,739 of its Federal grant awards from FY 2002-03. The District does not have a centralized resource for grant application, proposal development, financial oversight and record keeping. The District has applied for and received a number of Federal grants in the past, but poor record keeping caused the funding to be suspended. During FY 2002-03, Federal grant funding was suspended because the necessary reporting had not been completed or filed for FY 1999-00 through FY 2001-02. An interim treasurer completed the necessary reports and ODE began releasing money again during the course of FY 2002-03.

In prior years, approved funds have gone unclaimed because reports or invoices were not filed on time. In addition, funding was postponed because timely and appropriate reporting was several years overdue. Currently, the District is working with ODE to determine a means to retain Federal grant revenue that was allocated but unspent. If Jefferson Township LSD is unable to ensure reinstatement of Federal grants, the District could lose up to \$1.2 million in Federal funding. **Table 2-14** shows the Federal grants currently obtained by the District.

**Table 2-14: Jefferson Township LSD Federal Grants FY 2002-03**

<b>Grant</b>	<b>Allocation</b>	<b>Expenditures</b>	<b>Unexpended Amounts</b>	<b>Carry Over</b>
Title I - Part A: Education for the Disadvantaged <b>(I-TA)</b>	\$478,479	\$202,459	\$276,020	\$276,020
Title I - Part A - School Improvement <b>(I-SW)</b>	\$478,479	\$202,459	\$276,020	\$0
Title I - Part D: Neglected and Delinquent Children Program <b>(I-D Del)</b>	\$21,587	\$17,778	\$3,080	\$3,080
Title I - Part C: Migrant Education Program <b>(I-C Mlg)</b>	0	0	0	0
Title I - Part F: Comprehensive School Reform <b>(I-CSR)</b>	0	0	0	0
Title II - Part A: Improving Teacher Quality State Grants <b>(II-A Tqu)</b>	\$99,651	\$14,156	\$85,495	\$85,495
Title II - Part D: Enhancing Education through Technology Program <b>(II-D Tec)</b>	\$13,089	\$0	\$13,089	\$13,089
Title III - English Language Acquisition <b>(III LEP)</b>	0	0	0	0
Title IV - Part A: Safe and Drug Free Schools and Communities: State Grants <b>(IV SDFSC)</b>	\$16,952	\$1,092	\$15,860	\$15,860
Title V - Part A: Innovative Programs <b>(V Innov)</b>	\$5,155	\$0	\$5,155	\$5,155
Title VI - Part B: Rural Education Achievement Program <b>(VI-B Rur)</b>				
Individuals with Disabilities Act: Part B <b>(IDEA-B)</b>	\$94,457	\$51,389	\$43,067	\$43,067
IDEA - Part C: Early Intervention Programs for Infants/Toddlers with Disabilities (Early Childhood) <b>(ECSE)</b>	\$1,973	\$0	\$1,973	\$1,973
<b>Total</b>	<b>\$1,209,822</b>	<b>\$489,333</b>	<b>\$719,759</b>	<b>\$443,739</b>

Source: ODE Final Expenditure Report

Although the District was awarded \$1,209,822 in Federal grant money, \$719,759 was unspent in FY 2002-03. Of the unspent grant funding, an estimated \$108,000 to \$153,000 may be carried over to FY 2003-04 depending on the availability of waivers. District personnel indicated that the actual total carryover amount for FY 2003-04 was approximately \$118,000, although this was not the amount originally reported to ODE. In other words, the District may have lost between \$292,000 and \$337,000 to ODE. The expenditures related to the grant revenue may have occurred, but been incorrectly coded or not matched to the appropriate revenue stream. The absence of reliable financial records during FY 2002-03 and the limited knowledge of District staff makes corrective action difficult.

When the current Federal grant funding has been reestablished, the District should review the many Federal and State programs, private foundation grants, and corporate sponsorships that provide supplemental funding aimed at helping low-income, at risk students in public schools. Jefferson Township LSD has not sought funding from these additional sources. As a result, the district relies almost exclusively on revenue from local property taxes and State foundation payments.

*Financial Implication:* The audit identified an additional \$167,000 that may be appropriate for allocation from the General Fund to special revenue funds, excluding the Title I funds discussed in **R2.4**. However, the District should ensure that it does not use Federal funds to supplant General Fund expenditures.

### *Management Controls*

**R2.11 To improve internal and management controls, and resolve the numerous financial audit management letter recommendations, the District should seek to establish an audit committee. The audit committee should play an advisory role in the District's financial accounting, reporting, internal controls and compliance with laws and regulations. The audit committee should be engaged in the preparation of the District's financial statements and should lend assistance in resolving audit findings.**

**Furthermore, the audit committee should present annually to the Board and District management a written report of how it has discharged its duties and met its responsibilities. The report should be made available to the public. The District's management and governing body should remain responsible for the fair presentation of the District's financial statements and for obtaining and monitoring the financial statement audits.**

**The audit committee should be comprised of members of the community with experience in finance, law, or other aspects of management. Potential candidates should include individuals with experience in financial management, banking, or auditing. During the course of this audit, the Superintendent indicated that he had contacted community members to form such a committee, and the first meeting would be held in the spring of 2004.**

Management letters from the District's 1999 thru 2002 annual financial audits show that the District has received several non-compliance citations and internal control recommendations indicating weak internal and management controls. Although the comments themselves were not of a material or reportable nature, the information represents areas in which improvements in compliance, internal controls, or operational efficiencies might be achieved. In some cases, the comments could have a direct impact on the District's ability to resolve its financial difficulties. These areas are shown in bold



text. The following list contains excerpted examples of non-compliance citations and internal control issues that have been identified during annual financial audits.

*Management Letter (1999)*

- **Expenditures exceeding appropriations;**
- **Failure to complete certification of available resources (purchase orders) prior to expenditure;**
- **Failure to submit tax budget to the County Auditor;**
- **Failure to post amendments to appropriations in a timely and correct manner;**
- Failure to account for fixed asset additions and deletions; and
- **Overstatement of accounts payable leading to audit adjustment.**

*Management Letter (2000)*

- Failure to deposit monies on the business day following the day of receipt;
- **Failure to update five-year forecast after actual revenues and actual expenditures exceeded the 5 percent deviation from the original projects;**
- **Transfers and/or advances not supported by Board resolution;**
- **Failure to properly post revenue and appropriation budgetary changes;**
- Failure to ensure that all student organizations have budgets on file in the Treasurer's Office; and
- **Failure to report Title I expenditures in a timely manner.**

*Management Letter (2001)*

**Note:** An (\*) denotes comments repeated from prior financial audits.

- \*Failure to deposit monies on the business day following the day of receipt;
- **\*Transfers and/or advances not supported by Board resolution;**
- \*Lack of supporting documentation on student activity fund raisers;
- \*Failure to use ticket inventory sheets for athletic event tickets;
- **\*Failure to update the District's accounting ledger with budgetary appropriations that are from Board approved appropriation resolution; and**
- **\*Failure to report Title I expenditures in a timely manner.**

*Management Letter (2002)*

- **Failure to pass annual appropriation measure or temporary appropriation measure within statutory timeframes;**
- **Failure to request amended certificate of estimated resources upon notice of increased or decreased resources;**
- **Failure to timely and properly modify the District appropriations when expenditures exceeded appropriations;**
- **Failure to complete certificate of available resources (purchase orders) prior to making purchases;**
- **Failure to supply the County Auditor a certificate of available resources; and**
- **Failure to provide the County with certificates needed to collect property taxes.**

The preceding list is a summation of comments included in each of the Management Letters. As indicated by the bold text, many of the comments have direct impact on the District's financial condition and its ability to rectify its current deficit. Furthermore, the FY 2001 Management Letter shows a total of nine comments that are repeated from prior financial audits. From the number comments incurred by the District from FY 1998-99 through FY 2001-02, a pattern of poor fiscal management, excessive spending, and an absence of controls is apparent. To resolve these issues, the District would be well served by having a body of professionals who are interested in the success of the District serve as advisors to the Board on matters that have a direct effect on the District's finances.

The Federal Treadway Commission and Government Finance Officers Association (GFOA) advocate the use of audit committees in the public sector. According to both organizations, audit committees increase the level of confidence in the financial reporting process and help to ensure timely attention is paid to control issues and compliance weaknesses. Furthermore, an audit committee is a practical tool that can significantly increase the integrity and efficiency of financial reporting and overall public accountability.

The audit committee should be formally established by Board resolution. Committee members should collectively possess the expertise and experience in accounting, auditing and financial reporting needed to understand and resolve issues raised by the independent auditors. The audit committee can include Board members. However, it is preferable to include representation independent from elected officials and management. The committee should meet regularly to monitor the District's financial reporting and control activities, and should meet with its independent auditors before and after each audit. In addition, the committee should periodically review the process used to prepare interim financial information submitted to the Board.

Using information developed by an audit committee will help keep the District on track with maintaining and monitoring financial matters. To further efforts in establishing sound financial accountability practices, the District will also need to undertake efforts to redevelop, fully implement and dutifully maintain an accounting policy and procedures manual (see **R2.12**). An audit committee can help ensure that an appropriate internal control system, based on an accounting policy and procedures manual, is developed. Likewise, it can assist in the oversight of the District's financial accounting practices at a level commensurate with its Board-sanctioned authority. The audit committee's full, unmitigated participation in maintaining the integrity of the District's financial information, system of internal controls, and legal and ethical conduct will help bring stability to the District's financial circumstances.

If, in the future, the District must borrow from the Solvency Assistance Fund and accept the oversight of a Financial Planning and Supervision Commission (FPSC), the audit committee should act in support of the FPSC. The audit committee should be prepared to assist in monitoring Jefferson Township LSD's financial position and practices, although some committee functions may duplicate the work of the FPSC. Finally, once the District is returned to financial health and the FPSC is dissolved, the audit committee should continue the financial monitoring practices to ensure the long-term financial stability of the District.

**R2.12 The District should redevelop and fully implement an accounting policy and procedures manual. The manual should be a well-designed and properly maintained system for documenting accounting policies and procedures that enhances both accountability and consistency. The publication should provide a step-by-step guide for completing tasks related to every facet of accounting for the District's operating revenues and expenditures. Furthermore, the document should detail internal control processes and procedures and should list the specific tasks, steps, and approval and monitoring processes necessary to complete and issue District reports and to conduct financial activities. Furthermore, supervisors should use outlined procedures to facilitate new employee training, update job descriptions and cross-train employees who lack experience in various functions. By formalizing standard operating procedures for all functions, the District can minimize errors (see R2.4), improve financial controls, and increase operational efficiency.**

District representatives stated that an accounting policy and procedures manual existed, but it was misplaced when the administration moved into its new building in October 2002. Furthermore, the Management Letter that accompanied the District's FY 2002 financial audit noted that the District does not maintain an accounting policy and procedures manual. All financial activity since that time has been performed without written policies and procedures and the associated internal controls. As evidenced by the four consecutive years of Management Letter recommendations (see **R2.11**), even if it

had an accounting policy and procedures manual at its disposal, the District did not conduct rudimentary financial accounting activities without incurring significant deviations from sound accounting practices.

The GFOA indicates that communication is an essential component of a comprehensive framework of internal controls. One method of communication that is particularly effective for controls over accounting and financial reporting is the formal documentation of accounting policies and procedures. The GFOA emphasizes that every government should document its accounting policies and procedures. Traditionally, such documentation takes the form of an accounting policies and procedures manual.

Accounting policies and procedures should be promulgated by an appropriate level of management to emphasize their importance and authority. The documentation of accounting policies and procedures should be updated periodically according to a predetermined schedule. Changes in policies and procedures that occur between these periodic reviews should be updated in the documentation as they occur. A specific employee should be assigned the duty of overseeing this process. Management is responsible for ensuring that this duty is performed consistently.

The accounting policies and procedures manual should be readily available to all employees who need it. It should delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records. Likewise, the documentation of accounting policies and procedures should indicate which employees are to perform which procedures. Procedures should be described as they are actually intended to be performed rather than being based on a template or model. Also, the documentation of accounting policies and procedures should explain the design and purpose of control-related procedures to increase employee understanding of, and support for, controls.

Ohio Administrative Code (OAC) § 117-2-01(A) provides that “All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.” Shown below is OAC § 117-2-01(B) which defines the term internal control and outlines the scope and breadth of its reach.

“‘Internal control’ means a process effected by an entity’s governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (1) Reliability of financial reporting;
- (2) Effectiveness and efficiency of operations;

- (3) Compliance with applicable laws and regulations; and
- (4) Safeguarding of assets.”

Set forth in (OAC) § 117-2-01(C) are the five interrelated components of internal controls. Internal control features are comprehensive and should be developed to ensure maximum effectiveness. These features should include the following five primary components.

- The Control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- Risk assessment is the entity’s identification and analysis of relevant risk to the achievement of its objectives, forming a basis for determining how the risks should be managed.
- Control activities are policies and procedures that help ensure management directives are carried out.
- Information and communication are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- Monitoring is a process that assesses the quality of internal control performance over time.

As discussed in **R2.11**, the District has not ensured that matters pertaining to financial accountability take place in a manner consistent with generally accepted accounting principals. As the District is faced with the need not only to improve its financial position but its academic achievement scores as well (see **R2.8**), a detailed set of accounting policies and procedures will help the District ensure that measured and exacting steps are taken in the completion of finance related matters and allow the Board and administration to focus on academic issues. Furthermore, as improved oversight and management controls are instituted, the District will establish positive control over monetary resources and will be in a better position to direct resources towards activities that enhance educational activities.

The Ohio School Boards Association (OSBA) and the Ohio Association of School Business Officials (OASBO) offer management consulting services. These two resources, as well as services offered by commercial vendors, would help the District re-establish and maintain a detailed accounting policy and procedures manual. Listed below is a

sample index for an accounting policy and procedures manual, which includes some of the key topics relevant to operational activities.

- Purpose, scope and responsibility;
- Management responsibility;
- Transactions;
- Documentation;
- Security;
- Cash;
- Inventory and Assets;
- Process and Controls; and
- Purchasing.

The District, as with all forms of government, has broad discretion in how it develops and implements accounting policies and procedures. However, the District should be proactive in this regard and also engage, as recommended in **R2.11**, an audit committee to help with the development and implementation of a manual. Furthermore, as the District takes the initiative to formalize accounting processes and procedures, it will increase accountability for public funds, limit liability inherent in poor financial practices and strengthen the overall financial structure and governance of monetarily driven business issues.

**R2.13 The District should work closely with the Board to develop a policy on the use of District owned cellular phones. The policy should be comprehensive in scope to effectively curtail excessive or inappropriate use of cellular phone services. Personnel that are assigned District owned cellular phones should be informed of the policy and be required to affix their signature to a policy statement attesting to their understanding of and agreement with the provisions contained therein. Cellular phone statements should be reviewed by the Treasurer’s Office on a monthly basis and personnel should be held accountable for deviations from the policy. When the policy is breached, the District should take measured steps to ensure that such deviations are corrected. Personal calls should be reimbursed to the district and any personal calls made using “plan minutes” should be prorated and repaid. The superintendent indicated that the District has begun implementing this recommendation by terminating the cellular phone contract for teaching personnel.**

The District has incurred excessive costs in regard to purchased services (see **R2.5**). Included in the purchase services category is Telephone Services (object code 411). The District purchased cellular phone services for Board members, teachers, administrators and department supervisors, and posted the costs incurred to object code 411. As

discussed in **R4.1**, two of the peers provide cellular phones to a limited number of personnel, generally administrators and bus drivers. The District distributed cellular phones to approximately 74 school affiliated personnel: 59 to teachers, 7 to Board members and associated personnel, and 8 to various administrative personnel.

**Table 2-15** shows the distribution of cellular phones, base rates and allotted program minutes.

**Table 2-15: Cellular Phone Allocation and Program Provisions**

	Count	Base Rate Charge Per Phone	Total Monthly Charge	Plan Minutes
Teachers	59	\$35	\$2,065	250
Board/Administration <sup>1</sup>	7	\$58	\$406	150
Other Administrative	8	\$55	\$440	150
<b>Total</b>	<b>74</b>	<b>--</b>	<b>\$2,911</b>	<b>--</b>

**Source:** Nextel cellular phone service statements

<sup>1</sup> Although the Board only has five members, seven cell phones were attributed to individuals under the Board heading and the accounts were listed only by phone number. The District was not able to identify the remaining two positions that held cell phones in this category.

The total monthly charge shown in **Table 2-15** includes only “plan costs.” It does not reflect taxes and non-plan service fees. When all fees, taxes, and charges for exceeding program minutes are included, the District’s cellular phone bill averaged \$4,500 each month during FY 2002-03. The estimated annual cost for FY 2002-03 amounted to approximately \$54,000. In comparison, the two peers that provide cellular phones to key personnel had an average annual cost of approximately \$4,900.

Information contained in **Table 2-16** shows the charges for exceeding program minutes by District personnel and the Board. The two sampled billing statements did not show additional charges for phones classified as Other Administrative.

**Table 2-16: Excess Charges Resulting from Cellular Phone Use**

Bill Cycle	No. of Phones with Additional Charges	Additional Charges - Teachers	Additional Charges – Board Members	Highest Overage	Total Additional Charges
November/December 2002	22	\$1,274	\$150	1,331 minutes \$240	<b>\$1,424</b>
March/April 2003	26	\$1,918	\$119	2,118 minutes \$378	<b>\$2,296</b>

**Source:** Nextel cellular phone service statements

**Table 2-16** shows that, each month, approximately 30 percent of the cellular phone users caused the District to incur additional costs by exceeding plan minutes. Instances include

teachers who exceed time allocation by 1,331 minutes during the November/December 2002 billing cycle and in the March/April 2003 billing cycle. In several instances, calls included on the bills certainly do not appear to be related to District business<sup>2-1</sup>. Such overages indicate that stringent management controls are needed to ensure that cellular phones are used only for District business. The absence of stringent management controls contributes to the potential for inappropriate use of a publicly funded resource, which, in turn, contributes to an excessive financial liability for the District. Furthermore, there is no evidence available to show that the District required repayment for additional charges from the holder of a cell phone that incurred additional costs. In general, it appears that the District failed to establish and enforce cost containment practices or ensure that District-owned equipment was used for public purposes only, especially in regards to the use of District owned cellular phones.

In July 2003, the superintendent required educational personnel affiliated with the District to relinquish cellular phones paid for by the District. This step was taken to help reduce operational costs. However, the District now has 60 cellular phones placed in a “standby status” meaning the District is paying for cellular phones that are not being used. The cost to keep a cellular phone in “standby” is \$5.95 per month. The monthly bill for maintaining the cellular phones in standby status is approximately \$360.

As a practice, expending public funds for cellular phones, especially when an entity is experiencing significant financial difficulty, does not indicate responsible and controlled business practices. However, if the District continues to provide cellular phones to staff, it should do so under a policy that compels adherence and affords the District the ability to recover costs attributable to non-district business.

The GFOA makes samples of cellular phone policies available. Examples of cellular phone policies that are available through the GFOA include those from two municipal governments. The City of Cincinnati has a policy that specifies that only personnel with a “demonstrated need” shall be issued a cellular phone. Employees are held accountable for non-business related use of city cell phones and have to reimburse the city for the cost incurred from personal use. The policy also requires that employees notify a supervisor when personal use has occurred. Cincinnati also puts a cap on the number of minutes per month a person can use the cell phone and when exceeded, the person becomes subject to an audit for the previous 12-month period. The policy further specifies that “...excessive and/or personal costs that are not reimbursed by the employee at the time of the audit may be considered theft and will result in appropriate corrective action.” Non-compliance with the policy leads to progressive discipline and loss of cellular phone privileges.

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<sup>2-1</sup> A search of internet based telephone number databases yielded matches to phone numbers on several of the bills. In some cases, these calls were made to family members and out-of-town, non work-related persons. Several invoices showed calls made during periods when school was closed on holidays. Lastly, a majority of calls were made after work hours on all invoices examined.



Another sample policy contains similar language requiring personnel to appropriately use cellular phones and be able to account for the incidental costs. The policy specifies employee responsibility, manager responsibility, and requires users to reimburse the costs for misuse or exceeding program limits.

