



**Auditor of State**  
**Betty Montgomery**

# SEBRING LOCAL SCHOOL DISTRICT PERFORMANCE AUDIT

AUGUST 10, 2004



**Auditor of State  
Betty Montgomery**

To the Residents and Board of Education of the Sebring Local School District:

On October 31, 2003, Sebring Local School District (Sebring LSD) was placed in fiscal caution because of the possibility of ending the 2004 fiscal year in a deficit, as well as the potential for deficits in future years. Sebring LSD was subsequently placed in fiscal watch on February 12, 2004. Pursuant to ORC §3316.031 and ORC §3316.042, a performance audit was initiated in Sebring LSD. 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 which support its mission of educating children, and because improvements in these areas can assist Sebring LSD in eliminating the conditions which brought about the declarations of fiscal caution and watch.

The performance audit contains recommendations which provide the potential for cost savings and efficiency improvements. The performance audit also provides an independent assessment of Sebring LSD's financial situation and a framework for its financial recovery plan. While the recommendations contained within the performance audit are resources intended to assist Sebring LSD in developing and refining its financial recovery plan, the District is also encouraged to assess overall operations and develop other recommendations independent of the performance audit. During the course of the performance audit, Sebring LSD worked with its Board of Education to decrease expenditures in several areas.

An executive summary has been prepared which includes the project history, a discussion of the fiscal caution, watch and emergency designations, a district overview, the scope, objectives and methodology of the performance audit, and a summary of noteworthy accomplishments, recommendations, and financial implications. This report has been provided to Sebring LSD and its contents discussed with the appropriate officials and District management. The District has been encouraged to use the results of the performance audit as a resource in 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

August 10, 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 a 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 that school district's five-year forecast. According to ORC §3316.042, AOS may conduct a performance audit of a school district in a state of fiscal caution, fiscal watch or fiscal emergency, and review any programs or areas of operations in which AOS believes that greater operational efficiencies or enhanced services can be achieved. Sebring Local School District (Sebring LSD) was placed in fiscal caution on October 31, 2003 because of the possibility of ending FY 2003-04 in a deficit and the potential for deficits in future years. Subsequently, AOS placed the District in fiscal watch on February 12, 2004.

Pursuant to ORC §3316.031 and ORC §3316.042, AOS initiated a performance audit of Sebring LSD. Based on a review of District information and discussions with the superintendent and the treasurer, the following four functional areas were included in the performance audit:

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

## **District Overview**

Sebring LSD encompasses 1.5 square miles and operates within the Village of Sebring and parts of Smith Township in Mahoning County. In FY 2003-04, Sebring LSD had an average daily membership (ADM) of 739 students and a total of 82.09 FTE employees, including 32.49 regular teacher FTEs. The District has two school buildings and an administration building. One school building houses both the elementary (grades K-3) and middle schools (grades 4-6), and the other houses the junior (grades 7-8) and senior high schools (grades 9-12). The District renovated both buildings and constructed the administration building from 2000 to 2002.

In FY 2002-03, Sebring LSD met 7 of the Ohio Department of Education's (ODE) 22 performance standards, resulting in a designation of continuous improvement. The District's

total per pupil operating expenditures for all governmental funds were \$8,349 in FY 2002-03, higher than two of the three peer school districts used in this performance audit.

During the course of this performance audit, Sebring LSD worked with the Board to address its financial difficulties by placing a levy on the ballot, controlling discretionary spending, raising meal prices, and contracting with a different food supplier to reduce supply costs. The District placed a five-year, 6.8 mill emergency operating levy on the November 2003 ballot that would have generated \$300,000 annually. However, as in May 2003, this levy was defeated by District voters.

In October 2003, the District was forecasting deficits from FY 2003-04 through FY 2007-08. Assuming the District's voters approve the renewal of all existing levies, Sebring LSD projects a deficit of approximately \$3.4 million by FY 2007-08. Therefore, the District should consider implementing the recommendations in this performance audit and continue to identify additional cost savings to avoid future financial difficulties. See **R2.7** and **Table 2-19** in the financial systems section of this report for the proposed financial recovery plan, and the impact of the performance audit recommendations on the General Fund ending balance.

## **Scope, Objectives & Methodology**

This performance audit assessed the key operations that impact the District's General Fund, including financial systems, human resources, facilities, and transportation. In the financial systems section, Sebring LSD's financial forecast, along with its accompanying notes and assumptions, were assessed for reasonableness. District-wide staffing levels, collective bargaining agreements and benefit costs were core areas assessed in the human resources section. Building capacity and utilization, and custodial and maintenance operations were examined in the facilities section. Finally, key operational statistics, such as students per bus and average cost per student, were reviewed to identify potential efficiency improvements and costs savings for the District's transportation operations.

The goal of the performance audit process is to assist Sebring LSD management in identifying cost savings opportunities, with the primary objective of eliminating the conditions which brought about the declarations of fiscal caution and watch. The performance audit is designed to develop recommendations which provide cost savings, revenue enhancements and/or efficiency improvements. These recommendations comprise options that Sebring LSD can consider in its continuing efforts to stabilize its financial condition. Another objective of the performance audit is to conduct an independent assessment of the school district's financial situation, including development of a framework for a financial recovery plan.

To complete this report, the auditors gathered and evaluated a significant amount of data pertaining to the reporting areas, conducted interviews with various individuals associated with

Sebring LSD, and assessed requested information from selected peer districts. Leetonia Exempted Village School District (Leetonia EVSD), Lowellville Local School District (Lowellville LSD) and McDonald Local School District (McDonald LSD) were identified as peers based on ODE's list of comparable districts, a review of various demographic information, and input from Sebring LSD personnel. Best practice data from ODE, the State Employment Relations Board (SERB), and other industry standards were also used for additional comparisons. Numerous interviews and discussions were held at many levels at Sebring LSD, and with groups of individuals involved internally and externally with the District.

Lastly, Sebring LSD provided its official response to the performance audit, which is included at the end of this report. If comments in the official response significantly impacted conclusions reached in this engagement and were justified by supporting documentation, the performance audit report was appropriately updated.

## **Noteworthy Accomplishments**

The performance audit report identifies the following noteworthy accomplishments made by Sebring LSD.

- Sebring LSD administration has worked to decrease expenditures and increase revenue to improve the District's financial condition. Specific actions include maintaining tight control over discretionary expenditures, and adjusting various fees including cafeteria prices.
- Sebring LSD's overall energy costs have decreased due to installing a HVAC system.
- Sebring LSD transports the highest number of students per bus driver FTE when compared to the peers, 49 percent higher than the peer average. In addition, based on the relatively high number of students transported per active bus, and low cost per bus and student, Sebring LSD's transportation operations appear efficient.

## **Key Recommendations**

The performance audit report and executive summary contain a number of recommendations pertaining to Sebring LSD. The following are key recommendations:

- Sebring LSD should analyze and use the financial recovery plan outlined in **Table 2-19** to evaluate the recommendations presented in this performance audit to determine the impact of the related cost savings on its financial condition. The District should consider implementing the recommendations in this performance audit along with other appropriate actions to help

rectify its future financial difficulties. In addition, the District should update the financial recovery plan on an ongoing basis as critical financial issues change.

- Since real estate property tax receipts are a significant portion of District revenue, Sebring LSD should project receipts carefully by closely reviewing the impact of property tax abatements expected to expire, and accounting for the appreciation of existing property on its inside millage collections. In addition, the District should make adjustments to its projections as new information becomes available. Doing so would decrease projected real estate property tax revenue by an average of approximately \$24,000 annually over the forecasted period.
- The District's should revise its methodology for estimating unrestricted grants-in-aid, so that it projects major "add on" grant funding sources, such as Parity Aid and Special Education Weighted Aid, separately from the basic aid funding formula. Furthermore, while the District has adequately adjusted the base funding formula for changes in property valuation, the projections for "add on" grant funding should also be adjusted as the funding formulas are partially based on property valuation. Making these adjustments would increase projections for unrestricted grants-in-aid by an annual average of approximately \$167,000 over the forecasted period.
- Although the District adequately makes adjustments in its forecasted personal services line item for expected step increases and staffing level changes, the District should adjust optimistic assumptions pertaining to cost of living adjustments (COLAs) for FY 2004-05 through FY 2007-08. By submitting a forecast that assumes a COLA, the District would be able to quantify and effectively present the impact of COLA increases on its future financial condition. This could aid the District in negotiating future COLA increases and illustrating their effect to stakeholders. By forecasting a 2 percent COLA, personal service and retirement/insurance benefit expenditures are expected to increase by an annual average of approximately \$161,000 and \$28,000, respectively, from FY 2004-05 to FY 2007-08.
- Sebring LSD should reduce 1.0 FTE in its food service operations. Doing so would result in staffing levels more comparable to the peers, and reduce salary and benefit costs, thereby eliminating the need for the General Fund to subsidize cafeteria operations at an annual cost of \$25,000.
- Based on the District's current and projected financial condition, Sebring LSD should consult with its legal counsel on seeking a reduction of up to 4.0 FTE regular education teaching positions. However, prior to making any reductions, the District should determine the impact of these reductions on individual class sizes, the attainment of its mission and goals, and student contact time. Sebring LSD would save approximately \$244,000 annually in salaries and benefits by reducing 4.0 FTE regular education personnel.

- Sebring LSD should review its staffing levels in the educational service personnel (ESP) classification and consult with its legal counsel for a potential reduction of up to 3.0 FTEs. Classifications which should be reviewed for possible reductions include art teachers, music teachers, physical education teachers, and counselors. By reducing 3.0 FTE ESP positions, the District annually would save approximately \$175,000 annually in salaries and benefits.
- Sebring LSD should reduce 1.0 FTE administrative position by using a supplemental contract for the athletic director position. As a result, Sebring LSD would maintain administrative staffing levels comparable to the peer average. This would save the District approximately \$53,000 in salaries and benefits annually.
- Sebring LSD should consider reducing 1.0 FTE office/clerical position. The District could operate with fewer clerical staff by pooling and sharing employees across departments, while ensuring that reporting lines are clearly defined and job duties are prioritized. Annual savings in salaries and benefits would be approximately \$33,000.
- During future contract negotiations, Sebring LSD should seek to negotiate a 10 percent employee contribution for full time employees and/or alter plan benefits (e.g., increase the employee co-pay for the prescription plan and the employee out of pocket maximum). This would save the District \$82,000 annually in health care costs.
- During future contract negotiations, Sebring LSD should seek to revise the reduction in force (RIF) provision in the certificated contract to include reasons above and beyond those expressly stated in ORC § 3319.17. Furthermore, the District should seek to remove the provision prohibiting bargaining unit work from being subcontracted.
- 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 population. In addition, Sebring LSD should consider options to improve facility utilization such as consulting with its legal counsel on the possibility of negotiating a lease agreement(s) with various entities. This would also generate revenue for the District and could potentially attract additional students and increase enrollment. Rearranging the grade structure and transferring students to the newer portion of the elementary school would enable the District to isolate a portion of the B. L. Miller Elementary/Middle School that could be subsequently leased to other organizations. Based on the FY 2002-03 facility expenditures at the elementary school, the District could save approximately \$80,000 annually by leasing the older portion of the building.
- Sebring LSD should establish a formal policy outlining energy efficient practices that District staff should follow to help minimize energy costs. Regulating temperatures and limiting

significant manual adjustments, activating or deactivating lights and electrical equipment, and monitoring HVAC functions would help the District save approximately \$34,000 annually.

## **Additional Recommendations**

The remainder of this executive summary highlights additional recommendations from the audit report.

### *Financial Systems*

- The District should revise its property tax allocation projection methodology to use the historical ratio of property tax allocation receipts to real estate property tax receipts. Using historical ratios should be more accurate than using the current year's estimate as the basis for projections. As a result, projections for property tax allocation revenues would increase by an annual average of approximately \$4,000 over the forecasted period.
- Sebring LSD should closely examine the spending patterns indicated in **Table 2-17** and consider reallocating its resources to the programs and priorities that have the greatest impact on improving the students' education and proficiency test scores.

### *Human Resources*

- Sebring LSD should strive to reduce the amount of sick leave used by its employees by strengthening its employee policy to ensure proper use of sick leave. The District should establish guidelines and policies that include prohibitions against "patterns of abuse" to help department managers in identifying excessive sick leave use. If the District successfully reduced sick leave usage, it would reduce additional administrative time, enhance the quality of education by eliminating interruptions in the delivery of the curriculum, and reduce overall substitute costs. Reducing sick leave taken by four days per FTE would bring the District in line with the state average and save the District approximately \$14,000 annually.
- During future contract negotiations, Sebring LSD should seek to reduce the maximum number of sick leave days paid out at retirement from 60 days to 55 days. Furthermore, the District should either reduce or eliminate the retirement incentive for both certificated and classified staff. Sebring LSD could save approximately \$32,000 over the next five years by reducing the number of sick days paid out at retirement. By eliminating the retirement incentive, the District would avoid potential costs of \$90,000 over the next five years.



- During future contract negotiations, Sebring LSD should seek to reduce the number of paid holidays for classified employees. By reducing the number of paid holidays for 12 month employees to 10 days and the number for 9 and 10 month employees to 7 days, the District could save approximately \$5,000 annually.

### *Facilities*

- Sebring LSD should consider requiring the high school custodians to clean the administration building as part of their daily duties, and canceling the cleaning contract for this facility to save approximately \$1,600 annually. In an effort to balance custodial workloads, Sebring LSD also should reassign 1.0 custodial FTE from the elementary school to split the work day by serving two hours at the elementary school and six hours at the high school.
- Sebring LSD should develop a purchasing policy that establishes guidelines for District purchasing. In addition, Sebring LSD should strive to make as many purchases as possible through consortia and group purchasing agreements. Participating in group purchasing and establishing purchasing guidelines could save the District approximately \$12,000 annually.

### *Transportation*

- Sebring LSD should consider reducing one spare bus and frequently analyzing its current bus fleet to ensure that spare buses are not retained beyond their useful life. Based on current resale value, Sebring LSD could sell one of its spares and receive approximately \$2,800, and potentially reduce annual maintenance costs by \$3,600.
- Sebring LSD should annually review and amend its transportation policy to clarify the District's practice of offering transportation to most students. Changes to enrollment, pupil residence, route configuration and ODE's funding formula should be included as part of the annual review.
- Sebring LSD should develop a formal bus replacement plan and have it approved by the Board. Criteria such as mileage and age should be included in the replacement plan to guide decision making for future bus purchases. The plan should include a formal preventative maintenance program to extend the useful life of the fleet by monitoring and scheduling bus maintenance and repairs.

## Summary of Financial Implications

The following table summarizes the performance audit recommendations which contain financial implications. These recommendations provide a series of ideas or suggestions which Sebring LSD should consider. Some of the recommendations are dependent on labor negotiations or labor agreements. Detailed information concerning the financial implications, including assumptions, is contained within the individual sections of the performance audit.

Ref. No.	Recommendations from all Sections	Estimated Annual Cost Savings	Estimated One-Time Costs	Estimated One-Time Revenue Increase
	<b><i>Financial Systems: Revised Assumptions<sup>1</sup></i></b>			
R2.1	Revise Real Estate Property Tax Receipts	(\$24,000)		
R2.2	Revise Unrestricted Grants-In-Aid	\$167,000		
R2.3	Revise Property Tax Allocation Receipts	\$3,800		
R2.4	Revise Personal Services Expenditures	(\$161,000)		
R2.4	Revise Employees' Retirement/ Insurance Benefits	(\$28,000)		
	<b><i>Total Impact of Revised Assumptions</i></b>	<b>(\$42,200)</b>		
	<b><i>Human Resources</i></b>			
	<b>Recommendations Subject to Negotiations</b>			
R3.1	Reduce Regular Education Staff by up to 4.0 FTEs	\$243,800		
R3.2	Reduce ESP Teaching Staff by up to 3.0 FTEs	\$174,800		
R3.5	Require Employee Health Insurance Contribution	\$82,000		
R3.8	Reduce Amount of Sick Leave Paid out at Retirement	\$6,400		
R3.9	Reduce Number of Classified Paid Holidays	\$4,900		
	<b><i>Total Subject to Negotiations</i></b>	<b>\$511,900</b>		
	<b>Recommendations Not Subject to Negotiations</b>			
	<b><i>Financial Systems</i></b>			
R2.6	Reduce Food Service Staff by 1.0 FTE	\$25,000		
	<b><i>Human Resources</i></b>			
R3.3	Reduce Administration Staff by 1.0 FTE	\$53,000		
R3.4	Reduce Office/Clerical Staff by 1.0 FTE	\$33,400		
R3.6	Reduce Sick Leave Usage	\$13,900		
	<b><i>Facilities</i></b>			
R4.1	Cancel Administration Building Cleaning Contract	\$1,600		
R4.2	Implement Energy Management Practices	\$34,000		
R4.3	"Zone Off" Part of Elementary School	\$80,000		
R4.4	Participate in Group Purchasing	\$12,000	\$200	
	<b><i>Transportation</i></b>			
R5.3	Sell Spare Bus	\$3,600		\$2,800
	<b><i>Total Not Subject to Negotiations</i></b>	<b>\$256,500</b>		
	<b><i>Total Financial Implications (Excludes Revised Assumptions)</i></b>	<b>\$768,400</b>	<b>\$200</b>	<b>\$2,800</b>

Source: Performance audit: financial systems, human resources, facilities, and transportation sections.

<sup>1</sup> Reflects annual average change of revised assumptions over the forecasted period.

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 status of implementation.

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# Financial Systems

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## Background

This section focuses on the financial systems within Sebring Local School District (Sebring LSD or the District). The objective is to analyze the current financial condition of Sebring LSD and develop recommendations for improvements and efficiencies. Sebring LSD's five-year forecast was also analyzed to ensure that the projections accurately represent future operational and financial conditions.

The Auditor of State (AOS) recommended the establishment of fiscal oversight laws for school districts and municipalities to create predetermined monitoring mechanisms and criteria for fiscal responsibility and to provide technical assistance to help school administrators restore fiscal stability. Ohio Revised Code (ORC) § 3316.03 sets forth the conditions and procedures for declaring fiscal watch and emergency for school districts, and ORC § 3316.031 addresses conditions and procedures for declaring fiscal caution. The difference between fiscal caution, fiscal watch and fiscal emergency is the severity of the school district's financial condition.

To help define fiscal caution, the Ohio Department of Education (ODE), in consultation with AOS, developed guidelines to identify fiscal practices and budgetary conditions that could lead to financial crisis if left uncorrected. Contingent upon meeting any one of these conditions, ODE consults with the local school district, and may decide to declare the district to be in fiscal caution. If this declaration is made, the school district has 60 days to provide a written proposal to ODE that outlines a plan to correct the fiscal deficiencies.

In accordance with ORC § 3316.031(A), a district may be placed in fiscal caution when it projects a current year ending fund balance less than or equal to 2 percent of current year projected revenues. On October 31, 2003, ODE declared Sebring LSD to be in a state fiscal caution. The District's five-year forecast at the time of declaration projected a FY 2003-04 deficit that was approximately 4.9 percent of the projected total revenues. In addition, voters defeated proposed 6.8 mill levies in May 2003 and November 2003. As a result, Sebring LSD was required to submit a financial recovery plan that would eliminate the projected deficits in the current fiscal year and any future fiscal years. On December 19, 2003, Sebring LSD sent ODE a letter stating it was unable to submit a fiscal caution proposal consistent with ORC 3316.031(C) due to several reasons, including bargaining unit constraints. Therefore, in accordance with ORC § 3316.031(E), AOS placed the District under fiscal watch on February 12, 2004. Although the District submitted a financial recovery plan that was accepted by ODE on April 15, 2004, it did not specify cost savings. As a result, the District remains in fiscal watch.

## Financial Operations

Table 2-1 presents Sebring LSD's five-year forecast submitted to ODE on February 24, 2004.

**Table 2-1: Sebring LSD Financial History  
and Five-year Forecast (in 000's)**

	Actual FY 00-01	Actual FY 01-02	Actual FY 02-03	Forecast FY 03-04	Forecast FY 04-05	Forecast FY 05-06	Forecast FY 06-07	Forecast FY 07-08
Real Estate Property Tax	912	924	960	950	980	996	1,051	1,066
Tangible Personal Property Tax	422	517	394	416	312	208	206	204
Unrestricted Grants-in-Aid	3,217	3,326	3,298	3,633	3,706	3,872	3,949	4,028
Restricted Grants-in-Aid	47	146	243	50	50	50	50	50
Property Tax Allocation	129	134	138	130	133	135	143	145
Other Revenues	182	67	56	39	24	20	20	20
<b>Total Operating Revenues</b>	<b>4,909</b>	<b>5,114</b>	<b>5,089</b>	<b>5,218</b>	<b>5,205</b>	<b>5,281</b>	<b>5,419</b>	<b>5,513</b>
Personal Services	3,019	3,140	3,159	3,269	3,127	3,143	3,161	3,177
Employees' Retirement & Insurance Benefits	1,006	1,121	1,238	1,360	1,442	1,577	1,738	1,801
Purchased Services	470	828	702	801	825	850	875	902
Supplies & Materials	173	191	141	140	143	146	149	152
Capital Outlay	67	34	13	60	10	10	10	10
Other Objects	126	97	60	75	77	79	82	84
<b>Total Operating Expenditures</b>	<b>4,861</b>	<b>5,411</b>	<b>5,313</b>	<b>5,705</b>	<b>5,624</b>	<b>5,805</b>	<b>6,015</b>	<b>6,126</b>
Operating Transfers/ Advances In	7	0	17	100	0	0	0	0
Operating Transfers/ Advances Out	101	17	40	25	25	25	25	25
All Other Financing Sources/ (Uses)	3	10	18	0	0	0	0	0
<b>Net Financing Sources/ (Uses)</b>	<b>(91)</b>	<b>(7)</b>	<b>(5)</b>	<b>75</b>	<b>(25)</b>	<b>(25)</b>	<b>(25)</b>	<b>(25)</b>
<b>Results of Operations (Loss)</b>	<b>(43)</b>	<b>(304)</b>	<b>(229)</b>	<b>(412)</b>	<b>(444)</b>	<b>(549)</b>	<b>(621)</b>	<b>(638)</b>
Beginning Cash Balance	1,178	1,135	831	602	190	(254)	(803)	(1,424)
<b>Ending Cash Balance</b>	<b>1,135</b>	<b>831</b>	<b>602</b>	<b>190</b>	<b>(254)</b>	<b>(803)</b>	<b>(1,424)</b>	<b>(2,062)</b>
Textbook & Instructional Material Reserves	109	97	107	110	110	113	115	119
Capital Improvement Reserves	109	96	107	111	109	112	116	119
Total Reservations	218	193	214	221	219	225	231	238
<b>Unreserved Fund Balance June 30th</b>	<b>917</b>	<b>638</b>	<b>388</b>	<b>(31)</b>	<b>(473)</b>	<b>(1,028)</b>	<b>(1,655)</b>	<b>(2,300)</b>

Source: Sebring five-year forecast

The financial projection in **Table 2-1** presents the expected revenues, expenditures and fund balances for each of the fiscal years through June 30, 2008, with historical information presented for the fiscal years ending June 30, 2001, 2002 and 2003. Based upon Sebring LSD's projections, the District would operate with significant losses in each fiscal year through FY 2007-08, resulting in deficits beginning in FY 2004-05 through the end of the forecast period. The assumptions disclosed herein are those submitted by the District with its February 24, 2004 five-year forecast. The District's methodology and major assumptions, including additional analysis, are presented below.

