



OHIO AUDITOR OF STATE  
**KEITH FABER**



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To the Margareta Local School District community,

The Auditor of State's Office recently completed a performance audit for the Margareta Local School District (the District). The District was selected for a performance audit based on its projected financial condition. This review was conducted by the Ohio Performance Team and provides an independent assessment of operations within select functional areas. The performance audit has been provided at no cost to the District through state funds set aside to provide analyses for districts that meet certain criteria, including conditions that would lead to fiscal distress.

This performance audit report contains recommendations, supported by detailed analysis, to enhance the District's overall economy, efficiency, and/or effectiveness. This report has been provided to the District and its contents have been discussed with the appropriate elected officials and District management. The District has been encouraged to use the recommendations contained in the report and to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report.

It is the Auditor's hope that this data-driven analysis of operations will assist in providing the District a path to fiscal sustainability. Additional resources related to performance audits are available on the Ohio Auditor of State's website.

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

Sincerely,

Keith Faber  
Auditor of State  
March 21, 2019

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# Executive Summary

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## Purpose and Scope of the Audit

In consultation with the Ohio Department of Education (ODE), the Auditor of State (AOS) determined that it was appropriate to conduct a performance audit of Margaretta Local School District (MLSD or the District) pursuant to Ohio Revised Code § 3316.042. The purpose of this performance audit was to improve MLSD's financial condition through an objective assessment of economy, efficiency, and/or effectiveness of the District's operations and management. See **Background** for a full explanation of the District's financial condition.

In consultation with the District, the Ohio Performance Team (OPT) selected the following scope areas for detailed review and analysis: Financial Management, Human Resources, Facilities, Transportation, and Food Service. See **Appendix A: Scope and Objectives** for detailed objectives developed to assess operations and management in each scope area.

## Performance Audit Overview

Performance audits provide objective analysis to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

The United States Government Accountability Office develops and promulgates Government Auditing Standards that establish a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are commonly referred to as Generally Accepted Government Auditing Standards (GAGAS).

OPT conducted this performance audit in accordance with GAGAS. Those standards require that OPT plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. OPT believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Audit Methodology

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

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

- Statutes; and
- Policies and procedures.

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

**Table 1: Peer Group Definitions**

<b>Primary Peers</b>
<ul style="list-style-type: none"> <li>• Central Local School District (Defiance County)</li> <li>• Delphos City School District (Allen County)</li> <li>• Fort Recovery Local School District (Mercer County)</li> <li>• Kirtland Local School District (Lake County)</li> <li>• Northeastern Local School District (Defiance County)</li> <li>• Tuscarawas Valley Local School District (Tuscarawas County)</li> <li>• Versailles Exempted Village School District (Darke County)</li> <li>• West Liberty-Salem Local School District (Champaign County)</li> </ul>
<b>Local Peers (Compensation, Benefits, and Bargaining Agreements)</b>
<ul style="list-style-type: none"> <li>• Bellevue City School District (Huron County)</li> <li>• Clyde-Green Springs Exempted Village School District (Sandusky County)</li> <li>• Monroeville Local School District (Huron County)</li> <li>• Perkins Local School District (Erie County)</li> <li>• Port Clinton City School District (Ottawa County)</li> </ul>
<b>Transportation Peers</b>
<ul style="list-style-type: none"> <li>• Ada Exempted Village School District (Hardin County)</li> <li>• Dalton Local School District (Wayne County)</li> <li>• New Bremen Local School District (Auglaize County)</li> <li>• Van Buren Local School District (Hancock County)</li> </ul>

Where reasonable and appropriate, peer districts were used for comparison. However, in some operational areas industry standards or leading practices were used for primary comparison. Sources of industry standards or leading practices used in this audit include: the American Public Works Association (APWA), American School and University Magazine (AS&U), the US Environmental Protection Agency (EPA), the Government Finance Officers Association (GFOA), the National Association of State Directors of Pupil Transportation Services (NASDPTS), the National Center for Education Statistics (NCES), the Ohio Department of Administrative Services (DAS), the Ohio Department of Education (ODE), and the Ohio State Employment Relations Board (SERB). District policies and procedures as well as pertinent laws and regulations contained in the Ohio Administrative Code (OAC) and the Ohio Revised Code (ORC) were also assessed.



The performance audit involved information sharing with the District, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings throughout the engagement informed the District of key issues impacting selected areas, and shared proposed recommendations to improve operations. The District provided verbal and written comments in response to various recommendations, which were taken into consideration during the reporting process.

AOS and OPT express their appreciation to the elected officials, management, and employees of the Margaretta Local School District for their cooperation and assistance throughout this audit.

## Summary of Recommendations

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

The MLSD Board of Education (the Board) and administration are in the best position to determine what services are required to meet the District's needs. The recommendations contained in this performance audit report are a menu of options for them to consider when determining how best to meet the District's needs while also upholding the responsibility to operate in a financially sustainable manner. Ultimately, the decision to implement these recommendations, or to look for additional opportunities to achieve and sustain long-term financial health, is the prerogative of the Board and administration.

**Table 2: Summary of Recommendations**

Recommendations		Savings
<b>R.1</b>	<b>Enhance financial communication</b>	N/A
<b>R.2</b>	<b>Develop a formal purchasing process that incorporates spend analysis</b>	N/A
<b>R.3</b>	<b>Eliminate 2.5 FTE central office administrator positions</b>	\$268,600
<b>R.4</b>	<b>Eliminate 0.5 FTE building administrator position</b>	\$60,300
<b>R.5</b>	<b>Eliminate 0.5 FTE tutor/small group instructor position</b>	\$51,700
<b>R.6</b>	<b>Eliminate 1.5 FTE building office support staff positions</b>	\$63,600
<b>R.7</b>	<b>Eliminate 1.0 FTE messenger position</b>	\$12,700
<b>R.8</b>	<b>Eliminate 4.0 FTE monitor positions</b>	\$102,400
<b>R.9</b>	<b>Renegotiate collective bargaining agreement provisions</b>	N/A
<b>R.10</b>	<b>Decrease employer cost of vision insurance</b>	\$26,100
<b>R.11</b>	<b>Sell, donate, or repurpose the vacant Townsend elementary building</b>	\$33,200
<b>R.12</b>	<b>Develop a formal facilities preventive maintenance program</b>	N/A
<b>R.13</b>	<b>Develop a formal multi-year capital plan</b>	N/A
<b>R.14</b>	<b>Right-size the active bus fleet</b>	\$17,500
<b>R.15</b>	<b>Develop a formal bus replacement plan</b>	N/A
<b>R.16</b>	<b>Eliminate 9.0 daily labor hours from the food service operation</b>	\$41,900
<b>R.17</b>	<b>Make additional reductions to address the deficit</b>	\$814,800
<b>Cost Savings Adjustments<sup>1</sup></b>		<b>(\$4,400)</b>
<b>Total Cost Savings from Performance Audit Recommendations</b>		<b>\$1,488,400</b>

Note 1: Each recommendation's savings is calculated based on the average annual cost savings for each year of implementation during the forecast period.

Note 2: Estimated savings from eliminated positions are based on the least tenured personnel and could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff. Estimated savings would be reduced if the District is temporarily obligated to pay unemployment compensation.

<sup>1</sup> Implementation of **R.3**, **R.4**, **R.5**, **R.6**, **R.7**, **R.8**, **R.14**, and **R.16** would reduce the savings achievable in **R.10**.

**Table 3** shows the District's ending fund balances as projected in the October 2018 five-year forecast. Included are annual savings identified in this performance audit and the estimated impact that implementation of the recommendations will have on the ending fund balances.

**Table 3: Financial Forecast with Performance Audit Recommendations**

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
<b>Original Ending Fund Balance</b>	(\$734,235)	(\$2,329,213)	(\$3,944,822)	(\$5,955,391)
<b>Cumulative Balance of Performance Audit Recommendations</b>	\$1,457,373	\$2,934,900	\$4,433,455	\$5,955,468
<b>Revised Ending Fund Balance</b>	\$723,138	\$605,687	\$488,633	\$77

Source: MLSD, ODE, and performance audit recommendations

Note: FY 2019-20 is the first year in which recommendations with associated savings are implementable.

As shown in **Table 3**, implementing the recommendations contained in this performance audit would allow the District to avoid forecasted deficits in each year of the forecast period.

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

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

ODE is charged with monitoring school districts' compliance with MOE requirements and is also in a position of working with districts to facilitate seeking a waiver from the US Department of Education, where available within the grant guidelines, when certain conditions are evident.<sup>1</sup> Two such conditions specific to Title I include:

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

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

It is important to note that the provision of special education services may have a significant impact on the MLSD's overall operating cost and staffing levels. However, the appropriateness of the District's special education cost and staffing were not evaluated as a part of this performance audit. Where applicable, special education staffing information is included for informational purposes only. All conclusions regarding the relative appropriateness of staffing are based solely on non-special education staff for both the District and the primary peers.