The Ohio Compliance Supplement contains laws and regulations which are of considerable public interest or are of the type generally considered significant by auditors. Among other things, information contained within the Compliance Supplement identifies options to compel the recovery of costs due to a public entity. As outlined in the Compliance Supplement, ORC § 117.01(C) defines public money as "any money received, collected by, or due a public official under color of office, as well as any money collected by any individual on behalf of a public office or as a purported representative or agent of a public office." As indicated in **Table 2-16**, extra charges for cellular phones make up approximately 40 percent of the total monthly charge, yet the users have not reimbursed the District for these overages, nor has the District taken any action to collect on these expenditures. Furthermore, invoices and records do not indicate that costs for cellular phones usage comport with the requirement that expenditures are for a proper public purpose. A policy on cellular phone usage and equipment usage that prohibits private use will assist the District in its efforts to recover money that may be owed for expended that are of a private, and not public purpose.

By implementing and enforcing a strong policy, the District will continue to be able to properly account for and apportion responsibility for costs associated with cellular phone use. Discouraging misuse of cell phones or other equipment provided for a public use by instituting an aggressive asset control policy will help increase personal accountability, discourage inappropriate use, and decrease the monetary burden of such assets on the District. See **R4.1** for information on potential cost savings by reducing purchased services, as they pertain to cellular phone service.

### *Treasurer and Board Governance*

**R2.14 Jefferson Township LSD should work to establish stability in its administrative and financial functions. The District should hire a permanent treasurer on a one or two-year contract and strive to maintain a sufficient and consistent level of staffing in the Treasurer's Office.**

Jefferson Township LSD's last permanent treasurer retired from the District in November of 2002. Since that time, the District has employed three different treasurers. Recently, the District retained the services of the retired treasurer on a day-to-day basis until a new, permanent treasurer can be found. Additionally, over this same time period, the District reduced support staffing in the Treasurer's Office, making it more difficult for the interim treasurers to become acclimated to the District's practices and keep up with financial

record-keeping and reporting. As a result, the District has been significantly behind in various areas of financial reporting and was unable to provide portions of critical documentation requested during the course of this audit.

Employee turnover, especially in critical positions such as school district treasurer, can be extremely costly for employers. The Center for Community Economic Development identifies several cost areas associated with employee turnover, including the following:

- **Separation costs:** This category can include such costs as the time of an administrator to conduct an exit interview or the time of clerical staff for filing paperwork related to the separation. In one case, the resignation of a treasurer from Jefferson Township LSD resulted in the loss of some District financial records.
- **Replacement costs:** Replacement costs can include the time required for reviewing applications and resumes, costs of background checks or drug tests, as well as advertising costs for posting the position in appropriate publications.
- **Performance costs:** Performance costs include the cost of any training needed to familiarize a new employee with an organization's operations, but can also include any lost productivity during the adjustment period or the cost of other employees assisting in the completion of work for the new employee.

Some of these costs, such as training and staff time, are easily quantifiable, while others, such as lost productivity, can be difficult to identify. It is clear, however, that Jefferson Township LSD's failure to secure a permanent treasurer for over a year has had serious negative consequences, if not on the actual financial condition of the District, then certainly on the District's ability to report on its condition. FY 2002-03 ended on June 30, 2003, but Jefferson Township LSD was not able to finalize its financial statements for three months. Even then, some accounts did not reconcile, and minimal amounts had to be written off as losses to make all accounts balance.

To establish stability in the financial management of the District, Jefferson Township LSD should attempt to negotiate a long term (one or two year) contract with a treasurer. The District should consider retaining the interim treasurer for a few weeks while the permanent treasurer becomes acclimated to the District's policies and procedures.

**R2.15 Jefferson Township LSD should develop a formal orientation and training program for Board members that includes a brief description of rights, responsibilities, and public expectations for elected office holders. The program should outline any specific responsibilities or considerations at Jefferson Township LSD, such as**

**community demographics or concerns and general meeting frequency, as well as school board responsibilities, such as effective financial management and planning.**

**Although board members indicated that they had received some training, the auditors' assessments concluded that this may not have been sufficient to acquaint them with their duties in relation to specific board responsibilities in Ohio. The Board should seek training emphasizing financial management, planning, and governance specifically tailored to their duties as outlined in Ohio statutes and rules.**

Jefferson Township LSD does not provide formal training or orientation to newly-elected Board members. While Board members bring outside experience and knowledge, these concepts should be supplemented with a formal understanding of the rights and responsibilities of elected officials, specifically members of school boards. Some specific areas to include in the orientation could include the following:

- Conducting effective school board meetings;
- Establishing better working relationships between members of the Board, District employees, and citizen groups; and
- Implementing sound financial management and planning.

A number of organizations provide programs to help newly-elected or appointed public officials become acclimated to their new positions. The Auditor of State offers a general on-line training course to local government officials based on the GFOA's Elected Officials Guide series. The cost of the program is \$65 per person. Similarly, the Ohio School Boards Association schedules seminars and workshops for new board members and board presidents on a variety of education-related topics. Some of these seminars are free, but most range in price from \$30 to \$195 per person.

Jefferson Township LSD's current financial situation came about not from a single incident, but rather from poor internal controls that permitted unmonitored spending, resulting in an inefficient use of public funds. Over the past few years, spending in some categories has increased 130 percent without adequate explanation or documented need. As the fiduciary and legislative authority of the District, it is the responsibility of the Board to control spending by establishing internal and management controls as well as spending principles or philosophies within the District. Formal orientation concerning the educational priorities and business practices of the District, as well as training in various areas of school district management, could assist the Board in controlling expenditure levels and returning the District to financial solvency.

*Financial Forecast*

**R2.16 The assumptions that accompany Jefferson Township LSD’s five-year forecast should be expanded to present more detail on personnel reductions and expected cost savings, as well as to consistently present more historic and projected information and explanatory comments. Initially, the District should use the revised assumptions shown in R2.1 through R2.3. In addition, the treasurer should ensure that notes and assumptions reflect accurately what is reported in the five-year forecast. By expanding the supporting notes to the forecast and recovery plan, the Board and the public will better understand the financial condition of the District and the financial impact of board decisions.**

**The District should develop a financial recovery plan that is specific, practical, and provides details on the actions that will be taken to remove itself from fiscal oversight status. The financial recovery plan should include strategies and timelines for the effective resolution of the financial crisis as well as any staffing reductions, realignments or building closures**

A forecast is a management tool developed by the treasurer with the assistance of other management within the school district. Assumptions are informed estimates developed by appropriate District management and communicated to the Board. Since assumptions can change based upon economic conditions, the forecast should be considered a working document that can be altered if the conditions change significantly as time progresses throughout the fiscal year.

Auditor of State Bulletin 98-015, released on December 21, 1998, provides guidance on the completion of the five-year forecast and clarifies ORC § 5705.412 regarding certifications. According to the bulletin, the financial forecast required by revisions to ORC § 5705.391, enacted in Sub. H.B. 412, is intended to provide a method for the State Department of Education and the State Auditor’s Office to identify school districts that are headed toward financial difficulty. The format of the forecast has been designed as a guide for determining the ability to certify obligations under the requirements of ORC § 5705.412. Responsibility for the preparation of the forecast, the accuracy of the figures presented, and the reasonableness of the assumptions on which they are based rests with the school district administration and the board of education. The automatic retrieval of historical data does not relieve the district of the responsibility for ensuring that those numbers are reasonable and accurate.

All information, records and documentation used to estimate available resources, or any changes made to the five-year forecast, including, but not limited to, the current annual estimate of State funding, property tax calculations, fee schedules and average daily membership calculations must be retained by the school district and be made available to

the auditor of state or the independent public accountant at the time the school district is audited, pursuant to ORC § 117.11. Furthermore, a school district is required to update its five-year projection if it experiences a deviation of revenues or expenditures in a net amount of 5 percent or more from its original projections.

Written assumptions that explain the reasoning behind the projected amounts must be included in the forecast for every major revenue and expenditure category. It is essential that the assumptions accompanying the forecast relate specifically to that school district. The bulletin further outlines the level of detail necessary for the assumptions in each major category. Generally, historical patterns are recommended when forecasting future periods. However, significant fluctuations or anticipated changes should be identified and explained.

Although Jefferson Township LSD includes assumptions and notes to its five-year financial forecast, it does not provide adequate information regarding the District's actions to address potential deficits. For example, while the District has proposed personnel reductions, the associated details concerning changes in specific programs, affected positions, and salaries and fringe benefits savings for the current year and throughout the forecasted period have not been made available to AOS.

In addition, a district is required by ODE to submit a financial recovery plan within 60 days of being declared in fiscal caution. A tentative financial recovery plan was submitted to ODE in June. In July, ODE responded by considering the financial plan incomplete because the proposal did not address the potential deficit in FY 2003-04. The District has requested and received several extensions for submitting a complete fiscal recovery plan because of the hardship that has been created by the vacancies in the superintendent's and treasurer's offices. As of the conclusion of this audit, the District has not submitted a plan that would remedy its financial position.

**Table 2-17** shows the cumulative effects of the adjustments recommended in this section. These adjustments are shown in **Table 2-8** in the proposed financial recovery plan.

**Table 2-17: Cumulative Effect of Recommended Adjustments**

	FY 2003-04 Forecasted	FY 2004-05 Forecasted	FY 2005-06 Forecasted	FY 2006-07 Forecasted	FY 2007-08 Forecasted
<b>District Forecast Ending Fund Balance</b>	<b>(788,090)</b>	<b>(1,524,058)</b>	<b>(2,469,374)</b>	<b>(3,734,218)</b>	<b>(5,344,679)</b>
<b>Revenue Adjustments (Difference)</b>					
Unrestricted grants-in-aid	0	235,535	264,686	269,499	274,949
Restricted Grants-in-aid	0	(8,211)	(4,293)	(336)	3,660
Other Revenues	(128,767)	(117,432)	(105,756)	(93,729)	(81,342)
<b>Cumulative Adjustments to Total Revenues</b>	<b>(128,767)</b>	<b>109,892</b>	<b>154,637</b>	<b>175,434</b>	<b>197,267</b>
<b>Expenditure Adjustments (Difference)</b>					
Salaries and Benefits	276,000	276,000	276,000	276,000	276,000
Purchased Services, Supplies, Capital Outlay	254,800	254,800	254,800	254,800	254,800
Other Objects	80,026	77,832	75,479	72,963	70,275
<b>Cumulative Adjustments to Total Expenditures</b>	<b>610,826</b>	<b>608,632</b>	<b>606,279</b>	<b>603,763</b>	<b>601,075</b>
<b>Difference</b>	<b>482,059</b>	<b>718,524</b>	<b>760,916</b>	<b>779,197</b>	<b>798,342</b>
<b>Adjusted Ending Fund Balance</b>	<b>(306,031)</b>	<b>(805,534)</b>	<b>(1,708,458)</b>	<b>(2,955,021)</b>	<b>(4,546,337)</b>

*Financial Recovery Plan*

**R2.17 Jefferson Township LSD should analyze and use the proposed financial forecast outlined in Table 2-18 to evaluate the revised assumptions and recommendations presented within this performance audit to determine the impact of the related cost savings on its financial condition. Jefferson Township LSD should also consider implementing the recommendations in this performance audit to improve the District's current and future financial situation. In addition, the District should update its forecast on an ongoing basis as critical financial issues are addressed.**

**Table 2-18** demonstrates the effect of the revised assumptions and recommendations in this report and includes both the beginning fund balance for each year and the adjusted fund balance reflecting the effect of the recommendations. It is a management tool that can be used to assess the impact that implementation of the various performance audit recommendations will have on Jefferson Township LSD's financial condition. The forecast contains the actual information for FY 1999-00 through FY 2002-03 and the financial projections for FY 2003-04 through FY 2006-07 based on the adjusted District forecast. The financial projections for FYs 2004-05 through 2006-07, contain additional

lines presenting the financial implications (cost savings and implementation costs) associated with the performance audit recommendations, as well as the recommended adjustments shown in **R2.17**.

**Tables 2-19a and 2-19b** 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, implementation costs associated with the various recommendations are also summarized.

**Table 2-18: Jefferson Township LSD Proposed Financial Forecast**

	Actual 2001	Actual 2002	Actual 2003	Forecast 2004	Forecast 2005	Forecast 2006	Forecast 2007	Forecast 2008
Real Estate Property Tax	2,006,751	2,023,547	2,148,839	2,154,135	2,175,676	2,306,217	2,329,279	2,352,572
Tangible Personal Property Tax	838,516	760,289	627,691	525,100	450,000	375,000	325,000	280,000
Unrestricted Grants-in-Aid	2,465,421	2,502,778	2,908,406	3,276,926	3,342,465	3,409,314	3,477,501	3,547,051
Restricted Grants-in-Aid	322,354	419,860	522,235	390,338	400,000	400,000	400,000	400,000
Property Tax Allocation	345,338	348,824	353,825	355,000	358,550	362,136	365,757	369,414
Other Revenues	190,973	253,749	688,860	506,628	506,628	506,628	506,628	506,628
<b>Total Revenues</b>	<b>6,169,353</b>	<b>6,309,047</b>	<b>7,249,856</b>	<b>7,208,127</b>	<b>7,233,319</b>	<b>7,359,295</b>	<b>7,404,165</b>	<b>7,455,665</b>
Operating Transfers in	0	0	0	0	0	0	0	0
Advances In	150,000	150,000	77,713	0	0	0	0	0
All Other Financial Sources	69,703	(34,455)	254,423	328,400	328,400	328,400	328,400	328,400
Total Other Financing Sources	219,703	115,545	332,136	328,400	328,400	328,400	328,400	328,400
<b>Total revenue &amp; Other financing</b>	<b>6,389,056</b>	<b>6,424,592</b>	<b>7,581,992</b>	<b>7,536,527</b>	<b>7,561,719</b>	<b>7,687,695</b>	<b>7,732,565</b>	<b>7,784,065</b>
Personal Services	3,885,594	4,160,654	4,313,190	3,941,068	4,019,889	4,100,287	4,182,293	4,265,939
Fringe Benefits	856,428	944,153	1,012,581	1,135,643	1,294,633	1,475,882	1,682,505	1,918,054
Purchased Services	942,880	960,406	1,518,525	1,565,729	1,612,701	1,661,082	1,710,914	1,762,242
Supplies, Materials & Textbooks	349,348	366,092	390,095	435,583	448,650	462,110	475,973	490,253
Capital Outlay	36,551	47,826	96,240	120,700	123,114	125,576	128,088	130,650
Debt Service All principal	0	0	9,000	0	0	0	0	0
Debt Service Interest and Charges	0	0	20,957	0	0	0	0	0
Other Objects	254,247	310,751	540,296	459,510	468,700	478,074	487,636	497,388
<b>Total Expenditures</b>	<b>6,325,048</b>	<b>6,789,882</b>	<b>7,900,884</b>	<b>7,658,233</b>	<b>7,967,687</b>	<b>8,303,011</b>	<b>8,667,409</b>	<b>9,064,526</b>
Operational Transfers- Out	40,345	31,075	33,865	220,000	220,000	220,000	220,000	220,000
Advances- Out	234,958	150,000	0	110,000	110,000	110,000	110,000	110,000
All Other Financing Uses	54	(42,678)	219,110	0	0	0	0	0
Total other financing uses	275,357	138,397	252,975	330,000	330,000	330,000	330,000	330,000
<b>Total expenditures&amp; financing</b>	<b>6,600,405</b>	<b>6,928,279</b>	<b>8,153,859</b>	<b>7,988,233</b>	<b>8,297,687</b>	<b>8,633,011</b>	<b>8,997,409</b>	<b>9,394,526</b>
<b>Adjustments to Line Items</b>				<b>276,000</b>	<b>530,000</b>	<b>530,000</b>	<b>530,000</b>	<b>530,000</b>
<b>Performance Recommendations</b>				<b>511,000</b>	<b>574,200</b>	<b>578,000</b>	<b>563,000</b>	<b>611,800</b>
<b>Implementation Costs</b>				<b>(62,660)</b>	<b>(106,600)</b>	<b>(107,600)</b>	<b>(154,600)</b>	<b>(156,600)</b>
<b>Net Performance Recommendations</b>				<b>724,340</b>	<b>997,600</b>	<b>1,000,400</b>	<b>938,400</b>	<b>985,200</b>
<b>Result of Operations (Net)</b>	<b>(211,349)</b>	<b>(503,687)</b>	<b>(571,867)</b>	<b>272,634</b>	<b>261,632</b>	<b>55,084</b>	<b>(326,444)</b>	<b>(625,261)</b>
Beginning Cash Balance	1,050,519	839,170	335,483	(236,384)	36,250	297,882	352,966	26,522
<b>Ending Cash Balance</b>	<b>839,170</b>	<b>335,483</b>	<b>(236,384)</b>	<b>36,250</b>	<b>297,882</b>	<b>352,966</b>	<b>26,522</b>	<b>(598,739)</b>
Outstanding Encumbrances	108,346	91,712	40,000	100,000	100,000	100,000	100,000	100,000
DPIA	77,259	77,259	77,259	0	0	0	0	0
"412" Textbook / Instructional	29,116	29,116	29,116	0	0	0	0	0
Personal service recalculation	55,000	55,000	55,000	0	0	0	0	0
Grant redistribution	16,905	16,646	16,646	0	0	0	0	0
<b>Ending Fund Balance</b>	<b>552,544</b>	<b>65,750</b>	<b>(454,405)</b>	<b>(63,750)</b>	<b>197,882</b>	<b>252,966</b>	<b>(73,478)</b>	<b>(698,739)</b>

Source: Jefferson Township LSD's financial forecast dated October 2003 and actual results as of September 26, 2003. FY 2003-04 through FY 2006-07 have been adjusted based on R2.1 and R2.2. Includes recommendations subject to negotiations.



The performance audit recommendations presented in **Table 2-19a** are broken down into two categories; those recommendations subject to negotiation and those recommendations not subject to negotiation. **Table 2-19b** presents the implementation costs associated with various recommendations contained with the performance audit.

**Table 2-19a: Summary of Performance Audit Recommendations**

<b>Recommendations Not Subject to Negotiations</b>	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>
<b>R3.2</b> Reduce 1.0 FTE Bookkeeping and 2.0 FTE Clerical position.	\$114,000	\$114,000	\$114,000	\$114,000	\$114,000
<b>R4.1</b> Jefferson Township LSD should reduce purchased service expenditures that include telephones and copy machines.	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
<b>R4.3</b> Jefferson Township LSD should consider using purchasing consortiums and pursuing bulk discounts for maintenance and custodial supplies.	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
<b>R4.4</b> Jefferson Township LSD should review the option of performing grounds-keeping work with current full-time custodial staff.	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500
<b>R4.9</b> Jefferson Township LSD should implement an energy management program.	\$28,000	\$28,000	\$28,000	\$28,000	\$28,000
<b>R4.12</b> Jefferson Township LSD should consider closing Radcliff Middle School.	\$224,000	\$224,000	\$224,000	\$224,000	\$224,000
<b>R5.2</b> Issue RFPs or solicit competitive bids for maintenance and repairs services.	\$5,800	\$5,800	\$5,800	\$5,800	\$5,800
<b>R5.3</b> Assess fees to offset the actual cost of providing non-routine transportation.	\$75,700	\$75,700	\$75,700	\$75,700	\$75,700
<b>Total Not Subject to Negotiations</b>	<b>\$481,000</b>	<b>\$481,000</b>	<b>\$481,000</b>	<b>\$481,000</b>	<b>\$481,000</b>
<b>Recommendations Subject to Negotiations</b>					
					\$
<b>R3.8</b> Eliminate retirement incentive	\$30,000	\$30,000	\$30,000	\$15,000	\$60,000
<b>R3.9</b> Revise pay scale, reduce minimum work hours and revise cost-of-living compensation	--	\$63,200	\$67,000	\$67,000	\$70,800
<b>Total Subject to Negotiations</b>	<b>\$30,000</b>	<b>\$93,200</b>	<b>\$97,000</b>	<b>\$82,000</b>	<b>\$130,800</b>
<b>Total Recommendations</b>	<b>\$511,000</b>	<b>\$574,200</b>	<b>\$578,000</b>	<b>\$563,000</b>	<b>\$611,800</b>

**Table 2-19b: Implementation Costs**

	<b>FY 2003-04</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>
<b>R3.9</b> Jefferson Township LSD should forecast COLAs of 1, 1, 2, and 2 percent for the forecast period.	--	\$44,000	\$45,000	\$92,000	\$94,000
<b>R4.5</b> Jefferson Township LSD should use a CMMS to track maintenance requests	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
<b>R4.7</b> Jefferson Township should maintain records and procedures for training	\$60	--	--	--	--
<b>R5.4</b> Replace six buses over the next five years	\$61,100	\$61,100	\$61,100	\$61,100	\$61,100
<b>Total Implementation Cost</b>	<b>\$62,660</b>	<b>\$106,600</b>	<b>\$107,600</b>	<b>\$154,600</b>	<b>\$156,600</b>

# Human Resources

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## Background

This section of the report focuses on various human resource operations within the Jefferson Township Local School District (Jefferson Township LSD). Best practice data from the Ohio Department of Education (ODE), the State Employee Relations Board (SERB) and peer school districts were also used for comparisons throughout the human resources section of the report.