### Revenues

- Projections of local tax revenues from FY 2003-04 to FY 2007-08 are based upon the Mahoning County Auditor's Amended Official Certificate of Estimated Resources for FY 2003-04.
- Consistent with County Auditor estimates, real estate property tax receipts are expected to decrease slightly in FY 2003-04 due to a decrease in commercial and other property values, resulting from an exemption granted for new school construction. Furthermore, these projections assume no expiration of General Fund levies as they are continuous. Sebring LSD projects increases in real estate property tax receipts of \$30,000 in FY 2004-05, \$16,000 in FY 2005-06, \$55,000 in FY 2006-07, and \$15,000 in FY 2007-08. These projected increases are based upon the expected expiration of existing tax abatements. The Village of Sebring instituted a community reinvestment area in 1988, which granted tax abatements to new construction and renovation of existing properties within a boundary encompassing nearly all of Sebring LSD. As appreciation of existing properties is largely negated by reduction factors, new construction or renovation is largely responsible for increases in real estate property taxes. The majority of past increases in real estate property tax receipts were due to the expiration of tax abatements on various properties. Therefore, the District's methodology in estimating future receipts is logical and reasonable. However, the specific projections related to expiring tax abatements are not substantiated and increases in valuation are not applied to the District's inside millage (see **R2.1**).
- With the exception of FY 2001-02, tangible personal property tax receipts have remained fairly consistent from FY 2000-01 to FY 2003-04. According to the treasurer, the District received additional tangible personal property tax receipts in FY 2001-02 due to the collection of delinquent taxes. On January 20, 2004, a major manufacturing company within the Village of Sebring announced the closure of its operations by the end of March 2004. As the manufacturing company maintained operations for a portion of calendar year 2004, Sebring LSD is projecting that tangible personal property tax receipts will decrease by \$104,000 in both FY 2004-05 and FY 2005-06, for a total decrease of \$208,000 in revenues due to the closure. The estimated impact of this closure has been

corroborated by information provided by the Department of Taxation and the Mahoning County Auditor's Office and appears reasonable. Thereafter, the District expects these receipts to decrease by 1.0 percent annually, generally consistent with legislative changes established in ORC § 5711.22(E), which reduces the taxable rate of underlying assets. This legislation establishes the potential for annual reductions of 2.0 percent. However, considering that these reductions are only implemented subject to legislative conditions based upon thresholds of statewide collections of tangible personal property taxes, the District's assumptions appear reasonable.

- State unrestricted grants-in-aid funding is projected in FY 2003-04 based upon ODE settlement reports. The District projects receipts that are greater than prior year increases primarily because of an increase in enrollment figures, continued "phase in" of parity aid funding, and a change in accounting for parity aid from restricted to unrestricted. Sebring LSD forecasts a 2 percent annual appreciation rate based on FY 2003-04 unrestricted grants-in-aid projections for the remainder of the forecast period. This is consistent with ORC § 3317.012, which establishes the base cost per pupil used in the basic state aid formula. In addition, the District assumes a \$92,000 increase in formula aid in FY 2005-06 due to the manufacturing company closure resulting in a decrease in the District's property valuation and the corresponding local share of funding. However, the District only focuses on the basic state funding formula and does not account for the continued "phase in" of parity aid or other known changes in major grant funding in future years (see **R2.2**).
- While the parity aid funding "phase in" has historically inflated state restricted grant receipts in FY 2001-02 and FY 2002-03 from historical levels, accounting changes have re-categorized these receipts as unrestricted grants-in-aid. Sebring LSD's projections for State restricted grants-in-aid funding in FY 2003-04 are consistent with ODE settlement reports and are flat thereafter. This appears to be a reasonable assumption as the funding formulas for remaining receipts are based upon demographic data that is unlikely to fluctuate and has exhibited stability from FY 2000-01 to FY 2002-03.
- FY 2003-04 property tax allocation receipt projections are assumed to be consistent with the Mahoning County Auditor's estimates. Thereafter, the District assumes these receipts will maintain the county auditor's estimated ratio of 13.6 percent of real estate property tax receipts, rather than a historical ratio (see **R2.3**).
- All other revenue receipts are primarily comprised of class fees, student fees, facility rental, tuition receipts, and returns on investments. The District estimates that future receipts will decrease until reaching \$20,000 annually. This decrease is primarily explained by the loss of returns on investment receipts. These receipts are expected to decrease due to fewer available resources to invest and lower investment returns than in the past. Excluding earnings on investment receipts, the District's projections are



generally consistent with historical receipts. Furthermore, Sebring LSD bases its current year projections on year-to-date receipt figures, which should allow the District to determine the trend of these receipts. Therefore, these assumptions appear reasonable.

### **Expenditures**

- Personal services expenditures are projected based upon aggregating the current salaries of individuals in FY 2003-04. These expected salary levels reflect the impact of individuals attaining higher salary steps within the collective bargaining agreement salary schedules. In addition, FY 2003-04 estimates reflect a cost of living adjustment (COLA) of 2 percent for certificated staff and 2.5 percent for classified staff, as stipulated by the collective bargaining agreements. FY 2003-04 estimates also account for the reduction of one employee and severance costs of \$80,000 for the expected retirement of four individuals. The treasurer expects that only three of these four positions will be replaced with individuals at the lowest certificated salary level (\$25,000 per replacement), for an aggregate savings of \$125,000 in FY 2004-05.

Personal services expenditures were estimated for FY 2004-05 through FY 2007-08 by evaluating how many certificated employees would receive future step increases according to their current years of experience. Since the majority of classified employees are not expected to receive step increases and the impact of these step increases is not material, classified step increases were not considered in estimating future salary costs. The number of certificated employees expected to receive step increases throughout the forecast period was multiplied by the average salary step increase of the certificated step schedule, for a \$42,000 annual step increase adjustment. The District also assumes that annual severance expenditures will decrease to \$20,000 annually as more individuals are assumed to retire in FY 2003-04 than in future years. This represents a reduction of \$60,000 in severance costs from FY 2003-04 estimates going forward. Finally, the treasurer does not assume a COLA increase beyond the current contract period as he would be unable to certify such a contract due to a lack of District resources (see **R2.4**).

- The District's employee retirement and insurance benefits expense projections are generally consistent with historical patterns of expenditure increases and historical ratios. Retirement, unemployment, deferred compensation, and other miscellaneous benefit costs are projected at rates consistent with past relationships with salary costs. This methodology is consistent with the AOS internal forecasting guides. Workers' compensation rates are expected to increase 0.5 percent due to the District being excluded from its workers' compensation risk group, as a result of a large claim in a prior year.

Sebring LSD does not base its insurance cost estimates upon ratios to salary costs, as they are independent from these costs. FY 2003-04 insurance costs are based on third party

administrator estimates. From FY 2004-05 to FY 2006-07, the District has increased base insurance costs consistent with its own historical experiences of 15 percent per year. Furthermore, these projected insurance cost increases are corroborated by historical state-wide increases for public employers. The District assumes a 5 percent increase in insurance benefits costs in FY 2007-08 primarily because the treasurer does not believe that past increases of insurance costs are sustainable. The District assumes that 67 employees' benefit expenses will be paid out of the General Fund in FY 2003-04, and 66 employees in FY 2004-05 and beyond because one individual is expected to retire and will not be replaced. While these estimates have been deemed to be reasonable, revisions to personal service projections will also require revisions to the employee retirement and insurance benefits expenditure projections as a portion of these expenditures are interrelated (see **R2.4**).

- Purchased service expenditures have fluctuated significantly in recent years. In FY 2001-02, the District began using newly constructed facilities resulting in ongoing additional utility costs of approximately \$63,000. In addition, the treasurer states that the Mahoning County Educational Service Center (MCESC) underestimated the District's expenditures in FY 2000-01 by approximately \$90,000, which was paid in FY 2001-02. Furthermore, an accounting change in mid FY 2001-02 resulted in tuition costs paid to the ESC being recorded in the purchased services expense line item rather than the other expenditures line as in the past. In FY 2000-01, these costs totaled \$86,712 in the other expenditure line and \$22,642 in FY 2001-02. Finally, the District's legal fees increased almost \$49,000 in FY 2001-02 from the prior year, due to labor contract negotiations.

Although historical expenditures have exhibited volatility, the treasurer believes these expenditures have stabilized as the impact of past changes is known and predominantly one-time, and no additional changes in operations or policies are expected. The District projects the expenditures for FY 2003-04 based upon appropriations and year-to-date expenditure trends. Projections are corroborated by independent sources such as ODE and invoices from the MCESC, and historical expenditures adjusted for one-time events or changes in accounting. The bulk of these expenditures are related to utility costs, open enrollment expenditures, and special education costs outsourced to the MCESC. Sebring LSD expects utility charges to approximate \$210,000, consistent with historical utility costs for current operating facilities; \$200,000 for open enrollment and community school costs, consistent with the ODE SF-3 report; and \$260,000 for MCESC costs, consistent with the current contract and expected additional charges. The remainder of the projected purchased services expenditures are related to miscellaneous expenditures that are projected according to historical expenditure levels and year-to-date financial data. Future purchased service expenditures are expected to increase 3 percent annually for inflation, based on FY 2003-04 expenditure levels. This methodology is consistent with internal AOS forecasting standards which specify that purchased service expenditures may be projected with a 3.0 percent inflationary assumption, given

expectations of stable expenditures. As a result, projections of this line item appear reasonable.

- Supplies and materials are projected at \$140,000 in FY 2003-04, consistent with year-to-date trends and expenditure levels in FY 2002-03. For those years after FY 2003-04, Sebring LSD expects that supplies and materials will remain stable and increase at 2.0 percent annually as an inflationary adjustment. While the District assumes a 3.0 percent inflation rate for purchased service expenditures, the treasurer believes supplies and materials expenditures are more controllable than purchased service expenditures. Historical reductions in supply and material costs are primarily explained by the District's efforts to limit supply purchases, as evidenced by reductions in supply costs by almost \$46,000 from FY 2000-01 to FY 2002-03. The treasurer believes that these reductions are sustainable as previous higher levels of textbook and instructional supplies reduce the need for future expenditures.
- Capital outlay expenditures assume the payment for one school bus in FY 2003-04. Thereafter, Sebring LSD expects only minor repairs and replacements as its facilities and equipment are new and in good condition. As a result, the treasurer has allocated \$10,000 annually to meet any unexpected capital outlay needs. While historical expenditures have been greater than those projected, FY 2000-01 includes the one-time purchase of property, and equipment purchases in both FY 2000-01 and FY 2001-02 should reduce the need for future purchases. These historical costs were for the purpose of acquiring additional assets rather than replacement or improvement to existing assets. As such, the District's projections of \$10,000 annually appear reasonable, because there appears to be a minimal need for maintenance and replacement, and additional asset acquisition is within the District's discretion. Furthermore, the District's FY 2003-04 projection of \$60,000 is supported by fiscal year-to-date expenditures. Finally, a review of the District's General Fund projections and expected permanent improvement receipts ensures Sebring LSD will comply with ORC § 3315.18, which requires a minimum level of capital improvement spending relative to state funding.
- Sebring LSD does not maintain any direct or indirect General Fund debt obligations. Therefore, it does not project any future debt payments.
- Other expenditures comprise miscellaneous expenditures such as audit fees, county auditor fees for tax collection, bank charges, district insurance, and bonding staff. These expenditures have decreased significantly due to an accounting change in mid-FY 2001-02, by charging MCESC costs to the purchased service expenditure line item, rather than the other expenditure line item. When the impact of this accounting change is removed, the District's FY 2003-04 estimate is generally consistent with historical expenditures. Furthermore, year-to-date expenditure trends support the District's estimates. Lastly, the

District's projection of 3 percent annual increases for inflation from FY 2004-05 to FY 2007-08 are consistent with AOS technical bulletin 98-015.

- Sebring LSD is projecting transfers out of the General Fund to the Lunchroom Fund of \$25,000 annually throughout the forecast period. These transfers have decreased from the prior year's transfer of \$40,000, due to an increase in lunch prices expected to result in additional lunch room fund receipts of \$4,000 to \$5,000 annually. In addition, the District has changed its food service supplies and materials supplier and expects to save an additional \$10,000 to \$15,000 annually (see **R2.6**). FY 2000-01 advances out represent resources advanced from the General Fund to the Building Fund in anticipation of additional costs related to the construction of an auditorium. FY 2003-04 advances in represent the repayment of the advance from the Building Fund to the General Fund.
- Historically, all other financing sources represented a refund of prior year's expenditures. Since the amounts are immaterial and difficult to project, the District has not forecasted future refunds.
- Sebring LSD's reserves for instructional materials and capital represent expected obligations for the next year, rather than carrying forward past obligations. Set-aside requirements are based upon a percentage of the prior year's basic foundation funding. Therefore, the District estimates future obligations assuming flat enrollment figures, fairly consistent with actual enrollment trends from 2001-02 to 2003-04 (see **facilities**), and appreciates the basic cost per student figure by 2.8 percent annually. The District's set-aside projections mirror minimum requirements to remain compliant with ORC § 3315.17. Furthermore, a history of allocating sufficient resources and the potential for past excess funding may reduce current and future obligations under this statute. Therefore, while monitoring would ensure that allocated resources are compliant with ORC § 3315.17, no revisions are necessary at this time to supplies and materials, and capital projections or reserve balances.

While the District has experienced operating deficits, it has effectively controlled discretionary expenditures. These expenditures are analyzed because the District has more control over them and it is not obligated to maintain a certain level. These expenditures can usually be found within purchased services, supplies and materials, capital outlay, and miscellaneous object code designations. The District has reduced discretionary spending by 20.3 percent from FY 2001-02 to FY 2002-03. Purchased service expenditures decreased 15.2 percent from FY 2001-02 to FY 2002-03, primarily explained by a decrease in legal costs. Supplies and materials expenditures decreased 26.2 percent from FY 2001-02 to FY 2002-03. This is primarily explained by an overall decrease in general supply costs, with the single largest decrease in teaching aid instructional copy costs. In addition, capital outlay expenditures decreased 60.4 percent from FY 2001-02 to FY 2002-03.

**Table 2-2** compares the District's FY 2002-03 discretionary expenditures within the General Fund as a percentage of total General Fund expenditures to those of the peer school districts.

**Table 2-2: Comparison of FY 2002-03  
General Fund Discretionary Expenditures**

	<b>Sebring LSD</b>	<b>Leetonia EVSD</b>	<b>Lowellville LSD</b>	<b>McDonald LSD</b>	<b>Peer Average</b>
Prof. and Technical Service	0.9%	2.6%	0.9%	0.3%	1.3%
Property Services	0.7%	2.0%	2.8%	0.5%	1.8%
Mileage/Meeting Expense	0.3%	0.3%	0.0%	0.1%	0.1%
Communications	0.4%	0.3%	0.3%	0.4%	0.3%
Pupil Transportation	0.2%	0.1%	0.0%	0.0%	0.0%
General Supplies	1.1%	1.8%	1.0%	1.9%	1.6%
Textbooks/Reference Materials	0.6%	0.9%	0.4%	0.6%	0.6%
Plant Maintenance and Repair	0.6%	0.5%	0.7%	0.4%	0.5%
Fleet Maintenance and Repair	0.3%	0.5%	0.3%	0.2%	0.3%
Land, Building & Improvements	0.0%	0.0%	0.0%	-2.6% <sup>1</sup>	-0.9%
Equipment	0.2%	2.1%	1.1%	0.0%	1.1%
Dues and Fees	1.0%	0.9%	3.7%	1.4%	2.0%
Insurance	0.2%	0.2%	0.2%	0.1%	0.2%
Awards and Prizes	0.0%	0.1%	0.0%	0.0%	0.0%
Miscellaneous	0.0%	0.0%	0.4%	0.0%	0.1%
<b>Total</b>	<b>6.5%</b>	<b>12.3%</b>	<b>11.8%</b>	<b>3.3%</b>	<b>9.1%</b>

Source: 4502 reports exhibit II and statement P

<sup>1</sup> Reimbursement of prior year expenditure

**Table 2-2** indicates that Sebring LSD has kept discretionary expenditures at a reasonable level compared to the peer school districts. As a percentage of total expenditures, only four of 20 discretionary expenditure categories were greater than the peer average in FY 2002-03: meeting expenditures, communications, pupil transportation, and plant maintenance and repair. In FY 2002-03, the District's meeting expenditures were \$14,483, which is almost \$5,000 more than the peer average, but still lower than Leetonia EVSD. Communication expenditures were \$20,581 in FY 2002-03, which is generally consistent with two of three peer school districts. Pupil transportation costs were \$14,712 in FY 2002-03, compared to the peer average of \$2,487 (see the **transportation section**). Lastly, plant maintenance and repair costs were \$30,094 in FY 2002-03, which is consistent with two of three peers.

In addition to the analyses presented in this report, assessments were conducted on several other areas within the financial systems of Sebring LSD. The majority of these assessments involved testing the forecasting methodology and assumptions used in preparing the five-year forecast.

While projections often do not reflect actual financial results, a standard of “reasonableness” was used to determine if methodology employed and assumptions used adequately accounted for major variables impacting financial figures, given known information at the time of this audit. Those projected line items of the five-year forecast not yielding recommendations or revisions include the following:

- Tangible personal property tax receipts;
- Restricted grants-in-aid receipts;
- Other revenues;
- Purchased service costs;
- Supplies and materials expenditures;
- Capital outlay costs; and
- Other expenditures.

## Recommendations

### Financial Forecast

**R2.1** Historically, real estate property tax receipts are a significant portion of the District's total revenues. Therefore, these receipts should be projected with great care. Sebring LSD should revise and closely review the impact of property tax abatements expected to expire. Furthermore, the District should account for the impact of appreciation of existing properties on inside millage collections. Finally, Sebring LSD should continue to review its real estate property tax receipt projections as additional information becomes available and make necessary adjustments.

Table 2-3 displays Sebring LSD's projected real estate property tax revenues for FY 2003-04 through FY 2007-08, which are projected based on the Mahoning County Auditor's Amended Certificate of Estimated Resources.

**Table 2-3: Sebring LSD Projected Real Estate Property Tax Revenues**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
<b>District Projected Real Estate Property Taxes</b>	950,406	980,406	995,500	1,050,500	1,065,500

Source: Sebring LSD five-year forecast

Using the Mahoning County Auditor's estimate for the current year's projection is consistent with AOS technical bulletin 98-015, which states that real estate property tax revenue estimates are usually based on historical growth patterns, and are substantiated by information provided for the upcoming fiscal year by the county auditor.

In 1988, the Village of Sebring first enacted a resolution establishing a community reinvestment area granting property tax abatements for new construction and renovation of existing properties. The reinvestment area encompasses almost all of Sebring LSD. Due to this resolution, the impact of new construction upon the District's receipts is delayed for the duration of the abatement. However, the impact of new construction can be projected through a review of existing property tax abatements and their expiration dates.

Sebring LSD bases future real estate property tax receipt projections upon FY 2003-04 estimates and adjusts the prior year figure by the estimated impact of those real estate property tax abatements scheduled to expire. Sebring LSD estimates the effect of expired property tax abatements to be \$30,000 in FY 2004-05, \$15,000 in FY 2005-06, \$55,000 in FY 2006-07, and \$15,000 in FY 2007-08. While this methodology appears reasonable, information provided by the Mahoning County Auditor does not confirm the District's

adjustments for expiring abatements. **Table 2-4** illustrates AOS estimates of the additional property tax receipts resulting from expiring tax abatements.

**Table 2-4: Sebring LSD Estimated Abatement Compared to AOS Abatement Estimate**

	District Estimated Abatement Impact	AOS Abatement Estimate	Discrepancy
<b>FY 2004-05</b>	\$30,000	\$18,894	\$11,106
<b>FY 2005-06</b>	\$15,000	\$19,792	(\$4,792)
<b>FY 2006-07</b>	\$55,000	\$21,026	\$33,974
<b>FY 2007-08</b>	\$15,000	\$18,013	(\$3,013)
<b>TOTAL</b>	<b>\$115,000</b>	<b>\$77,725</b>	<b>\$37,275</b>

**Source:** Mahoning County Auditor and Sebring LSD's five-year forecast assumptions

**Table 2-4** indicates that the total AOS estimates of additional property tax receipts from the expiration of property tax abatements are approximately \$37,000 lower than the District's estimates. This discrepancy is likely caused by the District's use of an approximate distribution ratio among taxing authorities rather than a historical ratio for the appropriate property classification. Furthermore, it appears that the District did not convert abatement impacts from a tax year basis to a fiscal year basis. The effect of this discrepancy on real estate property tax receipt projections is displayed in **Table 2-5**, which also illustrates the basis of determining AOS revised real estate property tax receipt projections.

**Table 2-5: AOS Revised Real Estate Property Tax Receipt Projections**

Fiscal Year	Prior Year Real Estate Property Tax Receipt Projection	AOS Estimated Impact of Property Tax Abatements	AOS Estimated Impact of Property Value Appreciation on Inside Millage	AOS Revised Real Estate Property Tax Receipt Projections
FY 2004-05	\$950,406	\$18,894	(\$7,170) <sup>1</sup>	<b>\$962,130</b>
FY 2005-06	\$962,130	\$19,792	\$4,410	<b>\$986,332</b>
FY 2006-07	\$986,332	\$21,026	\$4,521	<b>\$1,011,879</b>
FY 2007-08	\$1,011,879	\$18,013	\$4,634	<b>\$1,034,526</b>

**Source:** Mahoning County Auditor and Sebring LSD

<sup>1</sup> Decrease caused by exemption being granted to a new school constructed in 2003

The Sebring LSD treasurer stated that the District expects a 2.5 percent annual appreciation rate on existing properties within the District, a rate that is consistent with the three year average growth rate of real estate property tax receipts. In addition, the Mahoning County Auditor provided information that supported this assumption, but showed that average property sale values have outpaced appraised market values. Despite this, the District does not forecast any assumed adjustments for the appreciation of existing properties subject to taxation. This may be partially explained by tax



reduction factors which are calculated to eliminate the effect of an increase in the valuation of existing real estate property in a taxing unit. While tax reduction factors are applied to the majority of the District’s millage to determine effective millage, they are not applied to a taxing authority’s inside millage. Therefore, any increase in the valuation of existing property will result in additional collections from the District’s five inside mills.

**Table 2-6** illustrates the net impact of AOS revised real estate property tax receipt projections upon the five-year forecast’s fund balance.