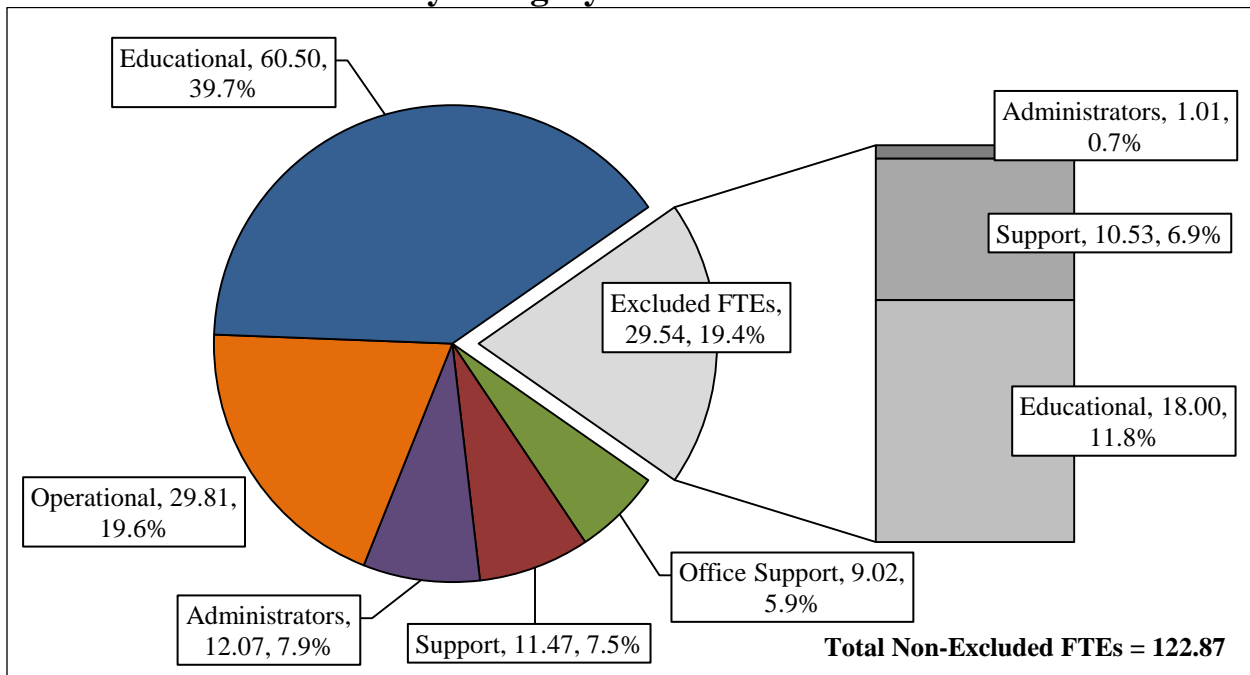
<sup>1</sup> IDEA Part B does not have a MOE waiver option.

## District Staffing Overview

The appropriateness of staffing levels is significant to the operational and financial conditions within school districts. Operational decisions such as classroom sizes, class offerings, and service levels collectively drive the need for staffing, which, in turn, drives the allocation of scarce resources. Specifically, personnel costs (i.e., salaries and benefits) accounted for 69.4 percent of MLSD's General Fund expenditures in FY 2017-18, a significant impact on its budget and financial condition.

**Chart 1** shows MLSD's FY 2018-19 full-time equivalent (FTE) staffing levels by category and breaks down staffing by categories that are included in this performance audit and those that are excluded from the scope of this performance audit due to association with special education or Title I funding.

**Chart 1: FTEs by Category with Excluded FTEs Breakout**

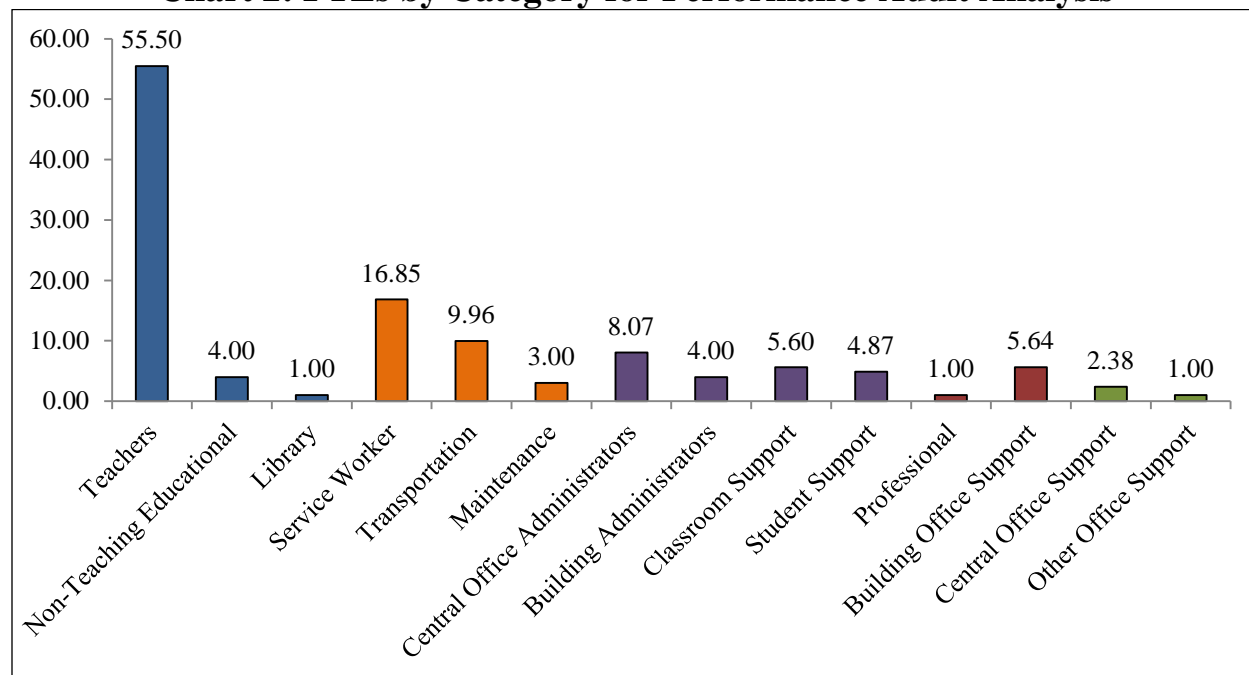


Source: MLSD

As shown in **Chart 1**, MLSD employed a total of 152.41 FTEs in FY 2018-19. Of this total, 29.54 FTEs, or 19.4 percent, were specifically dedicated to special education services or Title I funded.

**Chart 2** shows the remaining 122.87 FTEs by category for FY 2018-19.

**Chart 2: FTEs by Category for Performance Audit Analysis**



Source: MLSD

As shown in **Chart 2**, MLSD's remaining 122.87 FTEs were distributed across 14 staffing categories.

Categories where staffing levels were compared to the primary peer average included administrators (see **R.3** and **R.4**), teachers (see **Table B-3** and **Table B-4**), non-teaching educational (see **R.5** and **Table B-5**), professional (**Table B-6**), technical (see **Table B-7**), office support (see **R.6** and **Table B-8**), library (see **Table B-9**), nursing (see **Table B-10**), classroom support (see **Table B-11**), other clerical (see **R.7**), and student support (see **R.8**). Categories where the District's staffing level per 1,000 students was higher than the primary peers include administrators, non-teaching educational, office support, other clerical, and student support. Facilities (see **Table B-17**), transportation (see **R.14**), and food service (see **R.16**) workers were assessed using workload measures and benchmarks, as these positions operate in areas that have industrywide gauges of efficiency and effectiveness.

## Background

In May 2018, the District released its semi-annual five-year forecast which showed progressively declining year-end fund balances throughout the forecast period. These forecasted financial results served as the primary impetus of the performance audit. **Table 4** shows MLSD's total revenues, total expenditures, results of operations, beginning and ending cash balances, outstanding encumbrances, cumulative balance of replacement/renewal levies, and ending fund balance as projected in the District's May 2018 five-year forecast. This information is an important measure of the financial health of the District and serves as the basis for identification of fiscal distress conditions, possibly leading to formal designation by AOS and ODE.