### *Organizational Function*

Jefferson TLSD does not have a separate department dedicated to performing human resource functions. The superintendent, principals, and treasurer perform the primary human resource responsibilities. These responsibilities include conducting employee performance evaluations, administering and monitoring grievance policies and procedures, negotiating and administering union contracts, conducting disciplinary hearings, maintaining personnel files, placing substitutes, and conducting new employee orientation seminars. The District also relies on the Montgomery County Educational Service Center for human resource functions such as negotiation and administration of benefits and recruitment of new personnel.

### *Staffing*

**Table 3-1** illustrates the actual full-time equivalent (FTE) staffing levels at Jefferson Township LSD and the peer districts during FY 2002-03 as reported to ODE in the Educational Management Information System (EMIS). Adjustments were made to the corresponding EMIS reports based upon interviews with the appropriate district personnel to ensure comparability from district to district.

**Table 3-1: FTE Staffing Levels for FY 2002-03**

Category	Jefferson Township LSD	Covington EVSD	East Guernsey LSD	Mississinawa LSD	Peer Average
<b>Administrators: Subtotal</b>	<b>6.4</b>	<b>7.0</b>	<b>10.3</b>	<b>3.5</b>	<b>6.9</b>
Central Based Administrators	3.4	3.0	6.3	1.5	3.6
Site Based Administrators	3.0	4.0	4.0	2.0	3.3
<b>Professional Education: Subtotal</b>	<b>58.0</b>	<b>56.6</b>	<b>85.9</b>	<b>54.0</b>	<b>65.5</b>
Counseling	2.0	1.0	3.0	1.0	1.7
Librarian / Media	1.0	1.0	1.0	1.0	1.0
Remedial Specialists	0.0	0.0	8.0	3.5	3.8
Regular Education Teachers	42.0	41.6	49.0	35.5	42.0
Special Education Teachers	8.0	6.0	11.0	8.0	8.3
Vocational Education Teachers	1.0	0.0	6.0	3.0	3.0
Educational Service Personnel	4.0	7.0	7.9	2.0	5.6
<b>Professional – Other</b>	<b>0.0</b>	<b>0.6</b>	<b>2.0</b>	<b>1.0</b>	<b>1.2</b>
<b>Technical: Subtotal</b>	<b>1.0</b>	<b>2.0</b>	<b>1.0</b>	<b>3.0</b>	<b>2.0</b>
Library Aide	1.0	2.0	1.0	3.0	2.0
<b>Office / Clerical: Subtotal</b>	<b>13.0</b>	<b>12.5</b>	<b>18.3</b>	<b>10.9</b>	<b>13.9</b>
Bookkeeping	2.0	0.0	1.0	1.0	0.7
Clerical	7.0	4.0	7.0	3.9	5.0
Record Managing	0.0	0.5	0.0	1.0	0.5
Teaching Aide	4.0	7.0	9.3	5.0	7.1
Other Office / Clerical	0.0	1.0	1.0	0.0	0.7
<b>Crafts / Trades</b>	<b>1.2</b>	<b>0.0</b>	<b>1.0</b>	<b>0.0</b>	<b>0.3</b>
<b>Transportation</b>	<b>5.5</b>	<b>4.4</b>	<b>13.4</b>	<b>5.7</b>	<b>7.8</b>
<b>Service Worker/Laborer: Subtotal</b>	<b>16.1</b>	<b>10.8</b>	<b>17.4</b>	<b>11.5</b>	<b>13.2</b>
Custodial	7.0	4.5	9.3	6.0	6.6
Food Service	9.1	5.3	8.1	5.5	6.3
Monitoring	0.0	1.0	0.0	0.0	0.3
<b>Total FTEs</b>	<b>101.2</b>	<b>93.8</b>	<b>149.3</b>	<b>89.6</b>	<b>110.9</b>

Source: FY 2002-03 EMIS Staff Summary Report from Jefferson Township LSD and the peer districts

<sup>1</sup> Calculation figures have been rounded to the nearest tenth; therefore, depicted totals may vary slightly from actual summation totals.

The staffing levels within a school district may vary depending upon the number of students enrolled. **Table 3-2** illustrates the staffing levels per 100 average daily membership (ADM) at Jefferson Township LSD and the peer districts for FY 2002-03.

**Table 3-2: FTE Staffing Levels for FY 2002-03 per 100 ADM<sup>1</sup>**

Category	Jefferson Township LSD	Covington EVSD	East Guernsey LSD	Mississinawa LSD	Peer Average
<b>Average Daily Membership (ADM)</b>	<b>842</b>	<b>874</b>	<b>1,261</b>	<b>722</b>	<b>952</b>
<b>Administrators: Subtotal</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.5</b>	<b>0.8</b>
Central Based Administrators	0.4	0.3	0.5	0.2	0.4
Site Based Administrators	0.4	0.5	0.3	0.3	0.4
<b>Professional Education: Subtotal</b>	<b>6.9</b>	<b>6.5</b>	<b>6.8</b>	<b>7.5</b>	<b>6.9</b>
Counseling	0.2 <sup>2</sup>	0.1	0.2	0.1	0.2
Librarian / Media	0.1	0.1	0.1	0.1	0.1
Remedial Specialists	0.0	0.0	0.6	0.5	0.4
Regular Education Teachers	5.0	4.8	3.9	4.9	4.4
Special Education Teachers	1.0	0.7	0.9	1.1	0.9
Vocational Education Teachers	0.1	0.0	0.5	0.4	0.3
Educational Service Personnel	0.5	0.8	0.6	0.3	0.6
<b>Professional – Other</b>	<b>0.0</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>
<b>Technical: Subtotal</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.4</b>	<b>0.2</b>
Library Aide	0.1	0.2	0.1	0.4	0.2
<b>Office / Clerical: Subtotal</b>	<b>1.5</b>	<b>1.4</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
Bookkeeping	0.2	0.0	0.1	0.1	0.1
Clerical	0.8	0.5	0.6	0.5	0.5
Records Managing	0.0	0.1	0.0	0.1	0.1
Teaching Aide	0.6	0.8	0.7	0.7	0.8
Other Office / Clerical	0.0	0.1	0.1	0.0	0.1
<b>Crafts / Trades</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>
<b>Transportation</b>	<b>0.7</b>	<b>0.5</b>	<b>1.0</b>	<b>0.8</b>	<b>0.8</b>
<b>Service Worker/ Laborer: Subtotal</b>	<b>1.9</b>	<b>1.2</b>	<b>1.3</b>	<b>1.6</b>	<b>1.4</b>
Custodial	0.8	0.5	0.7	0.8	0.7
Food Service	1.1	0.6	0.6	0.8	0.7
Monitoring	0.0	0.1	0.0	0.0	0.0
<b>Total FTEs per 100 ADM</b>	<b>12.0</b>	<b>10.7</b>	<b>11.8</b>	<b>12.4</b>	<b>11.7</b>

Source: FY 2002-03 EMIS Staff Summary Report and SF-3 Report from Jefferson Township LSD and the peer districts

<sup>1</sup> Calculations have been rounded to the nearest tenth; therefore, totals may vary slightly from actual summation totals.

<sup>2</sup> Duties of second counselor are directly related to the District's Continuous Improvement Plan (CIP)

As illustrated in **Table 3-2**, Jefferson Township LSD has 0.3 more FTEs per 100 ADM than the peer average. Jefferson Township LSD has a higher FTE staffing allocation per 100 ADM as compared to the peers in the following classifications:

- Regular Education Teachers:** Jefferson Township LSD's regular education teacher staffing allocation is 0.6 FTEs per 100 students higher than the peer average, and the District currently has no plans to reduce staff in this classification. The District's recent academic performance on the Ohio Department of Education School Year 2002-03 Local

Report Card resulted in a rating of academic emergency. Therefore, no recommendations are made to reduce staffing within this classification.

- **Special Education Teachers:** The special education teacher classification at Jefferson Township LSD is slightly above the peer average per 100 ADM. However, the District has lower total staff than the average of the peer districts and maintains higher special education student to special education teacher ratios than two of the three peers. The superintendent indicated that about 20 percent of all students have an IEP. However, the District's expenditures for special education are well above ODE reimbursement rates. See **issues for further study** in the **executive summary**.
- **Office/Clerical:** Jefferson Township LSD employs approximately 1.5 FTEs per 100 ADM within the office/clerical classification. However, additional analysis showed a substantial variance in the number of central office clerical staff at Jefferson Township LSD and the peers. This is primarily due to a greater number of bookkeeping and clerical (secretary) positions at Jefferson Township LSD (see **R3.2** and **R3.3**).
- **Custodial:** Jefferson Township LSD appears to be in line with the peers in terms of custodial staffing levels. However, as noted in the **facilities section**, the square footages maintained by custodial staff at Jefferson Township LSD are slightly lower than the peer and national averages.
- **Food Service:** Jefferson Township LSD has 1.1 FTEs per 100 students which is higher than the peer average of 0.7. This variance can partially be explained by the District currently having 1.0 FTE on disability leave. The remaining variance is primarily due to the District's food service staff using more labor hours per day than the peers. According to the food service coordinator, the District is planning to reduce its total staff through attrition, however does not have plans to reduce the number of hours each staff member works (see **R3.4**).

In an effort to improve Jefferson Township LSD's financial standing, the District made significant staffing changes at the end of FY 2002-03. Resolutions passed by the Board of Education resulted in the elimination of ten classified, six certificated, and two administrative positions. Of these reductions, one was due to the retirement of a clerical staff person, while the two administrative reductions were via the suspension of contracts. As of February 2004, Jefferson Township LSD is not projecting additional staffing reductions for FY 2003-04. The District indicated that these positions may be reinstated when its financial position improves.

The staffing levels of administrators, craft/trade workers, technical staff, and transportation staff appeared to be comparable when compared to the peers and did not warrant any staffing changes. Staffing assessments were also conducted on regular, special education, and vocational education

teachers. However, due to the District's recent academic performance, no recommendations were made in these areas.

*Collective Bargaining Agreements/Policies and Procedures Manuals*

Certificated personnel in Jefferson Township LSD are governed by a negotiated agreement between the Board of Education and the Jefferson Township Education Association (affiliated with the Ohio Education Association and National Education Association). Classified employees are unionized under a separate labor agreement between the Board and the Ohio Association of Public School Employees (OAPSE). During the performance audit, certain contractual and employment issues were analyzed. Because contractual and employment issues directly affect the District's operating budget, several of the issues have been evaluated to show their financial impact. The implementation of recommendations associated with collective bargaining agreements would require negotiation.

**Table 3-4** and **Table 3-5** illustrate key contractual issues in the certificated and classified collective bargaining agreements.

**Table 3-3: Peer Comparison of Certificated Contracts**

	<b>Jefferson Township LSD</b>	<b>Covington EVSD</b>	<b>East Guernsey LSD</b>	<b>Mississinawa LSD</b>
<b>Length of work day</b>	7 hours, 15 minutes	7 hours, 30 minutes	7 hours, 30 minutes	7 hours, 15 minutes
<b>Maximum class size</b>	Not specified	Not specified	District will attempt to meet State standards.	Not specified
<b>Number of contract days</b>	<b>184 days</b>	<b>185 days</b>	<b>182 days</b>	<b>185 days</b>
<b>Instructional</b>	178 days	Additional requirements subject to discretion of the Board.	Not specified	Not specified
<b>In-Service</b>	3 days <sup>1</sup>		2 days <sup>2</sup>	2.25 <sup>2</sup>
<b>Parent/Teacher Conference</b>	2 days <sup>2</sup>		2 days <sup>2</sup>	2.5 days <sup>2</sup>
<b>Professional Development</b>	Not Specified <sup>1</sup>		2 days	10 hours
<b>Maximum # of sick days accrued</b>	300 days	240 days	246 days	220 days
<b>Maximum # of sick days paid upon retirement</b>	25% of accumulated but unused sick leave (maximum of 59 days).	25% of accumulated but unused sick leave (maximum of 56 days after 5 years of service, 60 days after 20 years of service).	25% of accumulated but unused sick leave (maximum of 61.5 days after 10 years of service).	25% of accumulated but unused sick leave (maximum of 55 days).
<b>Personal days received</b>	3 days	3 days	4 days	3 days
<b>Required notice</b>	In advance of use	3 days	1 day	3 work days
<b>Leave Non-Use Incentive</b>	\$500 for using a combined total of 0 sick or personal days during the school year. Or, \$250 for using a combined total of 1 sick day or personal day during the school year.	None	\$600 or 10 additional sick days if no sick leave or personal leave is used during the school year. For every sick day used, the above payments decrease by \$60 or 1 sick day.	\$150 for perfect attendance except for professional days. \$100 for only missing one day and \$50 for only missing two days.
<b>Number of leave days for association business</b>	Not specified	Up to 5 days	Up to 3 days	Not specified
<b>Sabbatical leave</b>	Maximum of 1 year allowed after 6 years of service, with requirement to return for 1 year.	Maximum of 1 year allowed after 5 years of service, with the requirement to return for 1 year if less than 25 years of service.	Maximum of 2 years allowed after 5 years of service, with requirement to return for 2 years.	Maximum of 2 years, return not required if notice is given before February 1 <sup>st</sup> of leave year.
<b>Retirement Bonus</b>	\$15,000 for first-time eligible retirees <sup>3</sup>	None	None	\$7,200, paid in three yearly installments of \$2,400.
<b>Cost of living increases per year</b>	FY 2003-04: 0% FY 2004-05: TBD <sup>4</sup>	FY 2003-04: 4.0% FY 2004-05: 3.7%	FY 2003-04: 4.0% FY 2004-05: 4.0%	FY 2003-04: 4.2% FY 2004-05: 4.0%

Source: Jefferson Township LSD and peer school districts

<sup>1</sup> Subject to Board or superintendent approval

<sup>2</sup> As specified in district calendar

<sup>3</sup> Subject to additional provisions

<sup>4</sup> Per agreement, the District or Bargaining unit may request to negotiate wages and benefits for FY 2004-05



**Table 3-4: Peer Comparison of Classified Contracts**

	Jefferson Township LSD	Covington EVSD	East Guernsey LSD	Mississinawa Valley LSD
<b>Longevity Compensation (per hour)</b>	10-14 years: \$0.10 15-19 years: \$0.15 20-24 years: \$0.20 25+ years: \$0.25	None	None	None
<b>Minimum call-in hours paid to employees for emergencies</b>	1 hour at regular pay (unless over 40 hours)	1.5 times regular pay (over 40 hours). 2 times regular pay for work on Sundays / Holidays	2 hours at regular rate (unless over 40 hours)	2 hours at 1.5 times regular rate of pay
<b>Paid vacation accumulation schedule</b>	1 - 9 years: 10 days 10-17 years: 15 days 18+ years: 20 days	6 mo.-1 year: 5 days 1- 3 years: 10 days 4 - 8 years: 15 days 9+ years: 20 days	1-5 years: 10 days 6-10 years: 15 days 11-19 years: 20 days 20+ years: 25 days	6 mo. -1 year: 5 days 1-5 years: 10 days 5 -10 years: 13 days 10-15 years: 15 days 15-20 years: 17 days 20+ years: 20 days
<b>Number of holidays for 12-month employees</b>	10 <sup>1</sup>	13	9	12
<b>Number of holidays for less than 12-month employees</b>	7	7	8	Any of the 12 within the contract period.
<b>Maximum # of sick days accrued</b>	245 days	225 days	246 days	220 days
<b>Maximum # of sick days paid upon retirement</b>	25% of accumulated but unused sick leave (maximum of 59 days).	25% of accumulated but unused sick leave (max. of 53 days after 5 years; max. of 57 days after 20 years).	25% of accumulated but unused sick leave up to a maximum of 61.5 days	1 day for every 4 days of accumulated leave (maximum of 55 days).
<b>Sick Leave Non-Use Incentive</b>	None	None	Single payment of 5 times daily rate or 10 additional sick days if no sick or personal leave is used. <sup>2</sup>	\$150 for perfect attendance. \$100 for only missing one day and \$50 for only missing two days.
<b>Personal Leave Use Incentive</b>	Unused leave will be counted as accrued sick leave	None	(Combined with sick leave incentive)	(Combined with sick leave incentive)
<b>Personal days received</b>	3 days	3 days	4 days	3 days
<b>Required notice</b>	In advance of use	3 work days	1 day	3 work days
<b>Number of leave days for association business</b>	Up to 3 days	Up to 3 days	Up to 3 days	Not specified
<b>Cost of living increases per year</b>	2003-04: 0% <sup>3</sup> 2004-05: TBD <sup>3</sup>	2003-04: TBD 2004-05: TBD	2003-04: 4.0% 2004-05: 4.0%	2003-04: \$0.40 / hr. 2004-05: \$0.35 / hr.

Source: Jefferson Township LSD and peer school districts

<sup>1</sup>Also applies to 11 month employees

<sup>2</sup> Employees with more than 0 days may receive a lesser bonus

<sup>3</sup> Salaries and insurance benefit negotiations may be reopened each year upon request

### *Assessments Not Yielding Recommendations*

In addition to the analyses presented in this report, assessments were conducted on several areas in the human resources section which did not warrant changes and did not yield any recommendations:

- **Administrative staffing levels:** Jefferson Township LSD's administrative staffing levels appear to be in line with the peers. The District has approximately 0.4 FTE per 100 ADM central administrators compared to the peer average of 0.4 FTE. Similarly, the District has approximately 0.4 FTE per 100 ADM site-based administrators compared to the peer average of 0.4 FTEs. Jefferson Township LSD maintains similar staffing levels in the classifications of superintendent (1.0 FTE), treasurer (1.0 FTE), and principal (3.0 FTEs). Within the supervising/ managing/ directing classification the District has two positions which are different from the peers. However, the characteristics of these positions are beneficial to the District and the elimination of the positions would not result in a cost benefit for Jefferson Township LSD.
- **Regular education teacher staffing levels:** Jefferson Township LSD has approximately 5.0 FTEs per 100 ADM in the classification of regular education teacher which is higher than the peer average of 4.4 FTE. While Jefferson Township LSD regular education teachers at the high school and middle school levels spend fewer minutes per day educating students, adding classroom additional minutes would require extending the school day to a level which may violate the Districts negotiated agreement for certificated staff.
- **Special education teacher staffing:** The special education teacher classification at Jefferson Township LSD is slightly above the peer average per 100 ADM. It does not appear that the staffing variances within this category are substantial enough to warrant reductions.
- **Vocational education teacher staffing:** The District has 0.1 FTE per 100 ADM in the position of vocational education teacher. This teacher is responsible for the family and consumer sciences curriculum at the high school. The peer average within this classification was 0.3 FTE. No recommendations are made concerning this position.
- **Educational service personnel (ESP) staffing:** The District currently has 0.8 FTE ESP staff. In comparison, the peers averaged 0.9 FTE. Within this category the District has 2.0 FTE in the position of counselor while two peers operate with 1.0 FTE. The additional counselor at Jefferson Township LSD is responsible for helping students at Radcliff Heights Upper Elementary School set and work towards career goals, a stated objective of the Districts Continuous Improvement Plan (CIP). Because this position is tied to District achievement and the CIP, no recommendations for reductions were made.

- **Supplemental contracts:** In FY 2002-03 Jefferson Township LSD's total supplemental contract expenditures were higher than the peer average. In addition, Jefferson Township LSD had more supplemental positions than the peer districts. However, prior to FY 2003-04, the District began making substantial efforts to reduce its expenditures for supplemental contracts. The District did not automatically renew any supplemental contracts after FY 2002-03 and is continually reviewing supplemental positions to determine supplemental positions which the District may eliminate in the future. In all, the District has eliminated 21 supplemental positions since FY 2002-03, saving the District approximately \$43,000. The District appears to be making sufficient efforts to reduce these expenditures.
- **Health care costs:** Jefferson Township LSD currently participates in a health insurance consortium administered by the Montgomery County Educational Service Center. Monthly premiums for individual and family insurances were reviewed and determined to be comparable to the SERB averages and the peers. In addition, the District requires a 20 percent employee contribution to pay for insurance benefits, resulting in board costs which are substantially lower than the peers.