**Table 2-6: Net Impact of Revised Real Estate Tax Receipt Projections**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Sebring LSD Forecast for Real Estate Tax Receipts	\$950,406	\$980,406	\$995,500	\$1,050,500	\$1,065,500
AOS Revised Forecast for Real Estate Tax Receipts	N/A	\$962,130	\$986,332	\$1,011,879	\$1,034,526
<b>Net Affect Upon Forecast Fund Balance</b>	<b>\$0</b>	<b>(\$18,276)</b>	<b>(\$9,168)</b>	<b>(\$38,621)</b>	<b>(\$30,974)</b>

Source: Sebring LSD

**R2.2 The District’s should revise its methodology in estimating unrestricted grants-in-aid, so that it projects major “add on” grant funding sources separately from the basic aid funding formula. The District should project large additional grant sources, such as Parity Aid and Special Education Weighted Aid, separately from the base funding formula amount. Furthermore, while the District has adequately adjusted the base funding formula for changes in property valuation, the projections for “add on” grant funding should also be adjusted as the funding formulas are partially based on property valuation.**

**Table 2-7** displays Sebring LSD’s projected unrestricted grants-in-aid revenues for FY 2003-04 through FY 2007-08.

**Table 2-7: Sebring LSD Projected Unrestricted Grants-in-Aid Revenues**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
District Projected Unrestricted Grants-in-Aid	\$3,633,271	\$3,705,936	\$3,872,055	\$3,949,496	\$4,028,486

Source: Sebring LSD five-year forecast

The District bases its FY 2003-04 estimates on ODE settlement reports and makes minor adjustments for historical unrestricted grants-in-aid that are not reflected on the settlement report. These estimates are reasonable and corroborated by ODE and

historical figures. In future years, Sebring LSD uses the FY 2003-04 figure as a base for projections and appreciates this figure by 2 percent annually except in FY 2005-06, when the District adds an additional \$92,000 in response to the manufacturing company closure. This adjustment is made because the District's property valuation is used in determining state basic aid and it changes ODE's assumed local share of funding. Since the closure will decrease the District's valuation and related local funding, the state formula aid funding is assumed to increase.

The District's 2 percent appreciation rate is generally consistent with ORC § 3317.012 legislated 2.2 percent increases to base cost per student figures used in determining basic state aid. In addition, projecting an appreciation rate slightly lower than the legislated increase could account for potential reductions in state aid, which has been the recent trend. Therefore, the 2 percent appreciation rate appears reasonable. Furthermore, the District implicitly assumes that student enrollment will remain at current levels. As the past 10 years have not exhibited a consistent growth pattern, this assumption is valid. Finally, the \$92,000 adjustment made for changes in valuation was verified by using Mahoning County Auditor estimates of the value of manufacturing company personal property values.

While Sebring LSD's methodology adequately estimates the impact of expected changes to basic state aid, the District does not estimate the impact of significant grant funding that it receives from ODE. Rather, the District applies its 2 percent appreciation rate to the entire unrestricted grants-in-aid revenue estimates. According to funding formulas in the District's SF-3 reports, parity aid funding and special education weighted amounts are based, in part, on property valuation figures of the District. Therefore, changes in valuation, such as the large manufacturing company closure, will impact parity aid funding and special education funding in the future. Furthermore, ODE has stated its intention to "phase in" the parity aid program at 58 percent, 76 percent, and 100 percent in FY 2003-04, FY 2004-05, and FY 2005-06, respectively.

Assuming constant enrollment at the FY 2003-04 level, a 2 percent annual increase in basic state aid, adjusted valuation figures in calculating local wealth values, and phase-in of this program at 58 percent in FY 2003-04, 76 percent in FY 2004-05, and 100 percent FY 2005-06 and beyond, parity-aid funding is estimated to be \$402,567 in FY 2004-05, \$551,061 in FY 2005-06. Thereafter, AOS appreciates unrestricted grants-in-aid at 2 percent annually, consistent with the treasurer's assumptions for basic state aid. Based on the impact of changes in valuation as calculated from information obtained from the Department of Taxation and the Mahoning County Auditor, and other expected changes, special education weighted aid is estimated to be \$350,092 in FY 2004-05 and \$367,543 in FY 2005-06, and is expected to appreciate at 2 percent thereafter. However, it should be noted that parity aid is the successor to equity aid. As Parity aid is being phased in, equity aid is being phased out on a schedule of 75 percent in FY 2002-03, 50 percent in

FY 2003-04, and 25 percent in FY 2004-05, thereby partially offsetting the gains in parity aid. Based on FY 2003-04 estimates, this would result in equity aid funding of \$26,133 in FY 2004-05. In all following years, equity aid funding will be phased out.

Table 2-8 illustrates the net impact of revised unrestricted grants-in-aid projections.

**Table 2-8: Net Impact of Revised Unrestricted Grants-in-aid Projections**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Sebring LSD Forecast for Unrestricted Grants-in-Aid	\$3,633,271	\$3,705,936	\$3,872,055	\$3,949,496	\$4,028,486
<b>Revised Forecast Unrestricted Grants-in-Aid:</b>					
Unrestricted Grants-in-Aid excluding material add on grants	\$2,938,468	\$2,997,237	\$3,149,182 <sup>1</sup>	\$3,212,165	\$3,276,409
Parity Aid Impact	\$307,230	\$402,567	\$551,061	\$562,082	\$573,324
Equity Aid Impact	\$52,265	\$26,133	\$0	\$0	\$0
Special Ed Weighted Aid	\$335,308	\$350,092	\$367,543	\$374,894	\$382,392
<b>Revised Forecast for Unrestricted Grants in Aid</b>	<b>N/A</b>	<b>\$3,776,029</b>	<b>\$4,067,786</b>	<b>\$4,149,141</b>	<b>\$4,232,125</b>
<b>Net Impact Upon Fund Balance</b>	<b>\$0</b>	<b>\$70,093</b>	<b>\$195,731</b>	<b>\$199,645</b>	<b>\$203,639</b>

Source: Sebring LSD five-year forecast and ODE settlement reports and SF-3 reports

<sup>1</sup> Includes the District’s assumption of an additional \$92,000 in formula funding due to a decrease in valuation.

**R2.3 Sebring LSD should review its property tax allocation projection methodology to use the historical ratio of property tax allocation receipts to real estate property tax receipts. Using historical ratios should be more accurate than using the current year’s estimate as the basis for projections, assuming the relationship between the two variables has not fundamentally changed.**

Table 2-9 illustrates Sebring LSD’s property tax allocation projections for the forecast period.

**Table 2-9: Sebring LSD Projected Property Tax Allocations**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
<b>District Projected Property Tax Allocation</b>	129,601	133,335	135,388	142,868	144,908
Percent of District Projected Real Estate Property Tax Receipts	13.6%	13.6%	13.6%	13.6%	13.6%

Source: Sebring LSD

Sebring LSD’s FY 2003-04 property tax allocation projections are corroborated by the Mahoning County Auditor’s Amended Official Certificate of Estimated Resources and appear to be reasonable. However, in future years, Sebring LSD assumes that property tax allocations will be consistent with the Mahoning County Auditor’s estimated ratio of property tax allocation receipts to real estate property taxes for FY 2003-04. FY 2004-05 through FY 2007-08 estimates are calculated as 13.6 percent of the District’s real estate property tax receipt projections. AOS bulletin 98-015 states that property tax allocations may be projected as a fixed percentage of property tax receipts. However, the fixed percentage may be calculated as an average of this percentage from the prior three years.

**Table 2-10** displays Sebring LSD’s historical property tax allocation and the percentage of real estate property tax receipts from FY 2000-01 through FY 2002-03.

**Table 2-10: Sebring LSD Historical Property Tax Allocations**

	FY 2000-01	FY 2001-02	FY 2002-03
Real Estate Property Tax Receipts	912,170	924,472	960,281
Property Tax Allocation	128,965	133,607	137,814
Percent of Real Estate Property Tax Receipts	14.14%	14.45%	14.35%

Source: Sebring LSD

The three year average ratio of property tax allocation receipts to real estate property tax receipts is 14.31 percent. Without any evidence of fundamental changes in collections of real estate receipts or a change in the number of homestead or rollback exemptions, it is more appropriate to use historical ratios to forecast future property tax allocations, rather than a ratio based on only one year’s estimated collections.

**Table 2-11** illustrates the net impact on forecasted fund balances of revising property tax allocation receipt projections for the average historical ratio.

**Table 2-11: Net Impact of Revised Property Tax Allocation Projections**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Sebring LSD Forecast for Property Tax Allocations	129,601	133,335	135,388	142,868	144,908
Revised Real Estate Property Tax Receipt Projections	N/A	\$962,130	\$986,332	\$1,011,879	\$1,034,526
Revised Forecast Property Tax Allocations	N/A	\$137,681	\$141,144	\$144,800	\$148,041
<b>Net Affect Upon Forecast Fund Balance</b>	<b>\$0</b>	<b>\$4,346</b>	<b>\$5,756</b>	<b>\$1,932</b>	<b>\$3,133</b>

Source: Sebring LSD five-year forecast

Note: Revised property tax allocation projections are based upon revised real estate property tax receipt projections (see R2.1)

**R2.4 Sebring LSD should adjust optimistic assumptions pertaining to COLA increases in those years after the expiration of the collective bargaining agreements. While there is some basis for the District’s assumption, a more conservative assumption should be used which would reflect an incremental COLA increase.**

While the District makes adequate adjustments for expected step increases and changes resulting from staffing level changes, it does not assume a COLA increase beyond the current contract period which expires in August 2004. Historically, Sebring LSD has granted COLA increases that were calculated according to the base salary figure in the salary schedules of the certificated negotiated agreement. The District granted 2.5 percent and 2.0 percent COLA increase to certificated staff in FY 2002-03 and FY 2003-04, respectively. The District granted classified staff a 2.5 percent COLA increase in FY 2003-04 and has agreed to a 2.0 percent COLA increase in FY 2004-05. However, as with certificated staff, the District does not forecast COLA increases for classified staff from FY 2004-05 to FY 2007-08.

Sebring LSD’s assumption of no COLA increases in its annual forecast is consistent with ORC §5705.412(B), which states, “[N]o school district shall adopt any appropriation measure, make any qualifying contract, or increase during any school year any wage or salary schedule unless there is attached thereto a certificate, . . . that the school district has in effect the authorization to levy taxes, including the renewal or replacement of existing levies, which, when combined with the estimated revenue from all other sources available to the district at the time of certification, are sufficient to provide the operating revenues necessary to enable the district to maintain all personnel and programs for all days, set forth in its adopted school calendars for the current fiscal year. . . .” In addition, ORC 5705.412(C) states that “Every qualifying contract made or wage or salary schedule adopted or put into effect without such a certificate shall be void, and no payment of any amount due thereon shall be made.”

While Sebring LSD’s forecast is consistent with ORC § 5705.412, this section of the ORC refers to approval of actual agreements and budget appropriations rather than the preparation of the District’s annual forecast. AOS bulletin 98-015 recommends basing projections for personal services on existing negotiated agreements, and for periods beyond the current agreement, using historical patterns. The forecast should reflect historical increases in its expectations for personal service expenditures beyond the current labor contract expiration date. By submitting a forecast that assumes a COLA, the District would be able to quantify and effectively present the impact of COLA increases on its future financial condition. This could aid the District in negotiating future COLA increases and illustrating their effect to stakeholders.

**Table 2-12** illustrates the impact of changes to personal service expenditures projections reflecting a 2.0 percent annual COLA adjustment in FY 2004-05 and beyond for all employees.

**Table 2-12: Net Effect of Revisions to Personal Service Projections**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Sebring LSD Projections	\$3,269,571	\$3,126,571	\$3,143,571	\$3,160,571	\$3,177,571
Revised Projections	N/A	\$3,191,962	\$3,272,802	\$3,355,258	\$3,439,363
<b>Net Effect Upon Forecast Fund Balance</b>	<b>\$0</b>	<b>(\$65,391)</b>	<b>(\$129,231)</b>	<b>(\$194,687)</b>	<b>(\$261,792)</b>

Source: Sebring LSD

Personal service expenditures are also used in projecting a portion of the employees' retirement and insurance benefits expenditures. Therefore, while the District's methodology in estimating these expenditures is reasonable and adequate, using this methodology would impact benefit projections, as outlined in **Table 2-13**.

**Table 2-13: Net Effect of Personal Service Projection Revisions on Fringe Benefit Projections**

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08
Sebring LSD Employees' Retirement & Benefits Projections	\$1,359,827	\$1,442,317	\$1,577,207	\$1,738,497	\$1,800,787
Revised Employees' Retirement & Benefits Projections	N/A	\$1,453,434	\$1,599,176	\$1,771,594	\$1,845,292
<b>Net Effect Upon Forecast Fund Balance</b>	<b>\$0</b>	<b>(\$11,117)</b>	<b>(\$21,969)</b>	<b>(\$33,097)</b>	<b>(\$44,505)</b>

Source: Sebring LSD

### *Revenue & Expenditure Analysis*

**R2.5** Sebring LSD should closely examine the spending patterns indicated in **Table 2-17** and identify activities and functions that have an opportunity for cost reductions, without impacting the quality of education. Sebring LSD should reallocate its resources toward those programs and priorities that have the greatest impact on improving the student's education and proficiency test results. Combined with a close examination of the performance of educational activities, the District could improve its performance index score and meet additional ODE performance standards while reducing its operating expenditures.

**Table 2-14** compares Sebring LSD's FY 2002-03 General Fund revenue sources and expenditures by type to that of the peer school districts. These figures are adjusted on a per ADM basis to account for differences in student population.

**Table 2-14: Comparison of General Fund Revenues by Source and Expenditures by Object per ADM**

	Sebring LSD	Leetonia EVSD	Lowellville LSD	McDonald LSD	Peer Average
<b>Average Daily Membership (ADM)</b>	<b>725</b>	<b>821</b>	<b>442</b>	<b>759</b>	<b>674</b>
Property & Income Tax	\$1,868	\$1,724	\$2,103	\$1,346	\$1,665
Intergovernmental Revenues	\$5,023	\$4,874	\$4,655	\$4,790	\$4,794
Transfers In	\$0	\$85	\$226	\$0	\$84
Other Revenues	\$125	\$42	\$2,088	\$321	\$594
<b>Total Revenue</b>	<b>\$7,016</b>	<b>\$6,725</b>	<b>\$9,072</b>	<b>\$6,457</b>	<b>\$7,137</b>
Wages	\$4,307	\$3,949	\$4,892	\$4,114	\$4,217
Fringe Benefits	\$1,706	\$1,123	\$1,664	\$1,567	\$1,408
Purchased Service	\$448	\$671	\$584	\$196	\$474
Tuition	\$520	\$418	\$82	\$318	\$307
Supplies & Textbooks	\$194	\$294	\$226	\$206	\$246
Capital Outlays	\$18	\$166	\$107	(\$165) <sup>1</sup>	\$29
Miscellaneous	\$82	\$95	\$415	\$95	\$165
Other Financing Uses	\$55	\$1,369	\$1,779	\$73	\$973
<b>Total Expenditures</b>	<b>\$7,330</b>	<b>\$8,085</b>	<b>\$9,749</b>	<b>\$6,404</b>	<b>\$7,819</b>
Total Expenditures w/o Other Financing Uses <sup>2</sup>	\$7,275	\$6,716	\$7,970	\$6,331	\$6,846

Source: SF-3 reports, 4502 reports- exhibit II and statement P

<sup>1</sup> Reimbursement of prior year expenditure.

<sup>2</sup> Other financing uses were removed as they primarily represent advances and transfers out, which do not reflect operating expenditures.

Based on a comparison of funding levels per ADM to the peers, Sebring LSD receives adequate local funding and state foundation aid. However, the District's total expenditures per student, excluding other financing uses, were 6.3 percent higher than the peer average. In FY 2002-03, Sebring LSD incurred higher wage, benefit, and tuition expenditures per student than the peer average. Wage expenditures were 2.1 percent greater than the peer average on a per ADM basis. Fringe benefit expenditures were 21.2 percent higher per ADM than the peer average. Finally, tuition expenditures per ADM were 69.3 percent higher than the peer average, likely caused by the District's relatively large special needs population requiring services from the ESC. Wage and benefit expenditures are discussed in more detail in the **human resources** section of this report.

While Sebring LSD spends more per student than two peer districts, it meets fewer educational performance standards. Each school district is required to receive a performance accountability rating based on 22 performance standards. These 22

standards are minimum performance goals for public education in Ohio. ODE also compiles proficiency testing information into a performance index score that is based upon the average scores of all students in five subject areas on the proficiency tests. This information encapsulates the students’ level of achievement as opposed to simply tracking whether a standard was met.

**Table 2-15** presents the number of performance standards met by Sebring LSD and the peers in FY 2000-01, FY 2001-02, and FY 2002-03.

**Table 2-15: ODE Performance Standards Comparison**

	Sebring LSD	Leetonia EVS	Lowellville LSD	McDonald LSD	Peer Average
<b>Number of 27 Performance Standards Met</b>					
<b>FY 2000-01</b>	21	22	25	24	23.7
<b>Number of 22 Performance Standards Met</b>					
<b>FY 2001-02</b>	17	19	22	19	20.0
<b>FY 2002-03</b> <sup>1</sup>	15	16	22	19	19.0

Source: ODE Report Cards

Note: The Ohio Department of Education (ODE) ceased administrating 12<sup>th</sup> grade proficiency tests in FY 2001-02, which was the basis of five performance standards. This table presents the districts’ performance against the relevant performance standards for each year.

<sup>1</sup> In FY 2002-03, disabled students’ proficiency test results were included in ODE performance standards. As Sebring LSD has an unusually large special needs student population, the results for non-disabled students are indicated so that an appropriate comparison with historical results and peer results could be illustrated.

**Table 2-16** summarizes Sebring LSD’s performance index scores for FY 2000-01 through FY 2002-03, and compares these scores to the peer school districts.

**Table 2-16: Comparison of District Performance Index Scores**

Comparison of Performance Index Scores	Sebring LSD	Leetonia EVS	Lowellville LSD	McDonald LSD	Peer Average
<b>FY 2000-01</b>	83.6	83.5	93.3	90.0	88.9
<b>FY 2001-02</b>	83.6	91.1	95.5	93.4	93.3
<b>FY 2002-03</b>	82.1	91.0	101.1	92.3	94.8

Source: ODE Report Cards

Sebring LSD has consistently been outperformed by the peer districts, meeting a lower number of ODE performance standards every year for the period of FY 2000-01 through FY 2002-03. Furthermore, the District’s performance index score was lower than the peer average in each year. As two peer school districts are able to meet more ODE performance standards with less funding per student, there appears to be an opportunity



for Sebring LSD to reduce operating expenditures without negatively impacting the academic achievement of its students.

The allocation of resources between the various functions, or activities, of a school district is one of the most important aspects of the budgeting process. Given the limited resources available, activities must be evaluated and prioritized. An analysis of the spending patterns between the various functions within Governmental Funds should indicate where the priorities of the school board and management are placed, and illustrate where there are opportunities for expenditure reductions. The Government Finance Officers Association (GFOA) defines Governmental Funds as funds generally used to account for tax-supported activities. The five different types of governmental funds are the general fund, special revenue funds, debt service funds, capital projects funds, and permanent improvement funds. This definition excludes fiduciary funds, such as trust funds, and proprietary funds, such as enterprise funds. **Table 2-17** compares Sebring LSD's Governmental Fund expenditures per ADM to those of the peer school districts by type of activity.

**Table 2-17: Peer Comparison of Governmental Funds Operational Expenditures by Function for FY 2002-03**

Uniform School Accounting System (USAS) Function Classification	Sebring LSD		Leetonia EVSD		Lowellville LSD		McDonald LSD		FY 2003 Peer Average <sup>1</sup>	
	\$ 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>\$5,154</b>	<b>61.7%</b>	<b>\$4,573</b>	<b>60.9%</b>	<b>\$5,266</b>	<b>54.6%</b>	<b>\$4,867</b>	<b>66.7%</b>	<b>\$4,835</b>	<b>61.3%</b>
Regular Instruction	\$3,642	43.6%	\$3,736	49.8%	\$4,368	45.3%	\$3,993	54.7%	\$3,970	50.3%
Special Instruction	\$1,226	14.7%	\$820	10.9%	\$890	9.2%	\$733	10.0%	\$803	10.2%
Vocational Education	\$64	0.8%	\$7	0.1%	\$5	0.1%	\$71	1.0%	\$31	0.4%
Other Instruction	\$222	2.6%	\$10	0.1%	\$3	0.0%	\$70	1.0%	\$31	0.4%
<b>Support Service Expenditures:</b>	<b>\$2,937</b>	<b>35.2%</b>	<b>\$2,663</b>	<b>35.5%</b>	<b>\$3,880</b>	<b>40.3%</b>	<b>\$2,160</b>	<b>29.6%</b>	<b>\$2,740</b>	<b>34.7%</b>
Pupil Support Services	\$253	3.0%	\$548	7.3%	\$290	3.0%	\$272	3.7%	\$388	4.9%
Instructional Support Services	\$285	3.4%	\$86	1.1%	\$284	3.0%	\$104	1.4%	\$136	1.7%
Board of Education	\$15	0.2%	\$30	0.4%	\$60	0.6%	\$56	0.8%	\$46	0.6%
Administration	\$941	11.3%	\$688	9.2%	\$968	10.0%	\$584	8.0%	\$710	9.0%
Fiscal Services	\$340	4.1%	\$155	2.1%	\$316	3.3%	\$234	3.2%	\$220	2.8%
Plant Operation & Maintenance	\$971	11.6%	\$756	10.1%	\$904	9.4%	\$805	11.0%	\$807	10.2%
Pupil Transportation	\$130	1.6%	\$368	4.9%	\$979	10.2%	\$105	1.5%	\$403	5.1%
Central Support Services	\$2	0.0%	\$32	0.4%	\$79	0.8%	\$0	0.0%	\$30	0.4%
<b>Non-Instructional Services Expenditures</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$52</b>	<b>0.7%</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>\$258</b>	<b>3.1%</b>	<b>\$217</b>	<b>2.9%</b>	<b>\$493</b>	<b>5.1%</b>	<b>\$269</b>	<b>3.7%</b>	<b>\$297</b>	<b>3.7%</b>
<b>Total Governmental Fund Operational Expenditures</b>	<b>\$8,349</b>	<b>100.0%</b>	<b>\$7,505</b>	<b>100.0%</b>	<b>\$9,639</b>	<b>100.0%</b>	<b>\$7,296</b>	<b>100.0%</b>	<b>\$7,893</b>	<b>100.0%</b>

Source: 4502 reports exhibit II, SF-3 reports

<sup>1</sup> This column represents a ratio of averages rather than an average of ratios; therefore, there may be discrepancies between the average of stated peer districts' funding per pupil ratios.