**Table 4: MLSD Financial Condition Overview (May 2018)**

	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>
Total Revenue	\$15,377,895	\$15,380,519	\$14,837,846	\$13,732,939	\$13,729,150
Total Expenditure	\$16,432,689	\$16,263,151	\$16,530,970	\$16,994,197	\$17,144,575
<b>Results of Operations</b>	<b>(\$1,054,794)</b>	<b>(\$882,632)</b>	<b>(\$1,693,123)</b>	<b>(\$3,261,258)</b>	<b>(\$3,415,425)</b>
Beginning Cash Balance	\$2,473,159	\$1,418,365	\$535,733	(\$1,157,391)	(\$4,418,649)
<b>Ending Cash Balance</b>	<b>\$1,418,365</b>	<b>\$535,733</b>	<b>(\$1,157,391)</b>	<b>(\$4,418,649)</b>	<b>(\$7,834,074)</b>
Outstanding Encumbrances	\$100,000	\$95,000	\$90,000	\$100,000	\$105,000
Cumulative Balance of Replacement/Renewal Levies	N/A	N/A	\$605,088	\$2,329,729	\$4,054,370
<b>Ending Fund Balance</b>	<b>\$1,318,365</b>	<b>\$440,733</b>	<b>(\$642,303)</b>	<b>(\$2,188,920)</b>	<b>(\$3,884,704)</b>

Source: MLSD and ODE

As shown in **Table 4**, the District's May 2018 five-year forecast projects a deficit of approximately \$642,000 in FY 2019-20. This deficit condition is a direct result of expenditures continuing to outpace revenues, depleting cash balances over the forecast period. Left unaddressed, these conditions are projected to result in a cumulative deficit of over \$3.8 million by FY 2021-22.

In October 2018, the District released an updated financial forecast. **Table 5** summarizes this forecast, showing total revenues, total expenditures, results of operations, beginning and ending cash balances, and year-ending fund balances.

**Table 5: MLSD Financial Condition Overview (October 2018)**

	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>
Total Revenue	\$15,380,519	\$14,875,370	\$13,881,018	\$13,482,861	\$13,595,320
Total Expenditure	\$16,326,452	\$16,674,204	\$17,136,739	\$17,256,997	\$17,764,417
<b>Results of Operations</b>	<b>(\$945,933)</b>	<b>(\$1,798,834)</b>	<b>(\$3,255,721)</b>	<b>(\$3,774,137)</b>	<b>(\$4,169,097)</b>
Beginning Cash Balance	\$1,454,052	\$508,118	(\$1,290,716)	(\$4,546,437)	(\$8,320,573)
<b>Ending Cash Balance</b>	<b>\$508,118</b>	<b>(\$1,290,716)</b>	<b>(\$4,546,437)</b>	<b>(\$8,320,573)</b>	<b>(\$12,489,670)</b>
Outstanding Encumbrances	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Cumulative Balance of Replacement/Renewal Levies	N/A	\$581,480	\$2,242,224	\$4,400,752	\$6,559,279
<b>Ending Fund Balance</b>	<b>\$483,118</b>	<b>(\$734,235)</b>	<b>(\$2,329,213)</b>	<b>(\$3,944,822)</b>	<b>(\$5,955,391)</b>

Source: MLSD and ODE

As shown in **Table 5**, the District's projected results of operations, cash position, and ending fund balance deficits increased significantly from the May 2018 five-year forecast. While the District's projected financial position worsened, implementing the performance audit recommendations will assist the District in reducing expenditures and achieve fiscal solvency (see **Table 3**).

# Recommendations

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## R.1 Enhance financial communication

The District limits financial information provided to the public via its website to Board meeting dates and times, and meeting agendas and minutes.

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

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

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

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

Also, Jonathan Alder includes on its website:

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

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



available financial information. Improving the communication of such information will help to ensure accountability and transparency to stakeholders and the community.

## **R.2 Develop a formal purchasing process that incorporates spend analysis**

MLSD has general board policies governing purchasing such as competitive bidding, “blanket” certificates (purchase orders), quantity purchasing, and cooperative purchasing guidelines. In addition, the District has taken the following informal steps to control supplies and materials expenditures:

- requiring supervisory-level approvals;
- implementing department budgets;
- monitoring budgets on a monthly basis; and
- comparing supplies and materials pricing.

Despite having policies and procedures in place for purchasing, the District lacks a formal process governing the purchase of supplies and materials that would allow it to fully assess the cost-benefit relationship of each purchase.

**Table 6** shows the District’s General Fund supplies and materials expenditures by functional category, per pupil, compared to the primary peer average for FY 2017-18. Examining the cost of supplies and materials in relation to student population normalizes the effects of district size and provides an accurate comparison.

**Table 6: Supplies and Materials Expenditures Comparison**

			MLSD	Primary Peer Avg.
<b>Students</b>			<b>1,159</b>	<b>1,141</b>
Cost Category	MLSD per Pupil	Primary Peer Avg. per Pupil	Difference	% Difference
Regular Instruction <sup>1</sup>	\$97.81	\$89.55	\$8.26	9.2%
Special Instruction	\$22.97	\$5.06	\$17.91	354.0%
Vocational Instruction	\$15.19	\$6.79	\$8.40	123.7%
Other Instruction	\$0.00	\$0.33	(\$0.33)	(100.0%)
Support Services-Pupils	\$16.52	\$3.54	\$12.98	366.7%
Support Services-Instructional Staff	\$40.61	\$31.46	\$9.15	29.1%
Support Services-BOE	\$0.00	\$0.55	(\$0.55)	(100.0%)
Support Services-Administration	\$12.55	\$10.47	\$2.08	19.9%
Fiscal Services	\$0.72	\$2.43	(\$1.71)	(70.4%)
Support Services- Business	\$0.00	\$1.13	(\$1.13)	(100.0%)
Operation and Maintenance of Plant Services	\$118.10	\$57.01	\$61.09	107.2%
Support Services- Pupil Transportation	\$101.28	\$78.48	\$22.80	29.1%
Support Services- Central	\$8.97	\$1.53	\$7.44	486.3%
Community Services	\$0.06	\$0.00	\$0.06	N/A
Academic Oriented Activities	\$0.00	\$1.07	(\$1.07)	(100.0%)
Sport Oriented Activities	\$0.76	\$0.00	\$0.76	N/A
<b>Per Pupil Total</b>	<b>\$435.54</b>	<b>\$289.40</b>	<b>\$146.14</b>	<b>50.5%</b>
<b>Per Pupil Total less Excluded Categories<sup>2</sup></b>	<b>\$178.00</b>	<b>\$142.06</b>	<b>\$35.94</b>	<b>25.3%</b>
<b>Total less Excluded Categories Above/(Below)</b>				<b>\$41,654.46</b>

Source: MLSD and primary peers

<sup>1</sup>Excludes purchases for textbook updates

<sup>2</sup>Excludes expenditures for special instruction, vocational instruction, operation and maintenance of plant services, and support services-pupil transportation.

As shown in **Table 6**, after accounting for exclusions of cost categories with significant variability among MLSD and the primary peers<sup>2</sup>, MLSD's cost of supplies and materials were higher than the primary peer average in FY 2017-18. However, it is important to note that due to variation in the manner in which supplies and materials expenditures are coded among school districts within each functional category, cost savings could not be quantified.

Overall, the District could potentially reduce expenditures for supplies and materials by developing a formal purchasing process. An important step in establishing an effective purchasing process that outlines procurement practices is to create a purchasing manual. The National Institute for Governmental Purchasing (NIGP) has developed and published a series of "global best practices" on government purchasing that, "provide definitions, context, and guidance on relevant public procurement topics." *Developing a Procurement Policy Manual* (NIGP, 2012) states that, "organizations should develop a comprehensive policy manual that clearly defines authority, responsibility, and establishes guidelines for the organization and the

<sup>2</sup> Due to differences in the level of special education services provided among MLSD and the peers, special instruction costs were excluded. Similarly, due to differences in vocational curriculum and course offerings provided among MLSD and the peers, vocational instruction costs were excluded. Costs associated with the operation of both facilities and transportation were excluded due to differences in operational management among MLSD and the peers, and the subsequent differences in cost accounting.

procurement professional to follow when carrying out their responsibilities.” Procedure manuals should include the following elements:

- the overarching purpose of establishing a procurement policy;
- definitions of any terms, titles, or criteria that may be unclear or specific to the organization;
- the basic organizational concepts which govern the authorities, roles, and/or responsibilities of those involved in the procurement process;
- guidance regarding any product and/or service specifications deemed as critical to the continued mission of the organization;
- a code of conduct and ethics by which any and all employees involved in the procurement process should be guided;
- outline the on-boarding process and any continuing education requirements for those involved in organizational procurement; and
- guidance relating to any special programs, such as minority-owned business, locally-owned business, or cooperative purchasing.