## Recommendations

- R3.1 Jefferson Township LSD should develop policies and procedures to ensure that it prepares and reconciles accurate reports for submission to the Educational Management Information System (EMIS) managed by the Ohio Department of Education (ODE). Jefferson Township should ensure that someone independent of the data gathering process reviews the information to ensure its accuracy. Jefferson Township should submit all data in compliance with the EMIS *Definitions, Procedures, and Guidelines*, produced annually by ODE.**

During a review of various EMIS reports for this performance audit, it was discovered that Jefferson Township LSD has classified some employees incorrectly when entering information into EMIS. Several employees of the District were omitted entirely from the reports.

The Ohio Department of Education developed and implemented EMIS to assist school districts in effectively and efficiently managing student and personnel demographics. EMIS provides a uniform source of information which District management can use to evaluate program and service performance through comparisons to other school districts. Entering data correctly helps to ensure that appropriate comparisons can be made between school districts when making management decisions, such as changes to staffing levels when student enrollment fluctuates.

In addition to developing policies and procedures to ensure that accurate reports are prepared and reconciled, Jefferson Township LSD should ensure that someone independent of the data gathering process reviews the information to ensure its accuracy. Furthermore, Jefferson Township LSD should consistently use the EMIS Definitions, Procedures and Guidelines report which is produced annually by ODE to assist school districts in entering information into EMIS. The District should also ensure that only individuals who have been properly trained be responsible for the entry and review of EMIS information. Currently, Jefferson Township LSD has two staff members who are responsible for EMIS entry, therefore the District should seek training for individuals who will be responsible for reviewing data collection in order to become more familiar with the EMIS system..

### *Staffing*

- R3.2 Jefferson Township LSD should reduce staff in the clerical classification by 1.0 FTE bookkeeping and 2.0 clerical positions. Considering Jefferson Township LSD's current and projected financial situation, Jefferson Township LSD needs to seek**

**savings in non-instructional areas in order reallocate resources to the direct instruction of students.**

**During the course of the audit, the District began taking steps to reduce the number of support personnel.**

During FY 2002-03, Jefferson Township LSD reduced its allocation of personnel by 9.0 FTE's in the clerical classification. This reduction included 1.0 bookkeeping position, 4.0 clerical positions, and 4.0 teachers' aide positions. Jefferson Township LSD currently appears to maintain a total clerical staffing level comparable to the peers. However, the District maintains a higher level of administrative office clerical positions (6 FTE). These positions are as follows;

- Accounts payable/ records clerk;
- EMIS coordinator;
- Executive secretary;
- Paraprofessional;
- Payroll administrator; and
- Support secretary

The analysis presented in **Table 3-5** shows that the District is above the peer average in clerical staff in its administrative office. **Table 3-5** compares both administrative office-level and school building-level clerical staffing at Jefferson Township LSD to the peers.

**Table 3-5: Comparison of Office Clerical Classification Staffing**

	Jefferson Township	Covington EVSD	East Guernsey LSD	Mississinawa Valley LSD	Peer Average
Admin. Office Clerical FTE	6.0	2.0	3.0	3.9	3.0
Building-Level Clerical FTE	7.0	10.6	15.4	7.0	11.0
FY 2002-03 ADM	842.0	873.5	1261.4	721.9	952.3
Students per Building-level FTE	120.3	82.6	82.0	103.1	89.2
Students per Admin. Office FTE	140.3	436.8	420.5	186.1	347.8
Non-Clerical FTE	88.20	81.22	130.91	78.72	96.95
Non-Clerical FTE per Building-level Clerical FTE	12.6	7.7	8.5	13.1	9.8
Non-Clerical FTE per Admin. Office Clerical FTE	14.7	40.6	43.6	16.1	33.5

**Source:** EMIS, SF-3 reports

As shown in **Table 3-5**, each building-level clerical FTE in Jefferson Township LSD provides support services to approximately 120.3 students and 12.6 staff members, 31.1 students and 2.8 FTE more than the peer averages. However, Jefferson Township LSD's

administrative office clerical staff provides support service to substantially fewer students and staff than the peer average. **Table 3-5** shows that the Jefferson Township LSD administrative office clerical staff supports approximately 207.5 fewer students and 18.8 fewer staff members per FTE than the peers. This is primarily due to higher staffing levels in the bookkeeping and clerical positions.

Jefferson Township LSD currently has 2.0 FTEs in the bookkeeping classification. Bookkeeping positions include an accounts payable/records clerk and a payroll administrator. Both of these positions report directly to the treasurer. As shown in **Table 3-1**, no peer has more than 1.0 FTE in this classification. East Guernsey LSD and Mississinawa Valley LSD each carry out these functions using only 1.0 FTE while Covington EVSD relies on its treasurer to perform these functions with the assistance of general clerical staff who are not dedicated to treasurers office functions full-time.

Also, the peers had an average of 5.0 FTE clerical staff (see **Table 3-1**). However, only East Guernsey LSD had higher clerical staffing than Jefferson Township LSD, which can be attributed to the District operating one more building than Jefferson Township LSD and supporting a substantially larger student population. Similar to Jefferson Township LSD, each of the peers has at least 1.0 FTE clerical staff at each of their school buildings. However, Jefferson Township LSD has a much different distribution of clerical staff in its administrative office. Jefferson Township LSD has 4.0 FTE clerical positions in its administrative office. These positions include 1.0 FTE EMIS Coordinator, 2.0 FTE Secretary, and 1.0 FTE paraprofessional. It should be noted that the paraprofessional performs receptionist duties at the district office, similar to a secretary. Conversely, no peer has more than 2.0 FTE's in secretary positions at their central office.

In addition, District staff indicated that the Board is aware that the District maintains high clerical staffing levels. In some cases, it appears that District management perceived a need for clerical staff to perform functions for which peer districts do not rely on clerical staff. Moreover, staff indicated that the Board has been informed repeatedly that some clerical personnel do not have a sufficient workload.

Jefferson Township LSD is facing difficult financial circumstances and is in a state of academic emergency. As a result, the District should redirect non-essential costs to instructional expenditures. Clerical personnel should be reduced to a level commensurate with the peers and sufficient to ensure an adequate workload for clerical and administrative personnel (see also **R3.3**). The district could save over \$113,000 through the above mentioned reductions.

*Financial Implication:* Based on the average salary of employees within these positions, the District could save approximately \$38,300 in salary expense by reducing staff by 1.0 FTE in the Bookkeeping position. Assuming that fringe benefits equal approximately 25

percent of the District's salary expenditures, the District would also save approximately \$9,600 in fringe benefits expense. Total savings from reducing this position would be approximately \$47,900.

Similarly, based on the average salary, the District could save approximately \$52,800 in salary expense by reducing staff by approximately 2.0 clerical positions. Assuming that fringe benefits equal approximately 25 percent of the District's salary expenditures, the District would also save approximately \$13,300 in fringe benefit expense. Total savings from reducing these positions would be approximately \$66,100.

**R3.3 Jefferson Township LSD should conduct a detailed analysis of the duties and responsibilities of its staff in the clerical classification and determine if resources are being used efficiently and effectively in relation to the needs of the District. Based on comparisons with peers, the District should be able to increase its efficiency by consolidating the duties of the EMIS coordinator and Administrative Assistant with those of other clerical positions. This will allow the District to minimize the impact of staffing reductions (as recommended in R3.2) on the achievement of the District's goals and mission. The District indicated that it has begun consolidating positions and that the formal Administrative Assistant position was eliminated in FY 2003-04.**

Two full-time administrative positions at Jefferson Township LSD perform functions that do not appear to require full-time staff. The District has 1.0 FTE in the position of EMIS coordinator for 11 months per year. This position is responsible for all activities pertaining to the enrollment of students and the submission of student data to EMIS. This position does not submit financial information or staffing records to EMIS. Also, the District employs 1.0 FTE in the position of administrative assistant for 10 months per year. Per the District's position description, this position is responsible for the District's grant writing, grant administration, and worker compensation issues. Both of these positions report directly to the superintendent.

The peer districts do not employ full-time staff to perform the functions of the EMIS coordinator. The peers rely on trained secretarial staff who have additional duties to maintain student data and submit applicable information to EMIS. The peers use secretarial staff to submit staffing information to EMIS in addition to relying on their respective treasurers' offices to submit financial information.

The position of support secretary also does not seem to be essential to the District's operations. Based on the position description, it appears that the duties of this position duplicate the duties of several other positions, primarily the EMIS coordinator and central office receptionist.

When creating the position of EMIS coordinator, the District did not accurately estimate the amount of time required to perform the functions assigned to the position. With a relatively small student population, work for this position is very sporadic, resulting in extended periods of unengaged time. In contrast, for the position of support secretary the District appears to have recognized the importance of having multiple staff capable of performing various tasks. However, peer districts are simply more efficient, relying on the cross-training of existing positions to support one another rather than employing additional staff.

Employment of these positions has contributed to the District maintaining excessive staffing levels within the clerical classification. By examining the duties and the relative performance of these positions, Jefferson Township LSD should be able to increase efficiency by identifying other positions which can perform these duties. The District would then have an opportunity to reduce staff as recommended in **R3.2** without a significant drop in service level. However, it should be noted that maintaining the current service is contingent upon obtaining the proper training for staff members who are required to take on additional duties.

### *Collective Bargaining Agreements*

**R3.4 During future contract negotiations for classified staff, Jefferson Township LSD should seek to remove its longevity pay incentive for all new employees. For employees who receive the benefit (as of June 30, 2006), Jefferson Township LSD should seek to maintain the longevity pay incentive without any increases or revisions of the current schedule.**

Article XIV of Jefferson Township LSD's negotiated agreement for classified staff entitles all employees with at least ten years of service (with the District) to a longevity pay incentive. All classified employees working a minimum of 20 hours per week are eligible for the following longevity pay incentives:

- \$0.10 per hour worked after ten years of service;
- \$0.15 per hour worked after fifteen years of service;
- \$0.20 per hour worked after twenty years of service; and
- \$0.25 per hour worked after twenty five years of service.

As shown in **Table 3-4**, none of the peer districts offer a similar incentive. The District indicated that the incentive was instituted to in an effort decrease employee turnover; however no records have been maintained to gage the effectiveness of the incentive in achieving this goal. However, the cost of the incentive, (estimated at \$3,100 in FY 2003-04), and low number of staff who qualify (less than 30 percent of classified employees) will limit the impact these changes have on the General Fund.



The Districts current collective bargaining agreement for classified staff does not expire until June 30, 2006. During future negotiations, the District should seek to eliminate contractual provisions which may significantly increase future costs. Currently less than 30 percent of the Districts classified staff qualify for this incentive, therefore by eliminating this incentive for future employees, the District can begin to reduce its potential future liabilities.

**R3.5 During future contract negotiations Jefferson Township LSD should seek to negotiate a reduction in the maximum number of sick days certificated and classified staff may accrue. In order to avoid reducing benefit levels for current employees, this reduction should only apply to employees who begin their employment with the District at the end of the current negotiated agreements. The District should seek to reduce the maximum number of sick days certificated staff may accrue from 300 days to 220 days. Similarly, the Districts should seek to reduce the number of sick days classified staff may accrue from 245 days to 220 days. This reduction will help to reduce future financial obligations of the District.**

Under the provisions of the Jefferson Township LSD's negotiated agreement for certificated staff, teachers are permitted to accrue up 300 sick days. Likewise, classified staff members are permitted to accrue up to 245 sick days. As shown in **Table 3-3** and **Table 3-4**, this is substantially higher than any of the peer districts. In addition, Ohio Revised Code (ORC) §3319.141 states that each person employed by any board of education in the state may accumulate unused sick leave up to a maximum of 120 days. Districts may exceed this amount if approved by the board of education. Decreasing the number of sick days for certificated staff from 300 days to 220 and for classified staff from 245 to 220 would help improve the District financial situation by reducing the Districts future financial liability while still meeting the requirements of the ORC.

The Districts bargaining unit agreements state that employees may redeem sick leave at retirement at a rate of 1 hour pay for every four hours accumulated, up to 59 days. **R3.6** recommends reducing this maximum payout to 55 days. Based on **R3.6**, employees would then reach their maximum payout once they have accumulated 220 hours of sick leave. If employees are permitted to accumulate sick leave in excess of 220 hours, it may encourage employees to take additional leave time prior to retirement rather than letting the accumulated hours expire. Due to the variable nature of sick leave usage, a financial implication could not be determined. However, the recommended accrual levels would decrease the District's future liability for unused leave benefits and could result in a substantial decrease in future expenditures for sick leave used. In addition, if certificated employees attempted to expend unused sick leave in large amounts prior to retirement, the District would also be faced with substantial increases in expenditures for substitute teachers.

**R3.6 In conjunction with R3.6, Jefferson Township LSD should seek to decrease the maximum number of sick days paid out at retirement to its certificated and classified employees from 59 days to 55 days. In order to avoid reducing current benefit levels, this reduction should only apply to employees who begin their employment with the District at the end of the current negotiated agreements. Decreasing the number of days would lessen the financial burden placed on the District in the future.**

Jefferson Township LSD's negotiated agreements allow certificated and classified employees can receive a maximum of 59 sick days paid out at retirement. These rates are slightly higher than the incentives offered by the peers, as shown in **Table 3-3** and **Table 3-4**. Ohio Revised Code (ORC) §124.39(B) states that sick leave payout shall not exceed the value of 30 days of accrued but unused sick leave. However, section (C) permits political subdivisions to compensate employees for more than 30 days. Decreasing the sick leave payout to 55 days for both certificated and classified staff would help Jefferson Township LSD improve its financial situation while still providing a severance payout comparable to the peer districts and 77 percent greater than the benefit levels identified in ORC §124.39(B).

**R3.7 During future negotiations the District should seek to eliminate or reduce the retirement incentive offered in the certificated negotiated agreement.**

Jefferson Township LSD's certificated contract grants a \$15,000 lump sum bonus to any teacher who retires during the term of the agreement and is first time "eligible" for retirement under the State Teachers Retirement System. To be eligible the employee must state their intent to retire by March of the planned retirement year and meet any of the following criteria for age and service years.

- 30 years of service (no minimum age);
- 60 years of age with 5 or more years of service; or
- Any combination of age 55 and 25 through 29 years of service.

As shown in **Table 3-3**, none of the peer districts offer a retirement incentive comparable to the one offered by Jefferson Township LSD. History indicates that not all employees who are eligible will take advantage of this retirement incentive. However, there is no assurance that this trend will continue. Currently, the retirement incentive for employees who are or will be first time "eligible" for retirement during the forecast period represents a liability totaling approximately \$165,000 through the final year of the forecast. Considering the District's current financial situation, the incentive represents a potential expense that Jefferson Township LSD cannot afford. Finally, the District has not maintained records to demonstrate the cost-effectiveness of this provision. Without an

assurance that the \$15,000 per employee can be recaptured through cost savings, the District may be incurring additional personnel costs without realizing the intent of retirement incentives.

*Financial Implication:* If all employees who are first time eligible for retirement during the forecast period chose to retire, then the District costs for the incentive would be approximately \$165,000 through the final year of the forecast. This amount could be redirected to educational activities or debt reduction if the benefit was eliminated. The District would incur cost savings totaling \$30,000 annually in FY 2003-04 through FY 2005-06, \$15,000 in FY 2006-07, and \$60,000 in FY 2007-08.

**R3.8 The District should attempt to reduce salary expenditures for bus driver positions. During future contract negotiations the District should attempt to negotiate a revised pay scale for bus driver who begin their employment after June 30, 2004. The new pay scale should reduce current hourly rates by \$2.00 per hour. In addition, the District should attempt to negotiate a reduction in the minimum number of hours paid (per day) to all bus drivers from six hours to four hours. If this is not feasible, the decrease in hours should be negotiated for new employees starting employment with the District after June 30, 2004. Finally, Jefferson Township LSD should also seek to negotiate a 0 percent cost of living salary increase for bus drivers in FY 2004-05 and hold increases to no more than 2 percent in each year from FY 2005-06 through 2007-08.**

**Table 3-7** compares transportation department costs of operations and salaries of Jefferson Township LSD and the peers. (See also the **transportation** section).

**Table 3-7: Transportation Department Operations and Salary Costs**

	Jefferson Township LSD	Covington EVSD	East Guernsey LSD	Mississinawa Valley LSD	Peer Average
District Square Miles	35	34	345	77	152
Total Bus Driver Positions	10	7	19	10	12
Total Transportation Cost <sup>1</sup>	\$522,456	\$277,498	\$754,421	\$226,095	\$431,642
<b>Total Cost per Square Mile</b>	<b>\$14,927</b>	<b>\$8,162</b>	<b>\$2,187</b>	<b>\$2,936</b>	<b>\$2,840</b>
Total Bus Driver Salaries <sup>2</sup>	\$167,652	\$112,420	\$279,972	\$77,114	\$ 156,502
Total Salaries per Position	\$16,765	\$16,060	\$14,735	\$7,711	\$12,836
Total Personnel Cost per Bus	\$30,801	\$21,215	\$29,635	\$14,573	\$21,808
Minimum Hours Paid	6	3	6 <sup>3</sup>	3	4

**Source:** Jefferson Township LSD, the peers, ODE.

<sup>1</sup>Total costs may not match actual expenditures reported in 4502 forms due to T-form reporting errors

<sup>2</sup>General fund only. Does not include retirement, workers' compensation, and insurance

<sup>3</sup>Based on actual route times. Contract specifies drivers are paid for actual route times plus three hours per week for maintenance and cleaning.

As shown in **Table 3-7**, Jefferson Township LSD's total transportation costs were approximately 21 percent greater than the peer average, however it should be recognized that East Guernsey's total costs were substantially higher than the other peers<sup>3-1</sup> and significantly increased the peer average. In comparison, Jefferson Township LSD's total transportation costs were more than twice those of both Covington EVSD and Mississinawa Valley LSD.

Jefferson Township LSD's high transportation costs are primarily a result of the District's high salary expenditures when compared to the peers. As shown in **Table 3-7**, the District's bus driver salaries per position were approximately 31 percent higher than the peer average and 4 percent higher than the closest peer. This variance exists because Jefferson Township LSD bus drivers earn higher rates of pay and are guaranteed pay for approximately 50 percent more hours than the bus drivers at the peer districts.

**Table 3-8** compares Jefferson Township LSD's negotiated salary schedule to those of the peers.

**Table 3-8: FY 2003-04 Peer Comparison of Hourly Pay Salary Schedule**

Step Level	Jefferson Township LSD	Covington EVSD	East Guernsey LSD	Mississinawa Valley LSD	Peer Average	Above (Below) Peer Average
1	\$12.34	\$12.56	\$11.30	\$12.07	\$ 11.98	\$0.36
2	\$12.82	\$13.04	\$11.57	\$12.17	\$12.26	\$0.56
3	\$13.53	\$13.52	\$11.85	\$12.27	\$12.55	<b>\$0.98</b>
4	\$14.04	\$14.01	\$12.12	\$12.37	\$12.83	<b>\$1.21</b>
5	\$14.60	\$14.49	\$12.40	\$12.47	\$13.12	<b>\$1.48</b>
6	\$15.17	\$14.98	\$12.67	\$12.57	\$13.41	<b>\$1.76</b>
10 <sup>1</sup>	\$15.27	\$16.90	\$13.50	\$12.87	\$14.42	<b>\$0.85</b>
15 <sup>1</sup>	\$15.32	\$17.87	\$14.05	\$13.07	\$15.00	\$0.32
20 <sup>1</sup>	\$15.37	\$18.35	\$14.33	\$13.17	\$15.28	\$0.09
25 <sup>1</sup>	\$15.42	\$18.35	\$14.33	\$13.27	\$15.32	\$0.10

Source: Negotiated Agreement

<sup>1</sup>Includes longevity pay

In light of the District's financial situation, the Board of education and the collective bargaining unit have agreed not to implement a cost of living salary increase for classified staff in FY 2003-04. However, as shown in **Table 3-8**, the District's FY 2003-04 hourly rate of pay for bus drivers is still higher than the peer average in each salary step. It should be noted that the pay scale set forth by Covington EVSD is significantly greater than the other peers (primarily after the employee has reached ten years of service). In comparison to the other peers, Jefferson Township LSD's salary after five

<sup>3-1</sup> East Guernsey's square mileage is four and one-half times greater than the next largest peer and almost ten times greater than Jefferson Township LSD's square mileage.

years of service is slightly greater than the salaries offered by both East Guernsey LSD and Mississinawa Valley LSD after twenty-five years of service.