As shown in **Table 2-17**, Sebring LSD spends 5.8 percent more per student than the peer average, while allocating the second-highest percentage of its expenditures to instruction. Sebring LSD allocated more expenditures per student in the following operational activities:

- Special instruction is defined as instructional activities designed primarily to deal with pupils' special needs. In FY 2002-03, Sebring LSD allocated 52.7 percent more funding per student than the peer average in all governmental funds because the District has a much higher special needs population, thereby requiring more special education teachers and services (see the **human resources section**). Furthermore, in the past three years, purchased service expenditures for special education activities increased almost entirely due to additional special education tuition costs paid to the ESC.

- Vocational education refers to instructional activities designed to prepare youths and adults to successfully enter, compete, and advance in a changing work environment. In FY 2002-03, Sebring LSD allocated approximately two times the funding per student for vocational education activities when comparing all governmental funds. However, in FY 2003-04, the District ended its vocational education programs and instead, began using a joint vocational school. As a result, the District reallocated the corresponding staff member to regular education activities.
- Other instruction activity allocations per student were nearly six times the peer average for all governmental funds. In FY 2002-03, these expenditures were allocated to tuition expenditures within the purchased services line in the General Fund. The majority of these expenses were for open enrollment, special education, and community school tuition. However, the District has little control over the open enrollment policies of other districts or the decisions of its students to attend other schools. Furthermore, special education tuition expenses may be higher due to a large special needs student enrollment that approaches 25 percent of the student population.
- Instructional support services are activities associated with assisting the instructional staff with the content and process of providing learning experiences for pupils. Comparing all governmental funds, Sebring LSD spent nearly two times more per student in instructional support services than the peer average. In FY 2002-03, these function code expenditures were primarily salary and benefit expenditures; which were 76.6 percent and 18.4 percent of total function costs within the General Fund, respectively. Financial records indicate that the District has coded the salaries of classroom aides, special education teacher aides, medical attendants, media specialists, and library aides in this function code. Classroom aides, special education teacher aides, and medical attendants are required by the IEPs of special needs students and provide little opportunity for cost reductions, while media specialists and library aide positions are evaluated with other education service personnel staffing levels. Additional analysis of these staffing levels and salary and benefit costs is contained in the **human resources** section of this performance audit.
- Administration costs refer to those activities concerned with overall administrative responsibility for a single school, a group of schools, or the entire district. Comparing all governmental fund expenditures, Sebring LSD allocated 32.5 percent more per student for administrative activities than the peer average in FY 2002-03. This is primarily due to employing more administrative staff. Within the General Fund, salary expenditures were 64.0 percent of total function costs and benefit expenditures were 29.7 percent of total function costs in FY 2002-03. Additional analysis of administrative staffing levels and salary and benefit costs is contained in the **human resources** section of this performance audit.

- Fiscal services are defined as those activities concerned with the financial operations of the school district, including budgeting, receiving and disbursing, financial accounting, payroll, inventory control, auditing, and fiscal services rendered by the treasurer's office. These expenditures within the General Fund are primarily comprised of salary costs, benefit costs, purchased service costs, and miscellaneous costs. In FY 2002-03, salary expenditures were 45.4 percent of total function costs, while benefits were 24.2 percent, purchased services were 10.1, percent and miscellaneous costs were 19.8 percent of total function costs. Sebring LSD spent 54.5 percent more per student for fiscal service activities than the peer average in FY 2002-03 for all governmental funds, primarily due to employing two clerical staff in the treasurer's office while the peer districts only use one or employ part-time individuals to assist with these functions. Additional analysis of clerical staffing levels is contained in the **human resources** section of this report. Fiscal service expenditures increased 26.8 percent in FY 2001-02 from FY 2000-01, due primarily to purchased service expenditures within this activity and other miscellaneous expenditures. Fiscal service expenditures remained stable in FY 2002-03. Increasing purchased service expenditures are explained by data processing access fees, while increases in miscellaneous expenditures are related to auditing costs.
- Plant operation and maintenance are those activities concerned with keeping the physical plant open, comfortable and safe for use. Comparing all governmental fund expenditures, Sebring LSD spent 20.2 percent more per student for plant operation and maintenance activities than the peer average. In FY 2002-03, these function code expenditures primarily comprised salary, benefit, and purchased service expenditures, which were 33.6 percent, 17.0 percent, and 32.4 percent of total function costs within the General Fund, respectively. Additional analysis of these activities can be found in the **facilities** section of this performance audit.

**R2.6 Sebring LSD should reduce 1.0 FTE in its food service operations. Doing so would result in staffing levels more comparable to the peers, and reduce salary and benefit costs, thereby eliminating the need for the General Fund to subsidize cafeteria operations. In addition, Sebring LSD should continue to review ways to further reduce food service supply costs.**

Consistent with historical trends, Sebring LSD is projecting an annual \$25,000 transfer from the General Fund to the Lunchroom Fund for the forecast period. Sebring LSD's projected subsidies of the food service fund are consistent with the average of the past two years' operating losses within the food service fund. The need to subsidize the food service fund appears to be caused by relatively high supply costs and food service staffing levels.

**Table 2-18** compares Sebring LSD's operating revenues, expenditures, and selected ratios to those of the peer school districts.

**Table 2-18: Comparison of FY 2003-04  
Cafeteria Operating Revenues and Expenditures**

	Sebring LSD	Leetonia LSD	Lowellville EVSD	McDonald LSD	Peer Average
<b>General Information</b>					
Average Daily Membership (ADM)	739	864	634	863	787
Overall Staffing (FTE)	4.9	5.2	2.6	1.8	3.2
Operating Revenues	\$122,629	\$106,745	\$106,850	\$49,028	\$87,541
<b>Total Revenues</b>	<b>\$247,289</b>	<b>\$194,057</b>	<b>\$155,655</b>	<b>\$73,279</b>	<b>\$140,997</b>
Total Salaries	\$92,126	\$90,901	\$67,825	\$24,074	\$60,933
Total Benefits	\$50,050	\$35,235	\$18,565	\$29,435	\$27,745
Purchased Services	\$2,949	\$223	\$967	\$1,749	\$980
Supplies and Materials	\$117,758	\$72,343	\$84,702	\$38,841	\$65,295
<b>Total Cost of Operations</b>	<b>\$262,883</b>	<b>\$198,702</b>	<b>\$172,059</b>	<b>\$94,099</b>	<b>\$154,953</b>
<b>Revenue Ratios:</b>					
Operating Revenues/ ADM	\$165.94	\$123.55	\$168.53	\$56.81	\$116.97
Total Revenues/ ADM	\$334.63	\$224.60	\$245.51	\$84.91	\$185.01
<b>Operational Expenditure Ratios:</b>					
# of Students per Staff Member	150.8	166.2	243.8	479.4	296.5
Personnel Costs/ADM	\$192.39	\$145.99	\$136.26	\$62.00	\$114.75
Average Salary/Staff Member	\$18,801	\$17,481	\$26,087	\$13,374	\$18,981
Average Benefits/Staff Member	\$10,214	\$6,776	\$7,140	\$16,353	\$10,090
Supplies and Materials/ADM	\$159.35	\$83.73	\$133.60	\$45.00	\$87.44
<b>Cost to Serve a Student</b>	<b>\$355.72</b>	<b>\$229.98</b>	<b>\$271.39</b>	<b>\$109.04</b>	<b>\$203.47</b>

Source: FY 2002-03 Sebring LSD and peer school district 4502 reports and EMIS reports.

While Sebring LSD's operating revenues per ADM was considerably higher than the peer districts, its total cost to serve a student was approximately 75 percent higher than the peer average in FY 2002-03. This is primarily due to salaries and benefits, and supplies and materials. Sebring LSD's 4.9 food service FTEs are 53 percent (1.7 FTEs) higher than the peer average. In addition, Sebring LSD serves only 150.8 students per staff member, which is lower than each peer district. Sebring LSD operates a centralized kitchen and serves breakfast at the elementary school. Lunch is served at both the elementary building and the high school building. While Leetonia LSD and Lowellville EVSD also operate centralized kitchens and serve breakfast and lunch, they only employ one full-time employee in their food service operations. In contrast, Sebring LSD employs three full-time employees. As full-time employees are entitled to each districts' entire benefits package, this may explain the higher average benefit cost per employee at Sebring LSD than these two peers. Sebring LSD is not required to pay health insurance costs for employees that work less than 25 hours per week or 5 hours per day.

Furthermore, Lowellville EVSD and Leetonia LSD operate only one building whereas Sebring operates two, thereby requiring staff at the District to load and transport food between buildings. While this could contribute to the higher staffing levels at Sebring LSD, it does not seem to warrant two additional full-time employees when compared to Lowellville EVSD and Leetonia LSD, especially considering the close proximity of the District's two buildings.

By reducing 1.0 FTE, either via reducing a full-time position or the hours worked by current staff, Sebring LSD would decrease salary and benefit costs and serve an average of 189.5 students per FTE, slightly higher than Leetonia LSD but considerably lower than Lowellville EVSD. In addition, by staggering the start and stop times of its positions, the District could ensure sufficient coverage during peak operation times (e.g., lunch), and efficiently load and transport food between both buildings.

McDonald LSD does not operate a breakfast program. Revised Code 3313.813(C)(1) mandates that a school district establish a breakfast program in every school where at least one-third of the pupils in the school are eligible under federal requirements for free breakfasts. McDonald LSD also does not operate a cafeteria at their high school. Instead, it has an open lunch policy due to its small geographic area allowing students to go home for lunch and return for classes. Consequently, McDonald LSD only serves approximately half of the total ADM for lunch. Since the geographic size of McDonald LSD is comparable to Sebring LSD, this practice represents another option for the District to consider in altering service levels and operating practices to reduce staffing and other related costs.

Supplies and materials also contribute to the higher costs to serve a student at Sebring LSD. In FY 2002-03, Sebring LSD spent \$117,758 on supplies and materials. The District's ratio of supplies and material expenditures per ADM was \$159.35, significantly higher than the peer average of \$87.44. Sebring LSD has already begun to address this issue by contracting with a different food supplier for an expected savings of \$10,000 to \$15,000 annually. However, applying these savings to the District's FY 2002-03 Lunchroom Fund supply costs would result in a supply cost per student of \$139.05, which remains higher than the peers' ratios. According to the Sebring food service director, the District's menu offers more items than the adjacent West Branch LSD and charges less for several comparable items like drinks and pizza. Making appropriate changes to its menu items and periodically reviewing procurement practices could further lower supply costs, while charging more for similar items sold at each facility could increase revenues to better support operations. In addition, the Board has approved a \$0.25 increase in meal prices for adults and high school students for the 2004-05 school year.

*Financial Implication:* By reducing 1.0 FTE, Sebring LSD would save \$36,400 in FY 2004-05, \$38,900 in FY 2005-06, \$41,700 in FY 2006-07, and \$43,000 in FY 2007-08. These savings are based on the average full-time food service staff salary and the District's forecast assumptions for health insurance and other benefits. However, the five-year forecast reflects only the General Fund which is expected to subsidize the Lunchroom Fund by \$25,000 annually. Therefore, only \$25,000 of the savings will be reflected in the financial recovery plan.

### *Financial Recovery Plan*

**R2.7 Sebring LSD should analyze and use the financial recovery plan outlined in Table 2-19 to evaluate the recommendations presented in this performance audit to determine the impact of the related cost savings on its financial condition. The District should consider implementing the recommendations in this performance audit and other appropriate actions to help rectify its future financial difficulties. In addition, Sebring LSD should continue to update the financial recovery plan on an ongoing basis as critical financial issues change.**

Sebring LSD's forecast, presented in **Table 2-1**, projects a cash fund deficit at the end of FY 2004-05. The deficit is expected to reach \$2.06 million in FY 2007-08.

**Table 2-19** presents a potential financial recovery plan for management to use as a tool to assess the impact that implementation of the various performance audit recommendations will have on the District's financial condition. Additionally, **Table 2-19** includes the revised projections outlined in **R2.1** through **R2.5** to present a more appropriate forecast of these items.

For Sebring LSD to maintain an acceptable level of financial stability, the District will need to continue to make difficult management decisions regarding potential means for increasing revenue and reducing expenditures. This performance audit provides a series of recommendations Sebring LSD should consider. However, this audit is not all inclusive, and other cost savings and revenue enhancements should be continuously assessed and incorporated into the financial recovery plan.

**Table 2-19: Proposed Financial Recovery Plan (in 000's)**

	Actual FY 00-01	Actual FY 01-02	Actual FY 02-03	Forecast FY 03-04	Forecast FY 04-05	Forecast FY 05-06	Forecast FY 06-07	Forecast FY 07-08
Real Estate Property Tax	912	924	960	950	962	986	1,012	1,035
Tangible Personal Property Tax	422	517	394	416	312	208	206	204
Unrestricted Grants-in-Aid	3,217	3,326	3,298	3,633	3,776	4,068	4,149	4,232
Restricted Grants-in-Aid	47	146	243	50	50	50	50	50
Property Tax Allocation	129	134	138	130	138	141	145	148
Other Revenues	182	67	56	39	24	20	20	20
<b>Total Operating Revenues</b>	<b>4,909</b>	<b>5,114</b>	<b>5,089</b>	<b>5,218</b>	<b>5,262</b>	<b>5,473</b>	<b>5,582</b>	<b>5,689</b>
Personal Services	3,019	3,140	3,159	3,269	3,192	3,273	3,355	3,439
Employees' Retirement & Insurance Benefits	1,006	1,121	1,238	1,360	1,454	1,599	1,771	1,845
Purchased Services	470	828	702	801	825	850	875	902
Supplies & Materials	173	191	141	140	143	145	149	152
Capital Outlay	67	34	13	60	10	10	10	10
Other Objects	126	97	60	74	77	79	82	84
<b>Total Operating Expenditures</b>	<b>4,861</b>	<b>5,411</b>	<b>5,313</b>	<b>5,704</b>	<b>5,701</b>	<b>5,956</b>	<b>6,242</b>	<b>6,432</b>
Operating Transfers/Advances In	7	0	17	100	0	0	0	0
Operating Transfers/Advances Out	101	17	40	25	25	25	25	25
All Other Financing Sources/ (Uses)	3	10	18	0	0	0	0	0
<b>Net Financing Sources/ (Uses)</b>	<b>(91)</b>	<b>(7)</b>	<b>(5)</b>	<b>75</b>	<b>(25)</b>	<b>(25)</b>	<b>(25)</b>	<b>(25)</b>
<b>Results of Operations (Loss)</b>	<b>(43)</b>	<b>(304)</b>	<b>(229)</b>	<b>(411)</b>	<b>(464)</b>	<b>(508)</b>	<b>(685)</b>	<b>(768)</b>
Beginning Cash Balance	1,178	1,135	831	602	191	(273)	(781)	(1,467)
<b>Ending Cash Balance</b>	<b>1,135</b>	<b>831</b>	<b>602</b>	<b>191</b>	<b>(273)</b>	<b>(781)</b>	<b>(1,466)</b>	<b>(2,235)</b>
Cumulative Net Effect of AOS Recommendations	N/A	N/A	N/A	N/A	369	1,234	2,156	3,113
<b>Cash Balance with Effects of AOS Recommendations</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>96</b>	<b>453</b>	<b>690</b>	<b>878</b>
<b>Revised Cash Balance</b>	<b>1,135</b>	<b>831</b>	<b>602</b>	<b>191</b>	<b>96</b>	<b>453</b>	<b>690</b>	<b>878</b>

Source: Sebring LSD five-year forecast adjusted for AOS revised projections and recommendations.

**Table 2-19** includes estimated savings for all of the recommendations in the performance audit. Based on the considerable ending cash balances in **Table 2-19**, the District has some latitude in prioritizing and deciding which of the audit recommendations to implement.

**Table 2-19a** details those performance audit recommendations that are included in the financial recovery plan presented in **Table 2-19**. These recommendations are separated by those that require contract renegotiation and those that do not require negotiation.



**Table 2-19a: Financial Impact of Performance Audit Recommendations**

<b>Recommendations</b>	<b>FY 2004-05</b>	<b>FY 2005-06</b>	<b>FY 2006-07</b>	<b>FY 2007-08</b>
<b>Increases/ (Decreases) Resulting from AOS Revised Assumptions:</b>				
<b>R2.1</b> Real Estate Property Tax Receipts	(\$18,276)	(\$9,168)	(\$38,621)	(\$30,974)
<b>R2.2</b> Unrestricted Grants-in-Aid Receipts	\$70,093	\$195,731	\$199,645	\$203,639
<b>R2.3</b> Property Tax Allocation Receipts	\$4,346	\$5,756	\$1,932	\$3,133
<b>R2.4</b> Personal Services Expenditures	(\$65,391)	(\$129,231)	(\$194,687)	(\$261,792)
<b>R2.4</b> Employees' Retirement and Insurance Benefit Expenditures	(\$11,117)	(\$21,969)	(\$33,097)	(\$44,505)
<b>AOS Revised Forecast Assumptions Impact</b>	<b>(\$20,345)</b>	<b>\$41,119</b>	<b>(\$64,828)</b>	<b>(\$130,499)</b>
<b>Recommendations Subject to Negotiation:</b>				
<b>R3.1</b> Reduce Regular Teaching Staffing Levels by up to 4.0 FTEs	\$0	\$276,522	\$295,209	\$308,150
<b>R3.2</b> Reduce ESP Teaching Staffing Levels by up to 3.0 FTEs	\$0	\$200,347	\$214,063	\$223,461
<b>R3.5</b> Require 10 percent Employee Contribution for Health Care Coverage	\$82,000	\$94,300	\$108,445	\$113,759
<b>R3.8</b> Reduce the Number of Accumulated Sick Leave Days Paid Out At Retirement	\$6,400	\$6,400	\$6,400	\$6,400
<b>R3.9</b> Reduce the Number of Classified Paid Holidays	\$4,900	\$4,998	\$5,098	\$5,200
<b>Total Recommendations Subject to Negotiation</b>	<b>\$93,300</b>	<b>\$582,567</b>	<b>\$629,215</b>	<b>\$656,970</b>
<b>Recommendations Not Subject to Negotiation:</b>				
<b>R2.6</b> Reduce Food Service Staffing Levels	\$25,000	\$25,000	\$25,000	\$25,000
<b>R3.3</b> Reduce Administrative Staffing Levels by 1.0 FTE	\$53,028	\$54,088	\$55,170	\$56,273
<b>R3.4</b> Reduce Office/ Clerical Staffing Levels by 1.0 FTEs	\$41,763	\$44,322	\$47,293	\$48,775
<b>R3.6</b> Reduce Sick Leave Usage	\$13,900	\$13,900	\$13,900	\$13,900
<b>R4.1</b> Cancel Cleaning Contract for the Administration Building	\$1,600	\$1,648	\$1,697	\$1,748
<b>R4.2</b> Implement Energy Management Practices	\$34,000	\$35,020	\$36,071	\$37,153
<b>R4.3</b> "Zone Off" Portion of Elementary School	\$88,619	\$92,596	\$97,026	\$100,012
<b>R4.4</b> Participate in Group Purchasing	\$11,800	\$12,240	\$12,485	\$12,734
<b>R5.3</b> Sell Spare Bus	\$6,400	\$3,708	\$3,819	\$3,934
<b>Total Recommendations Not Subject to Negotiation</b>	<b>\$276,110</b>	<b>\$282,522</b>	<b>\$292,461</b>	<b>\$299,529</b>
<b>Total Recommendations Included in Forecast</b>	<b>\$369,410</b>	<b>\$865,089</b>	<b>\$921,676</b>	<b>\$956,499</b>

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

**Note:** Recommendations are appreciated according to the corresponding assumption made by the District in its five-year forecast or as revised by AOS, which may differ from section savings.

**Table 2-19b** illustrates ending cash fund balances as a percentage of total revenues for the following two scenarios:

- Using the recommendations to the forecasting assumptions and methodology, but not without implementing the other audit recommendations; and
- Implementing all performance audit recommendations.

As fiscal oversight designations are based on the ending fund balance as a percentage of total projected revenue, the scenarios presented depict the likelihood of Sebring LSD remaining in fiscal caution during the forecast period.

**Table 2-19b: Fund Balance to Prior Year Total Receipts**

<b>Fiscal Year</b>	<b>Scenario One: Using Revised Assumptions</b>	<b>Scenario Two: Using Revised Assumptions and Audit Recommendations</b>
FY 2001-02	16.9%	16.9%
FY 2002-03	11.8%	11.8%
FY 2003-04	3.7%	3.7%
FY 2004-05	(5.2%)	1.8%
FY 2005-06	(14.8%)	8.6%
FY 2006-07	(26.8%)	12.6%
FY 2007-08	(40.0%)	15.7%

**Source:** Sebring LSD five-year forecast and AOS revised five-year forecast

As shown in **Table 2-19b**, without implementing AOS recommendations, the District's ending fund balance as a percentage of total receipts decreases significantly each year during the forecast period. In scenario two, when the performance audit recommendations are included, Sebring LSD's ending fund balance in FY 2003-04 is sufficient to remove itself from fiscal oversight status. Therefore, the District should strongly consider the recommendations included in this performance audit, in full or in part, in conjunction with any other alternatives it deems appropriate to improve its financial condition.

# Human Resources

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## Background

This section of the report focuses on the human resources operations within Sebring Local School District (Sebring LSD). Peer district information, and best practice data from the Ohio Department of Education (ODE) and the State Employment Relations Board (SERB) will be used for comparisons throughout this section of the report.

### *Organizational Function*

Sebring LSD does not have a separate department dedicated to performing human resources functions. Instead, the superintendent and building principals complete the primary human resources responsibilities. These responsibilities include the following:

- Coordinating the activities and programs for the recruitment and selection of employees;
- Facilitating employee performance evaluations; and
- Negotiating and administering collective bargaining agreements.

The treasurer administers the health insurance plans and oversees the payroll process, while an administrative secretary tracks payroll and leave usage.

### *Staffing*

**Table 3-1** illustrates the actual staffing levels at Sebring LSD and the peer districts during FY 2003-04, as reported in the Educational Management Information System (EMIS). Adjustments were made to the corresponding EMIS reports based upon interviews with appropriate district personnel to ensure comparability and consistency in reporting. All positions are shown as full-time equivalents (FTEs), based on eight hours per day for classified staff.