As part of developing a formal purchasing process, the District should incorporate spend analysis in order to further scrutinize the cost-benefit of supplies and materials prior to purchase. According to the NIGP in *Public Procurement Practice: Spend Analysis*, (NIGP, 2012), “procurement organizations should use spend analysis to leverage buying power, reduce costs, provide better management and oversight of suppliers, and to develop an informed procurement strategy.” As part of this process, an organization collects and analyzes expenditure data in order to make better-informed management decisions. By analyzing this information, an organization can:

- reduce material and service costs through informed strategic sourcing strategies based on the data;
- improve inventory management by cutting excess stocks; and
- lower inventory costs.

MLSD should develop a formal purchasing process that incorporates spend analysis for supplies and materials expenditures across the spectrum of its operation. As part of the process, the District should ensure that pricing and quantity are appropriate. Doing so could reduce supplies and materials expenditures by allowing management to more easily identify and avoid non-competitive pricing and unnecessary purchases.

### **R.3 Eliminate 2.5 FTE central office administrator positions**

In addition to the Superintendent and Treasurer, MLSD employs 6.07 FTE central office administrators, which consists of an Athletic Director (0.44 FTE), Facilities Director (1.00 FTE), Food Service Director (1.00 FTE), Transportation Director (1.00 FTE), Information Technology Coordinator (1.00 FTE), Gifted Coordinator (1.00 FTE), and EMIS Coordinator (0.63 FTE). **Table 7** shows a comparison of the District’s FY 2018-19 central office administrators per 1,000 students compared to the FY 2017-18 primary peer average. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table 7: Central Office Administrator Staff Comparison**

Students	MLSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	1,111		1,131	(20)	
Students Educated (Thousands)	1.111		1.131	(0.020)	
Position	MLSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Supervisor/Manager	3.44	3.10	1.69	1.41	1.57
Coordinator	2.63	2.37	0.65	1.72	1.91
Education Administrative Specialist	0.00	0.00	0.11	(0.11)	(0.12)
Director	0.00	0.00	0.22	(0.22)	(0.24)
Other Official/Administrative	0.00	0.00	0.11	(0.11)	(0.12)
<b>Total</b>	<b>6.07</b>	<b>5.46</b>	<b>2.78</b>	<b>2.68</b>	<b>2.98</b>

Source: MLSD and primary peers

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

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

As shown in **Table 7**, central office administrator staffing is higher than the peer average by 2.98 FTEs. MLSD would need to eliminate 2.50 FTE central office administrator positions in order to achieve a staffing ratio in line with the primary peer average per 1,000 students.

**Financial Implication:** Eliminating 2.5 FTE central office administrator positions could save an average of **\$268,600** in salaries and benefits in each year of implementation over the forecasted period.<sup>3</sup> The value of each FTE is calculated using actual salaries and benefits and projected increases of the least tenured central office administrators. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.

#### **R.4 Eliminate 0.5 FTE building administrator position**

Building administrators are responsible for administering operations and supervising all students and teachers in their respective buildings. MLSD employs 4.0 FTE building administrators which include one principal and one assistant principal in each of the District's two school buildings. **Table 8** shows the District's FY 2018-19 building administrators per 1,000 students compared to the FY 2017-18 primary peer average. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

<sup>3</sup> The value of the savings from this recommendation is projected to increase 3.2 percent annually for FY 2019-20 through FY 2022-23 to account for projected increases in salaries and benefits. Annual increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 3**. Benefits include medical, prescription drug, dental, life insurance, Medicare, retirement, retirement pick-up on the pick-up, and workers' compensation.

**Table 8: Building Administrator Staff Comparison**

Students	MLSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	1,111		1,131	(20)	
Students Educated (thousands)	1.111		1.131	(0.020)	
Position	MLSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Assistant Principal	2.00	1.80	0.32	1.48	1.64
Principal	2.00	1.80	2.65	(0.85)	(0.94)
Total	4.00	3.60	2.97	0.63	0.70

Source: MLSD and primary peers

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

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

As shown in **Table 8**, building administrator staffing is higher than the peer average by 0.70 FTEs. Examining staffing per building indicates that this variance is not attributable to the differences in the number of buildings among MLSD and the peers (MLSD operates 2 school buildings compared to the primary peer average of 3.3 school buildings). While it is common practice in Ohio schools to employ a principal and in some cases an assistant principal, in each school building, OAC § 3301-35-05 only requires that every school shall be provided the services of a principal. Some districts fulfill this requirement by sharing the services of a principal between multiple school buildings.

MLSD would need to eliminate 0.50 FTE building administrator position in order to achieve a staffing ratio in line with the primary peer average per 1,000 students. This can be accomplished by sharing the services of 3.5 FTE principal and assistant principal positions across its two schools.

**Financial Implication:** Eliminating 0.5 FTE building administrator position could save an average of **\$60,300** in salaries and benefits in each year of implementation over the forecasted period.<sup>4</sup> The value of each FTE is calculated using actual salaries and benefits and projected increases of the least tenured building principal/assistant principal position. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.

<sup>4</sup> The value of the savings from this recommendation is projected to increase 2.8 percent annually for FY 2019-20 through FY 2022-23 to account for projected increases in salaries and benefits. Annual increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 3**. Benefits include medical, prescription drug, dental, life insurance, Medicare, retirement, retirement pick-up on the pick-up, and workers' compensation.

## R.5 Eliminate 0.5 FTE tutor/small group instructor position

MLSD employs 1.00 FTE tutor/small group instructor that assists teachers and students with computer and study skill classes. **Table 9** shows a comparison of the District's FY 2018-19 tutor/small group instructor staffing compared to the FY 2017-18 primary peer average per 1,000 students. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table 9: Tutor/Small Group Instructor Staff Comparison**

Students	MLSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	1,111		1,131	(20)	
Students Educated (Thousands)	1.111		1.131	(0.020)	
Position	MLSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Tutor/Small Group Instructor	1.00	0.90	0.37	0.53	0.59

Source: MLSD and primary peers

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

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

As shown in **Table 9**, tutor/small group instructor staffing is higher than the peer average by 0.59 FTEs. MLSD would need to eliminate 0.50 FTE tutor/small group instructor positions in order to achieve a staffing ratio in line with the primary peer average per 1,000 students.

**Financial Implication:** Eliminating 0.5 FTE tutor/small group instructor position could save an average of **\$51,700** in salaries and benefits in each year of implementation over the forecasted period.<sup>5</sup> The value of each FTE is calculated using actual salaries and benefits and projected increases of the least tenured building principal positions. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.

## R.6 Eliminate 1.5 FTE building office support staff positions

MLSD employs 5.64 FTE building office support staff positions, which provide support to building level administrators and students. Office support staff includes 3.70 FTE building secretary clerical positions at the Margaretta High School and Middle School building, and 1.94 FTE building secretary clerical positions at Bogart Elementary School.

<sup>5</sup> The value of the savings from this recommendation is projected to increase 3.7 percent annually for FY 2019-20 through FY 2022-23 to account for projected increases in salaries and benefits. Annual increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 3**. Benefits include medical, prescription drug, dental, life insurance, Medicare, retirement, retirement pick-up on the pick-up, and workers' compensation.

**Table 10** shows a comparison of the District's FY 2018-19 building office support staff per 1,000 students and per building compared to the FY 2017-18 primary peer average. Comparing staffing using these metrics normalizes the effect of district sizes on raw staffing numbers.

**Table 10: Building Office Support Staff Comparison**

Students and Buildings	MLSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	1,111		1,131	(20)	
Students Educated (thousands)	1.111		1.131	(0.020)	
Buildings	2.00		3.25	(1.25)	
Position	MLSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Clerical	5.64	5.08	3.29	1.79	1.99
<b>Total</b>	<b>5.64</b>	<b>5.08</b>	<b>3.29</b>	<b>1.79</b>	<b>1.99</b>

Source: MLSD and primary peers

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

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

As shown in **Table 10**, building office support staffing is higher than the peer average by 1.99 FTEs on a per 1,000 students basis. Using this metric equalizes the number of students one FTE clerical position can support. Examining staffing per building indicates that this variance is not attributable to the differences in the number of buildings among MLSD and the peers (MLSD operates 2 school buildings compared to the primary peer average of 3.3 school buildings). MLSD would need to eliminate 1.50 FTE building office support staff positions in order to achieve a staffing ratio in line with the primary peer average per 1,000 students. This can be accomplished by eliminating these positions, or by sharing the services across school buildings.

**Financial Implication:** Eliminating 1.5 FTE building office support staff positions could save an average of **\$63,600** in salaries and benefits in each year of implementation over the forecasted period.<sup>6</sup> The value of each FTE is calculated using actual salaries and benefits and projected increases of the least tenured building office support staff positions. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.