During future salary negotiations, Jefferson Township LSD should negotiate a new salary schedule for bus drivers who begin their employment after the current fiscal year. The District could eventually achieve salary levels comparable with the peers by implementing a salary schedule for new employees which reduces each step in the current pay schedule by approximately \$1.00 in step 3 through 6 on the salary schedule. As the recommended pay schedule would only impact new employees, the District should recognize that salary expenditure levels would not immediately lower to levels comparable to the peers, but rather the Districts yearly cost avoidance would be dependent on the number of current bus drivers who chose to leave their positions, as well as the number of new bus drivers hired by the District.

As the revised pay scale would be instituted for all employees who begin their employment with the District after June 30, 2004, additional action would be required to lower the salary expenditures for employees who were employed by the District prior to that date. Since the District's negotiated agreement for classified staff allows for salaries to be negotiated on a yearly basis at the desire of the Board or the collective bargaining unit, the Board should request to renegotiate bus driver salaries. As stated in **R3.9**, the District should attempt to specify cost of living increases for bus drivers for FY 2004-05 through FY 2005-06, the final year of the current contract. The District could achieve salary levels comparable to the peers by negotiating cost of living adjustments of 0 percent in FY 2004-05 and 2 percent in FY 2005-06 (the final year of the current negotiated agreement). To ensure salary levels are consistent with the peers, the District should also consider negotiating cost of living increases of 2 percent each year for FY 2006-07 and FY 2007-08 during the next round of contract negotiations.

In addition to negotiating cost of living increases equal to the amounts detailed above, the District should also request to renegotiate the minimum number of hours each day for which bus drivers are paid. The negotiated agreement currently specifies that bus drivers receive a minimum of six hours pay per day. As shown in **Table 3-7**, the six hour minimum has resulted in the District using substantially more labor hours per day than both Covington EVSD and Mississinawa Valley LSD, two districts of comparable size. According to the Districts' Transportation Supervisor, not all of the Districts bus routes require the driver to work six hours per day. The typical route requires the driver to drive between four and six hours per day. For those drivers whose routes are less than six hour per day, the District attempts to provide additional duties for the driver such as cleaning buses and driving additional routes for field trips. However, it is not guaranteed that six hours of necessary work will be available for each bus driver each day. It could not be determined how many total hours per day were used by bus drivers to perform secondary tasks.

While it is not uncommon to guarantee a minimum number of hours for bus drivers, it is not cost effective for the District to set the minimum number of paid hours at the length of time it would take to drive the longest route. By decreasing the minimum number of hours bus drivers are paid per day from six hours to four hours, the District will be able to achieve greater efficiency in its transportation department. The District could reduce costs by attempting to minimize the number of hours bus drivers spend performing tasks which are not directly related to driving. The District would also be able ensure that it is not paying employees for six hours of work at times when six hours of work is not available.

*Financial Implication:* On average, bus drivers worked approximately 1,127 hours in FY 2002-03. Therefore, if the District does not renegotiate the minimum number of hours for bus drivers but is able to revise the salary schedule for new hires, the District will reduce expenditures by a minimum of \$1,100 per year for each current employee replaced by an employee on the revised salary schedule. The District currently has four bus drivers with at least 20 years of service, assuming that these employees will retire when they reach 25 years of service<sup>3-2</sup>, the District would reduce its expenditures by a minimum of \$2,200 in FY 2004-05, \$3,300 in FY 2005-06, \$3,300 in FY 2006-07, and \$4,400 in FY 2007-08.

If the District renegotiates the minimum number of hours per day paid to bus drivers from six to four, the District would reduce the average number of hours worked to 752. Based on this average, each employee integrated into the new pay scale would save the District approximately \$750 per year. Similar to above, assuming all employees reaching 25 years of service were to retire or leave the District, the District would reduce expenditures by a minimum of \$1,500 in FY 2004-05, \$2,250 in FY 2005-06, \$2,250 in FY 2006-07, and \$3,000 in FY 2007-08.

Finally, based on the current staffing levels and number of days driven per driver, reducing the minimum number of hours paid in a day from six to four could save the District up to \$55,600 per year. The District would need to reroute current bus routes in order to reduce all bus routes to four hours, allowing the District to obtain the full benefit of this reduction.

**R3.9 Jefferson Township LSD should seek negotiations with the collective bargaining units for both certificated and classified staff in order to specify cost of living salary increases for each remaining year of the current negotiated agreements. During these negotiations, Jefferson Township LSD should consider limiting salary increases beyond the scheduled step increases through the forecast period. All cost-of-living allowances should be limited to a 1, 1, 2, 2 percent increases for FY 2004-05 through FY 2007-08 in order to assist the District in reaching financial stability.**

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<sup>3-2</sup> Classified staff are currently members of the School Employees Retirement System (SERS). ORC 3309.34 indicates that employees can retire at 55 with 25 years of service or at 60 with 5 years of service.

**Also, during future negotiations, the District should negotiate specific cost of living increases for each year of the negotiated agreement at the time the agreement is negotiated. In order to protect itself from the impact of unforeseen changes to revenues or expenditures, the District should also seek to keep in place a clause allowing wage negotiations to be reopened at the request of the Board if the District continues to experience financial hardship.**

Currently, the District's negotiated agreement for certificated staff does not specify a cost of living salary increase for any year covered by the negotiated agreement. The contract, effective July 1, 2002 through June 30, 2005 presents a salary index for FY 2002-03 and specifies that both the Board of Education and the bargaining unit have the right to request salary negotiations prior to FY 2003-04 and FY 2004-05. Similarly, the District's agreement for classified staff does not explicitly state an agreed upon rate of salary increase for any year beyond the initial year of the contract. However, per the agreement, wages can be reopened for negotiation in each year of the contract.

As shown in **Table 3-3**, the peer districts have negotiated specific cost of living increases for certificated staff through FY 2004-05 and FY 2005-06. Both East Guernsey LSD and Mississinawa Valley LSD have negotiated specific cost of living increases for classified staff through the same period. Jefferson Township LSD could not identify any reason other than board preference to explain why the District negotiates cost of living salary increases on a yearly basis.

As shown in **Table 2-3**, the District is currently forecasting a deficit of approximately \$788,000 in FY 2003-04, which increases to \$5.3 million in FY 2007-08 without substantial cost reductions and revenue enhancements. Historically, salaries have accounted for Jefferson Township LSD's single largest expenditure. From FY 2000-01 through FY 2002-03 salaries accounted for over 54 percent of the District's total expenditures and increased a total of 11 percent. By negotiating COLAs of 1, 1, 2, and 2 percent through the forecast period, the District would improve its financial condition, provide for additional compensation for its employees, and present a more reliable forecast of future salary expenditures. In addition, the specified increases would provide a more accurate picture of future expenditures, thereby improving the District's planning and budgeting functions.

*Financial Implication:* Over the forecast period, negotiating COLA's of 1, 1, 2, and 2 percent for all staff will increase the District's forecasted salary expenditures by approximately \$239,000 through the forecast period. In addition, as a result of salary increases, retirement benefits would also increase, resulting in additional expenditures totaling \$35,200 through the forecast period.

## Financial Implications Summary

The following table is a summary of estimated annual and cumulative cost savings. The financial implications are divided into two groups: those that are, and those that are not subject to negotiations. Implementation of those recommendations subject to negotiations would require an agreement of the affected bargaining units.

### Summary of Financial Implications Not Subject to Negotiations

Recommendations	Estimated Annual Cost Savings	Estimated Cumulative Cost Savings
<b>R3.2</b> Reduce 1.0 FTE Bookkeeping and 2.0 FTE Clerical position	\$114,000	\$570,000
<b>Totals</b>	<b>\$114,000</b>	<b>\$570,000</b>

### Summary of Financial Implications Subject to Negotiations

Recommendations	Estimated Annual (Cost) Cost Savings	Estimated Cumulative Cost Savings
<b>R3.7</b> Eliminate retirement incentive	FY 2003-04: \$30,000 FY 2004-05: \$30,000 FY 2005-06: \$30,000 FY 2006-07: \$15,000 FY 2007-08: \$60,000	\$165,000
<b>R3.8</b> Revise pay scale, reduce minimum work hours and revise cost-of-living compensation	FY 2004-05: \$59,300 FY 2005-06: \$61,150 FY 2006-07: \$61,150 FY 2007-08: \$63,000	\$244,600
<b>R3.9</b> Negotiate 1, 1, 2, and 2 percent COLA increases	FY 2004-05: (\$44,000) FY 2005-06: (\$45,000) FY 2006-07: (\$92,000) FY 2007-08: (\$94,000)	(\$275,000)
<b>Total</b>	<b>FY 2003-04: \$30,000</b> <b>FY 2004-05: \$45,300</b> <b>FY 2005-06: \$46,150</b> <b>FY 2006-07: (\$15,850)</b> <b>FY 2007-08: \$29,000</b>	<b>\$134,600</b>
<b>Total for all General Fund Recommendations</b>		<b>\$704,600</b>



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# Facilities

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## Background

The facilities section focuses on custodial and maintenance operations and building capacity within Jefferson Township Local School District (Jefferson Township LSD). The objective is to analyze the building operations of Jefferson Township LSD and develop recommendations for improvements in efficiency and possible reductions in expenditures.

### *Organizational Structure and Function*

Jefferson Township LSD's school facilities consist of an elementary school, a middle school, and a high school. Other buildings maintained include modular classrooms located at the middle school, an administration building, and a bus garage. Maintenance and custodial operations include cleaning and preparing facilities for daily use, performing minor maintenance on the heating, lighting and ventilating systems, repairing and replacing facilities and equipment, and keeping the equipment owned or used by the District in good condition.

The maintenance coordinator reports to the superintendent and works with custodial staff to repair and replace equipment and ensure school buildings are clean. The maintenance coordinator plans cleaning and work schedules, trains custodians, orders supplies, meets with contractors, and responds to security calls. Additional responsibilities include repairing playground equipment, performing carpentry work, and completing minor roof repairs.

Head custodians report to their respective building principals and the maintenance coordinator and are responsible for minor maintenance and custodial duties. Head custodians assist with the selection, assignment, scheduling and training of custodial staff. Head custodial minor maintenance duties include monitoring the electrical systems, and heating and cooling systems. They also make minor repairs to furniture and equipment and replace lights. Head custodial cleaning duties include sweeping and waxing floors, and cleaning windows.

Custodians report to the head custodians, their building principal, and the maintenance coordinator and are responsible for performing custodial duties, making minor repairs to furniture and equipment, and regulating heat, ventilation and air conditioning systems to provide appropriate temperatures for the school buildings. Cleaning duties include sweeping, mopping, and waxing floors; emptying and cleaning waste receptacles; and refilling towel and soap dispensers. Jefferson Township LSD contracts out plumbing, electrical and fuel tank work. The District also employs two part-time staff responsible for grounds-keeping and minor maintenance and custodial duties.

The three head custodians, four custodians and the maintenance coordinator work a standard 40-hour work week and comprise 8 full-time equivalent (FTE) positions. The three head custodians and maintenance coordinator work the day shift (6:30 a.m. to 3:00 p.m.) and the four custodians work the afternoon/evening shift (2:30 p.m. to 11:00 p.m.). There is one head custodian and one custodian assigned to each of the buildings. The fourth custodian works four hours at the high school and four hours at the administration building, working part of the time as day shift and part of the time as night shift. The two part-time employees each work 20 hours a week on minor maintenance and grounds-keeping duties. One of the part-time employees works nine months a year, and the other part-time employee works four months a year. The maintenance coordinator, head custodians and custodians are covered under the agreement between Jefferson Township Local School District and the Ohio Association of Public School Employees, AFSCME, AFL-CIO.

**Table 4-1** illustrates the custodial and maintenance staffing levels, and the number of FTEs responsible for maintaining Jefferson Township LSD's facilities and grounds.

**Table 4-1: Number of Positions and FTEs for FY 2002-03**

Classification	Total Number of Positions	Number of FTEs
Maintenance Coordinator	1	1.0
Grounds Work (Seasonal)	2	0.54
<b>Total Maintenance/Grounds-keeping</b>	<b>3</b>	<b>1.54</b>
Head Custodians	3	3.0
Custodians	4	4.0
<b>Total Custodial</b>	<b>7</b>	<b>7.0</b>
<b>Total</b>	<b>10</b>	<b>8.54</b>

Source: Jefferson Township LSD

### *Key Statistics*

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

**Table 4-2** shows the 32<sup>nd</sup> annual M&O Cost Study and peer average statistics for custodial and maintenance operations.

**Table 4-2: FY 2002-03 Key Statistics and Indicators**

<b>Number of Sites</b>	<b>3</b>
- Elementary Schools (K-5)	1
- Junior High School (6-8)	1
- High Schools (9-12)	1
<b>Total Square Feet Maintained</b>	<b>158,771</b>
- Elementary Schools	38,500
- Junior High School	36,800
- High School	71,400
- Administration/Bus Garage	12,071
<b>Square Feet per FTE Custodial Staff Member (7.0) <sup>1</sup></b>	<b>22,455</b>
- Elementary Schools (2.0)	19,250
- Junior High School (2.0)	20,056
- High School (2.5)	28,560
- Administration (.5)	14,342
<b>AS&amp;U 32nd Annual M&amp;O Cost Study &lt;1,000 Students</b>	<b>29,959</b>
<b>AS&amp;U 32nd Annual M&amp;O Cost Study National Median</b>	<b>24,167</b>
<b>Peer District Average</b>	<b>26,954</b>
<b>Square Feet per FTE Maintenance Staff Member (1.0)</b>	<b>158,771</b>
- Elementary School (1.0)	38,500
- Junior High School (1.0)	36,800
- High School (1.0)	71,400
<b>AS&amp;U 32nd Annual M&amp;O Cost Study &lt;1,000 Students</b>	<b>74,898</b>
<b>AS&amp;U 32nd Annual M&amp;O Cost Study National Median</b>	<b>95,120</b>
<b>Peer District Average</b>	<b>152,683</b>
<b>FY 2002-03 General Fund Maintenance and Operations Expenditures per Square Foot</b>	<b>\$5.20</b>
- Custodial and Maintenance	\$4.03
- Utilities	\$1.17
<b>AS&amp;U 32nd Annual M&amp;O Cost Study &lt;1,000 Students</b>	<b>\$3.03</b>
<b>AS&amp;U 32nd Annual M&amp;O Cost Study National Median</b>	<b>\$3.30</b>
<b>Peer District Average</b>	<b>\$3.48</b>

**Source:** AS&U 32nd Annual M & O Study; Jefferson Township LSD and peer financial and operational reports

<sup>1</sup> The square footage cleaned by custodians is 157,183, which includes all school buildings, the administration building and the modular classrooms located at the middle school. The bus garage is not cleaned by the custodians, so it was not included in the calculation.

## Financial Data

**Table 4-3** illustrates Jefferson LSD's General Fund expenditures incurred to maintain and operate the District's facilities for FYs 2000-01, 2001-02, and 2002-03.

**Table 4-3: Maintenance and Operations Expenditures**

Accounts	FY 2000-01 Total	FY 2001-02 Total	FY 2001 to FY 2002 Percentage Change	FY2002-03 (Total)	FY 2002 to FY 2003 Percentage Change
Salaries	\$344,039	\$351,867	2.3%	\$329,981	(6.2%)
Benefits	93,767	88,682	(5.4%)	88,514	(0.2%)
Purchased Services	192,940	224,454	16.3%	219,218	(2.3%)
Utilities	175,339	139,433	(20.5%)	190,148	36.4%
Supplies/ Materials	68,272	58,538	(14.3%)	56,475	(3.5%)
Capital Outlay	0	24,542	100%	6,004	(75.5)
<b>Total</b>	<b>\$874,357</b>	<b>\$887,516</b>	<b>1.5%</b>	<b>\$890,340</b>	<b>0.3%</b>

Source: Jefferson 4502 Statement P and Q

Explanations of significant variances for **Table 4-3** include the following:

- *A 16.3 percent increase in purchased services from FY 2000-01 to FY 2001-02:* The increase in purchased services results from \$20,500 for emergency roof repairs at the elementary school and \$49,000 in equipment charges for leased copiers.
- *A 20.5 percent decrease in utilities from FY 2000-01 to FY 2001-02 and a 36.4 percent increase from FY 2001-02 to FY 2002-03:* Jefferson Township LSD spent \$22,674 more in FY 2000-01 than FY 2001-02 on heating oil. In FY 2000-01, electricity, gas and water usage were also higher than FY 2001-02. The increase in utility expenditures in FY 2002-03 is attributed to adding outside lights to the high school for security purposes and leaving hallway lights on at the high school at night to deter criminal activity or vandalism. Electricity usage in FY 2001-02 was \$90,930 and increased in FY 2002-03 to \$116,225. Expenditures for oil also went up from \$21,380 in FY 2001-02, to \$45,488 in FY 2002-03.
- *A 14.3 decrease in supplies/materials from FY 2000-01 to FY 2001-02:* The maintenance coordinator began ordering supplies once a month, instead of having custodial staff in each building order supplies as needed.
- *A 100 percent increase in capital outlay from FY 2000-01 to FY 2001-02 and a 76 percent decrease in FY 2002-03:* The treasurer for Jefferson Township LSD could not provide an explanation for capital outlay expenditures in FY 2001-02 because she was not

the treasurer at that time. In FY 2002-03, capital outlay expenditures included carpet cleaning equipment and certification of title for vehicles.

**Table 4-4** compares Jefferson Township LSD FY 2002-03 General Fund custodial and maintenance-related expenditures per square foot to the peers.

**Table 4-4: FY 2002-03 General Fund M&O Expenditures per Square Foot**

Expenditures	Jefferson Township LSD	Covington Exempted VSD	East Guernsey LSD	Mississinawa Valley LSD	Peer Average	AS&U National Median
<b>Custodial and Maintenance Salaries and Benefits</b>	\$2.58	\$1.45	\$1.79	\$1.65	\$1.63	\$1.51
<b>Purchased Services</b> <sup>1</sup>	\$1.06	\$0.91	\$0.33	\$0.34	\$0.53	N/A
<b>Utilities</b>	\$1.17	\$0.80	\$1.00	\$1.19	\$1.00	\$1.18
<b>Supplies/Materials</b>	\$0.35	\$0.29	\$0.24	\$0.16	\$0.23	\$0.34
<b>Capital Outlay</b>	\$0.02	\$0.24	\$0.01	\$0.01	\$0.08	N/A
<b>Other</b>	\$0.00	\$0.00	\$0.00	\$0.03	\$0.01	N/A
<b>Total M&amp;O General Fund Expenditures</b>	<b>\$5.20</b>	<b>\$3.69</b>	<b>\$3.37</b>	<b>\$3.37</b>	<b>\$3.48</b>	<b>\$3.03</b>

**Source:** Jefferson Township LSD and peers, AS & U information

**Note:** Totals in **Table 4-4** may not sum exactly because of rounding.

<sup>1</sup> Purchased services was adjusted to remove copier expenditures for Jefferson Township LSD and Mississinawa LSD. Covington EVD and East Guernsey LSD do not code copier expenditures in the facilities 2700 code.

Jefferson Townships LSD's total General Fund expenditures per square foot are approximately 72 percent higher than the AS&U National Median and about 50 percent higher than the peer average. Recommendations targeted at high operating costs are contained in **R4.1-4.4, R4.8-4.9, and R4.12.**

Jefferson Township LSD's three school buildings were built in the 1950's and 1960's. In 1995, Jefferson Township LSD retrofitted lighting and replaced boilers in the elementary school and middle school. Jefferson Township replaced the boiler in the high school in 2002. In addition, the District received federal grant money in FY 2001-02 to repair roofing for all of the school buildings. Covington Exempted VSD's three school buildings were built in the 1960's and 1970's. Covington Exempted VSD has received federal emergency repair funds to clean-up asbestos at the elementary school and has also cleaned asbestos from the band room at the high school and replaced lighting and renovated sidewalks at the elementary school and middle school. Two of East Guernsey LSD's elementary schools were built in the 1920's, and one was built in the 1950's. East Guernsey's high school was built in the 1980's. In 1994, East Guernsey LSD replaced the coal heating system at Madison Elementary with a propane system, replaced a roof at Quaker City Elementary, and upgraded the heating systems district-wide. In 1999, East Guernsey upgraded the water treatment system at Madison Elementary, added a handicap lift at Quaker City Elementary, added new safety lights and conducted asbestos abatement. Mississinawa Valley LSD's K-12 school building is new and was completed in 2002.