**Table 3-1: FY 2003-04 FTE Staffing Levels**

Category	Sebring LSD	Leetonia EVSD	Lowellville LSD	McDonald LSD	Peer Average
<b>Administrators: Subtotal</b>	<b>6.00</b>	<b>6.40</b>	<b>5.00</b>	<b>4.00</b>	<b>5.13</b>
Superintendent	1.00	1.00	1.00	1.00	1.00
Treasurer	1.00	1.00	1.00	1.00	1.00
Principal	3.00	3.00	2.00	2.00	2.33
Coordinator	1.00	1.40	1.00	N/A	1.20
<b>Professional Education: Subtotal</b>	<b>49.49</b>	<b>58.99</b>	<b>35.64</b>	<b>52.34</b>	<b>48.99</b>
Counseling	2.00	2.00	1.00	1.25	1.42
Librarian / Media Specialist	1.00	1.00	1.00	1.60	1.20
Remedial Specialist	N/A	2.00	N/A	1.00	1.50
Regular Education Teacher	32.49	43.00	25.35	41.99	36.78
Special Education Teacher	10.00	5.00	3.20	3.00	3.73
Vocational Education Teacher	N/A	N/A	N/A	1.00	1.00
Tutor / Small Group Instructor	N/A	1.00	0.55	N/A	0.78
Educational Service Personnel <sup>1</sup>	4.00	4.99	4.54	2.50	4.01
<b>Professional – Other: Subtotal</b>	<b>1.00</b>	<b>1.00</b>	<b>N/A</b>	<b>1.00</b>	<b>1.00</b>
Registered Nursing	1.00	1.00	N/A	1.00	1.00
<b>Technical: Subtotal</b>	<b>1.80</b>	<b>1.00</b>	<b>0.90</b>	<b>1.00</b>	<b>0.97</b>
Computer Operating	N/A	N/A	N/A	1.00	1.00
Library Aide	1.80	1.00	0.90	N/A	0.95
<b>Office / Clerical: Subtotal</b>	<b>10.30</b>	<b>8.60</b>	<b>4.50</b>	<b>4.70</b>	<b>5.93</b>
Bookkeeping	N/A	1.00	N/A	N/A	1.00
Clerical	7.00	4.20	3.00	3.80	3.67
Teaching Aide	3.30	2.40	0.90	0.90	1.40
Other Office / Clerical	N/A	1.00	0.60	N/A	0.80
<b>Crafts / Trades: Subtotal</b>	<b>0.50</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Mechanic	0.50	N/A	N/A	N/A	N/A
<b>Transportation: Subtotal</b>	<b>1.40</b>	<b>4.10</b>	<b>1.50</b>	<b>1.20</b>	<b>2.27</b>
Bus Driver	1.40	4.10	1.50	1.20	2.27
<b>Service Worker/Laborer: Subtotal</b>	<b>11.60</b>	<b>12.30</b>	<b>6.20</b>	<b>8.30</b>	<b>8.93</b>
Custodial	6.00	7.10	3.60	6.50	5.73
Food Service	4.90	5.20	2.60	1.80	3.20
Attendant	0.30	N/A	N/A	N/A	N/A
Other Service Worker/Laborer	0.40	N/A	N/A	N/A	N/A
<b>Total FTEs</b>	<b>82.09</b>	<b>92.39</b>	<b>53.74</b>	<b>72.54</b>	<b>73.22</b>

Source: FY 2003-04 EMIS Staff Summary Reports and interviews

<sup>1</sup> The educational service personnel classification only includes art, music, and physical education teachers in grades K-8. All other positions classified as educational service personnel according to the Ohio Administrative Code are coded separately in EMIS.

Staffing levels within a school district vary depending upon the number of students enrolled. **Table 3-2** shows the staffing levels per 100 Average Daily Membership (ADM) at Sebring LSD and the peer districts for FY 2003-04.

**Table 3-2: FY 2003-04 FTE Staffing Levels per 100 ADM**

Category	Sebring LSD	Leetonia EVSD	Lowellville LSD	McDonald LSD	Peer Average
<b>ADM</b>	<b>739.00</b>	<b>864.03</b>	<b>634.00</b>	<b>863.00</b>	<b>787.01</b>
<b>Administrators: Subtotal</b>	<b>0.83</b>	<b>0.75</b>	<b>0.80</b>	<b>0.47</b>	<b>0.67</b>
Superintendent	0.14	0.12	0.16	0.12	0.13
Treasurer	0.14	0.12	0.16	0.12	0.13
Principal	0.41	0.35	0.32	0.23	0.30
Coordinator	0.14	0.16	0.16	N/A	0.16
<b>Professional Education: Subtotal</b>	<b>6.70</b>	<b>6.84</b>	<b>5.63</b>	<b>6.08</b>	<b>6.18</b>
Counseling	0.27	0.23	0.16	0.14	0.18
Librarian / Media Specialist	0.14	0.12	0.16	0.19	0.16
Remedial Specialist	N/A	0.23	N/A	0.12	0.18
Regular Education Teacher	4.40	4.98	4.00	4.87	4.62
Special Education Teacher	1.35	0.58	0.50	0.35	0.48
Vocational Education Teacher	N/A	N/A	N/A	0.12	0.12
Tutor / Small Group Instructor	N/A	0.12	0.09	N/A	0.11
Educational Service Personnel <sup>1</sup>	0.54	0.58	0.72	0.29	0.53
<b>Professional – Other: Subtotal</b>	<b>0.14</b>	<b>0.12</b>	<b>N/A</b>	<b>0.12</b>	<b>0.12</b>
Registered Nursing	0.14	0.12	N/A	0.12	0.12
<b>Technical: Subtotal</b>	<b>0.24</b>	<b>0.12</b>	<b>0.14</b>	<b>0.12</b>	<b>0.13</b>
Computer Operating	N/A	N/A	N/A	0.12	0.12
Library Aide	0.24	0.12	0.14	N/A	0.13
<b>Office / Clerical: Subtotal</b>	<b>1.40</b>	<b>1.01</b>	<b>0.70</b>	<b>0.54</b>	<b>0.75</b>
Bookkeeping	N/A	0.12	N/A	N/A	0.12
Clerical	0.95	0.49	0.47	0.44	0.47
Teaching Aide	0.45	0.28	0.14	0.10	0.17
Other Office / Clerical	N/A	0.12	0.09	N/A	0.11
<b>Crafts / Trades: Subtotal</b>	<b>0.07</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Mechanic	0.07	N/A	N/A	N/A	N/A
<b>Transportation: Subtotal</b>	<b>0.19</b>	<b>0.47</b>	<b>0.24</b>	<b>0.14</b>	<b>0.28</b>
Bus Driver	0.19	0.47	0.24	0.14	0.28
<b>Service Worker/Laborer: Subtotal</b>	<b>1.56</b>	<b>1.42</b>	<b>0.98</b>	<b>0.96</b>	<b>1.12</b>
Custodial	0.81	0.82	0.57	0.75	0.71
Food Service	0.66	0.60	0.41	0.21	0.41
Attendant	0.04	N/A	N/A	N/A	N/A
Other Service Worker/Laborer	0.05	N/A	N/A	N/A	N/A
<b>Total FTEs</b>	<b>11.13</b>	<b>10.73</b>	<b>8.49</b>	<b>8.43</b>	<b>9.25</b>

Source: FY 2003-04 EMIS Staff Summary Reports and interviews

<sup>1</sup> The educational service personnel classification only includes art, music, and physical education teachers in grades K-8. All other positions classified as educational service personnel according to the Ohio Administrative Code are coded separately in EMIS.

As illustrated in **Table 3-2**, Sebring LSD has higher FTE staffing levels per 100 ADM as compared to the peer average in the following classifications:

- Superintendent (see **R3.3**);
- Treasurer (see **R3.3**);
- Principal (see **R3.3**);
- Counseling (see **R3.2**);
- Special Education Teaching (see page 3-7);

- Educational Service Personnel Teacher (see **R3.2**);
- Library Aide (see page 3-7);
- Clerical (see **R3.4**);
- Teaching Aide (see page 3-7);
- Mechanic (see the **transportation** section);
- Custodian (see the **facilities** section);
- Food Service (see the **financial systems** section);
- Attendant (see the **transportation** section); and
- Other Service Worker/Laborer (see the **financial systems** section).

### *Collective Bargaining Agreements*

Certificated and classified personnel within Sebring LSD are governed by negotiated agreements. During this performance audit, certain contractual and employment issues were assessed and compared to the peer districts. Because contractual and employment issues directly affect the operating budget, many of the issues have been assessed to show the financial impact on Sebring LSD. The implementation of any contractual recommendations would require negotiations with the respective unions. **Tables 3-3** and **3-4** illustrate key provisions in the certificated and classified negotiated agreements.

**Table 3-3: Certificated Negotiated Agreement Comparisons**

	<b>Sebring LSD</b>	<b>Leetonia EVSD</b>	<b>Lowellville LSD</b>	<b>McDonald LSD</b>
<b>Length of work day</b>	7 hours, 15 minutes	7 hours, 15 minutes	7 hours, 15 minutes	7 hours
<b>Maximum class size</b>	K-12: 25	K-6: Not specified 7-12: 34 <sup>1</sup>	Not specified	K-12: 25
<b>Number of Contract Days</b>	<b>184 days</b>	<b>184 days</b>	<b>184 days</b>	<b>183 days</b>
<b>Instructional Days</b>	180 days	180 days	180 days	180 days
<b>In-Service Days</b>	2 days	4 days	2 days	1 day
<b>Work Days</b>	2 days	0 day	2 days	2 days
<b>Maximum number of sick days accrued</b>	275 days	280 days	250 days	310 days
<b>Maximum number of sick days paid out at retirement</b>	60 days	55 days	50 days	70 days
<b>Retirement Incentive</b>	\$7,500	Not specified	Not specified	Not specified
<b>Number of personal days</b>	3 days	3 days	3 days	3 days
<b>Notice required</b>	3 days	3 days	2 days	Not specified
<b>Number of leave days for association business</b>	Not specified	6 days	Not specified	Not specified
<b>Sabbatical leave</b>	Up to 1 year after 7 years service, with requirement to return for 1 year	Up to 1 year after 5 years of service	1 year after 7 years of service	Not specified
<b>Pick-up of employee's STRS contribution by district</b>	No	No	No	No
<b>Cost of living increases each year of the contract</b>	FY 2002: 3.0% FY 2003: 2.5% FY 2004: 2.0% <sup>2</sup>	FY 2004: 3.0% FY 2005: 3.0%	FY 2002: 2.5% FY 2003: 4.0% FY 2004: 5.0%	FY 2004: 3.3% FY 2005: 3.2%

Source: Certificated negotiated agreements currently in effect

<sup>1</sup> Except music classes

<sup>2</sup> If the state foundation base increases five percent during FY 2003-04, salary increases will be 2.5 percent.

**Table 3-4: Classified Negotiated Agreement Comparisons**

	Sebring LSD	Leetonia EVSD	Lowellville LSD	McDonald LSD
<b>Length of work day</b>	8 hours	8 hours	8 hours	8 hours
<b>Minimum call-in hours paid to employees for emergencies</b>	Not specified	Not specified	Not specified	1 hour at double time
<b>Vacation time to accumulate</b>	1-9 years: 10 days 10 years: 15 days 11 years: 16 days 12 years: 17 days 13 years: 18 days 14 years: 19 days 15-19 years: 20 days 20+ years: 22 days	1-4 years: 10 days 5-13 years: 15 days 14-20 years: 20 days	1-4 years: 10 days 5-9 years: 15 days 10-14 years: 20 days 15-19 years: 22.5 days 20+ years: 25 days <sup>1</sup>	1-4 years: 10 days 5-12 years: 15 days 12-19 years: 20 days 20+ years: 25 days
<b>Sick / Personal leave incentive</b>	Employees who do not use any sick leave during either the first or second half of the year receive \$125 per half year  Employees who do not use any sick leave during the year receive an additional \$100	Employees who do not use any sick or personal leave during the year receive \$250 (those whose contracted days exceed 205 days receive \$300)  Employees who use 1 day of sick or personal leave during the year receive \$100 (those whose contracted days exceed 205 days receive \$120)  Employees who use 2 days of sick or personal leave during the year receive \$50 (those whose contracted days exceed 205 days receive \$60)	Unused personal leave may be added to an employee's sick leave balance as long as it does not exceed the maximum accrued	Unused personal leave is converted to sick leave days at the end of each school year
<b>Maximum number of sick days accrued</b>	275 days	FY 2004: 260 days FY 2005: 265 days	250 days	310 days
<b>Maximum number of sick days paid out at retirement</b>	60 days	FY 2004: 52.5 days FY 2005: 53.1 days	50 days	70 days
<b>Retirement Incentive</b>	\$2,500	Not specified	Not specified	Not Specified
<b>Number of personal days</b>	3 days	3 days	3 days	3 days
<b>Notice required</b>	3 days	3 days	Not specified	Not specified
<b>Number of holidays for 12-month employees</b>	12 days	11 days	9 days	12 days
<b>Number of holidays for 9-month employees</b>	9 days	6 days	6 days	11 days
<b>Number of leave days for association business</b>	Not specified	2 delegates may use 3 days each to attend the OAPSE conference <sup>2</sup>	Not specified	President and one delegate may use 3 days each to attend the OAPSE conference
<b>Pick-up of employee's SERS contribution by district</b>	No	No	Not specified	Not specified
<b>Cost of living increases each year of the contract</b>	FY 2004: 2.5% FY 2005: 2.0%	FY 2004: 3.0% FY 2005: 3.0%	FY 2003: Varies FY 2004: Varies	FY 2004: 2.7% FY 2005: 2.7%

Source: Classified negotiated agreements currently in effect

<sup>1</sup>Only head custodians and custodians receive paid vacation based on years of service.

<sup>2</sup> Leave must be paid vacation, personal leave, or unpaid leave.



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

- *Special education teacher staffing levels:* Sebring LSD's staffing level of 10.0 FTEs is slightly higher than the 9.34 minimum FTEs required by the OAC 3301-51-09, which stipulates maximum student-teacher ratios for each disability category. This gives the District flexibility to adapt to fluctuations in the number of special education students and to the individual needs of its students.
- *Teaching aide staffing levels:* Of the 3.3 FTE teaching aides, 2.5 FTEs are devoted to specific special education students 100 percent of the time, per the students' Individualized Education Programs (IEPs). The remaining 0.8 FTE is assigned to work with various special education students at the high school.
- *Library aide staffing levels:* While Sebring LSD's library aide staffing levels are higher than the peer average, the District's overall library staffing level per 100 ADM is comparable to the peer average.
- *Salaries:* Sebring LSD's salaries are comparable to, or slightly below, the peer average salaries.
- *Supplemental contracts:* Sebring LSD's extracurricular expenditures per ADM are comparable to the peer average.

## Recommendations

### Staffing

**R3.1** Sebring LSD should consult with its legal counsel on seeking a reduction in force (RIF) of up to 4.0 FTE regular education teachers based on the financial condition of the District (see R3.7 for RIF provisions in the certificated contract). However, prior to making any reductions, the District should determine the impact of these reductions on individual class sizes, the attainment of its mission and goals, and student contact time.

**Table 3-5** compares Sebring LSD's regular education teacher staffing levels in FY 2003-04 to staffing levels by having an average of 20 regular education students per regular education teacher.

**Table 3-5: Regular Education Students per Teacher**

	FY 2003-04	Recommended FY 2004-05
Regular education students <sup>1</sup>	569	569
Regular education teacher FTEs	32.5	28.5
Student –Teacher Ratio	17.5	20.0

Source: ODE and Sebring LSD

<sup>1</sup> Regular education students were calculated by subtracting the number of special education students from the total enrollment. To calculate the number of special education students, the number of speech/language students was added to the number of special education students used in the special education teacher staffing analysis.

As illustrated in **Table 3-5**, the District could reduce 4.0 FTE regular education teacher positions to maintain a student-teacher ratio of 20:1, which would still be less than the maximum student-teacher ratio of 25:1 in OAC 3301-35-05(A)(3). Furthermore, while student enrollment remained fairly constant from 2002-03 to 2003-04, it declined each year from 1998-99 to 2002-03 (see the **facilities** section). If student enrollment continues to decline, the number of students per teacher could be less than 20 to 1 in future years. Based on its future financial condition (see the **financial systems** section), the District needs to consider numerous options to reduce expenditures, such as teacher reductions. However, if Sebring LSD and the community decide to maintain smaller class sizes than 20 students per teacher, enrollment stabilizes, and expenditures cannot be further reduced, additional revenue may be necessary for the District to achieve financial solvency in future years.

*Financial Implication:* If Sebring LSD reduced regular education teaching positions by an additional 4.0 FTEs, it could realize a cost savings of approximately \$243,800. This is based on an average regular education salary of approximately \$43,700 and benefits equal to 39.6 percent of annual salaries. The actual cost savings realized by the District

may vary depending on the specific positions reduced and their corresponding placement on the salary step schedule.

**R3.2 Sebring LSD should review its staffing levels in the educational service personnel (ESP) classification and consult with its legal counsel for a potential reduction of up to 3.0 FTEs (see R3.7 for RIF provisions in the certificated contract). Classifications which should be reviewed for possible reductions would include art teachers, music teachers, physical education teachers, and counselors.**

Half of Sebring LSD's ESP staff members are art, music and physical education teacher who have direct instructional contact with students throughout the day. **Table 3-6** compares the FY 2003-04 staffing levels of all ESP personnel at Sebring LSD with the peer districts. Staffing levels are illustrated in actual FTEs and FTEs per 1,000 ADM.

**Table 3-6: Comparison of ESP Staffing Levels**

Classification	Sebring LSD	Leetonia EVSD	Lowellville LSD	McDonald LSD	Peer Average
ESP Teacher <sup>1</sup>	4.00	4.99	4.54	2.50	4.01
Counselor	2.00	2.00	1.00	1.25	1.42
Librarian / Media Specialist	1.00	1.00	1.00	1.60	1.20
Registered Nurse	1.00	1.00	0.00	1.00	1.00
<b>Totals</b>	<b>8.00</b>	<b>8.99</b>	<b>6.54</b>	<b>6.35</b>	<b>7.63</b>
<b>FY 2003-04 ADM</b>	<b>739.00</b>	<b>864.03</b>	<b>634.00</b>	<b>863.00</b>	<b>787.01</b>
<b>ESP Staff per 1,000 ADM</b>	<b>10.83</b>	<b>10.40</b>	<b>10.32</b>	<b>7.36</b>	<b>9.69</b>

Source: District FY 2003-04 EMIS Staff Summary Reports and Staff Demographics Reports

<sup>1</sup> Includes those individuals who teach art, music or physical education in grades K-8.

As illustrated in **Table 3-6**, Sebring LSD has 10.83 FTEs per 1,000 ADM in the ESP classification, which is greater than the peer average of 9.69 FTEs and the minimum standards identified in OAC 3301-35-05 (A)(4) of 5.0 FTEs per 1,000 ADM. OAC 3301-35-05 (A)(4) also requires 5.0 FTE ESP personnel to be assigned to five of the eight following areas: counselor, library media specialist, school nurse, visiting teacher, social worker, and elementary art, music, and physical education. Therefore, if Sebring LSD adjusts its ESP staffing ratio to the minimum standards identified in the OAC, it could reduce a maximum of 3.0 FTEs. Furthermore, reducing 1.0 FTE would result in the District maintaining a similar number of ESP staff per 1,000 ADM as the peer average.

*Financial Implication:* Sebring LSD could save approximately \$174,800 by reducing 3.0 FTEs from the ESP classification, based on an average annual salary of approximately \$41,700 per ESP staff member and benefits equal to 39.6 percent of annual salaries. The actual cost savings realized by the District may vary depending on the specific positions reduced and their corresponding placement on the salary step schedule.

**R3.3 Sebring LSD should reduce 1.0 FTE administrative position by using a supplemental contract for the athletic director position. As a result, Sebring LSD would maintain administrative staffing levels comparable to the peer average.**

**Table 3-7** compares key ratios regarding administrative staffing levels at Sebring LSD and the peer districts.

**Table 3-7: FY 2003-04 Administrative Staffing Ratios**

	Sebring LSD	Leetonia EVSD	Lowellville LSD	McDonald LSD	Peer Average
<b>Total Administrative Personnel</b> <sup>1</sup>	6.00 <sup>2</sup>	6.40	5.00	4.00	5.13
<b>Total District Personnel</b>	83.09	92.39	53.74	72.54	72.89
<b>Total Administrative Personnel per 100 District Personnel</b>	0.07	0.07	0.09	0.06	0.07
<b>Total ADM</b>	739.00	864.03	634.00	863.00	787.01
<b>Total Administrative Personnel per 100 ADM</b>	0.81	0.74	0.79	0.46	0.65

**Source:** FY 2003-04 EMIS Staff Summary Report, Staff Demographics Report, and Student Enrollment Report for Sebring LSD and the peer districts

<sup>1</sup> Includes individuals classified as superintendent, treasurer, principal, and coordinator.

<sup>2</sup> Excludes the 1.0 FTE technology coordinator who resigned in January 2004. The District will not fill this position.

As illustrated in **Table 3-7**, Sebring LSD's ratio of total administrative personnel per 100 District personnel is comparable to the peer average, while its ratio of total administrative personnel per 100 ADM is the highest of the peers. A reduction of 1.0 administrative FTE would decrease the total administrative personnel per 100 ADM to 0.68, which is comparable to the peer average. In addition to the superintendent and treasurer, Sebring LSD employs 3.0 FTE principals and 1.0 FTE high school dean of students/athletics. Leetonia EVSD, Lowellville LSD, and McDonald LSD do not have a position similar to the high school dean of students/athletics at Sebring LSD. In place of this position, each peer has a 1.0 FTE high school principal and uses a supplemental contract for the athletic director position.

Although Sebring LSD has 2.0 principal FTEs for its elementary school, the principals share responsibilities for managing the school and each have additional responsibilities. The principal for grades K-3 is responsible for the District's Title I, gifted, summer school, and intervention/risk programs, as well as its continuous improvement plan. The principal for grades 4-6 is the director of special education. Because Sebring LSD's special education population (23.9 percent of enrollment) is nearly twice that of the closest peer, Leetonia EVSD (12.5 percent of enrollment), and based on the current scope of responsibilities, employing two elementary principals appears appropriate.

*Financial Implication:* Sebring LSD could generate an estimated net cost savings of approximately \$53,000 by reducing 1.0 administrative FTE and using a supplemental

contract with a current staff member for athletic director responsibilities. This is based on the actual annual salary and benefits of approximately \$58,500 for the current Dean of Students/Athletic Director, and an athletic director supplemental contract equal to \$5,500, per the certificated negotiated agreement.

**R3.4 Sebring LSD should consider reducing 1.0 FTE office/clerical position. By doing so, the District would maintain clerical staffing levels comparable to the peer average. The District should ensure that office/clerical staffing resources are being used efficiently and effectively in relation to the needs of the District. For instance, Sebring LSD could operate with fewer clerical staff by pooling and sharing employees across departments, while ensuring that reporting lines are clearly defined and job duties are prioritized.**

Table 3-8 compares key ratios regarding clerical staffing levels at Sebring LSD and the peer districts.

**Table 3-8: FY 2003-04 Clerical Staffing Ratios**

	Sebring LSD	Leetonia EVSD	Lowellville LSD	McDonald LSD	Peer Average
Total Clerical Personnel <sup>1</sup>	7.00	6.20	3.60	3.80	4.53
Total Administrative Personnel	7.00	6.40	5.00	4.00	5.13
Total Clerical Personnel to Administrative Personnel	1.00	0.97	0.72	0.95	0.88
Total District Personnel	83.09	92.39	53.74	72.54	72.89
Total Clerical Personnel per District Personnel	0.08	0.07	0.07	0.05	0.06
Total ADM	739.00	864.03	634.00	863.00	787.01
Total Clerical Personnel per 100 ADM	0.95	0.72	0.57	0.44	0.58

Source: FY 2003-04 EMIS Staff Summary Report, Staff Demographics Report, and Student Enrollment Report for Sebring LSD and the peer districts

<sup>1</sup>Includes individuals classified as bookkeeping, clerical, and other office/clerical.