## R.7 Eliminate 1.0 FTE messenger position

MLSD employs 1.00 FTE messenger position who works one hour per day and transports correspondence between the District's educational and administrative buildings. **Table 11** shows

<sup>6</sup> The value of the savings from this recommendation is projected to increase 2.3 percent annually for FY 2019-20 through FY 2022-23 to account for projected increases in salaries and benefits. Annual increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 3**. Benefits include medical, prescription drug, dental, life insurance, Medicare, retirement, retirement pick-up on the pick-up, and workers' compensation.

a comparison of the District's FY 2018-19 messenger staff compared to the FY 2017-18 primary peer average per 1,000 students. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table 11: Messenger Staff Comparison**

Students	MLSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	1,111		1,131	(20)	
Students Educated (thousands)	1.111		1.131	(0.020)	
Position	MLSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Messenger	1.00	0.90	0.00	0.90	1.00

Source: MLSD and primary peers

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

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

As shown in **Table 11**, the primary peers do not employ dedicated messenger staffing. Therefore, the District could eliminate its 1.00 FTE messenger position and distribute the duties of correspondence transportation among existing staff.

**Financial Implication:** Eliminating 1.0 FTE messenger position could save an average of **\$12,700** in salaries and benefits in each year of implementation over the forecasted period.<sup>7</sup> The value of each FTE is calculated using actual salaries and benefits and projected increases of the least tenured messenger staff position. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.

## R.8 Eliminate 4.0 FTE monitor positions

MLSD employs 4.87 FTE monitor positions that provide assistance in non-instructional settings which include 3.97 FTE bus monitors and an In School Isolation Monitor (0.90 FTE). **Table 12** shows the District's FY 2018-19 monitor staff compared to the FY 2017-18 primary peer average per 1,000 students. Comparing monitor staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

<sup>7</sup> The value of the savings from this recommendation is projected to increase 6.2 percent annually for FY 2019-20 through FY 2022-23 to account for projected increases in salaries and benefits. Annual increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 3**. Benefits include medical, prescription drug, dental, life insurance, Medicare, retirement, retirement pick-up on the pick-up, and workers' compensation.



**Table 12: Monitor Staff Comparison**

Students	MLSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	1,111		1,131	(20)	
Students Educated (thousands)	1.111		1.131	(0.020)	
Position	MLSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Monitoring	4.87	4.38	0.70	3.68	4.09

Source: MLSD and primary peers

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

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

As shown in **Table 12**, monitoring staffing is higher than the peer average by 4.09 FTEs. It is important to note that six of the eight primary peers do not employ monitor positions, and instead distribute these functions across other positions. MLSD would need to eliminate 4.00 FTE monitor positions in order to achieve a staffing ratio in line with the primary peer average per 1,000 students.

**Financial Implication:** Eliminating 4.0 FTE monitor positions could save an average of **\$102,400** in salaries and benefits in each year of implementation over the forecasted period.<sup>8</sup> The value of each FTE is calculated using actual salaries and benefits and projected increases of the least tenured monitor positions. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.

## **R.9 Renegotiate collective bargaining agreement provisions**

The District has collective bargaining agreements (CBAs) with the Margaretta Teachers Association, referred to as the certificated CBA, effective through August 31, 2019 and the Ohio Association of Public School Employees (OAPSE), referred to as the classified CBA, effective through June 30, 2019. An analysis of these CBAs identified certain provisions that exceeded State minimum standards, as set forth in the Ohio Revised Code (ORC), Ohio Administrative Code (OAC), and/or provisions in the local peer district CBAs.

- **Vacation Accrual:** Under the classified CBA, full-time employees are entitled to annual vacation accrual whereby they can earn 529 vacation days over the course of a 30-year career. While this amount is lower than the local peer average of 570 days, it exceeds the

<sup>8</sup> The value of the savings from this recommendation is projected to increase 3.5 percent annually for FY 2019-20 through FY 2022-23 to account for projected increases in salaries and benefits. Annual increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 3**. Benefits include medical, prescription drug, dental, life insurance, Medicare, retirement, retirement pick-up on the pick-up, and workers' compensation.

ORC § 3319.084 minimum of 460 days. Although direct savings from reducing the vacation schedule could not be quantified, providing employees with more vacation days than required by the ORC could increase substitute and overtime costs. Further, reducing the number of vacation days available would serve to increase the number of available work hours at no additional cost to the District.

- **Personal Leave:** Certificated employees are entitled to three personal days per school year. While this is in line with the local peer average, the ORC does not require certificated staff to receive personal days during the school year. Although direct savings could not be quantified, reducing the number of personal days available would serve to increase the number of available work hours at no additional cost to the District.
- **Paid Holidays:** Under the classified CBA, 12-month employees are entitled to 10 paid holidays per year while 9-month employees are entitled to six paid holidays per year. While these amounts are lower than the local peer averages, 10 paid holidays for 12-month employees exceeds the ORC § 3319.087 minimum of seven paid holidays. Although direct savings could not be quantified, reducing the number of paid holidays available would serve to increase the number of available work hours at no additional cost to the District.
- **Sick Leave Accumulation and Severance Payout:** Certificated employees are entitled to accumulate 230 days of sick leave and classified employees are entitled to accumulate 245 days of sick leave. The certificated amount is lower than the local peer average while the classified amount is in line with the local peer average. However, ORC § 3319.141 specifies that unused sick leave shall be cumulative to a minimum of 120 days. Although the local peers also provide sick leave accumulation over the State minimum level, exceeding the State minimum results in the potential for increased liability when sick leave is paid out to retiring employees.

In addition, the District's CBAs entitle certificated and classified employees to be paid for 33 and one-third percent of accumulated, but unused sick leave upon retirement up to a maximum of 75 days for certificated employees and a maximum of 70 days for classified employees. In comparison, the local peers entitle certificated employees to an average payout of 27.9 percent of unused sick leave up to an average maximum of 66 days.<sup>9</sup> In terms of classified employees, one local peer, Perkins LSD, entitles a payout of 40 percent of unused sick leave up to a maximum of 48 days.<sup>10</sup> ORC § 124.39 allows employees to be paid at 25 percent of unused sick leave up to a maximum of 30 days upon retirement. Allowing employees to receive payouts in excess of State minimum

<sup>9</sup> Excludes Clyde-Green Springs EVSD as it does not cap the maximum number of sick days that are eligible for payout.

<sup>10</sup> Bellevue CSD entitles payouts of 25 percent for the first 120 days of unused sick leave, 33 and one-third percent for between 120 and 180 days of unused sick leave and 10 years of service, and 55 percent of greater than 180 days of unused sick leave and 15 years of service. Clyde-Green Springs EVSD entitles payouts of 26 percent of unused sick leave for employees with less than 10 years of service, up to 150 days or a maximum of 39 days, and 26 percent of unused sick leave for employees with more than 10 years of service, up to 250 days or a maximum of 65 days. Port Clinton CSD entitles payouts of 100 percent at the employee's per diem rate for the first 65 days of unused sick leave, and 10 percent at the employee's per diem rate for 66 days or more of unused sick leave.

requirements becomes costly at employee retirement. See **Table B-13** for the estimated liability of providing provisions over the ORC minimum.

The District should consider renegotiating the above provisions in order to increase management control over District operations and provide cost savings.

#### **R.10 Decrease employer cost of vision insurance**

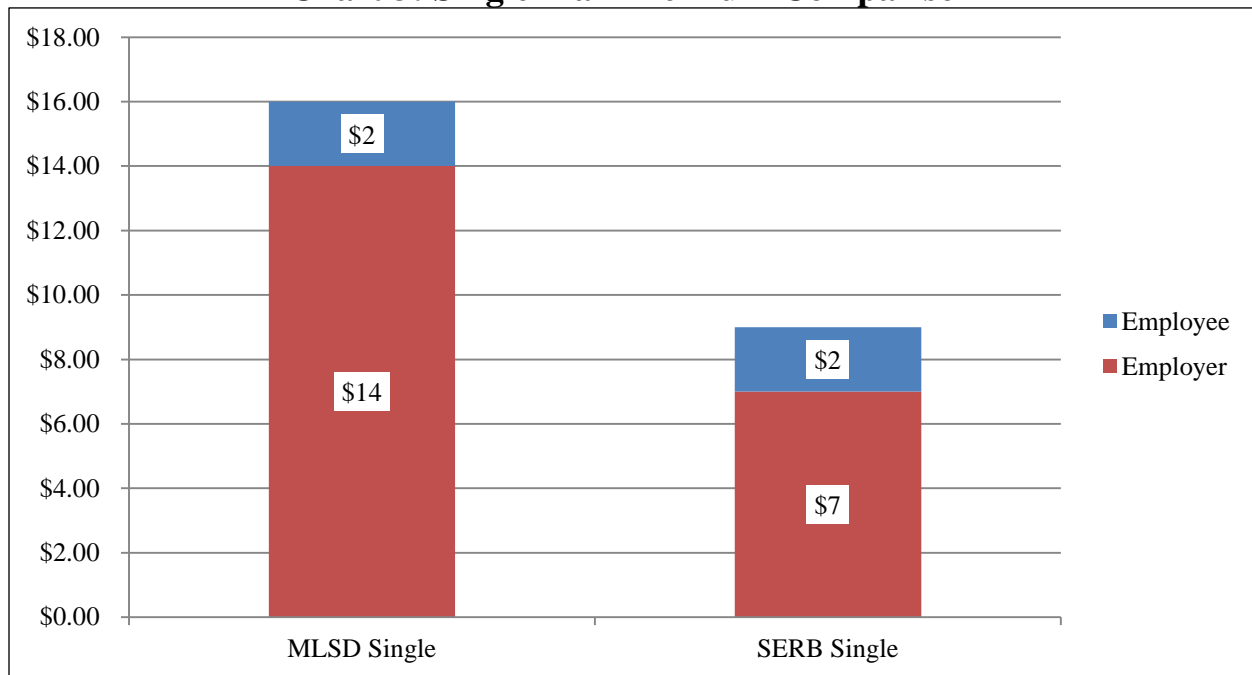
MLSD is self-insured and is a participating member in the Huron-Erie School Employees health insurance consortium. In addition to medical/prescription drug (health) and dental, the District offers single and family plans for vision insurance coverage to eligible employees.<sup>11</sup> The District's insurance coverage, plan components, and employer/employee contribution levels are included in the collective bargaining agreements. As of November 2018, 130 employees were enrolled in District vision insurance plans.