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

- **Custodial/Maintenance Overtime Usage:** Review of overtime usage did not yield recommendations because the custodial/maintenance overtime was comparable to the peers.
- **Permanent Improvement Levy (PIL):** Review of PIL did not yield any recommendations as PIL funds appeared to be used appropriately.
- **Vacant and Leased Buildings:** No issues were identified for costs associated with the previous administration building or the new leased administration building.
- **Outside Group Fees:** No issues were identified for costs to cover outside group fees because custodial overtime was comparable to peers and outside groups do not regularly use the facilities.

## Recommendations

### *Maintenance and Operations Expenditures*

- R4.1 Jefferson Township LSD should work to reduce expenditures for purchased services, specifically focusing on telephone and copy-machine expenditures (also see R4.9 for ways to reduce electricity consumption). To reduce copier expenditures, the District should consider re-negotiating the lease for copiers to obtain a lower price. The District should also develop policies that place limits on phone and copier usage. District personnel indicated that, during the course of the audit, copy machine contracts were renegotiated for an estimated annual savings of \$10,000 and the number of District-issued cell phones was reduced.**

Jefferson Township LSD's expenditures for telephones and copy-machines appear to be high-cost items for the District. Within the purchased services category, Jefferson Township LSD's telephone expenditures totaled \$67,400. A large portion of this went to cellular phone bills (see the **financial systems** section for more information on cellular phone costs). Jefferson Township LSD's copy machine expenditures totaled \$47,000 for 6 copiers, and the District was unable to provide invoices or cost breakdowns for the charges. As a result, the audit team was unable to identify the underlying causes generating the high costs in these areas. The average amount spent on copiers for Covington Exempted VSD, East Guernsey LSD and Mississinawa Valley LSD was \$40,900 or about 9 percent below the costs for Jefferson Township LSD. Jefferson Township LSD's copier expenditures could be reduced by re-negotiating the lease agreement to a lower price or reducing the number of copiers.

*Financial Implication:* If Jefferson Township LSD reduced telephone expenditures and copier expenditures to a level similar to the peers, the District could save approximately \$7,000.

- R4.2 The District should ensure transportation expenditures and purchased service expenditures for copy machines and telephone usage are not coded in the facilities 2700 code, resulting in an inaccurate record of facility expenditures.**

Jefferson Township LSD codes substitute bus drivers, vehicle insurance and other transportation expenditures in the facilities 2700 code, which results in overstated salaries and purchased services costs for facilities. The District also codes all copy machine and telephone expenditures in the facilities 2700 code.

Although the USAS manual does not dictate how a district should organize specific expenditures within the coding system, the manual defines the function code as

describing the activity a person performs or the purpose for which an expenditure is made. Coding transportation, copy machine and telephone expenditures in the facilities 2700 code does not accurately reflect the purpose for the expenditure.

Peers do not code copy machine and telephone expenditures in the facilities 2700 code, but allocate costs based on function. For example, phone usage for transportation would only be coded to the transportation 2800 code. Jefferson Township LSD should also include copier expenditures in a more appropriate function, such as instructional expenditures. Peers also code vehicle insurance and other transportation-related expenditures all in the transportation 2800 code. However, Jefferson Township LSD codes substitute bus drivers and vehicle insurance for maintenance vehicles to the facilities 2700 code.

Coding transportation, copy machine and telephone expenditures to the facilities 2700 code overstates current expenditures for school facilities and presents an inaccurate record of the facilities budget.

**R4.3 Jefferson Township LSD should consider using purchasing consortiums and pursuing bulk discounts for maintenance and custodial purchases. The District should regularly review these purchases to ensure they are receiving competitive pricing. Using a purchasing consortium results in cost-savings because a consortium combines the purchasing power of many districts and saves district personnel time in researching products and prices. The Superintendent has expressed his commitment to using a consortium and indicated that he plans to review all purchasing procedures at the District.**

Jefferson Township LSD does not use purchasing consortiums or pursue bulk discounts for maintenance and custodial supplies. Jefferson Township LSD is a member of the Southwestern Ohio Educational Purchasing Council (EPC), an organization that bids on behalf of many districts to obtain competitive pricing on commodities including, but not limited to, custodial supplies, paint and food service. Jefferson Township LSD, however, does not regularly use the program and does not purchase maintenance and custodial supplies in bulk. The maintenance coordinator indicated the District receives lower prices than EPC for custodial supplies and does not purchase in bulk because the previous treasurer did not want to have high one-time expenditures.

Mississinawa Valley LSD and Covington Exempted VSD are also members of EPC, and use the program to purchase custodial supplies and other commodities. An analysis of prices for specific commodities could not be made based on available information, but Jefferson Township LSD is 50 percent higher than the peer average for maintenance and custodial supplies per square foot (see Table 4-4). Jefferson Township LSD's higher maintenance and custodial supply costs may be the result of limited involvement in bulk



purchasing and consortium programs. Likewise, Jefferson Township LSD may not be able to guarantee the same levels of consistency in the custodial supplies purchased when they are obtained on a piecemeal basis from a variety of local vendors. Higher maintenance and supplies costs also divert financial resources from instructional areas.

*Financial Implication:* If Jefferson Township LSD reduced custodial supply expenditures to the peer average cost per square foot, cost-savings would be approximately \$18,000.

### *Custodial and Maintenance Operations*

#### **R4.4 Jefferson Township LSD should perform grounds-keeping work with current custodial staff, eliminating the need for part-time laborers to perform this function. Using current custodial staff to perform the grounds-keeping function could reduce maintenance and operations costs.**

Jefferson Township LSD has two part-time employees responsible for grounds-keeping for the school buildings, the high school football field, and three baseball fields. One of the part-time employees works four months per year, and is only responsible for mowing grass. The other part-time employee works nine months per year, and is responsible for mowing the grass, as well as other grounds-keeping duties such as trimming shrubbery, shoveling snow and painting lines on the football field. The nine-month employee also performs maintenance and custodial functions as needed and assists in driving buses.

Jefferson Township LSD's job description for custodians indicates that they are responsible for mowing and snow removal. Jefferson Township LSD could not provide information on the square footage of grounds maintained, which includes football and baseball fields. The District has also not conducted studies to determine if part-time grounds-keeping staff are actually needed, or if custodial staff could perform that function. The AS&U 32nd Annual M & O Study standard for acreage maintained per grounds worker is 18 acres for a district with less than 1,000 students.

East Guernsey LSD and Mississinawa Valley LSD's job descriptions for custodians also include grounds-keeping duties, such as mowing the lawns, trimming shrubbery and snow removal. Jefferson Township LSD's custodial staffing is slightly higher than the peer average, indicating current custodial staff may have the time to perform grounds-keeping functions. Using part-time employees to complete grounds-keeping may increase maintenance and operations costs which wastes scarce financial resources.

*Financial Implication:* The two part-time employees worked approximately 1,000 hours in FY 2002-03 on facilities maintenance or grounds-keeping tasks. Based on a pay-scale of \$8.50 per hour, if the part-time employees' maintenance and grounds-keeping hours

were eliminated, resulting annual cost savings would equal \$8,500. Part-time employees do not receive benefits.

**R4.5 Jefferson Township LSD should use a computerized maintenance management system (CMMS) or computerized spreadsheet to track maintenance requests and the time and resources used to complete each work order. The superintendent should review a summary of work orders periodically to monitor productivity and maintenance expenditures. The superintendent may choose to conduct random inspections of maintenance work to ensure work is performed effectively and in a timely fashion.**

Jefferson Township LSD does not have a CMMS or use a computerized spreadsheet to track maintenance requests. The maintenance coordinator provided an example of a work order containing lines for describing the maintenance problem, the date, and a place to check the type of problem. However, this information is not tracked with a CMMS or computerized spreadsheet and the paper form does not have a space for writing labor and parts costs. By failing to use a CMMS or computerized spreadsheet, the maintenance supervisor and superintendent can not easily access historical data on work completed, repair costs, and productivity. A CMMS would help Jefferson Township LSD identify increases in the number of building maintenance repairs and provide useful information regarding labor and parts costs.

According to the *Planning Guide for Maintaining School Facilities* developed by the School Facilities Maintenance Task Force National Forum on Educational Statistics and the Association of School Business Officials International (ASBO), the purpose of a CMMS is to manage work order requests as efficiently as possible and meet basic information needs of the district. A CMMS could do the following:

- Acknowledge the receipt of a work order;
- Allow the maintenance department to establish work priorities;
- Allow the requesting party to provide feedback on the quality and timeliness of the work;
- Allow preventive maintenance work orders to be included; and
- Allow labor and parts costs to be captured for each building.

In addition, the CMMS should include the date the request was received and approved, a job tracking number, the job status (received, assigned, on-going or completed), and training completed. Without CMMS, Jefferson Township LSD can not track work tasks to determine if they are appropriate and efficiently accomplished.

*Financial Implication:* An affordable option for Jefferson Township LSD to consider is an application service provider (ASP), which gives a maintenance manager the ability of running CMMS over the Internet, with data maintained on an off-site server. The cost of a CMMS that utilizes ASP ranges from \$500 to \$1,000 per year for a district the size of Jefferson Township LSD. An additional \$350-500 should be added to the cost for training and/or subscription fees. A conservative estimate of the total costs would be \$1,500 annually, assuming the higher cost options for ASP service and training. The cost of the system would be offset by increased productivity and the ability to better manage needed and preventive repairs.

**R4.6 Jefferson Township LSD should formalize custodial and maintenance procedures to help increase efficiency and productivity and ensure tasks are being completed in a timely manner. These procedures should specify the supplies to be used for each job duty, the frequency of tasks, and the appropriate procedures. Standardizing procedures and supplies will increase efficiency in custodial operations and ensure all District facilities are sufficiently and consistently cleaned.**

Jefferson Township LSD does not have formalized custodial and maintenance procedures. The maintenance coordinator provided a copy of daily custodial check lists showing custodial tasks and a checklist of maintenance tasks for the boilers. However, the District does not have a standard operating and procedural manual containing staffing standards, cleaning methods and procedures. Without written operating procedures, work policies and guidelines are not sufficiently documented to ensure effective supervision of work activities and general managerial oversight.

Standardized processes and procedures ensure that custodial staff is familiar with equipment, cleaning supplies and appropriate cleaning procedures. Likewise, standardization helps custodial staff increase efficiency. The Association of School Business Officials International publishes the *Custodial Methods and Procedures Manual*, which was designed as a guideline for developing policies and procedures for custodial and maintenance personnel. This manual outlines staffing standards, daily duties and tasks, job descriptions, job schedules, evaluations, and cleaning procedures and methods for various job tasks. The manual also outlines the importance of custodial employees understanding what is expected of them. The job descriptions, schedules and cleaning methods include the supplies, frequency, and the appropriate procedure for each task. It serves as a guide to school districts and should be adapted to meet individual district needs.

Jefferson Township LSD can obtain resource materials, at little or no cost, to begin to formalize custodial and maintenance procedures from sources found on the internet such as the manual mentioned above, which is available through Ohio Link ([www.ohiolink.edu](http://www.ohiolink.edu)).

**R4.7 In addition to standardizing procedures, Jefferson Township LSD should maintain custodial and maintenance training records and ensure that all staff receive instruction and updates on processes and procedures. The District should periodically review the records and procedures to ensure all custodians are receiving training, and are following consistent guidelines for cleaning and maintaining school facilities. Jefferson Township LSD should ensure facilities staff receive training on products, equipment, and cleaning and repair methods on an annual basis, especially on any new equipment or procedures.**

Jefferson Township LSD's maintenance coordinator does not maintain records on custodial and maintenance training. The maintenance coordinator indicated he has attended training on clean air safety, boilers, and electrical and fire alarm systems. The maintenance coordinator provided check-lists on custodial procedures, but could not provide documentation on in-house training completed by staff. Maintaining records on completed training assists in planning for future training needs of staff. Experience and attendance at seminars is important; but on-going training on procedures may increase the efficiency and effectiveness of the current staff.

The International Sanitary Supply Association (ISSA) has developed a training program manual designed to help train custodians. The program details the correct cleaning methods as well as the proper use of custodial equipment. This manual details procedures, guidelines and pointers on the following:

- Floor finish application;
- Auto scrubbing;
- Carpet care and maintenance;
- Damp/wet mopping;
- Proper dilution methods;
- Dust mopping;
- Oscillating and multiple brush floor machines;
- Rotary floor machines;
- Scrubbing/stripping;
- Spray buffing/high speed burnishing;
- Wall washing;
- Washroom cleaning;
- Wet/dry vacuums; and
- Window cleaning.

In addition to this manual, ISSA has several other training programs for custodial staff. This manual may provide information to Jefferson Township LSD so it can develop its own in-house custodial and maintenance training program aimed at increasing efficiency

and improving effectiveness. In the absence of formal training and standard procedures for purchasing supplies, there is the potential for inconsistency and inefficiency in the District's custodial operations. By allowing each custodian to determine the procedures and products they use to clean, the District runs the risk of not having all areas cleaned in the most efficient and effective manner.

*Financial Implication:* The cost of the ISSA training manual is \$60 for non-members and \$45 for members.

**R4.8 Jefferson Township LSD should develop and implement a formal planned preventive maintenance program. Preventive maintenance ensures equipment reliability, reduces operating costs and increases the life expectancy of equipment. The superintendent should monitor the preventive maintenance program to ensure that work is being completed in a timely manner. Additionally, a CMMS should aid in tracking preventive maintenance (see R4.5).**

Jefferson Township LSD does not have a formal preventive maintenance program. The maintenance coordinator provided a checklist with maintenance tasks for the boilers and air conditioning. However, the maintenance checklists are not maintained electronically, making it difficult to prioritize tasks and monitor their completion.

According to the State of Minnesota Office of the Legislative Auditor, a preventive maintenance program should include the following activities:

- Inventory building components and inspect their condition.
- Set priorities among maintenance projects and evaluate the project's lifetime costs.
- Plan and budget strategically for preventive maintenance in the long and short-term (see R4.10).
- Develop a framework for operating a preventive maintenance program, including checklists of preventive maintenance tasks.
- Use tools, such as work-order systems (CMMS) to optimize their preventive maintenance program (see R4.5).
- Ensure employees have appropriate training to competently complete their tasks (see R4.7).

- Involve appropriate maintenance personnel when designing space and purchasing building components.

The Office of the Legislative Auditor's report was designed to assist local governments in developing preventive maintenance programs for facilities. Facilities can include school district, city and county buildings.

The *Planning Guide for Maintaining School Facilities* states that a comprehensive facility maintenance program is a school district's foremost tool for protecting its investment in school facilities. Preventive maintenance is the cornerstone of any effective maintenance initiative. Regularly scheduled equipment maintenance prevents sudden equipment failures and increases the overall life of a building. Districts often overlook creating a formal preventive maintenance plan because of the practice of breakdown maintenance. The absence of a comprehensive preventive maintenance program increases the risk of incurring high emergency repair costs, increases the number of work orders, and reduces worker productivity by forcing staff to respond to breakdowns and emergencies, rather than proactively maintain equipment. In addition, the lack of a CMMS system makes it more difficult to track preventive maintenance (see R4.5).

**R4.9 Jefferson Township LSD should implement an energy management and conservation program. Implementing an energy conservation program should result in cost savings and improved performance of facilities equipment. The District should develop comprehensive long-term goals and objectives to address replacing windows and doors, and upgrading facility equipment.**

Jefferson Township LSD has made some progress in improving energy efficiency for the school facilities, but has not developed comprehensive long-term goals and objectives for energy management. The absence of an energy management program may increase energy costs and result in inefficient use of facilities equipment. **Table 4-5** shows utility expenditures per square foot for Jefferson Township LSD and peers.

**Table 4-5: Jefferson Township LSD and Peer Utility Expenditures**

	Jefferson Township LSD	Covington Exempted VSD	East Guernsey LSD	Mississinawa Valley LSD	Peer Average
Electricity	\$0.72	\$0.57	\$0.47	\$0.80	\$0.61
Gas	0.13	0.18	0.47	0.39	0.36
Oil	0.28	0.00	0.00	0.00	0.00
Water	0.05	0.05	0.07	0.00	0.04
<b>Total</b>	<b>\$1.17</b>	<b>\$0.80</b>	<b>\$1.00</b>	<b>\$1.19</b>	<b>\$1.00</b>

**Source:** Jefferson Township and peer 4502's

**Note:** Totals and peer averages in **Table 4-5** may not foot exactly because of rounding.

Jefferson Township LSD's electricity cost per foot is \$0.72, which is 18 percent higher than the peer average. Jefferson Township LSD is also higher in oil costs per square foot but less in gas costs per square foot because Jefferson Township LSD heats boilers with oil, while the peers heat their boilers with natural gas.

The treasurer's office provided a policy for Conservation of Natural and Material Resources, in which the Board of Education directs the superintendent to develop and implement immediate and long-range plans to meet these concerns. However, long-range plans have not been developed for energy conservation. In 1995, Jefferson Township LSD issued \$270,000 in energy conservation bonds. The District used the bonds for facility upgrades and contracted with Honeywell for the following energy conservation improvements:

- Replaced boilers and circulating pumps in the elementary and middle schools;
- Retrofitted existing lamps with electronic ballasts and T8 lamps;
- Replaced the incandescent gymnasium lighting with metal halide; and
- Retrofitted exit lights with LED retrofit kits.

Jefferson Township LSD has additional renovation and repair needs that include repairing roofing for all three school buildings, recalibrating and replacing Heating Ventilation Air Conditioning (HVAC) lines and controls, and replacing windows and doors. Jefferson Township LSD received approximately \$400,000 from the Ohio School Facilities Commission (OSFC) Federal Emergency Repair Program to repair roofing for the school buildings. Roofing repairs have been completed for sections of the elementary school, but have not been completed for the middle school and high school. The District received bids for the remaining work at the beginning of FY 2003-04.

According to the *Planning Guide for Maintaining School Facilities*, an energy management and conservation program should accomplish the following:

- Establish an energy policy with specific goals and objectives;
- Monitor each buildings energy use;
- Conduct energy audits in all buildings to identify energy inefficient units;
- Institute performance contracting (e.g., contracts requiring desired results rather than a list of needed products) when replacing older, energy inefficient equipment; and
- Install energy efficient equipment.

Other energy conservation ideas include installing motion detectors that turn lights on when a room is occupied (and off when the room is unoccupied), providing incentives to encourage staff to reduce electricity and water consumption, closing school one night a

week at 5:00 PM to lower utility bills and contacting the Environmental Protection Agency (EPA) for information on energy conservation programs.

According to the United States Department of Energy, schools can save approximately 15 percent of utility costs by implementing smart energy management practices. An energy management program would result in more efficient equipment and temperature control which would lower energy costs.

*Financial Implication:* Although Jefferson Township LSD has already taken some initial steps to improve energy conservation, it could save up to 15 percent on utility costs each year by implementing an energy management program. Based on FY 2002-03 utility expenditures, the annual cost-savings would be approximately \$28,000.

### *Long-Range Planning and Facilities Use*

**R4.10 Jefferson Township LSD should develop a formal facilities master plan that incorporates a 10-year enrollment history, enrollment projections and the methodology used for those calculations, a list of cost estimates needed for capital improvements, and a description of the District's educational plan. The District should develop a schedule for equipment replacement and capital renewal outlining when major equipment should be replaced, as well as the sources of funding.**

Jefferson Township LSD does not have a formal written facilities written plan. OSFC completed a facilities plan for the District in 1996. However, the plan was not a formal master plan and did not include enrollment projections, cost estimates for capital improvements, or a description of the District's educational plan. The plan only discussed potential costs and benefits of closing the middle school, a recommendation that has not been implemented by the District (see **R4.12**).