As show in **Table 3-8**, Sebring LSD has the highest number of total clerical personnel per administrative FTE, per total District personnel, and per 100 ADM, as compared to the peers. A reduction of 1.0 clerical FTE would decrease the District’s total clerical personnel to administrative ratio to 0.86 and total district personnel ratio to 0.07, which are comparable to the peer averages. Although the decrease in Sebring LSD’s total clerical personnel per 100 ADM to 0.81 remains higher than the peers, and a reduction of 1.0 administrator FTE would result in maintaining the same ratio of clerical staff per administrative personnel (see **R3.3**), this additional staffing compensates for clerical responsibilities associated with the District’s special education program. Sebring LSD’s special education population is significantly higher than the peer districts (see **R3.3**).

*Financial Implication:* Sebring LSD could generate an estimated cost savings of approximately \$33,400 by reducing 1.0 clerical FTE, based on an average annual salary of approximately \$23,900 per clerical staff member and benefits equal to 39.6 percent of annual salaries. The actual cost savings realized by the District may vary depending on the specific positions reduced and their corresponding placement on the salary step schedule.

### *Benefits Administration*

**R3.5 During future contract negotiations, Sebring LSD should seek to negotiate an employee contribution and/or alter plan benefits (e.g., increase the employee co-pay for the prescription plan and the employee out of pocket maximum). A 10 percent employee contribution of the medical premium costs for full-time employees would decrease the District's direct health care premium costs, but would be less than the SERB state-wide average employee contribution.**

**Table 3-9** compares the FY 2003-04 health insurance monthly premiums for Sebring LSD, the peer districts and the State Employment Relations Board (SERB) averages for similar-sized school districts. The health insurance premiums include medical, prescription, and dental coverage, unless otherwise indicated.

**Table 3-9: Health Insurance Premium Comparison for FY 2003-04**

School District	Provider(s)	Monthly Premium for Single Plan	Full-time Employee Share	Monthly Premium for Family Plan	Full-time Employee Share
<b>Sebring LSD</b>	Self-Insured PPO	\$442.06	\$0	\$1,030.95	\$0
<b>Leetonia EVSD</b> <sup>1</sup>					
Certificated	Self-insured PPO	\$278.44	\$15.00 <sup>2</sup>	\$637.88	\$30.00 <sup>2</sup>
Classified	Self-insured PPO	\$278.44	\$10.00 <sup>3</sup>	\$637.88	\$20.00 <sup>3</sup>
<b>Lowellville LSD</b>	Mahoning County Schools Consortium PPO	\$543.19	\$61.75	\$1,237.43	\$146.40
<b>McDonald LSD</b>	Medical Mutual PPO	\$390.50	\$0	\$1,032.19	\$0
<b>SERB Statewide Avg</b> <sup>4</sup>					
Medical Coverage <sup>5</sup>	N/A	\$347.99	\$23.70	\$879.81	\$85.78
All Health Care <sup>6</sup>	N/A	\$401.48	N/A	\$979.63	N/A
<b>SERB School District Avg - &lt;1,000 students</b> <sup>4</sup>					
Medical Coverage <sup>5</sup>	N/A	\$352.01	\$24.60	\$882.66	\$99.45
All Health Care <sup>6</sup>	N/A	\$427.15	N/A	\$1,015.07	N/A

**Source:** School districts and negotiated agreements

<sup>1</sup> Leetonia EVSD does not offer dental coverage.

<sup>2</sup> Employees hired after October 1, 1993 do not pay an employee contribution.

<sup>3</sup> Employees hired prior to October 1, 1993 will not pay an employee contribution until the 2004-05 school year.

<sup>4</sup> The SERB averages are from the 2002 Report on the Cost of Health Insurance in Ohio's Public Sector and have been adjusted for an 18.2 percent increase, which was the average State-wide increase reported by SERB.

<sup>5</sup> Although this is based on the rates for medical coverage only, it may include costs associated with other benefits, such as prescription, dental, optical, and life, which are included as part of the medical plan.

<sup>6</sup> This includes medical and other benefits, such as prescription, dental, optical, and life, which may be provided separately from the medical plan.

As illustrated in **Table 3-9**, Sebring LSD's health insurance premiums for single coverage are higher than Leetonia EVSD's and McDonald LSD's and its premiums for family coverage are higher than Leetonia EVSD's. However, Leetonia EVSD does not offer dental coverage. Sebring LSD's premiums are also higher than the SERB statewide average and like-sized school district average for all health care costs. Because the District is self-insured, it actually pays a composite rate of \$1,000 per month per covered employee, rather than the premiums listed in **Table 3-9**. The composite rate is weighted based on the number of single and family plans, and covers medical claims as well as the District's stop-loss insurance.

While Sebring LSD requires classified employees who work less than 25 hours per week to pay a prorated portion of their premium, full-time employees do not contribute toward the cost of their health insurance premiums. Leetonia EVSD and Lowellville LSD, however, both require full-time employees to share the cost of premiums. Furthermore, SERB's *2002 Report on the Cost of Health Insurance in Ohio's Public Sector* (2002

Report) states that 56 percent of responding employers require premium sharing for single coverage and 70 percent require it for family coverage. The average employee contribution equaled 12 percent of the cost of a single plan and 13 percent of the cost of a family plan.

**Tables 3-10a and 3-10b** compare key medical insurance benefits received by employees of Sebring LSD to those received by employees of the peer districts.

**Table 3-10a: Key Medical Plan Benefits**

	Sebring LSD	Leetonia EVSD - Certificated		Leetonia EVSD - Classified	
	SuperMed PPO	SuperMed PPO Class I <sup>1</sup>	SuperMed PPO Class II <sup>2</sup>	SuperMed PPO Class I <sup>1</sup>	SuperMed PPO Class II <sup>2</sup>
<b>Office Visits</b>	90% after deductible and coinsurance)	90%	80%	90%	80%
<b>Prescription Plan Included</b>	Retail (34 day supply): \$5 generic; \$10 brand name  Mail Order (90 day supply): \$5 generic; \$10 brand name	Retail: after deductible, covered 90%  Mail Order (90 day supply): \$3 generic or brand name	Retail: after deductible, covered 80%  Mail Order (90 day supply): \$3 generic or brand name	Retail: after deductible, covered 90%  Mail Order (90 day supply): \$3 generic or brand name	Retail: after deductible, covered 80%  Mail Order (90 day supply): \$3 generic or brand name
<b>Employee Annual Deductible</b>	\$150 S / \$300 F	\$100 S / \$200 F	\$100 S / \$200 F	\$100 S / \$200 F	\$100 S / \$200 F
<b>Employee Out of Pocket Maximum</b>	\$400 per individual, \$550 per family	\$800 per individual, \$1,200 per family	\$1,100 per individual, \$2,200 per family	\$350 per individual, \$700 per family <sup>3</sup>	\$1,100 per individual, \$2,200 per family
<b>Need to Choose Primary Physician</b>	No	No	No	No	No)
<b>Maternity</b>	90% subject to deductible and coinsurance	100%	80%	90%	80%
<b>Well Baby Care / Child Care</b>	90% with \$500 maximum for birth to 24 months and 90% with \$150 maximum for ages 2-9 years	90% with \$500 maximum to age 9	80% with \$500 maximum to age 9	90% with \$500 maximum to age 9	80% with \$500 maximum to age 9
<b>Inpatient Hospital Care</b>	90% after deductible and coinsurance	100%	80%	90%	80%
<b>Percentage of Care &amp; Treatment</b>	After deductible, 90% of next \$2,500, then covered 100%	After deductible, 90% of next \$5,000 per individual and \$10,000 per family, then covered 100%	After deductible, 80% of next \$5,000 per individual and \$10,000 per family, then covered 100%	After deductible, 90% of next \$2,500 per individual and \$5,000 per family, then covered 100%	After deductible, 80% of next \$5,000 per individual and \$10,000 per family, then covered 100%
<b>Maximum Lifetime Benefit Amount per Individual</b>	\$1 million	\$1 million	\$1 million	\$1 million	\$1 million

**Source:** Schedule of Benefits and Interviews

**Note:** Benefits are for in-network services only.

<sup>1</sup> Includes all employees under contract on October 1, 1993

<sup>2</sup> Includes all employees hired after October 1, 1993

<sup>3</sup> Maximum out-of-pocket expenses are effective September 1, 2003 to August 31, 2004. On September 1, 2004 the maximums increase to \$600 per individual and \$1,200 per family.



**Table 3-10b: Key Medical Plan Benefits**

	Sebring LSD SuperMed PPO	Lowellville LSD Mahoning County Schools Employee Insurance Consortium PPO	McDonald LSD Trumbull County Schools Insurance Consortium PPO
<b>Office Visits</b>	90% after deductible and coinsurance	100%	100%, after \$10 co-pay
<b>Prescription Plan Included</b>	Retail (34 day supply): \$5 generic; \$10 brand name  Mail Order (90 day supply): \$5 generic; \$10 brand name	Drug Card (34 day supply): \$8 generic; \$15 brand formulary; \$20 non-formulary  Mail Order (90 day supply): \$20 generic; \$25 brand formulary; \$40 non-formulary	Retail (34 day supply): \$5 generic; \$10 brand name  Mail Order (90 day supply): \$10 generic; \$25 brand name
<b>Employee Annual Deductible</b>	\$150 S / \$300 F	\$200 S / \$350 F	\$100 S / \$200 F
<b>Employee Out of Pocket Maximum</b>	\$400 per individual, \$550 per family	\$450 S / \$850 F	\$250 per individual
<b>Need to Choose Primary Physician</b>	No	No	No
<b>Maternity</b>	90%, after deductible and coinsurance	100%	100%
<b>Well Baby Care / Child Care</b>	90% with \$500 maximum for birth to 24 months and 90% with \$150 maximum for ages 2-9 years	100% to age 7	100%, after \$10 co-pay, to age 9
<b>Inpatient Hospital Care</b>	90% after deductible and coinsurance	100%	100%
<b>Percentage of Care &amp; Treatment</b>	After deductible, 90% of next \$2,500, then covered 100%	After deductible, 90% of next \$2,500, then covered 100%	After deductible, then covered 100%
<b>Maximum Lifetime Benefit Amount per Individual</b>	\$1 million	\$1 million	\$1 million

Source: Schedule of Benefits and Interviews

Note: Benefits are for in-network services only.

As illustrated in **Tables 3-10a** and **3-10b**, the majority of Sebring LSD’s benefits are comparable to the peers’ benefits. However, the District’s employee out of pocket maximums are lower than Leetonia EVSD’s and Lowellville LSD’s. Additionally, Sebring LSD’s prescription plan offers a 90-day mail order plan with the same employee co-pay as the 34-day retail prescription plan. Both Lowellville LSD’s and McDonald LSD’s co-pays for mail order prescription plans are higher than retail prescription plans. Furthermore, Sebring LSD’s prescription co-pays are lower than Lowellville LSD’s (retail and mail order) and McDonald LSD’s (mail order).

*Financial Implication:* Assuming that Sebring LSD required full-time employees to make a monthly contribution equal to 10 percent of the composite rate, the District would save approximately \$82,000 annually. This savings is based on the 68 employees whose benefits are paid from the General Fund.

*Leave Usage*

**R3.6 Sebring LSD should strive to reduce the amount of sick leave used by its employees by strengthening its employee policy to ensure proper use of sick leave. The District should establish guidelines and policies that include prohibitions against “patterns**

**of abuse” to help department managers in identifying excessive sick leave use. The policies should provide that if an employee engages in a “pattern of abuse,” he/she may be subject to discipline. Sebring LSD should consult with its legal counsel to ensure that all required notices and opportunity to dispute abuse claims are addressed as required by applicable laws and/or collective bargaining agreements. In addition, the District should include sick leave usage as a component in employee performance evaluations, monitor sick leave usage on a periodic and consistent basis, and negotiate a provision requiring physician’s statements for extended absences in the next classified contract. Furthermore, if Sebring LSD chooses to maintain its sick leave incentive, it should actively promote the incentive.**

**If the District successfully reduced sick leave usage, it would reduce additional administrative time, enhance the quality of education by eliminating interruptions in the delivery of the curriculum, and reduce overall substitute costs. Reducing sick leave taken by four days per FTE would bring the District in line with the state average of 7.30 days, as reported by the Ohio Department of Administrative Services (ODAS).**

Sebring LSD’s FY 2002-03 average sick leave per FTE was higher than state averages. District employees used 11.55 sick days per FTE, which is higher than the State Council of Professional Educators/Ohio Education Association (SCOPE/OEA), the American Federation of State, County, and Municipal Employees (AFSCME), and the overall ODAS state averages of 7.30 days, 7.88 days, and 7.30 days, respectively.

Although Sebring LSD offers its certificated and classified employees a sick leave incentive, this incentive does not appear to be effective in helping to control sick leave. Employees who have perfect semester attendance receive \$150 per semester and those who have perfect annual attendance receive an additional \$100. Leetonia EVSD’s sick leave incentive is a sliding scale based on the number of sick or personal days used and is comparable to Sebring LSD’s incentive. The maximum payment for perfect attendance is \$300 for classified employees whose contracts exceed 205 days, and \$250 for all certificated and classified employees whose contracts are less than 205 days. Lowellville LSD and McDonald LSD do not offer cash sick leave incentives; instead, unused personal leave days are added to employee accumulated sick leave totals.

Additionally, Sebring LSD’s certificated agreement requires employees who use 10 consecutive sick leave days for personal illness to provide an attending physician’s release to return to work. However, the District’s classified agreement does not contain a similar provision. Leetonia EVSD’s and Lowellville LSD’s certificated agreements also contain provisions regarding physician’s statements for consecutive extended absences, while only Leetonia EVSD’s classified agreement includes such a provision.

*Financial Implication:* Sebring LSD would realize a potential cost savings of approximately \$3,500 annually in substitute costs if each certificated staff member used, on average, one less leave day per year. Reducing the sick leave by an average of four days per employee would enable Sebring LSD to match the State average and save the District approximately \$13,900 annually. A reduction in classified sick leave usage could not be quantified because substitutes are not consistently used to cover absences.

### *Collective Bargaining Agreements*

- R3.7 During future contract negotiations, Sebring LSD should seek to revise the reduction in force (RIF) provision in the certificated contract to include reasons above and beyond those expressly stated in ORC § 3319.17. Furthermore, the District should seek to remove the provision prohibiting bargaining unit work from being subcontracted.**

The RIF provision contained in Sebring LSD's certificated collective bargaining agreement permits the District to implement a RIF in accordance with ORC. However, districts can negotiate into their collective bargaining agreements additional reasons for implementing a RIF. Each of the peer district's certificated agreements includes additional reasons, such as a financial crisis or decreased state funding, for implementing a RIF. The limited RIF provision, combined with the provision prohibiting subcontracting in Sebring LSD's certificated agreement, limits the District's ability to respond to changes in its financial situation and manage its workforce accordingly. An inability to react to changes will exacerbate current and potential deficits.

- R3.8 During future contract negotiations, Sebring LSD should seek to reduce the maximum number of sick leave days paid out at retirement from 60 days to 55 days. Furthermore, the District should either reduce or eliminate the retirement incentive for both certificated and classified staff.**

According to Sebring LSD's negotiated agreements, both certificated and classified employees receive a maximum of 60 sick leave days paid out at retirement. As illustrated in **Tables 3-3** and **3-4**, this is the second highest number of days paid out when compared to the peers. In addition, ORC §124.39(B) states 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.

The District also offers certificated and classified staff who retire when they are first eligible a \$7,500 and \$2,500 retirement incentive, respectively. None of the peer districts offer retirement incentives for their certificated or classified staff. Additionally, few employees have taken advantage of the retirement incentive in recent years. From FY

2001-02 to FY 2002-03, only two of the 11 eligible employees took advantage of the retirement incentive.

Reducing the maximum number of sick leave days paid at retirement and eliminating the retirement incentive would help Sebring LSD improve its financial situation, while providing a severance payment comparable to the peer districts and nearly twice the maximum identified in ORC §124.39(B).

*Financial Implication:* If Sebring LSD reduced the maximum number of sick leave days paid at retirement to a level more comparable to the peers, the District could realize a cost savings of approximately \$32,000 over the next five years for an annual average savings of \$6,400 (\$18,500 in FY 2003-04; \$4,000 in FY 2004-05; \$4,000 in FY 2005-06; \$1,800 in FY 2006-07; and \$3,800 in FY 2007-08). This cost savings assumes all eligible staff in FY 2003-04, and those who become eligible in subsequent years of the forecast, will retire in the corresponding years. Based on the treasurer's severance liability forecast, employees eligible to retire over the next five years will have accumulated at least 60 sick leave days.

By eliminating the retirement incentive, the District would avoid potential costs of \$90,000 over the next five years for an annual average savings of \$18,000 (\$15,000 in FY 2003-04; \$22,500 in FY 2004-05; \$22,500 in FY 2005-06; \$7,500 in FY 2006-07; and \$22,500 in FY 2007-08). This assumes each first-time eligible staff member will retire. However, since the District is not projecting retirement incentives (see the **financial systems** section), this is not included as a cost avoidance or savings.

**R3.9 During future contract negotiations, Sebring LSD should seek to reduce the number of paid holidays for classified employees. The District should reduce the number of paid holidays for 12 month employees to 10 days and the number for 9 and 10 month employees to 7 days, similar to the peer averages. Reducing the number of paid holidays will help Sebring LSD's efforts to improve its financial condition.**

As shown in **Table 3-4**, the current Sebring LSD classified collective bargaining agreement provides 12 month employees with 12 paid holidays per year and 9 and 10 month employees with 9 per year. The number of paid holidays for 12 month employees is comparable to McDonald LSD. However, Leetonia EVSD and Lowellville LSD 12 month employees receive fewer paid holidays. Furthermore, Sebring LSD provides its 9 and 10 month employees with the second highest number of paid holidays.

Revised Code 3319.08.7 requires that 11-12 month regular nonteaching school employees be paid a minimum of seven holidays and 9-10 month nonteaching school employees to be paid a minimum of six holidays. By reducing the number of paid holidays for 12 and 9-10 month employees to 10 and 7 days, respectively, Sebring LSD

would provide a number of holidays comparable to the peers, but still more than the minimums required by ORC §3319.08.7.

*Financial Implication:* Using the average daily rate of classified employees, based on the number of months worked per year, Sebring LSD could realize an annual cost savings of approximately \$4,900 by reducing the number of paid holidays to 10 days for 12 month employees and 7 days for 9-10 month employees.

## Financial Implications Summary

The following tables represent a summary of the annual cost savings for the recommendations in this section of the report. Recommendations are separated based on whether they require negotiations. Implementation of those recommendations subject to negotiation would require agreement of the affected bargaining units. Only recommendations with quantifiable financial implications are listed.

### Summary of Financial Implications Not Subject to Negotiations

Recommendations	Estimated Annual Cost Savings
R3.3 Reduce administrative staffing by 1.0 FTE	\$53,000
R3.4 Reduce office/clerical staffing by 1.0 FTE	\$33,400
R3.6 Reduce sick leave usage	\$13,900
<b>Total</b>	<b>\$100,300</b>

### Summary of Financial Implications Subject to Negotiations

Recommendations	Estimated Annual Cost Savings
R3.1 Reduce regular education staffing by 4.0 FTEs	\$243,800
R3.2 Reduce ESP staffing by 3.0 FTEs	\$174,800
R3.5 Require full-time employee contribution of 10 percent for health care coverage	\$82,000
R3.8 Reduce the number of sick leave days paid at retirement	\$6,400
R3.9 Reduce the number of classified paid holidays	\$4,900
<b>Total</b>	<b>\$511,900</b>

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# Facilities

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## Background

The facilities section focuses on custodial and maintenance operations in the Sebring Local School District (Sebring LSD or District). These operations are evaluated against best practice and operational standards from the Ohio Department of Education (ODE), American School & University (AS&U), and other districts.

### *Organizational Structure and Function*

Sebring LSD consists of two school buildings and an administration building. One school building houses both elementary (grades K-3) and middle school grades (grades 4-6), and the other school building houses junior (grades 7-8) and senior high school grades (grades 9-12). The superintendent, treasurer, and administrative support staff are housed in the administration building.

The superintendent and treasurer oversee all custodial and maintenance operations. The high school and elementary school principals are responsible for the immediate supervision of all custodial staff, and for completing annual performance evaluations. In addition, when supplies and materials are needed for the facilities, the head custodians submit requests directly to the treasurer for approval and procurement.

Sebring LSD's custodial staff consists of two full-time equivalent (2.0 FTE) head custodians and 4.0 FTE custodial workers. The head custodians perform both maintenance and custodial tasks for the elementary and high schools. Head custodians order building supplies; plan, oversee, and perform electrical repairs, carpentry, and plumbing work; maintain and monitor the heating, ventilation and air conditioning (HVAC) system; and track building inventory. The goal of the head custodians is to maintain the physical school facilities in a condition of operating excellence, cleanliness, and safety, for full educational use at all times.

The 4.0 FTE custodians' duties include regular building cleaning, opening buildings, maintaining the grounds, and performing minor repairs. Custodians strive to create and maintain a positive environment for all students, staff, and community members who use school facilities.

**Table 4-1** contains the staffing levels and the number of FTE employees responsible for maintaining Sebring LSD's facilities.

**Table 4-1: Number of Positions and Full-Time Equivalents for FY 2003-04**

Classification	Total Number of Positions	Number of Full-Time Equivalents
Head Custodians	2.0	2.0
<b>Total Head custodians</b>	<b>2.0</b>	<b>2.0</b>
Custodians	4.0	4.0
<b>Total Custodial</b>	<b>4.0</b>	<b>4.0</b>
<b>Total</b>	<b>6.0</b>	<b>6.0</b>

**Source:** Sebring LSD Superintendent's Office

**Note:** Sebring LSD does not have staff solely assigned to maintenance duties.

Sebring LSD has three buildings, B.L. Miller Elementary School, McKinley High School and the administration building. The elementary school and the high school are each assigned 3.0 custodial FTEs, 2.0 custodian FTEs and 1.0 head custodian FTE. Sebring LSD has outsourced cleaning duties for the administration building (see **R4.1**).

### *Key Statistics*

According to the 32<sup>nd</sup> Annual American School & University Magazine (AS&U) *Maintenance & Operations Cost Study* released in April 2003, "The economy has taken its toll on school district budgets, and it has been especially hard on maintenance and operations funding. One of the first areas targeted for cuts is maintenance and operations, even as deferred maintenance and the effects of inadequate upkeep, such as mold and indoor environmental quality, continue to plague more and more institutions."