**Charts 3-4** show MLSD's monthly vision insurance premiums and contributions for FY 2018-19 as compared to the FY 2017-18 SERB regional average for other self-insured plans.<sup>12</sup> This is important as it highlights the appropriateness of each individual plan premium in comparison to other entities in the region.

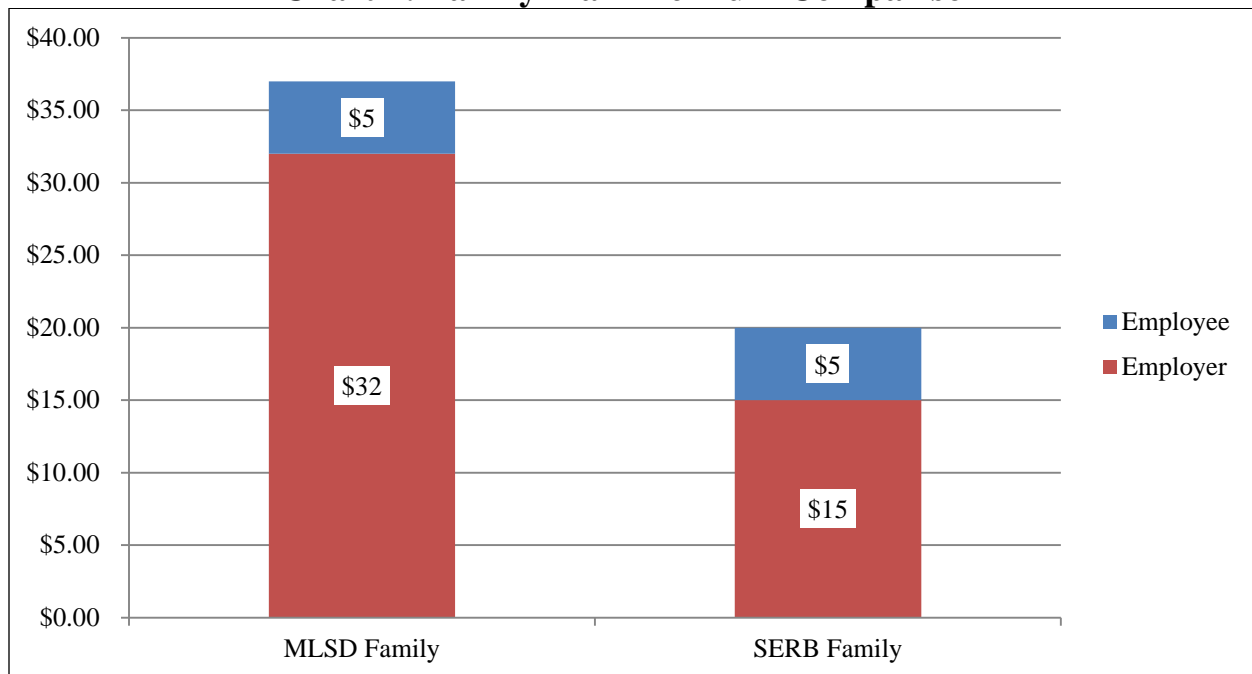
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<sup>11</sup> Per the classified CBA, employees contracted for a minimum of 120 days per year are eligible for insurance benefits.

<sup>12</sup> SERB vision insurance data was not available for Erie County single plans, while only Perkins Local School District reported family plan data. Therefore, MLSD's vision insurance was compared to similar entities in the region as reported by SERB.

**Chart 3: Single Plan Premium Comparison**

Source: MLSD and SERB

**Chart 4: Family Plan Premium Comparison**

Source: MLSD and SERB

As shown in **Chart 3** and **Chart 4**, MLSD's single and family plan total vision insurance premiums are higher than the SERB Regional average for self-insured entities. Furthermore, the District's employer cost is higher than the regional average for both the single and family premiums, while its employee costs for the premiums are in line with the regional average.

**Table 13** shows MLSD’s total employer cost of vision insurance for FY 2018-19 as compared to the Erie County average for other self-insured plans. This provides context for the potential savings available through bringing total employer cost in line with the Erie County average.

**Table 13: Vision Insurance Employer Cost Comparison**

MLSD Employees Enrolled by Type		
Single		30
Family		100
Plan Type	MLSD Annual Employer Costs <sup>13</sup>	Erie County Avg. Self-Insured Entities
Single	\$5,040	\$2,520
Family	\$38,400	\$18,000
Single Plan Annual Difference per Employee		\$84
Family Plan Annual Difference per Employee		\$204
<b>Single Plan Annual Total Cost Savings</b>		<b>\$2,520</b>
<b>Family Plan Annual Total Cost Savings</b>		<b>\$20,400</b>
<b>Total Annual Cost Savings</b>		<b>\$22,920</b>

Source: MLSD and SERB

As shown in **Table 13**, MLSD’s annual employer cost of vision insurance is higher than the SERB Regional average for self-insured entities.

Financial Implication: Bringing the employer cost of vision insurance in line with the SERB Regional average for self-insured entities could save the District an average of **\$26,100** for each year of implementation over the forecasted period.<sup>14</sup>

### **R.11 Sell, donate, or repurpose the vacant Townsend elementary building**

In addition to Bogart Elementary School and the combined Margaretta Middle School and Margaretta High School facility, the District retains ownership of what was formerly the Townsend Elementary School. Originally constructed in 1922, with additions in 1952, 1956, and 1962, this 41,864 square foot facility rests on a seven acre site and is no longer used for student education. Instead, this limited use facility is considered by the District to be vacant and is only utilized sparingly for athletic events and practices. It is also important to note that according to the Ohio Facilities Construction Commission (OFCC) in a 2007 facilities assessment report, this facility is not fully accessible and does not conform to the provisions of the Americans with Disabilities Act (ADA). Further, the OFCC states that its classroom sizes are undersized and do not conform to the current standards established by the State of Ohio.

<sup>13</sup> Reflects the number of enrolled employees multiplied by the portion of the premium paid by the District.

<sup>14</sup> Vision premiums are forecasted to increase by 3.0 percent in FY 2019-20 and 7.0 percent in each remaining year of the forecast from FY 2020-21 through FY 2022-23 in the October 2018 five-year forecast. As such, cost savings applied to the five-year forecast are also inflated in each fiscal year by the corresponding projected increase. These increases are included in the Cumulative Balance Performance Audit Recommendations shown in **Table 3**.

**Table 14** shows the total operating expenditures that can be directly attributed to the vacant Townsend Elementary building in FY 2017-18. This is important as it illustrates the annual cost associated with keeping the underutilized building online.

**Table 14: Vacant Townsend Elementary Operating Costs**

Expenditure Type	Amount
Electric	\$6,176.17
Water	\$3,044.68
Propane	\$5,247.00
Fuel Oil	\$15,108.19
Phone Service	\$1,707.78
Monitoring and Inspection Services	\$1,926.55
<b>Total</b>	<b>\$33,210.37</b>

Source: MLSD

As shown in **Table 14**, the operating costs associated with the vacant Townsend Elementary building exceeded \$33,200 in FY 2017-18. It is important to note that the District also spent an additional \$10,251 in building repairs in FY 2017-18.