**Table 4-6** shows Jefferson Township LSD's historical enrollment.



**Table 4-6: Jefferson Township LSD Historical Enrollment**

School Year	Head Count	Percentage Change From Previous Year
FY2002-2003	849	13.0%
FY2001-2002	740	4.0%
FY2000-2001	713	(3.0%)
FY1999-2000	732	(4.0%)
FY1998-1999	760	(8.0%)
FY1997-1998	821	(11.0%)
FY1996-1997	914	0.0%
FY1995-1996	918	2.0%
FY1994-1995	897	(5.0%)
FY1993-1994	946	N/A

Source: EMIS Coordinator Jefferson Township LSD

From FY 1996-97 to FY 2000-01, Jefferson Township LSD experienced a decline in enrollment from 914 to 713 students. From FY 2000-01 to FY 2002-03, Jefferson Township LSD experienced an increase in enrollment from 713 to 849. Enrollment increased because FY 2001-02 was the first year the District authorized open enrollment which led to an influx of students from outside the district.

The Jefferson Township LSD EMIS Coordinator projects enrollment as part of the District's financial forecast. Enrollment projections are based on historical enrollment and increases in open enrollment. **Table 4-7** shows enrollment projections from FY 2002-03 to FY 2011-12.

**Table 4-7: Jefferson Township LSD Enrollment Projections**

School Year	Head Count	Percentage Change From Previous Year
FY2011-2012	838	1.0%
FY2010-2011	830	1.0%
FY2009-2010	822	2.0%
FY2008-2009	806	1.0%
FY2007-2008	798	0.9%
FY2006-2007	791	1.0%
FY2005-2006	783	0.9%
FY2004-2005	776	(0.8%)
FY 2003-2004	782	(7.9%)
FY2002-2003	849	N/A

Source: Jefferson Township LSD

From FY 2002-2003 to FY 2004-05, District enrollment is projected to decrease from 849 to 776. From FY 2004-05 to FY 2011-2012, Jefferson Township enrollment is scheduled to increase in small increments from 776 to 838. Overall, it appears that enrollment will be fairly steady with between 750 and 850 students.

*School Planning and Management*, “Creating a Successful Facility Master Plan”, outlines several pieces of information that are essential for a district to develop a facility master plan. The requirements include:

- Historical and projected student enrollment figures;
- Demographic profile of the community/school district;
- Facility inventory;
- Facility assessment (condition and educational adequacy of buildings);
- Capacity analysis;
- Educational programs;
- Academic achievement; and,
- Financial and tax information.

Using this information, the District should work with a cross-section of school personnel – parents, students and community members – to develop a plan that clearly states the future plans for each facility in the District. A facility master plan serves as a roadmap to the District’s facility needs. The plan should specify projects, the timing and sequencing of the projects, and the estimated costs, along with potential funding sources.

A detailed facilities master plan would enhance the District’s ability to effectively plan for future facility use. This may include consolidation of buildings into one facility, or modifying existing facilities to allow for grade restructuring. A facilities master plan would help provide Jefferson Township LSD with valuable information to evaluate long-term facilities and maintenance needs, assist the District in scheduling preventive maintenance tasks, and allocate scarce financial resources to those facilities most in need while building community consensus. Furthermore, such a plan would assist Jefferson Township LSD in space planning efforts, as it would provide vital information related to the physical condition of its buildings.

**R4.11 Jefferson Township LSD should develop and formally adopt a building capacity calculation methodology which takes into consideration the District’s needs and educational philosophy. The building capacity and utilization should be reviewed periodically in conjunction with enrollment projections to determine the appropriate number of school buildings and classrooms needed to house the current and projected student populations.**

The Auditor of State (AOS) calculated Jefferson Township LSD’s building capacities using a standard methodology employed by educational planners. **Table 4-8** compares each school building’s student capacity to the current FY 2002-03 student head count to determine the current building utilization rate of the District. **Table 4-8** is adjusted for moving fifth-grade students into the elementary school. Jefferson Township LSD moved fifth-grade students into the elementary school for FY 2003-04.

**Table 4-8: FY 2002-03 Building Capacity and Utilization  
Rates without Modular Units<sup>1</sup>**

Building	Building Capacity	2002-03 Head Count	Over/(Under) Capacity	Building Utilization Rate
Elementary School (K-5)	470	363	(107)	77%
Junior High School (6-8)	340	206	(134)	61%
High School (9-12)	561	280	(281)	50%
<b>Total for all Buildings</b>	1,371	849	(522)	62%

Source: EMIS and Jefferson Township LSD treasurer

<sup>1</sup> Building capacity is calculated in the elementary by multiplying the number of regular education classrooms (excluding special needs, art, music, tutoring, intervention and gifted rooms) by 25. The capacity for the high school building is similar to the elementary school; however, the product is then multiplied by an 85 percent utilization rate.

All Jefferson Township LSD school buildings are under the optimal capacity utilization rate of 85 percent. The school with the lowest utilization rate is the high school, at 50 percent.

Jefferson Township LSD uses two modular classrooms at the middle school, even-though the District is under the optimal capacity utilization rate. **Table 4-9** depicts the District's building capacity and utilization rates including the modular units. The combined capacities of the two modular units are 100 students.

**Table 4-9: FY 2002-03 Building Capacity and Utilization  
Rates with Modular Units<sup>1</sup>**

Building	Building Capacity	2002-03 Head Count	Over/(Under) Capacity	Building Utilization Rate
Elementary School (K-5)	470	363	(107)	77%
Junior High School (6-8)	440	206	(234)	47%
High School (9-12)	561	280	(281)	50%
<b>Total For All Buildings</b>	1,471	849	(622)	58%

Source: EMIS and Jefferson Township LSD treasurer

<sup>1</sup> Building capacity is calculated in the elementary by multiplying the number of regular education classrooms (excluding special needs, art, music, tutoring, intervention and gifted rooms) by 25. The capacity for the high school building is similar to the elementary school; however, the product is then multiplied by an 85 percent utilization rate.

When modular units are included, the District's utilization rate declines even further below the optimal capacity utilization rate to 47 percent.

Defining building capacity is critical to the formation of a facilities master plan. The District's determined capacity provides the District with essential information to make educational planning easier and maximize existing space. Without a determined building capacity, it is difficult for districts to make decisions about facility use.

**R4.12 Jefferson Township LSD should develop options to achieve optimal utilization rates in all buildings. In considering future facility use in the District, the District should consider closing Radcliff Middle School or securing capital funds to construct a single school facility. When deciding on either option, the District should determine and review enrollment projections, building capacity, grade structuring, and educational program needs.**

Jefferson Township LSD has not achieved optimal utilization of school facilities. The District's utilization rates are low and enrollment is not projected to increase significantly in the next ten years (see **R4.10** and **R4.11**). Two potential options to achieve optimal utilization rates are given below. The District must build community consensus around any option it chooses to follow.

*Option 1*

The District should consider closing Radcliff Middle School, moving seventh and eighth graders to the high school, and moving sixth graders to the elementary school. In order to remain within optimal building utilization rates, the two modular classrooms would have to be moved from the middle school to the elementary school. However, the District could follow through with this option without using modular units, although this would increase the utilization of the elementary school to more than 90 percent. **Table 4-10** shows building utilization rates under this scenario.

**Table 4-10: FY 2002-03 Building Capacity and Utilization Rates  
Adjusted for Closure of Radcliff Middle School <sup>1</sup>**

Building	Building Capacity	2002-03 Head Count	Over/(Under) Capacity	Building Utilization Rate
Elementary School (K-6) with modular units <sup>2</sup>	570	431	(139)	76%
Elementary School (K-6) without modular units <sup>3</sup>	470	431	(39)	92%
High School (7-12)	561	418	(143)	75%
<b>Total For All Buildings</b>	1,131	849	(282)	75%

**Source:** EMIS and Jefferson Township LSD treasurer

<sup>1</sup> Building capacity is calculated in the elementary by multiplying the number of regular education classrooms (excluding special needs, art, music, tutoring, intervention and gifted rooms) by 25. The capacity for the high school building is similar to the elementary school; however, the product is then multiplied by an 85 percent utilization rate.

<sup>2</sup> This capacity includes 2 modular units that can hold a total of 100 students.

<sup>3</sup> This capacity does not include 2 modular units that can hold a total of 100 students.

Even with the closure of Radcliff Middle School, Jefferson Township LSD is still below the optimal building utilization rate of 85 percent, allowing for future flexibility in determining building use. Utilization at the elementary goes up to 92 percent, however, when the modular units are removed from the analysis. Although this figure is somewhat high and could reduce some flexibility in determining building use, the District's 2002-03 head count is the highest projected enrollment through FY 2011-12. Therefore, the actual utilization rate of the elementary school for the course of the enrollment forecast will likely be lower than 92 percent, eliminating the need for a modular unit at the elementary school. Closing Radcliff Middle School would allow the District to reduce maintenance and operations expenditures as the District would not have to pay for custodial positions, purchased services or utilities that were required to keep the middle school operating, resulting in a reduction in deficit spending.

### *Option 2*

Jefferson Township LSD should consider securing capital funds to construct one new school facility that would be large enough to contain all grades. Assuming the highest projected headcount over a 10-year period, the new school building would need to be able to house approximately 900 students. In 2002, Mississinawa Valley LSD completed construction of a 112,592 square foot K-12 facility.

**Table 4-11** shows the square footage needed to construct a K-12 facility for Jefferson Township LSD, using square footage per student estimates from the Ohio School Facilities Commission and National Averages contained in the Ohio School Design Manual. The square footage needed includes playground, furniture, gyms and cafeterias, but does not include an auditorium with fixed seating.

**Table 4-11: Square Footage to Construct K-12 Facility**

	FY 2002-03 Headcount	OSFC sq. ft.	OSFC Total	National Sq. Ft.	National Total
Elementary Grades <sup>1</sup>	431	125	53,875	114.4	49,306.4
Middle Grades	138	151	20,838	136.7	18,864.6
High Grades	280	180	50,400	154.2	43,176
<b>Total Grades</b>	<b>849</b>	<b>-</b>	<b>125,113</b>	<b>-</b>	<b>111,347</b>

Source: EMIS headcount data and Ohio School Design Manual

<sup>1</sup> Elementary school grades include 1-6.

The square footage needed to construct a K-12 school facility using OSFC estimates is 125,113 and using the National Average estimate is 111,347. **Table 4-12** shows the cost to construct a K-12 facility for Jefferson Township LSD, using cost per square footage estimates from the OSFC and a National Average.

**Table 4-12: Costs to Construct K-12 Facility**

	OSFC Sq. Ft.	OSFC Cost/Sq. Ft.	OSFC Total Costs	National Sq. Ft.	National Cost/Sq. Ft.	National Total Costs
Elementary School	53,875	\$155	\$8,364,000	49,306	\$118	\$5,821,000
Middle School	20,838	\$154	\$3,199,000	18,865	\$121	\$2,284,000
High School	50,400	\$161	\$8,102,000	43,176	\$122	\$5,274,000
<b>Total</b>	<b>125,113</b>	<b>-</b>	<b>\$19,665,000</b>	<b>111,347</b>	<b>-</b>	<b>\$13,379,000</b>

Source: EMIS headcount data and Ohio School Design Manual

Note: Totals in **Table 4-12** may not sum exactly because of rounding.

According to OSFC and National Average estimates, today's cost of constructing a K-12 facility is between \$13,379,000 and \$19,665,000. According to the Ohio School Design Manual, the State of Ohio invests more dollars in classroom facilities, which explains why OSFC estimates are higher than national averages.

The District would need to consider all possible sources of construction funding, including but not limited to collaborating with OSFC for State resources and/or placing an initiative on a ballot for public consideration. If the District decides to construct the new building, it should examine enrollment trends to ensure that the facility is neither too large nor small for projected enrollment.

*Financial Implication: **Option 1:*** Based on FY 2002-03 data, the annual cost savings Jefferson Township LSD could recognize by closing the middle school is up to \$224,000<sup>4-1</sup> (this includes personnel and utility savings). Additional cost savings would be recognized from decreased

<sup>4-1</sup> Personnel savings include the salary and benefits for the two custodians assigned to the middle school, a principal and a secretary. Utility savings was calculated by taking the percentage of the middle school's square footage out of the total for the District, and applying this percentage to utility costs. However, the District indicated that they would likely retain administrative positions to assist in student services for the student population that would be moved to the high school.

maintenance cost, and other possible staffing reductions, such as teachers and cooks; however, these savings could not be quantified at this time.

## Financial Implications

The following table represents a summary of annual cost savings and implementation costs. This table illustrates the savings Jefferson Township LSD could potentially realize and the implementation costs for recommendations in this section. For the purposes of this table, only recommendations with quantifiable impacts are listed.

### Summary of Financial Implications for Facilities

Recommendation	Annual Costs Savings	Implementation Costs
<b>R4.1</b> Reduce purchased service expenditures that include telephones and copy machines.	\$7,000	
<b>R4.3</b> Use purchasing consortiums and pursue bulk discounts for maintenance and custodial supplies.	\$18,000	
<b>R4.4</b> Perform grounds-keeping work with current full-time custodial staff.	\$8,500	
<b>R4.5</b> Use a CMMS to track maintenance requests.		\$1,500 (annual)
<b>R4.7</b> Maintain records and procedures for training.		\$60 (one time)
<b>R4.9</b> Implement an energy management program.	\$28,000	
<b>R4.12</b> Close Radcliff Middle School.	\$224,000	
<b>Total</b>	<b>\$285,500</b>	<b>\$1,500 (annual) \$60 (one time)</b>



# Transportation

## Background

Jefferson Township Local School District (Jefferson Township LSD) provided transportation to 981 students in FY 2002-03 using District-owned yellow buses. The District provided transportation to both public and non-public school students, but neither Jefferson Township LSD nor the peers provided transportation to community school students. Jefferson Township LSD has adopted a formal transportation policy that requires transportation be provided to any student (grade K-12) who resides one mile or more from school.

**Table 5-1** compares Jefferson Township LSD's total riders in FY 2002-03 with those of the peers: Covington Exempted Village School District (Covington Exempted VSD), East Guernsey Local School District (East Guernsey LSD), and Mississinawa Valley Local School District (Mississinawa Valley LSD).

**Table 5-1: Total Regular and Special Needs Riders**

	Jefferson Township LSD	Covington Exempted VSD	East Guernsey LSD	Mississinawa Valley LSD	Peer Average
<b>Regular Needs Riders</b>					
• <b>Public</b>	814	398	1,025	720	714
• <b>Non-Public</b> <sup>1</sup>	133	11	8	13	11
• <b>Total</b>	947	409	1,033	733	725
<b>Special Needs Riders</b>	34	16	-- <sup>2</sup>	10	13
<b>Total Riders</b>	<b>981</b>	<b>425</b>	<b>1,033</b>	<b>743</b>	<b>738</b>

Source: Jefferson Township LSD and the peers

<sup>1</sup> Non-Public includes students of both private/parochial schools and community or charter schools.

<sup>2</sup> East Guernsey LSD has not submitted a T-11 form to the Ohio Department of Education (ODE) since FY 2001.

In FY 2002-03, Jefferson Township LSD transported 243 (or about 33 percent) more students than the peers, on average. This can be attributed to the District's significantly higher proportion of non-public sites (see **Table 5-3**) and riders. Furthermore, Jefferson Township LSD transports nearly three times as many special needs students as its peers.

### *Organizational Structure and Function*

Jefferson Township LSD employs 13.0 personnel, or 8.8 full-time equivalent employees (FTEs), who perform transportation-related duties. Specifically, Jefferson Township LSD's transportation

coordinator oversees the transportation department (i.e., bus garage) and has supervisory duties over regular and substitute bus drivers, a fleet mechanic, and transportation administrative staff.

**Table 5-2** compares Jefferson Township LSD and peer transportation staffing levels for FY 2002-03.

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

Positions	Jefferson Township LSD		Covington Exempted VSD <sup>1</sup>		East Guernsey LSD <sup>1</sup>		Mississinawa Valley LSD		Peer Average	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE
<b>Coordinator/Assistant</b>	1.0	0.6	1.0	0.4	1.0	0.8	1.0	0.1 <sup>2</sup>	1.0	0.4
<b>Bus Driver</b>	9.0	6.0	19.0	9.9	25.0	17.5	13.0	4.1	19.0	10.5
<b>Mechanic/Assistant</b>	1.0	1.2 <sup>3</sup>	--	--	--	--	1.0	0.6	1.0	0.6
<b>Administrative</b>	1.0	0.5 <sup>3</sup>	--	--	1.0	0.1	1.0	0.1	1.0	0.1
<b>Aide</b>	1.0	0.5	1.0	0.3	1.0	0.5	--	--	1.0	0.4
<b>Total Staffing</b>	<b>13.0</b>	<b>8.8</b>	<b>21.0</b>	<b>10.6</b>	<b>28.0</b>	<b>18.9</b>	<b>16.0</b>	<b>4.9</b>	<b>23.0</b>	<b>12.0</b>
<b>Number of Students Transported</b>	981		425		1,033		743		738	
<b>Number of Buses <sup>4</sup></b>	13		9		18		9		12	
<b>Students Transported per Bus Driver FTE</b>	163.5		42.9		59.0		181.2		94.4	
<b>Students Transported per Total FTE</b>	111.5		40.1		54.7		151.6		82.1	
<b>District Square Miles</b>	35		34		345		77		152	
<b>District Square Miles per Total FTE</b>	4.0		3.2		18.3		15.7		12.4	
<b>Routine Miles <sup>5</sup></b>	127,270		56,960		311,144		87,576		151,893	
<b>Routine Miles per Bus Driver FTE</b>	21,212		5,754		17,780		21,360		14,965	

Source: District transportation departments

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

<sup>1</sup> Covington Exempted VSD and East Guernsey LSD contract out for maintenance and repairs services.

<sup>2</sup> Mississinawa Valley LSD's transportation coordinator also serves as an elementary principal.

<sup>3</sup> District personnel indicated that these positions were eliminated during the course of the audit.

<sup>4</sup> Includes active regular and special needs buses.

<sup>5</sup> Calculated by multiplying total daily miles by 178 student days and excluding non-routine miles.

With the exception of Mississinawa Valley LSD, Jefferson Township LSD employs fewer transportation FTEs than the peers. In FY 2002-03, the District's transportation coordinator spent 60 percent of his time performing supervisory duties, while dividing the remaining 40 percent equally as both a mechanic and a bus driver. As of FY 2003-04, however, the board of education (the Board) approved staffing reductions in several areas, including transportation, as a cost saving measure (see **human resources**). As a result, the mechanic and the administrative positions were eliminated. According to the transportation coordinator, these reductions have resulted in a significant workload increase as he has assumed these duties.

In consideration of Board-approved staffing reductions, Jefferson Township LSD appears slightly under-staffed when compared to the peers. Specifically, without mechanical and administrative personnel, the District has only 7.3 FTEs remaining in FY 2003-04, with 6.0 FTEs being bus drivers. This may result in a strain on staff members who transport approximately 73 percent more students and travel nearly 42 percent more routine miles per bus driver FTE than the peer average. Furthermore, without a mechanic who performs regular preventive maintenance activities, the District's aging bus fleet (see **R5.4**) may deteriorate, resulting in higher maintenance and repair costs (see **Table 5-4**).

### *Operating Statistics*

Jefferson Township LSD maintains a fleet of 13 active and 3 spare buses to transport regular and special needs students, both public and non-public. Specifically, 12 buses are used to transport regular needs students while the remaining active bus is used to transport special needs students. Jefferson Township LSD also maintains two trucks for removing snow, hauling equipment, transporting staff to meetings off school property, and accommodating the needs of the athletic department or other extracurricular organizations. **Table 5-3** summarizes FY 2002-03 basic operating statistics and ratios for Jefferson Township LSD and the peers.