Key statistics related to the maintenance and operations of Sebring LSD and its peers are presented in **Table 4-2**. In addition, results from the 32<sup>nd</sup> Annual AS&U study 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 categories on a national level and by district enrollment. The mean is provided only for the maintenance and operations costs.



**Table 4-2: Key Statistics and Indicators**

<b>Number of School Buildings</b>	<b>3</b>
Elementary Schools	1
High Schools	1
Administration <sup>1</sup>	1
<b>Total Square Feet Maintained</b>	<b>168,000</b>
B. L. Miller Elementary	62,000
McKinley High School	106,000
<b>Square Feet Per FTE Custodial Staff Member (6.00)</b>	<b>28,000</b>
Elementary Schools (3.00)	20,667
High Schools (3.00)	35,333
<b>AS&amp;U 32<sup>nd</sup> Annual Cost Survey &lt;1,000 students</b>	<b>29,959<sup>3</sup></b>
<b>AS&amp;U 32<sup>nd</sup> Annual Cost Survey National Average</b>	<b>24,167<sup>3</sup></b>
<b>Peer District Average</b>	<b>27,012</b>
<b>FY 2002-03 Maintenance and Operations Expenditures Per Square Foot</b>	<b>\$4.16<sup>4</sup></b>
<b>Custodial and Maintenance</b>	<b>\$1.71<sup>4</sup></b>
<b>Utilities</b>	<b>\$1.26<sup>4</sup></b>
<b>Other<sup>2</sup></b>	<b>\$1.19<sup>4</sup></b>
<b>AS&amp;U 32<sup>nd</sup> Annual Cost Survey &lt;1,000 students</b>	<b>\$4.71</b>
<b>AS&amp;U 32<sup>nd</sup> Annual Cost Survey National Average</b>	<b>\$4.48</b>
<b>Peer District Average</b>	<b>\$3.77<sup>4</sup></b>

**Source:** Budwork Report, interviews, and district documents

**Note:** Sebring LSD does not have staff solely assigned to maintenance duties. The peer staffing numbers have been adjusted to reflect maintenance duties with custodial duties, which are comparable to Sebring LSD, for an accurate comparison to Sebring LSD.

<sup>1</sup> The 1,500 square feet for the administration building are not included in the square footage per custodial staff member because custodial and maintenance functions for this facility have been outsourced. The administration building space is included in expenditure per square foot calculations because maintaining the administration building is a District financial obligation.

<sup>2</sup> Other includes purchased services, supplies and materials, and capital outlay.

<sup>3</sup> This only includes square footage per custodian because the AS&U 32<sup>nd</sup> Annual Cost Survey does not provide data for combined maintenance and custodial operations.

<sup>4</sup> Since AS&U data appears to include all costs for maintenance and operations, this includes expenditures from all funds. See **Table 4-4** for a breakdown of General Fund and other fund expenditures at Sebring LSD and the peers.

As shown in **Table 4-2**, while Sebring LSD maintains slightly more square footage per FTE than the peers, custodial assignments cause the high school custodians to maintain much more square footage per FTE than the elementary/middle school custodians (see **R4.1**). Additionally, the total General Fund expenditures for maintenance and operations expenditures per square foot is higher than the peer average (see **Table 4-4**).

## Financial Data

**Table 4-3** illustrates the total expenditures used to maintain and operate Sebring LSD's facilities for FYs 2001-02, FY 2002-03, and budgeted amounts for FY 2003-04.

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

	FY 2001-02 Total	FY 2002-03 Total	FY 2002 to FY 2003 Percent Change	FY 2003-04 Budget	FY 2003 to FY 2004 Percent Change
Salaries	\$175,798	\$191,087	8.7%	\$197,510	3.3%
Benefits	\$88,603	\$96,558	9.0%	\$112,840	16.9%
Purchased Services	\$41,282	\$132,374	220.7%	\$73,929	(44.2%)
Utilities	\$225,099	\$213,722	(5.1%)	\$224,320	5.0%
Supplies/Materials	\$35,326	\$34,521	(2.3%)	\$33,000	(4.4%)
Capital Outlay	\$24,399	\$35,373	45.0%	\$42,100	19.0%
Other	\$456	\$0	(100.0%)	\$0	0.0%
<b>Total</b>	<b>\$590,963</b>	<b>\$703,635</b>	<b>19.1%</b>	<b>\$683,699</b>	<b>(2.8%)</b>

Source: Sebring LSD Expense Budget Work Sheet, and interviews with treasurer.

Explanations for the significant variances in **Table 4-3** are as follows:

- *A 16.9 percent increase in benefits from FY 2002-03 to FY2003-04:* The majority of this increase is attributed to the expected increase in the costs of health care benefits (see **human resources** for premium costs and plan benefits and the **financial systems** sections for health care projections).
- *A 220.7 percent increase in purchased services from FY 2001-02 to FY 2002-03:* Sebring LSD repaired the outside sports facilities. This was a one-time expenditure for the District and is not reflected in the FY 2003-04 budget. During FY 2002-03, Sebring LSD also entered into contractual agreements with a company to complete a maintenance plan and with the installer of the HVAC system to provide consulting services.
- *A 44.2 percent decrease in purchased services from FY 2002-03 to FY 2003-04:* Sebring LSD does not anticipate any additional renovations to facilities and only plans to spend funds on the service agreement with the HVAC system installer.
- *A 45.0 percent increase in capital outlay from FY 2001-02 to FY 2002-03:* Sebring LSD purchased new cleaning equipment for both the elementary and high schools.
- *A 19.0 percent increase in capital outlay from FY 2002-03 to FY 2003-04:* According to the treasurer, capital outlay funding will pay for textbooks and computers in FY 2003-04. However, the treasurer has stated that these appropriations were miscoded and would be redirected to the appropriate function (see the **financial systems** section of this report).

- A 100.0 percent decrease in other expenditures from FY 2001-02 to FY 2002-03: During this time period, the treasurer changed the coding for this category.

Revenue from the General Fund and other funds are used to support the maintenance and operations of Sebring LSD facilities. As shown in **Table 4-3**, FY 2002-03 expenditures for building operations and expenses, including custodial staff salaries and benefits, supplies and materials, purchased services, and capital outlay, totaled \$703,635. **Table 4-4** compares Sebring LSD’s FY 2002-03 General Fund and total fund maintenance and operations expenditures per square foot to the peers.

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

Expenditures	Sebring LSD	Leetonia EVSD	Lowellville EVSD	McDonald LSD <sup>3</sup>	Peer Average	AS&U Mean for <1,000 Students
<b>Custodial and Maintenance Salaries and Benefits</b>	\$1.71	\$2.24	\$1.35	\$1.88	\$1.83	\$2.02
<b>Purchased Services</b>	\$0.22	\$0.25	\$0.62	\$0.07	\$0.32	\$0.10
<b>Utilities</b>	\$1.26	\$1.39	\$0.77	\$0.82	\$0.99	\$1.64
<b>Supplies/ Materials</b>	\$0.18	\$0.16	\$0.27	\$0.10	\$0.18	\$0.61
<b>Capital Outlay</b>	\$0.00	\$0.00	\$0.02	\$0.31	\$0.11	N/A <sup>2</sup>
<b>Other</b>	\$0.00	\$0.00	\$0.07	\$0.00	\$0.02	\$0.11
<b>Total General Fund Expenditures</b>	<b>\$3.37</b>	<b>\$4.04</b>	<b>\$3.10</b>	<b>\$3.18</b>	<b>\$3.44</b>	<b>\$4.48</b>
<b>Total Facility Related Expenditures<sup>1</sup></b>	<b>\$4.16</b>	<b>\$4.77</b>	<b>\$3.36</b>	<b>\$3.18</b>	<b>\$3.77</b>	<b>N/A</b>

Source: Sebring LSD and peer district Treasurers’ Offices, FY 2003-04 Expense Budget Worksheets-Function 2700

<sup>1</sup> The total facility related expenditures per square foot include the Classroom Facilities Maintenance and Permanent Improvement Levy Funds, increasing total expenditures per square foot for purchased services to \$0.78, supplies/materials to \$0.20, and capital outlay to \$0.21, at Sebring LSD.

<sup>2</sup> AS&U does not identify capital outlay expenditures per square foot.

<sup>3</sup> Since McDonald LSD could not provide General Fund expenditures, its data reflects all active funds.

According to **Table 4-4**, Sebring LSD’s General Fund expenditures are less than or equal to the peer average in all line items except utility costs (see **R4.2**). However, as noted in **Table 4-4**, Sebring LSD uses other funding sources such as the Classroom Facilities Maintenance Fund and the Permanent Improvement Levy Fund for facility operations. When including all funds, Sebring LSD’s total expenditures per square foot are higher than the peer average, which is primarily due to one-time expenditures in purchased services (i.e., repairs to the sports facility and development of a maintenance plan) and capital outlay (i.e., cleaning equipment).

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

- *Custodial salaries:* The average base salaries for the head custodian and custodian positions are slightly less than the peer average.
- *Permanent Improvement Levy:* Sebring LSD successfully passed a permanent improvement levy to address the needs of its facilities. The FY 2002-03 permanent improvement expenditure report showed the majority of these funds were used for District facility repairs and equipment.
- *Vacant and leased buildings:* Sebring LSD does not own any vacant or leased buildings.

## Recommendations

### *Custodial Staffing and Operations*

- R4.1 Sebring LSD should consider requiring the high school custodians to clean the administration building, which shares a parking lot with the high school, as part of their daily duties, and canceling the cleaning contract for this facility. This would reduce the District's purchased services expenditures. In an effort to balance custodial workloads, Sebring LSD should reassign 1.0 custodial FTE from the elementary school to split the work day by serving two hours at the elementary school and six hours at the high school. This reassignment should not pose any logistical complications considering the two facilities are 0.67 miles apart.**

Sebring LSD has a custodial agreement for the administration building that costs the District approximately \$1,600 annually. However, assigning a high school custodian to clean the administration building would increase overall square footage per high school custodian FTE by only 1.4 percent. This would allow the District to cancel this contract and save \$1,600 annually.

**Table 4-2** also illustrates that the current average square footage per custodian at the high school (35,333) is 71.0 percent higher than the average square footage per custodian at the elementary school (20,667). This imbalance in custodial workloads between the two facilities could result in reduced efficiency and inadequate upkeep of the high school. Reassigning 1.0 custodial FTE to work two hours at the elementary school and six hours at the high school would balance the average square footage per custodian workload for the District. The new staffing levels at the elementary school would be 2.25 custodial FTE maintaining 27,556 square feet per custodian. At the high school, the new staffing levels would total 3.75 custodial FTE maintaining 28,667 square feet per custodian. The total square footage per custodial FTE would be 28,250; more than the peer average but still less than the AS&U standard for similar districts.

*Financial Implications:* Canceling the cleaning contract for the administration building could save Sebring LSD approximately \$1,600 annually.

- R4.2 Sebring LSD should establish a formal policy outlining energy efficient practices that District staff should follow to help minimize energy costs, such as turning off lights and electrical equipment when not in use, and routinely communicate these practices to staff. In addition, the District should consider adjusting the temperature settings for its buildings, when possible, to 78 degrees for cooling and 68 degrees for heating. Regulating temperatures and limiting significant manual**

**adjustments, activating or deactivating blowers, and monitoring HVAC functions would help the District further reduce energy costs.**

Sebring LSD has reduced energy costs by installing a HVAC system which helps to monitor and regulate energy use. Sebring LSD also contracted with the HVAC installer for consultation services to ensure the proper use of the system. Furthermore, the District adjusts temperatures in rooms not in use on a daily basis and requested faculty and staff, on an informal basis, to turn off lights in rooms not in use. As a result of these measures, Sebring LSD reduced utility expenditures by five percent during FY 2002-03, as shown in **Table 4-3**. Nonetheless, Sebring LSD's utility costs per square foot were 27 percent higher than the peer average in FY 2002-03 (see **Table 4-4**). Although staff have been requested to turn off lights and electrical equipment such as computers when they are not in use, the District lacks a formal policy outlining energy efficient practices.

Establishing a formal policy, and frequently communicating energy efficient practices to staff through various methods (e.g., staff meetings, training, advisory memos, etc.), would ensure that all staff are aware of the recommended energy saving techniques to follow. The *School District Energy Manual*, published by the Association of School Business Officials in 1998, recommends the following energy saving techniques:

- Adjusting thermostat settings to 78 degrees for cooling and 65 to 68 degrees for heating (kindergarten and special education rooms, 70 to 72 degrees for heating) as a conservation guideline.
- Turning off lights when a classroom is not in use, and labeling multiple switches to indicate light fixtures they operate.
- Instructing staff to keep doors closed whenever possible, and minimizing exit and entry when cooling a room in order to maintain steady room temperatures.
- Reducing heat gain by turning out the lights and shutting off equipment, such as over head projectors and computers, which tend to emit heat.
- Encouraging staff, faculty and students to use blinds as a means of controlling temperature. Closing blinds on the south and west sides of buildings keeps them cool in the summer, and opening blinds helps warm the buildings in the winter on sunny days.
- Developing policies that indicate water should not be kept running in the restrooms.

By implementing these practices, districts may realize considerable savings in utility expenditures. For instance, Rebuild America's Energy Smart Schools program from the U.S. Department of Energy reports that most schools could save 25 percent of high energy costs by implementing energy improvements.

According to the treasurer, one contributing factor to high utility costs is the heat exchangers at each building. Every time the HVAC system is started, it costs the District approximately \$2,000. Because there is only one unit per building, cooling one area of the building requires the unit to operate as if the entire building was being cooled. To address this issue and reduce utility costs, the District is considering purchasing smaller, multiple units. However, considering that electric costs made up 71 percent of total utility costs in FY 2003, adjusting temperature settings to limit activation of the units could also reduce costs. Sebring LSD's system maintains building temperatures at 68 to 70 degrees in the winter and 72-74 degrees in the summer, although they may vary in special needs classrooms. The temperatures are controlled by the system, which is monitored by the custodians. However, individual room temperatures can be manually adjusted by up to ten degrees. The *School District Energy Manual* recommends that temperature settings be centrally controlled, and a variance of only one to two degrees for manual adjustments should be allowed.

According to the *Facility Management Handbook*, published by the American Management Association in 1998, adjusting thermostat settings to 78 degrees for cooling and 68 degrees for heating, similar to the *School District Energy Manual's* recommendations, could reduce electric utility costs by approximately 16 percent if there were no other energy management efforts in place. However, since the District has implemented a HVAC system and has tried to encourage staff to implement energy saving measures, it may not be able to fully realize these savings.

*Financial Implication:* Based on FY 2002-03 electric utility costs of \$152,000, and assuming that the District could reduce costs by eight percent, Sebring LSD would save approximately \$12,000 per year in electric utility costs by implementing energy management practices. In addition to adjusting and limiting manual adjustments to temperature settings, the District may be able to realize additional savings in utilities by fully implementing the aforementioned energy management policies and practices. For example, if the District was able to reduce utility costs by 16 to 25 percent, it would save approximately \$34,000 to \$53,000 annually (including the initial \$12,000) in total utility costs.

### *Capacity Utilization*

**R4.3 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 population. A methodology that accounts for Sebring LSD's needs, educational programs and philosophy should be adopted by the District and used to determine school building utilization. The building capacity calculations should be reviewed and updated when a change in building structure, enrollment, or educational philosophy occurs.**

**In addition, Sebring LSD should consider options to improve facility utilization. For instance, the District should consult with its legal counsel on the possibility of negotiating a lease agreement(s) with various entities, such as community, social or human service agencies, not-for-profit organizations, or other public or government organizations, to provide their programs and services at Sebring LSD's facility. In addition to improving facility utilization, this would generate revenue for the District to offset the costs to clean and maintain the buildings. Furthermore, having other agencies operate such programs at Sebring LSD could potentially attract additional students and increase enrollment at the District, thereby maximizing facility utilization.**

**Finally, the District should thoroughly review its programs and educational philosophy to determine the feasibility of transferring the K-3 grade students to the newer portion of the elementary school and the fourth, fifth, and sixth grade students to the high school. Another option would be to transfer the fifth and sixth grade students to the high school, and house grades K-4 in the newer portion of the elementary school. Either option would enable the District to isolate a portion of the B. L. Miller Elementary/Middle School that could be subsequently leased to other organizations. This would also allow the District to reduce operational expenditures in this area when not in use.**

Enrollment and building capacity are key components when planning facility needs. However, the District does not complete enrollment projections. **Table 4-5** illustrates Sebring LSD's enrollment history.



**Table 4-5: Sebring LSD Enrollment History**

School Year	Head Count	Percent of Change from Previous Year
2003-2004	759	0.8%
2002-2003	753	(1.4%)
2001-2002	764	(0.5%)
2000-2001	768	(1.7%)
1999-2000	781	(4.1%)
1998-1999	814	N/A

Source: Sebring LSD EMIS enrollment data

According to **Table 4-5**, Sebring LSD student enrollment has decreased from 814 students in the 1998-1999 school year to the present enrollment of 759. Furthermore, Sebring LSD currently loses more students through open enrollment than it receives. By using the available enrollment data, the superintendent could conduct an appropriate analysis of future building capacity.

The Auditor of State (AOS) calculated the buildings' capacities using a standard methodology often employed by educational planners. The capacity for the elementary school buildings is calculated by multiplying the number of regular, full day kindergarten and pre-school classrooms by 25 students, the number of half day kindergarten and pre-school rooms by 50 students, and the number of special education classrooms by 10 students. The three products are then added together to arrive at the total capacity for the building. Classrooms used for gym, music, art, library and computer labs are set aside and excluded from the number of rooms used in the calculation. The capacity in the middle and high schools are calculated by multiplying the total number of teaching stations by 25 students and then multiplying the product by an 85 percent utilization factor. **Table 4-6** compares each school building's student capacity to the FY 2003-04 student head count to determine the building utilization rate.

**Table 4-6: FY 2003-04 Building Capacity and Utilization Rates**

Building	Building Capacity	Total Students	Over/(Under) Capacity	Building Utilization Rate
B. L. Miller Elementary (grades K-3) <sup>1</sup>	325	223	(102)	69%
B. L. Miller Middle (grades 4-6) <sup>1</sup>	340	192	(148)	56%
McKinley Junior and Senior High School (grades 7-12)	786	344	(442)	44%
<b>Total for all Buildings</b>	1,451	759	(692)	52%

Source: District Floor Plans and EMIS School Enrollment Report

<sup>1</sup>One building houses the elementary and middle school students.

According to **Table 4-6**, Sebring LSD's overall building utilization rate is currently 52 percent, which is 33 percentage points below the target utilization rate of 85 percent typically used by facility planners. Sebring LSD's facilities are under capacity by a total of 692 students. However, both of the District's school buildings would be over capacity

if one building housed all of the students. Furthermore, both school buildings received substantial renovations through the Ohio School Facilities Commission (OSFC) project, requiring Sebring LSD to pay off the related debt.

Nevertheless, the District may be able to zone off the older portion of the elementary school by moving the K-3 grade students to the newer portion of the elementary school which currently houses grades 4 to 6, and the fourth, fifth, and sixth grade students to the high school. Another option would be to transfer the fifth and sixth grade students to the high school, and house grades K-4 in the newer portion of the elementary school. Either option would enable the District to isolate the older portion of the elementary school that could be subsequently leased to other organizations, as well as reduce operational expenditures (i.e., utility costs) and eliminate the need for daily cleaning and maintenance in this area when not in use. **Table 4-7** illustrates capacity utilization if the K-4 grade students were housed in the newer portion of the elementary school and the fifth and sixth graders were moved to the high school. **Table 4-7** excludes the capacity of the elementary school currently dedicated to grades K-3.

**Table 4-7: Adjusted Capacity Utilization**

	McKinley High School	B. L. Miller Elementary School	Total
<b>Preschool</b>	-	5	5
<b>Kindergarten</b>	-	59	59
<b>First</b>	-	56	56
<b>Second</b>	-	51	51
<b>Third</b>	-	52	52
<b>Fourth</b>	-	57	57
<b>Fifth</b>	74	-	74
<b>Sixth</b>	61	-	61
<b>Seventh</b>	74	-	74
<b>Eighth</b>	64	-	64
<b>Ninth</b>	63	-	63
<b>Tenth</b>	45	-	45
<b>Eleventh</b>	42	-	42
<b>Twelfth</b>	56	-	56
<b>Adjusted Head Count</b>	479	280	759
<b>Building Capacity</b>	786	375 <sup>1</sup>	1,161
<b>Over/(Under) Capacity</b>	(307)	(95)	(402)
<b>Adjusted Building Utilization Rate</b>	61%	75%	65%
<b>Utilization Rate Before Changes</b>	44%	69%	52%

**Source:** Sebring LSD building floor plans; 2003 EMIS School Enrollment Report- First Full Week in October

<sup>1</sup> Capacity calculation changes slightly from **Table 4-6** due to the different methodologies used to calculate capacity for middle and elementary school buildings. Since the fourth grade students would be housed with the K-3 grade students in this scenario, the methodology for elementary school capacity is used to derive the total capacity.

According to **Table 4-7**, reallocating fifth and sixth grade students to the high school building would significantly improve capacity utilization and allow the District to zone off the older portion of the elementary school to reduce operational costs when not in use and lease to other community, social, human service, public, or governmental agencies. Such agencies and organizations could include the Mahoning County Education Service Center, the Mahoning County Board of Mental Retardation and Developmental

Disabilities, or public and private colleges. When establishing lease agreements, the District should establish a fee schedule that recoups its costs to maintain and operate that portion of the facility.

In addition to generating revenue to offset the costs to clean and maintain the buildings, leasing the facility to other agencies may attract additional students to the District to further improve building utilization rates. As indicated by the adjusted building utilization rates in **Table 4-7**, which take into account the suggested changes, the school buildings have capacity to house additional students. Therefore, when determining and negotiating lease agreements with other organizations, the District should consider the programs and services provided by such organizations and evaluate their potential impact on the marketability of the District and ability to attract additional students. Moreover, if the District is not successful in leasing the facility, it should consider not using or maintaining the older portion of the elementary school.

*Financial Implication:* Based on the FY 2002-03 facility expenditures at the elementary school, the District could save approximately \$80,000 annually by leasing the older portion of the building. This includes \$48,000 to operate the older portion of the building. Since the older portion of the elementary school comprises 48 percent of the total square footage, this represents approximately 48 percent of the total elementary school expenditures in FY 2002-03 for utilities, purchased services, supplies and materials, and equipment. This amount also includes \$32,000 for one FTE custodial position (salary and benefits) that would be necessary to clean and maintain that portion of the building, which encompasses approximately 30,000 square feet. The savings may be less if the District is unsuccessful in establishing lease agreements and instead eliminates the use of a portion of the elementary school, as some level of expenditures would be necessary to adequately maintain that portion. However, these savings are not readily quantifiable.