In aiming to reduce or completely eliminate the annual expenditures associated with the vacant Townsend Elementary building, the District has the following primary options:

- **Sell or donate the building.** This would likely represent the most financially beneficial outcome for the District in the short-term as it would eliminate the \$33,200 in annual operating expenditures as well as any expenditures for future repairs. If the District were successful in selling the building, it could also achieve a one-time revenue enhancement resulting from the sale. It is important to note that, barring any circumstances that could supersede the provisions as set forth in ORC §3313.41, the District would be obligated to first offer the building for lease or sale to any community school, board of trustees of any college-preparatory boarding schools, or the governing bodies of any STEM schools, that are located within the territory of the District.<sup>15</sup>
- **Retain ownership of the building and repurpose it for public use.** In FY 2017-18, the Delaware City School District opted to repurpose a portion of its Willis Education Center for public and non-profit leasing. In addition to housing the district's administrative offices and select student programming, the building's meeting facilities, auditorium, gymnasium, and full cafeteria serve as a community resource. According to Delaware CSD, leasing revenue covered approximately 25 percent of the building's operating costs in FY 2017-18. This option could be cost-effective for MLSD if it were successful in generating enough lease revenue to cover the building's annual operating expenditures.
- **Pursue a full demolition of the building.** While this option would eliminate the annual operating costs associated with the building, it would require a significant initial capital investment. According to the OFCC, a full demolition of the vacant Townsend building would cost approximately \$188,400.<sup>16</sup> **Table 15** shows the impact that the annual

<sup>15</sup> ORC §3313.411 details the right of first refusal requirements pertaining to the lease or sale of unused school facilities.

<sup>16</sup> According to the OFCC, this represents the full cost of demolition as of December 2018, prior to completion of its formal Environmental Assessment. The total cost could increase if hazardous materials are found.

operating cost avoidance would have on the cost of demolition over time. This highlights the point at which the District would break-even in pursuing a demolition.

**Table 15: Townsend Building Demolition Break-Even Period**

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Cost of Demolition	(\$188,388.00)	N/A	N/A	N/A	N/A	N/A
Annual Eliminated Operating Costs	\$33,210.37	\$33,210.37	\$33,210.37	\$33,210.37	\$33,210.37	\$33,210.37
<b>Cumulative Savings/(Loss)</b>	<b>(\$155,177.63)</b>	<b>(\$121,967.26)</b>	<b>(\$88,756.89)</b>	<b>(\$55,546.52)</b>	<b>(\$22,336.15)</b>	<b>\$10,874.22</b>

Source: MLSD and OFCC

As shown in **Table 15**, the elimination of the annual operating expenses associated with the vacant building would cover the cost of a full demolition by FY 2024-25.

**Financial Implication:** The District could save **\$33,200** in annual operating costs by relinquishing ownership of the vacant Townsend elementary building. In addition to the savings achieved by eliminating the operating costs, the District could also achieve a one-time revenue enhancement if it were successful in selling the building. The District should also consider the options of repurposing the building for public leasing and full demolition.

## **R.12 Develop a formal facilities preventive maintenance program**

The District does not have a formal preventive maintenance program that encompasses all equipment. Instead, the majority of repairs are conducted in a reactionary manner through a paper-based work-order system under the direction of the Building and Grounds Supervisor.

According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), a comprehensive facility maintenance program is a school district's foremost tool for protecting its investment in school facilities. An effective preventive maintenance program begins with an audit of the buildings, grounds, and equipment. Once facilities data has been assembled, structural items and pieces of equipment can be selected for preventive maintenance. After completing the audit, planners must decide on the frequency and type of inspections. After assembling this information, it must be formatted so that preventive maintenance tasks can be scheduled easily. Ideally, scheduling should be handled by a computerized maintenance management program; however, tasks can be efficiently managed using a manual system as well.

According to *Public Works Management Practices Manual* (APWA, 2014), a formal preventive maintenance program that includes scheduling, recording performance, and monitoring should be developed for all equipment. Planning preventive maintenance activities includes:

- Defining work to be performed;
- Diagnosing work to be performed prior to scheduling;
- Estimating labor hours, materials, shop space and time; and
- Documenting support maintenance action.

The District should develop a formal preventive maintenance program. The absence of such a program limits the transparency of the maintenance necessary to keep the District's facilities operating efficiently and effectively. Developing and implementing an effective preventive maintenance program would ensure that the District receives the maximum useful life of its assets and properly allocates resources for maintenance and replacement.

### **R.13 Develop a formal multi-year capital plan**

MLSD has a continuous, 1.5 mill permanent improvement levy that generates an average of approximately \$183,000 annually for unrestricted use in providing general permanent improvements. In accordance with ORC § 5705.01, “permanent improvement” is defined as, “any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more.” This levy was last renewed in May 2017 and at that time, changed from a five-year renewal cycle to a continuing period of time.

MLSD accounts for the revenue and expenses associated with the permanent improvement levy in the Permanent Improvement (PI) Fund. In FY 2017-18, MLSD used the PI Fund, as needed, to purchase chromebooks, renovate the athletic track, update facility lighting with LEDs in the elementary, fieldhouse, fitness center, vocational building and bus garage, and to upgrade IT equipment throughout the District. Also in FY 2017-18, the District’s football stadium suffered catastrophic storm damage. As a result, the District obtained a Tax Anticipation Note (TAN)<sup>17</sup> against the Permanent Improvement Levy of \$750,000 with a 22-year payback term at 3.45% interest for the purpose of constructing a new stadium. Additionally, the District received \$62,609 in property insurance claims on the stadium, and had spent a total of \$123,907 on stadium project expenditures through FY 2017-18. While the District uses the PI Fund when needed, it has not developed a multi-year capital plan to guide long-term decision making and spending.

According to *Multi-Year Capital Planning: Best Practice* (GFOA, 2006), public entities that allocate capital outlay or permanent improvement funding should prepare and adopt multi-year capital plans. A properly prepared capital plan is essential to the future of the financial health of an organization and its continued delivery to its constituents and stakeholders. An adequate capital plan should:

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

MLSD should develop a multi-year capital plan for all of its capital assets, including its bus fleet (see **R.15**). Doing so would help to ensure that capital assets are effectively planned for and prioritized based on a comprehensive view of District needs.

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<sup>17</sup> ORC §133.24 allows local governments to issue debt securities in anticipation of collections from the proceeds of voted property tax levies. These securities are commonly used to finance significant capital projects such as new construction and renovations, and are paid back through future tax revenue.



## R.14 Right-size the active bus fleet

MLSD operates with a total of 18 active buses and six spares for FY 2018-19. The District's practice is to transport all resident riders requesting transportation, regardless of distance from their assigned schools. ORC § 3327.01 establishes minimum transportation requirements, including an obligation to transport all resident K-8 students living two or more miles from their assigned schools and the obligation to transport all non-public riders to their destination locations as long as the destination location is within a 30 minute drive of the otherwise assigned resident school.<sup>18</sup> For FY 2018-19, the District organizes its regular, resident-student routes into a single tier that includes 584 peak K-12 riders and 13 routes.<sup>19</sup>

*Hidden Savings in Your Bus Budget* (American Association of School Administrators, 2017), provides a number of cost saving ideas to increase transportation efficiency. One such opportunity is to assess how many children are transported on each bus. The article states that actual capacity use must be measured with 80 percent of rated capacity as a goal.

However, when evaluating opportunities for improved efficiency, without significant changes to tiers, start times, and bell schedules it is important to evaluate if all routes that are underutilized are reasonably able to be improved. This can be difficult or even impossible for routes that are special purpose, such as special needs transportation.<sup>20</sup> Routes that already involve a lengthy ride time may also present a challenge as there may be few opportunities to add significant ridership without creating significantly longer ride times.

There is no State law that caps bus ride times. While the district does not have a formal policy in place to cap ride times, it does have an informal goal that it should plan routes so that most children do not have to ride in excess of 60 minutes on the way to or from school. Yet, the District already has a number of routes which it reports to be routed to exceed 60 minutes of student ride time. Specifically, there is one AM route which the District reports to be routed at 70 minutes. On PM routes, there are six routes which the District reports to exceed the planned threshold, with a maximum route time of 79 minutes and an average of 70 minutes. An alternative for identifying a relatively long ride time is to use the current reported ride time data to identify an 80<sup>th</sup> percentile threshold, above which it is unlikely to add significant ridership without creating significantly longer ride times. For the District's regular transportation routes, this methodology results in the exclusion of three total routes which are reported to be 72 minutes or more.

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<sup>18</sup> MLSD is required to transport all non-public riders in accordance with the days, start times, and bell schedules established by the non-public schools to which those riders are being transported. Effectively, the District does not have direct control over the ability to improve the efficiency of these routes and, as such, non-public routes are excluded from this transportation efficiency analysis. However, non-public riders are included in the analysis when they are included on routes that are otherwise transporting resident students as they utilize available capacity.