**Table 5-3: Basic Operating Statistics**

	Jefferson Township LSD	Covington Exempted VSD	East Guernsey LSD	Mississinawa Valley LSD	Peer Average
<b>Students Transported</b>					
Regular Needs	947	409	1,033	733	725
Special Needs	34	16	--	10	13
<b>Total</b>	<b>981</b>	<b>425</b>	<b>1,033</b>	<b>743</b>	<b>738</b>
<b>Miles Traveled</b>					
District Square Miles	35	34	345	77	152
Routine	127,270	56,960	311,144	87,576	151,893
Non-Routine	17,000	20,461	44,861	16,123	27,148
<b>Sites and Bus Types</b>					
Public Sites	3	7	4	1	4
Non-Public Sites	20	--	2	--	2
Active Buses (Regular Needs)	12	8	18	9	12
Active Buses (Special Needs)	1	1	--	--	1
Spare Buses	3	2	6	3	4
<b>Cost <sup>1</sup></b>					
Regular Needs	\$487,647	\$239,940	\$754,421	\$189,832	\$394,731
Special Needs	\$34,809	\$37,558	--	\$36,263	\$36,911
<b>Total</b>	<b>\$522,456</b>	<b>\$277,498</b>	<b>\$754,421</b>	<b>\$226,095</b>	<b>\$431,642</b>
<b>State Reimbursements</b>					
Regular Needs	\$198,012	\$142,717	\$528,696	\$164,100	\$278,504
Special Needs	\$19,351	\$12,511	--	\$4,935	\$8,723
<b>Total</b>	<b>\$217,363</b>	<b>\$155,228</b>	<b>\$528,696</b>	<b>\$169,035</b>	<b>\$287,227</b>
Percentage of Total Cost	42%	56%	70%	75%	67%
<b>Ratios</b>					
<i>Regular Needs</i>					
Students per Bus	79	51	57	81	63
Cost per Student	\$515	\$587	\$730	\$259	\$525
Cost per Mile <sup>2</sup>	\$3.38	\$3.10	\$2.12	\$1.83	\$2.35
Cost per Bus <sup>3</sup>	\$40,637	\$29,993	\$41,912	\$21,092	\$30,999
<i>Special Needs</i>					
Cost per Student	\$1,024	\$2,347	--	\$3,626	\$2,987

Source: Jefferson Township LSD, the peers, and ODE.

Note: East Guernsey has not submitted a T-11 form to ODE since FY 2001.

<sup>1</sup> Total costs may not match actual expenditures reported in 4502 forms due to T-form reporting errors.

<sup>2</sup> Includes routine and non-routine miles traveled.

<sup>3</sup> Excludes spare buses.

Although Jefferson Township LSD's overall transportation costs exceed the peer average by approximately \$90,800 or 21 percent, the District's costs per regular and special needs student are lower than the peer average. This can be attributed to Jefferson Township LSD's ability to transport approximately 21 percent more students per active bus to more sites and over a smaller area. However, Jefferson Township LSD's costs on a per mile and per bus basis each exceed the peer average by over 30 percent, while the District's State transportation reimbursement percentage is 25 percent lower. This can be attributed to higher operational costs for fleet maintenance and repairs, as well as for employee salaries and benefits (see **human resources**). See **Table 5-4** for a more detailed analysis of regular needs transportation costs.

### *Assessments Not Yielding Recommendations*

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

- **Transportation Policy:** Under current Board policy, Jefferson Township LSD provides transportation to all students (K-12) who reside one mile or more from school. However, special needs students and students residing within one mile may receive transportation if hazardous conditions prevent them from walking. Pursuant to Ohio Revised Code (ORC) § 3327.01, with the exception of special needs riders, a school district is only required to transport students (K-8) who reside two or more miles from school, while high school student transportation is optional. Although Jefferson Township LSD's policy exceeds State minimum requirements, the policy is appropriate given the scarcity of sidewalks in the District and busy traffic patterns of major transportation routes. Of the peers, both Covington Exempted VSD and East Guernsey LSD have adopted transportation policies that are in line with State minimum standards.
- **Use of Route Optimizing Software:** According to the transportation coordinator, high implementation costs currently prevent Jefferson Township LSD from purchasing route optimizing software. However, by operating under a dual-tiered routing structure, the District exceeds the peer average in total students transported per bus, and falls below the peer average in cost per student. Of the peers, only East Guernsey LSD has indicated that it will purchase routing software, having budgeted approximately \$15,000 in FY 2003-04.
- **Central Fuel Tank:** Jefferson Township LSD operates a central fuel tank with a maximum capacity of approximately 10,000 gallons for diesel and 6,000 for gasoline. According to the transportation coordinator, the tank is accessible by transportation and grounds personnel, who use it to fill District vehicles and lawnmowers. In addition to electronic inventory reports, the transportation coordinator reviews fuel slips, submitted by staff members, to record the amount of fuel used and to prevent improper use. Furthermore, in FY 2002-03,

Jefferson Township LSD paid approximately \$200 less per bus for fuel, compared to the peers (see **Table 5-4**).

## General Recommendations

**R5.1 Jefferson Township LSD should establish a formal policy and accompanying procedures for filling out all T-forms, including the T-1S. In addition, those staff members who are required to fill out and submit these forms to ODE should consider obtaining training. This will help to ensure that reports are accurate and complete, reconcile with 4502 forms, and are submitted in a timely manner. Moreover, this will help the District to obtain all available reimbursements from ODE. During the course of this audit, the District assigned the EMIS Coordinator to assist the Transportation Coordinator with record keeping and completing ODE reports.**

Jefferson Township LSD has not established a formal policy and accompanying procedures for completing and submitting T-forms. Rather, the transportation coordinator fills in factual data (e.g., number of students transported and miles traveled) then submits the forms to the treasurer's office to complete cost-related data. According to Jefferson Township LSD, the transportation coordinator and treasurer do not meet to verify the accuracy of the other's data before submitting T-forms to ODE. Furthermore, Jefferson Township LSD could not provide data necessary to submit its FY 2002-03 T-1S form, and did not submit its T-2 and T-11 forms until October, well after the established July deadline. This can be attributed to recent turnover in the treasurer position, as well as transportation-related staffing reductions, which minimize the time available to complete these forms.

School districts use T-1S forms to report the number of additional routine miles traveled to transport non-public riders on days when public schools are not in session. T-2 and T-11 forms are used to report transportation costs associated with regular and special needs students, respectively. Because State transportation reimbursements are based on the number of students transported and miles traveled, late submission of T-2 and T-11 forms have no direct effect on Jefferson Township's FY 2002-03 State reimbursement amount. However, by not submitting a T-1S form, the District cannot receive a supplemental reimbursement (\$0.775 per mile) for providing transportation to eligible riders. For example, East Guernsey LSD reported traveling 1,152 miles on its FY 2002-03 T-1S form, thereby qualifying the district to receive nearly \$900 from ODE.

ODE indicates that the importance of processing timely and accurate T-form data will increase as ODE moves to a web-based reporting system. Specifically, ODE suggests that districts who do not submit data may lose a portion of transportation funding. Without a formal policy and accompanying procedures that detail the process for completing,

reviewing, and submitting T-forms, Jefferson Township LSD cannot effectively ensure the timeliness and accuracy of its transportation financial data. Therefore, the District risks submitting incorrect information, which can potentially affect reimbursement amounts or skew State reimbursement formulas.

As a result of recent turnover, Jefferson Township LSD should also consider obtaining training for those personnel who are required to complete and submit T-form data (e.g., treasurer's office staff and transportation coordinator). In addition to free T-form training offered by ODE, bus fleet maintenance seminars and school treasurer workshops are offered, at minimal cost, through such organizations as the Ohio Association for Pupil Transportation (OAPT), the Ohio Association of School Business Officials (OASBO), and the Ohio School Boards Association (OSBA).

**R5.2 Assuming Jefferson Township LSD does not hire additional bus mechanics, the District should solicit competitive bids or issue requests for proposals (RFPs) to select an outside vendor to perform regular fleet maintenance and repairs.**

Excluding East Guernsey LSD, Jefferson Township LSD's overall transportation expenditures for regular needs riders exceed the peers by approximately \$272,800, or \$92 per student on average.

**Table 5-4** provides a detailed analysis of Jefferson Township LSD and peer regular needs expenditures in FY 2002-03, based on identified ratios.

**Table 5-4: Regular Needs Transportation Expenditure Comparison**

	Jefferson Township LSD	Covington Exempted VSD	East Guernsey LSD	Mississinawa Valley LSD	Peer Average
<b>Personnel</b> <sup>1</sup>	<b>\$369,617</b>	<b>\$169,723</b>	<b>\$533,434</b>	<b>\$131,160</b>	<b>\$278,106</b>
<i>Per Bus</i>	\$30,801	\$21,215	\$29,635	\$14,573	\$21,808
<i>Per Mile</i>	\$3	\$3	\$2	\$1	\$2
<i>Per Student</i>	\$390	\$415	\$516	\$179	\$370
<i>Per FTE</i>	\$42,002	\$16,012	\$28,224	\$26,767	\$23,668
<b>Fuel Procurement</b>	<b>\$35,597</b>	<b>\$22,374</b>	<b>\$65,254</b>	<b>\$27,676</b>	<b>\$38,435</b>
<i>Per Bus</i>	\$2,966	\$2,797	\$3,625	\$3,075	\$3,166
<i>Per Mile</i>	\$0.28	\$0.39	\$0.21	\$0.31	\$0.30
<i>Per Student</i>	\$38	\$55	\$63	\$38	\$52
<b>Bus Insurance</b>	<b>\$13,144</b>	<b>\$12,453</b>	<b>\$35,559</b>	<b>\$16,586</b>	<b>\$21,533</b>
<i>Per Bus</i>	\$1,095	\$1,557	\$1,976	\$1,843	\$1,792
<i>Per Mile</i>	\$0.10	\$0.22	\$0.11	\$0.19	\$0.17
<i>Per Student</i>	\$14	\$30	\$34	\$23	\$29
<b>Maintenance and Repairs</b> <sup>2</sup>	<b>\$52,568</b>	<b>\$25,806</b>	<b>\$70,111</b>	<b>\$7,647</b>	<b>\$34,521</b>
<i>Per Bus</i>	\$4,381	\$3,226	\$3,895	\$850	\$2,657
<i>Per Mile</i>	\$0.41	\$0.45	\$0.22	\$0.09	\$0.25
<i>Per Student</i>	\$56	\$63	\$68	\$10	\$47
<b>Utilities and Supplies</b>	<b>\$9,454</b>	<b>\$4,852</b>	<b>\$27,055</b>	<b>\$3,015</b>	<b>\$11,641</b>
<i>Per Bus</i>	\$788	\$607	\$1,503	\$335	\$815
<i>Per Mile</i>	\$0.07	\$0.08	\$0.09	\$0.03	\$0.07
<i>Per Student</i>	\$10	\$12	\$26	\$4	\$14

**Source:** Jefferson Township LSD and the peers

**Note:** Per bus ratios only include active buses and per mile ratios only include routine miles.

<sup>1</sup> Includes salaries, retirement, workers' compensation, and insurance.

<sup>2</sup> Includes maintenance, repairs, tires, and tubes.

Although regular needs transportation expenditures are higher at Jefferson Township LSD, the District compares favorably with the peer average in fuel procurement, bus insurance, and utilities and supplies. However, based on a ratio analysis (e.g., per bus, per mile, per student, and per FTE), District expenditures for personnel and for maintenance and repairs are significantly higher. Specifically, Jefferson Township LSD's personnel expenditures per FTE exceed those of the closest peer, East Guernsey LSD, by \$13,778 (49 percent), which can be attributed to higher bus driver salaries (see **human resources** for recommendations that are subject to negotiations with certificated and classified collective bargaining units). Furthermore, the District's maintenance and repair expenditures exceed the peer average by \$18,047 (52 percent), and are \$486 (12 percent) higher per bus than East Guernsey LSD's, which can be attributed to Jefferson Township LSD's aging bus fleet (see **R5.4**).

As discussed in **R5.3**, the District does not assess fees for non-routine transportation costs; money which could be used to offset operational expenditures. Furthermore, as of FY 2003-04, the District does not employ any mechanic positions that perform regular maintenance



and repair activities (e.g., brake checks, oil changes, etc.). Absent staff capable of performing these functions, Jefferson Township LSD is not aware of fleet-related problems until they occur and cannot effectively manage expenditures in this area.

Covington Exempted VSD and East Guernsey LSD contract out for maintenance and repair services. According to East Guernsey LSD, a new contract is drawn up every two or three years with the same vendor, but RFPs and competitive bids are rarely issued. According to ORC § 3313.46, a formal RFP should be issued for contracts exceeding \$25,000. Additionally, pursuant to guidelines established by the Ohio Department of Administrative Services (ODAS), RFPs should be issued every three years to at least five potential vendors. By regularly issuing RFPs or soliciting competitive bids for outsourced services, Jefferson Township LSD can help to relieve the strain of recent staffing cuts, while preserving the longevity of its bus fleet and effectively ensuring accountability for District funds. Furthermore, by reducing operational costs, the District can indirectly increase its portion of State reimbursements (see **Table 5-3**).

*Financial Implication:* Assuming Jefferson Township LSD solicits bids or issues RFPs to reduce its maintenance and repair expenditures per bus to that of East Guernsey LSD, Jefferson Township LSD can achieve annual cost savings of approximately \$5,800.

**R5.3 Pursuant to current Board policy and State regulatory requirements, Jefferson Township LSD should consider assessing fees to offset the actual cost of providing non-routine transportation, including co-curricular, athletic, and extra-curricular trips.**

Although Board policy permits Jefferson Township LSD to assess a mileage charge on sponsoring organizations to cover the cost (e.g., driver and fuel) of providing non-routine transportation, the District treasurer indicates that these charges have not been assessed in several years.

**Table 5-5** compares non-routine mileage and cost data for Jefferson Township LSD and the peers.

**Table 5-5: FY 2002-03 Non-Routine Mileage**

	Jefferson Township LSD	Covington Exempted VSD	East Guernsey LSD	Mississinawa Valley LSD	Peer Average
<b>Non-Routine Miles</b>	17,000	20,461	44,861	16,123	27,148
<b>Personnel Cost</b> <sup>1</sup>	\$61,603	\$17,144	\$30,482	\$31,990	\$26,539
<b>Fuel Cost</b>	\$35,597	\$22,374	\$65,254	\$27,676	\$38,435
<b>Maintenance and Repairs Cost</b> <sup>2</sup>	\$48,109	\$25,367	\$63,900	\$6,221	\$31,829
<b>Personnel Cost per Non-Routine Mile</b>	\$3.62	\$0.84	\$0.68	\$1.98	\$1.17
<b>Fuel Cost per Non-Routine Mile</b>	\$2.09	\$1.09	\$1.45	\$1.72	\$1.42
<b>Maintenance and Repairs Cost per Non-Routine Mile</b>	\$2.83	\$1.24	\$1.42	\$0.39	\$1.02
<b>Total Cost per Non-Routine Mile</b>	<b>\$8.54</b>	<b>\$3.17</b>	<b>\$3.55</b>	<b>\$4.09</b>	<b>\$3.61</b>

Source: District FY 2002-03 T-2 forms

<sup>1</sup> Calculated per bus driver FTE.

<sup>2</sup> Excludes tires and tubes.

Although District buses traveled fewer non-routine miles than the peer average, Jefferson Township LSD incurred higher personnel, fuel, and maintenance costs per mile. The District's inability to offset these costs can be attributed to non-enforcement of current Board policy and non-compliance with State regulatory requirements (see **human resources** for additional information regarding District personnel costs). Specifically, OAC § 3301-83-16(B) stipulates that, with the exception of field trips that are extensions of instructional programs, a school board of education shall recover actual operational costs associated with providing non-routine transportation. These operational costs include the following:

- Bus driver salary and benefits;
- Fuel;
- Maintenance;
- Service;
- Supervision (i.e., chaperones);
- Insurance; and
- Permits.

Similar to Jefferson Township LSD, none of the peers assess fees for non-routine transportation. Regardless, the OAC and Board policy afford the District an ability to offset actual costs (e.g., maintenance and repairs) through the collection of monies for non-routine transportation.

*Financial Implication:* Assuming Jefferson Township LSD collects fees to reduce a portion of the actual cost of providing non-routine transportation to a level similar to the next highest peer (Mississinawa Valley LSD), a reduction of \$4.45 per non-routine mile, the District could realize an annual cost savings of approximately \$75,700.

**R5.4 The transportation coordinator should work with the treasurer to develop a formal bus replacement plan to maximize fleet effectiveness, reduce maintenance and repairs costs, and ensure Jefferson Township LSD is properly budgeting for funds necessary to purchase new buses.**

Jefferson Township LSD does not have a formal bus replacement plan. As of October 2003, about 82 percent of the District's buses were 13-years old or older with 1 diesel bus reporting an odometer reading of 356,200 miles and 4 others reporting an average of nearly 220,000 miles. Furthermore, the District's fleet maintenance and repairs costs significantly exceed the peer average on a per bus basis (see **Table 5-4**). Nevertheless, Jefferson Township has not purchased replacement buses since 2000. According to ODE, the District receives annual public bus subsidies of about \$15,000 specifically for bus replacement. While this amount would allow the District to replace a bus approximately every four years, these funds are not intended to completely pay for the District's buses, but rather to supplement the District's own bus replacement funds. Jefferson Township LSD was unable to account for the \$45,000 it has received since FY 2000-01.

Although there are no minimum State standards for the replacement of school buses, the National Association of State Directors of Pupil Transportation Services (NASDPTS) recommends that diesel buses be replaced after 12 years of service or after 250,000 miles. However, regardless of age and engine type (e.g., diesel or gasoline), school districts should continue to use buses that pass State inspections and do not chronically inflate maintenance and repairs costs. Moreover, without mechanics to perform routine maintenance activities, Jefferson Township LSD may experience an increase in maintenance and repair costs as its fleet ages and travels more miles (see **R5.2**).

**Table 5-6** presents a seven-year mileage forecast for select Jefferson Township LSD buses. Specifically, this analysis includes all District buses that are scheduled to exceed 250,000 miles during the forecast period.

**Table 5-6: Jefferson Township LSD 7-Year Bus Mileage Forecast**

Bus <sup>1</sup>	Engine Type	October 2003	End of FY 2003-04	End of FY 2004-05	End of FY 2005-06	End of FY 2006-07	End of FY 2007-08	End of FY 2008-09	End of FY 2009-10
15	Diesel	356,222							
19	Diesel	225,106	236,106	247,106	258,106				
4	Diesel	220,906	231,906	242,906	253,906				
28	Gasoline	219,763	230,763	241,763	252,763				
24	Diesel	218,624	229,624	240,624	251,624				
7	Diesel	213,688	224,688	235,688	246,688	257,688			
9	Diesel	195,354	206,354	217,354	228,354	239,354	250,354		
5	Diesel	186,538	197,538	208,538	219,538	230,538	241,538	252,538	
29	Gasoline	177,967	188,967	199,967	210,967	221,967	232,967	243,967	254,967

**Source:** Jefferson Township LSD

**Note:** Assumes each bus travels approximately 11,000 miles annually.

<sup>1</sup> Official bus number as designated by Jefferson Township LSD.

Based on the mileage forecast and pursuant to NASDPTS recommendations, Jefferson Township LSD should purchase one new bus in FY 2003-04. The District can use funds accrued from ODE since FY 2000-01 to make this purchase; however, without a formal bus replacement plan, Jefferson Township LSD cannot ensure the availability of funds for future bus purchases. For example, ODE indicates that public bus subsidies are expected to decrease by about 50 percent in FY 2003-04, reducing the District's share to only \$7,500 per year. At this rate, Jefferson Township LSD will accrue only \$52,500 (or 11 percent) of the \$480,000 required to replace all 8 remaining buses by the end of the forecast period.

A bus replacement plan should include the number of buses to be replaced annually, the average age of the buses at the time of replacement, the estimated cost of replacement, and a financial plan for how replacements will be purchased, including an estimate for public bus subsidies. For instance, Jefferson Township LSD should consider using cost savings achieved via Board staffing cuts and recommendations identified in this performance audit to finance bus replacement. Finally, the plan should be reviewed for such issues as capacity and other efficiencies, including the use of smaller buses for special needs riders or the assessment of fees for non-routine trips (see **R5.3**). By developing a plan to replace older buses, the District can better ensure the availability of required funds and alleviate potential increases in maintenance and repair costs.

*Financial Implication:* In order to supplement ODE's public bus subsidies for the purchase of eight replacement buses by the end of FY 2009-10, Jefferson Township LSD will incur an implementation cost of \$427,500, or \$61,100 annually.

## Financial Implications Summary

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

### Summary of Financial Implications for Transportation

<b>Recommendation</b>	<b>Estimated Annual Cost Savings</b>	<b>Estimated Annual Implementation Costs</b>
<b>R5.2</b> Issue RFPs or solicit competitive bids for maintenance and repairs services.	\$5,800	
<b>R5.3</b> Assess fees to offset the actual cost of providing non-routine transportation.	\$75,700	
<b>R5.4</b> Replace eight buses over the next seven years.		\$61,100
<b>Total</b>	<b>\$81,500</b>	<b>\$61,100</b>

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