### *Purchasing*

**R4.4 Sebring LSD should develop a purchasing policy. In addition, Sebring LSD should strive to make as many purchases as possible through consortia and group purchasing agreements. When developing a purchasing policy, Sebring LSD should consider designating one person to initiate the purchasing process, a different person to approve the purchase, and another person to receive the purchase when it is delivered. This will ensure that all purchase requests are adequately screened for budget authority, proper supplier selection, and pricing.**

**Group purchasing could help reduce overall purchasing costs by taking advantage of already negotiated pricing. To accomplish this, Sebring LSD should consider joining the Ohio Schools Council (OSC) to take advantage of group purchasing for materials and supplies. The OSC could offer Sebring LSD the benefits of group**

**purchasing and the opportunity to realize cost savings. Purchasing from state contracts should also be considered which would allow Sebring LSD to receive pre-established volume discounts.**

Currently, Sebring LSD does not have a purchasing policy in place and does not participate in group purchasing programs for facility maintenance. The head custodian at each facility submits a request for supplies, materials, or equipment to the treasurer, who procures the items for the custodians and completes the balance of the procurement process. While centralizing the purchasing process improves the control and monitoring of items purchased and their cost, effective segregation of duties represents a vital component of an organization's internal controls and should ensure that no single individual handles all aspects of a transaction. Since the treasurer certifies the availability of funds, signs checks, and issues purchase orders, another employee should confirm the receipt of goods or services prior to invoice payment. Following this process would ensure appropriate segregation of duties. When developing the purchasing policy, these procedures should be identified clearly.

**Table 4-4** shows that Sebring LSD's supplies and materials expenditures per square foot is higher than two of the three peers. Participating in group purchasing improves control and monitoring of items purchased, and could reduce costs.

The OSC offers school districts additional group purchasing benefits for a wide variety of services and goods. According to the OSC, members received discounts of as much as 77.5 percent and averaged 35 percent savings for supplies and materials during FY2002-03. To become a member of the OSC, Sebring LSD would be obligated to pay a one-time \$200 fee and an annual cost of 15 cents per district student, or a minimum of \$314 for the first year and \$114 each additional year. Although the OSC also provides discounts for electric costs, at this time, its electricity plan is closed until calendar year 2005. Details of the new plan have not been finalized and the actual costs have not been determined.

*Financial Implication:* If Sebring LSD participated in group purchasing with the OSC, the savings would be approximately \$12,000 annually. This is based on the OSC's reported average savings of 35 percent in supplies and materials for members, less the annual fee of \$114, which was determined based on the number of students enrolled at Sebring LSD. The initial cost to become a member of the OSC is \$200. Therefore, the estimated annual net savings for supply purchases as a result of joining the OSC would be approximately \$11,800 the first year, and \$12,000 each year thereafter.

## Financial Implications Summary

The following table represents a summary of the one time implementation costs and annual cost savings for the recommendations in this section of the report. Only recommendations with quantifiable financial implications are listed.

### Facilities Financial Implications Summary

<b>Recommendation</b>	<b>Estimated One-Time Costs</b>	<b>Estimated Annual Savings</b>
<b>R4.1</b> Cancel cleaning contract for the administration building		\$1,600
<b>R4.2</b> Implement energy management practices (e.g., adjust temperature settings)		\$34,000
<b>R4.3</b> Zone off a portion of the elementary school		\$80,000
<b>R4.4</b> Participate in group purchasing	\$200	\$12,000
<b>Total</b>	<b>\$200</b>	<b>\$127,600</b>

# Transportation

## Background

Sebring Local School District (Sebring LSD or the District) provided transportation to 377 regular and 7 special needs students in FY 2002-03, using District owned buses or payment-in-lieu of transportation agreements. The Board of Education (Board) adopted a formal transportation policy which states that the Board shall provide transportation to District students as required by Ohio Revised Code (ORC) § 3327.01, including guidelines established by the superintendent and building principals. However, Sebring LSD's current practice is to provide transportation to most students within the District (see **R5.1**).

**Table 5-1** identifies the total riders transported by Sebring LSD and the peer districts that will be used for comparison purposes in this performance audit.

**Table 5-1: FY 2002-03 Total Regular and Special Needs Riders**

	Sebring LSD	Leetonia EVSD	Lowellville LSD	McDonald LSD	Peer Average
<b>Public</b>	375	778	315	163	<b>419</b>
<b>Non-Public</b>	0	0	4	5	<b>3</b>
<b>Community School</b>	0	0	0	0	<b>0</b>
<b>Payment-in-Lieu Riders</b>	2	19	7	0	<b>9</b>
<b>Total Regular Needs Riders</b>	<b>377</b>	<b>797</b>	<b>326</b>	<b>168</b>	<b>431</b>
<b>Total Special Needs Riders</b>	<b>7</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>3</b>
<b>Total Riders</b>	<b>384</b>	<b>799</b>	<b>328</b>	<b>173</b>	<b>434</b>

Source: Sebring LSD and peer district's T-1 and T-11 forms

### *Organizational Structure and Function*

The superintendent supervises and manages the District's transportation program, spending approximately 2 hours per week on transportation activities. The superintendent's transportation duties include supervising and evaluating staff, reviewing and developing routes, handling administrative issues (i.e., training, driver certification, and substitute driver recruitment), and performing other operational duties, as needed, by the transportation department. The superintendent delegates many of the administrative duties related to transportation, such as substitute driver recruitment, to a secretary, who reports directly to the superintendent (see **human resources** section for additional information).

**Table 5-2** compares Sebring LSD's transportation department staffing levels to the peer districts.

**Table 5-2: FY 2003-04 Transportation Department Staffing Levels**

Staffing	Sebring LSD		Leetonia EVSD		Lowellville LSD		McDonald LSD		Peer Average	
	No.	FTE	No.	FTE	No.	FTE	No.	FTE	No.	FTE
Supervisor/Assistant	1.0	0.1 <sup>1</sup>	1.0	0.4	1.0	0.1 <sup>1</sup>	0.0	0.0	0.7	0.2
Bus Driver	3.0	1.4	6.0	4.1	3.0	1.5	3.0	1.2	4.0	2.3
Mechanic/Assistant	1.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administrative Asst	1.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Crossing Guard	1.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>7.0</b>	<b>2.4</b>	<b>7.0</b>	<b>4.5</b>	<b>4.0</b>	<b>1.6</b>	<b>3.0</b>	<b>1.2</b>	<b>4.7</b>	<b>2.5</b>
<b>Total Number of Students Transported</b>	<b>382<sup>2</sup></b>		<b>780<sup>3</sup></b>		<b>321<sup>4</sup></b>		<b>168<sup>5</sup></b>		<b>422</b>	
<b>Number of Active Buses</b>	<b>3</b>		<b>6</b>		<b>4</b>		<b>3</b>		<b>4</b>	
<b>Students Transported per Bus Driver FTE</b>	<b>273</b>		<b>190</b>		<b>214</b>		<b>140</b>		<b>183</b>	
<b>Students Transported per Total FTE</b>	<b>159</b>		<b>173</b>		<b>201</b>		<b>140</b>		<b>169</b>	
<b>Square Miles in District</b>	<b>1.5</b>		<b>27.0</b>		<b>32.0</b>		<b>3.0</b>		<b>20.6</b>	
<b>Square Miles per Total FTE</b>	<b>0.6</b>		<b>6.0</b>		<b>20.0</b>		<b>2.5</b>		<b>8.2</b>	

Source: Districts' T-2 and EMIS Reports, and interviews with District transportation departments

<sup>1</sup> The Supervisor/Assistant in Sebring LSD and Lowellville LSD is the superintendent.

<sup>2</sup> Does not include 2 Sebring LSD students who received payment-in-lieu of transportation.

<sup>3</sup> Does not include 19 Leetonia EVSD students who received payment-in-lieu of transportation.

<sup>4</sup> Does not include 7 Lowellville LSD students who received payment-in-lieu of transportation.

<sup>5</sup> Does not include 5 special needs students at McDonald LSD, since they are transported by Trumbull County ESC.

**Table 5-2** indicates that Sebring LSD transports 49 percent more students per bus driver FTE than the peer average. This is due in part to the small square mileage and high population density of Sebring LSD, which allows the District to make multiple runs, transporting more students with fewer drivers. However, Sebring LSD employs more non-bus driver staff than the peers, including a part-time mechanic and a part-time crossing guard. The crossing guard ensures the safety of the walking student population, while the mechanic contributes to the District's low maintenance cost per bus. Overall, the department appears adequately staffed.

In FY 2002-03, Sebring LSD transported 382 students on 3 active buses, which traveled approximately 19,836 miles. Regular needs and special needs students were transported on all 3 active buses. **Table 5-3** provides basic operating statistics and ratios for Sebring LSD and peers.



**Table 5-3: FY 2002-03 Basic Operational Statistics**

	Sebring LSD	Leetonia EVSD	Lowellville LSD	McDonald LSD	Peer Average
<b>Operational Statistics</b>					
Students Transported					
Regular Needs	375	778	319	163	420
Special Needs	7	2	2	5	3
Total Students Transported <sup>1</sup>	382	780	321	168	423
Miles Traveled					
Regular Students	19,836	81,900	48,060	24,840	51,600
Mile per Regular Bus	6,612	13,650	12,015	8,280	12,900
Square Miles in District	1.5	27.0	32.0	3.0	20.6
Expenditures					
Total Regular Needs	\$85,441 <sup>1</sup>	\$233,380 <sup>1</sup>	\$145,041 <sup>1</sup>	\$77,854 <sup>2</sup>	\$152,092
Total Special Needs	\$6,600	\$919	\$2,130	\$56,942	\$19,997
Total Expenditures	\$92,041	\$234,299	\$147,171	\$134,796	\$172,089
State Reimbursements					
Regular Needs	\$89,715	\$188,588	\$99,546	\$80,687	\$122,940
Special Needs	\$5,931	\$3,163	\$1,103	\$0	\$1,422
Total State Reimbursements	\$95,646	\$191,751	\$100,649	\$80,687	\$124,362
<b>Operational Ratios:</b>					
Regular Students					
Cost per Mile	\$4.31	\$2.85	\$3.02	\$3.13	\$2.95
Cost per Bus	\$28,480	\$38,897	\$36,260	\$25,951	\$38,023
Cost per Student	\$228	\$300	\$455	\$478	\$362
Students per Active Bus	125	130	80	54	105
<b>Special Needs</b>					
Cost per Student	\$943	\$460	\$1,065	\$11,388	\$6,666
Active, Regular Needs	3	6	4	3	4
Spare	2	3	1	1	1
<b>Total Buses</b>	5	9	5	4	5

**Source:** Districts' T-1, T-2 and T-11 Forms, District transportation departments; appropriate adjustments were made by AOS.

<sup>1</sup> Excludes 2 payment in lieu students for Sebring LSD, 19 payment-in-lieu students for Leetonia EVSD, and 7 payment-in-lieu students for Lowellville LSD, and associated costs.

<sup>2</sup> McDonald LSD's T-2 expenditures had to be adjusted to exclude a special needs contract with Trumbull County Educational Service Center of \$56,942.

As illustrated in **Table 5-3**, Sebring LSD's cost per student (\$228) is 37 percent lower and the cost per bus (\$28,480) is 25 percent lower than the peer average. However, the cost per mile (\$4.31) is high when compared to the peers. The high cost per mile may be attributed to Sebring

LSD's smaller square mileage, frequent stops in a densely populated area, and use and maintenance of two spare buses (see **R5.3**). Furthermore, the District's special needs cost per student (\$943) is considerably lower than the peer average. Sebring LSD provides in-house transportation to all of its special needs students on regular needs buses, thereby controlling the cost of this service.

Sebring LSD's transportation department has in the past been fully funded through reimbursements from the Ohio Department of Education (ODE). However, closely examining departmental expenditures could result in additional efficiencies which may not have a significant impact on State reimbursements. Expenditures are only one factor in the regression formula used by ODE to determine the amount of State reimbursements given to a district. The number of students transported and the number of miles also impact the amount of State reimbursements.

In addition to the analyses in this report, assessments were conducted on several areas within the transportation section which did not warrant changes or yield recommendations. These areas include the following:

- **Tiered Bell Schedule and Routing Technology:** Sebring LSD has implemented a two-tier bell schedule to allow each bus to make two runs per route. An additional run is completed using one of the buses for students attending the Mahoning County Career Technical Center (MCCTC) located approximately 45 miles from the District. This allows Sebring LSD to operate efficiently, as indicated by the District transporting 125 students per active bus which is significantly higher than two of the peers (see **Table 5-3**). Finally, Sebring LSD is a small school district operating only three active buses transporting 382 students.
- **Fuel Procurement:** Although Sebring LSD purchases fuel from local stations without using a fuel contract, the District attempts to control the cost of fuel by comparing prices and purchasing from the lowest priced local station. A price per gallon analysis revealed that minimal savings could be achieved if Sebring LSD were to contractually purchase fuel using bulk delivery from the Ohio Department of Administrative Services. However, the cost associated with the installation and maintenance of a bulk fuel storage tank would outweigh initial savings. Furthermore, according to the superintendent, the District does not have adequate space for a bulk fuel storage tank to comply with Ohio Environmental Protection Agency (EPA) guidelines.
- **Staffing:** Sebring LSD transportation department is efficiently staffed with bus drivers (see **Table 5-2**). Although the District employs a part time mechanic and the peers do not, this position helps control its maintenance cost per bus (\$3,600), which is approximately 20 percent less than the peer average of \$4,500 per bus. The maintenance cost per bus includes the mechanic's salary and benefits.

- ***Transportation Policies:*** Because of the size of the District, its practice of transporting regular and special needs students on the same buses appears efficient. Based on this and considering that its transportation costs are fully offset by State reimbursements, a reduction to the minimum guidelines of ORC § 3327.01 would not be financially beneficial to the District. However, the transportation policy should be revised to clarify the District's current practices of transporting most of the regular and special needs students (see **R5.1**).

## Recommendations

- R5.1 Sebring LSD should amend its transportation policy to clarify the District's practice of offering transportation to most students. Additionally, the policy should be reviewed annually and amended as necessary. Changes to enrollment, pupil residence, route configuration and ODE's funding formula should be included as part of the annual review.**

The Sebring LSD transportation policy is consistent with ORC § 3327.01, which requires boards of education to provide transportation for pupils in grades kindergarten through eight who live more than two miles from school. ORC § 3327.01 also reflects that transportation may be provided for pupils attending high school but is not required. However, Sebring LSD's current transportation practice, as indicated by the superintendent, is to provide transportation for all students. Therefore, the District's policy does not reflect its current practice. However, Lowellville LSD and McDonald LSD's transportation policies state their current practices of providing transportation. Further clarification of Sebring LSD's transportation policy would help eliminate potential confusion and improve the District's controls over ridership.

- R5.2 Sebring LSD should formally develop a bus replacement plan. The plan should be approved by the Board. Criteria such as mileage and age should be included in the replacement plan to guide decision making for future bus purchases. Further, Sebring should include a formal preventative maintenance program which includes tools to guide management through the monitoring and scheduling of bus maintenance and repairs, thereby extending the useful life of its fleet.**

According to the superintendent, Sebring LSD has never had a formal bus replacement plan. Bus replacement is currently managed through the District treasurer's office. Sebring LSD usually purchases one new bus every five years. There are currently no State guidelines for bus replacement beyond the requirement that the bus must be able to pass inspection by the Highway Patrol. However, according to the ODE's FY03 Bus Purchase List that was approved by the Controlling Board on April 7, 2003, replacements are primarily approved for buses exceeding 200,000 miles.

Bus replacement costs are shared by the State and each school district. ODE independently reviews each school district using a complex formula to determine the regular bus purchase allowance. Sebring LSD purchased one bus in July 2003. The District is funding this bus with approximately \$30,000 from ODE bus replacement funds and \$25,000 from the General Fund. However, based on the age and mileage of its current fleet, the District could have delayed the purchase of this bus until it accumulated bus replacement funds to pay for the total cost of the bus, thereby reducing the financial burden on the General Fund. The District is not projecting additional bus replacements

during the forecasted period, which is appropriate considering the age and mileage of its current fleet.

Additionally, Sebring LSD does not have a documented preventative maintenance program. Under the current process, minimal information is tracked by the mechanic. The bus mechanic schedules and records completed maintenance using a manual log system. The use of service parts and supplies, total job labor time and cost, and the frequency of vehicle repairs are not adequately documented. Without thoroughly documented maintenance records for each bus, school administrators have difficulty analyzing transportation expenditures and bus fleet maintenance performance. This limits determination of bus repairs and maintenance costs needed to substantiate a bus replacement, and the appropriate number of spare buses to maintain (see **R5.3**).

**R5.3 Sebring LSD should consider reducing one spare bus. Additionally, Sebring LSD should frequently analyze its current bus fleet to ensure that spare buses are not retained beyond their useful life. This will ensure that the costs of fleet maintenance will not create a financial burden for the District.**

Sebring LSD maintains three active and two spare buses in its fleet. **Table 5-4** compares the ratio of active buses to spare buses for Sebring LSD to similar ratios for the peers.

**Table 5-4: Active to Spare Bus Ratio**

	Sebring LSD	Leetonia EVSD	Lowellville LSD	McDonald LSD	Peer Average
Number of Active Buses	3	6	4	3	4
Number of Spare Buses	2	3	1	1	1.7
Active Buses per Spare	1.5	2.0	4.0	3.0	2.4

Source: T-2 forms for Sebring LSD and the peers

As **Table 5-4** indicates, Sebring LSD's one spare bus for every 1.5 active buses is the lowest ratio in comparison to the peers. In addition, spare buses comprise 67 percent of the current fleet for Sebring LSD. These ratios indicate that Sebring LSD may be committing an unnecessarily high amount of resources for the maintenance of its spare bus fleet. In addition, the size of the District and average age and mileage of its current fleet indicates that Sebring LSD does not have significant need for a high number of spare buses. According to the superintendent, no analysis has been completed by the District to determine the number of active and spare buses it should maintain in its fleet. However, the reduction of a spare bus could potentially save Sebring LSD maintenance and repair costs, inspection fees and insurance premiums. Furthermore, the District would still have one spare bus for use when necessary, similar to Lowellville LSD and McDonald LSD.

Spare buses are primarily used by the District for non-routine bus trips, athletic events and during major repairs of the active bus fleet. According to the superintendent, only one spare bus is needed for these purposes. Moreover, this reduction should not significantly impact the District's State reimbursements.

*Financial Implication:* Based on current resale value, Sebring LSD could sell one of its spares and receive approximately \$2,800. Additionally, Sebring LSD could potentially reduce annual maintenance costs by \$3,600, which is based on the average maintenance cost per bus since the District does not track routine maintenance and repair costs by vehicle.

## Financial Implications Summary

The following table represents a summary of the one time revenue enhancements and annual cost savings for the recommendations in this section of the report. Only recommendations with qualifiable financial implications are listed.

### Summary of Financial Implications

Recommendations	Estimated One Time Revenue Enhancement	Estimated Annual Cost Savings
<b>R5.3 Eliminate one spare bus</b>	\$2,800	\$3,600
<b>Total</b>	<b>\$2,800</b>	<b>\$3,600</b>

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# Sebring Local Schools

Administrative Office Board of Education  
510 North 14th Street  
Sebring, Ohio 44672  
330-938-6165  
FAX 330-938-9455

July 26, 2004

Mr. Fred Bartz, Senior Audit Manager  
Auditor of State  
Lansche Building, 615 Superior Ave., NW, Twelfth Floor  
Cleveland, OH 44113-1801

Dear Fred,

We are indeed in the process of analyzing the recovery plan outlined in the performance audit and we have the following comments related to the plan.

The Board met on July 21<sup>st</sup> to review the proposal and give their responses to the Superintendent so that he might formally respond to the State Auditor's Office.

We have reviewed local revenue projections as well as state revenue and have made appropriate adjustments to the Five-Year Forecast. We are also adjusting our expenditures to indicate an increase in salary based on current negotiations stating this clearly in our assumptions.

We have reviewed our food service operation and we disagree with your findings to reduce 1.0 FTE for the following reasons:

- 1) As previously stated, McDonald should not be considered in the peer group because they do not have a breakfast or high school lunch program. Both of these programs are in place and very important to the students at Sebring.
- 2) Both Lowellville and Leetonia operate one building only and are not required to transport food between buildings. It takes several man-hours to load, transport and serve.

We did, however, have a food service aide retire who will not be replaced. The position was equivalent to 0.4 FTE. We have also had one full time cook resign and one is taking an unpaid leave. Although we intend to replace the cooks, we are hopeful that these events will help us to further reduce the costs associated with this program.

You indicate that Sebring could reduce our work force by 4.0 FTE regular education-teaching positions. We disagree for the following reasons:

- 1) As noted on Table 3-1 our regular education staff is 32.49, which is already four less than the peer group average.
- 2) Table 3-2 is a comparison per 100 ADM that shows Sebring at 0.2 FTE lower than the peer group average.
- 3) When you consider Regular Education and Special Education combined Sebring has 42.49 FTE, the peer group average is 40.51 (Table 3-1). From Table 3-2 Sebring has 5.75 FTE per 100 ADM and the peer group average is 5.1.

It is evident that Sebring employs at least two more teachers than the peer group average and after careful review, we are not replacing two teachers that retired at the end of the 2003-04 school year. However, with the needs of the students as our guide, we believe we cannot cut any deeper into our teaching staff at the present time.

The Board has considered the possibility of eliminating 1.0 FTE administrative position as recommended; however, we disagree with the savings projected by the audit. We recently faxed a copy of the contract to you and we believe the savings after eliminating one position while continuing the Athletic Director function would be closer to \$30,000.00 annually.

We are currently evaluating clerical staffing, negotiating to have employees pick up a greater percentage of the cost of health care and negotiating improvements to RIF language to include financial reasons.

We are extremely cautious about moving students from the Elementary School to the High School. There are considerations to be made, both from a feasibility standpoint and a safety standpoint. We will continue to evaluate, district wide, how we can better use the space we have available.

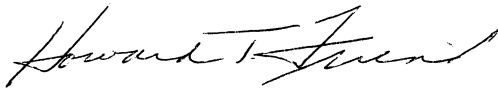
The Board believes it has made significant progress in the area of energy conservation and will attempt to establish a formal policy for energy efficient practices as suggested.

The Board will further consider the additional recommendations mentioned on Page 1-6 and 1-7 of the executive summary, however, it will be very difficult to negotiate a reduction in the severance package as we continue to look for ways to encourage retirement.

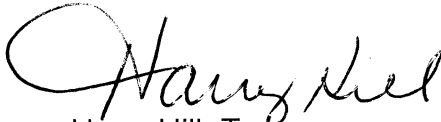
Also, we believe our custodians are performing in an above average capacity. We currently have our highest paid custodial maintenance person retiring effective September 1, 2004. He will be replaced at a savings of about \$6,000.00 annually.

Finally, we would like to thank the audit team for all of your hard work and the recommendations. The Board believes we have made some progress in implementing some of the recommendations. We will continue to look at ways to improve our financial situation.

Sincerely,

A handwritten signature in cursive script that reads "Howard Friend".

Howard Friend, Superintendent

A handwritten signature in cursive script that reads "Harry Hill".

Harry Hill, Treasurer