<sup>19</sup> This analysis uses peak riders, which is defined as the maximum riders per route that were observed during the count week. This is different than the average ridership required to be reported to ODE and is necessary to consider to ensure that a right-sized fleet will have sufficient capacity to accommodate actual ridership fluctuations.

<sup>20</sup> Special needs transportation, defined as routes with more than 50 percent ridership categorized as special needs, are excluded from the scope of this analysis as changes to these routes may impact compliance with IDEA Part B maintenance of effort.

**Table 16** shows a baseline overview of the District's bus utilization. The purpose of this analysis is to identify opportunities for improved efficiency to bring all possible routes up to the goal of an average of 80 percent of capacity being utilized.

**Table 16: Baseline Utilization by Tier**

Tier	Total Routes	Average Capacity <sup>1</sup>	Total Capacity	Peak Riders	Baseline Utilization
Tier I (AM)	13	70.8	920	508	55.2%
Tier I (PM)	13	70.8	920	584	63.5%

Source: MLSD and ODE

<sup>1</sup> Capacity is based on the manufacturer's rated capacity for each bus and adjusted to account for a maximum of three riders per seat at the elementary level and two riders per seat at the middle/high school level. Due to the District's single tier routing system and a mix of elementary and middle school/high school riders on a bus, the capacity has been adjusted to 2.5 riders per seat.

As shown in **Table 16**, Tier I (AM) has a baseline utilization of 55.2% while Tier I (PM) has a baseline utilization of 63.5%.

**Table 17** shows a detailed review of Tier I (AM) routes after accounting for and excluding those routes that are currently meeting or exceeding the 80 percent utilization goal as well as those that are already at or longer than the 80<sup>th</sup> percentile threshold for reported route times. After these routes are excluded the remaining routes are reviewed for additional efficiency opportunities with a sensitivity analysis showing the capacity and utilization rates resulting from an incremental reduction of routes within the tier.

**Table 17: Tier I Detailed Review (AM Routes)**

Tier	Total Routes	Avg. Capacity	Total Capacity	Peak Riders
Tier I	13	70.8	920	508
<b>Tier I Exclusions</b>				
Reason for Exclusion	Total Routes	Avg. Capacity	Total Capacity	Peak Riders
Already at Standard	0	0.0	0	0
80th+ Percentile Time	3	72.0	216	132
<b>Tier I Routes Reviewed for Additional Efficiency Opportunity</b>				
Tier	Total Routes	Avg. Capacity	Total Capacity	Peak Riders
Tier I	10	70.4	704	376
<b>Tier I Route Elimination Sensitivity Analysis and Impact on Utilization</b>				
Routes Eliminated	1	2	3	4
Capacity Eliminated	70.4	140.8	211.2	281.6
Adjusted Total Capacity	634	563	493	422
Adjusted Total Utilization	59.3%	66.8%	76.3%	89.1%

Source: MLSD and ODE

As shown in **Table 17**, when only considering Tier I (AM) needs, it is possible to eliminate up to three routes without exceeding the 80 percent utilization goal. However, a similar analysis of

Tier I (PM) is necessary to affirm whether this level of reduction is fully achievable. **Table 18** shows a detailed review of PM routes based on these same factors.

**Table 18: Tier I Detailed Review (PM Routes)**

Tier	Total Routes	Avg. Capacity	Total Capacity	Peak Riders
Tier I	13	70.8	920	584
<b>Tier I Exclusions</b>				
Reason for Exclusion	Total Routes	Avg. Capacity	Total Capacity	Peak Riders
Already at Standard	1	72.0	72	64
80th+ Percentile Time	3	72.0	216	121
<b>Tier I Routes Reviewed for Additional Efficiency Opportunity</b>				
Tier	Total Routes	Avg. Capacity	Total Capacity	Peak Riders
Tier I	9	70.2	632	399
<b>Tier I Route Elimination Sensitivity Analysis and Impact on Utilization</b>				
Routes Eliminated	1	2	3	4
Capacity Eliminated	70.2	140.4	210.6	280.8
Adjusted Total Capacity	562	491	421	351
Adjusted Total Utilization	71.0%	81.3%	94.8%	113.7%

Source: MLSD and ODE

As shown in **Table 18**, the higher peak ridership in the PM limits the identified efficiency opportunity to the elimination of one route.

**Financial Implication:** Eliminating one bus could save an average of **\$17,500** in salaries and benefits in each year of implementation over the forecasted period.<sup>21</sup> This was calculated using the actual salaries and benefits and projected increases of the least tenured bus driver positions. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.

### **R.15 Develop a formal bus replacement plan**

MLSD does not have a formal data driven bus replacement plan. An analysis of its fleet revealed that the average age of its active buses is 6 years old and the average mileage of its active buses is 90,864.

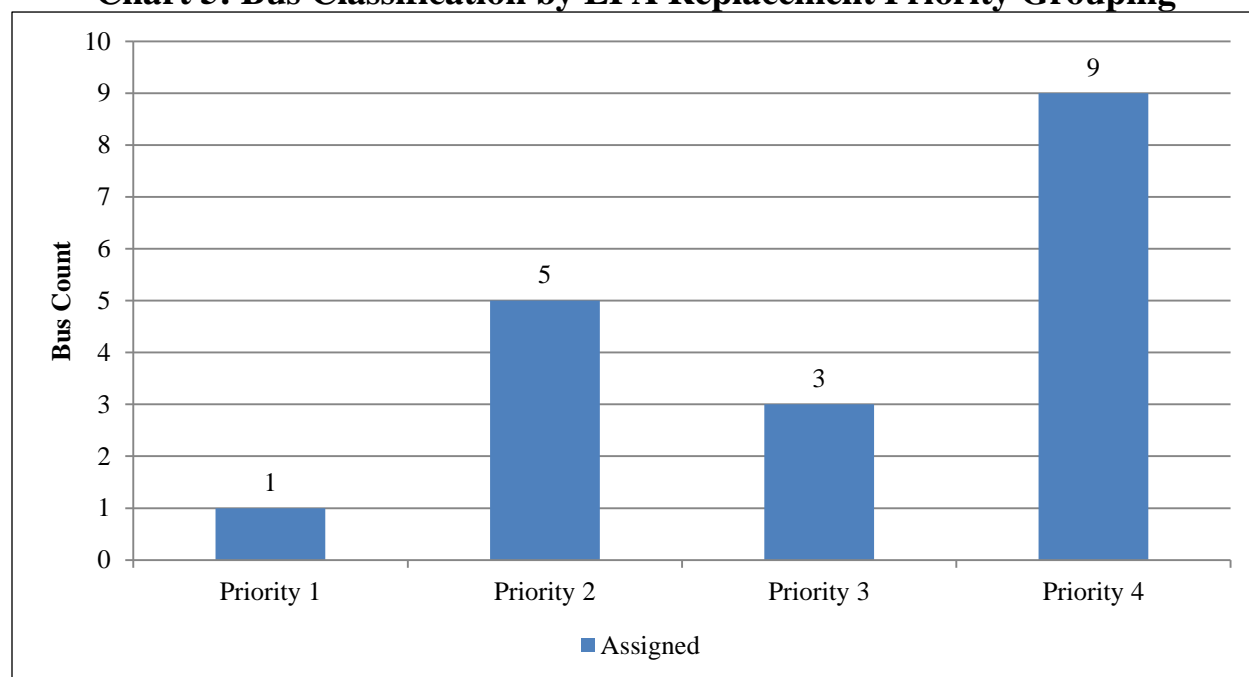
*Clean School Bus* (EPA, 2012) offers guidelines regarding the replacement of school buses. According to the EPA, fleets should be assessed for age and condition to determine which buses need to be replaced first. Compiling this information in advance allows districts to plan for future expenditures and to be prepared when funds become available. In addition, the EPA provides

<sup>21</sup> The value of the savings from this recommendation is projected to increase 3.2 percent annually for FY 2019-20 through FY 2022-23 to account for projected increases in salaries and benefits. Annual increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 3**. Benefits include medical, prescription drug, dental, life insurance, Medicare, retirement, retirement pick-up on the pick-up, and workers' compensation.

further replacement guidance by categorizing buses into four priority groups based on model year. Groups in Priority One are considered most in need of immediate replacement with Priority Four being those least in need.<sup>22</sup> Due to advanced age, buses in the Priority One grouping often have increasing maintenance concerns, decreased fuel economy benefits, and less stringent safety equipment, making replacement a higher priority.

**Chart 5** shows the District's FY 2018-19 active bus fleet classified by EPA priority grouping. This provides a high level indication of the extent of the District's fleet replacement needs relative to EPA guidelines.

**Chart 5: Bus Classification by EPA Replacement Priority Grouping**



Source: MLSD and EPA

Note: Assigned buses include both regular and special needs.

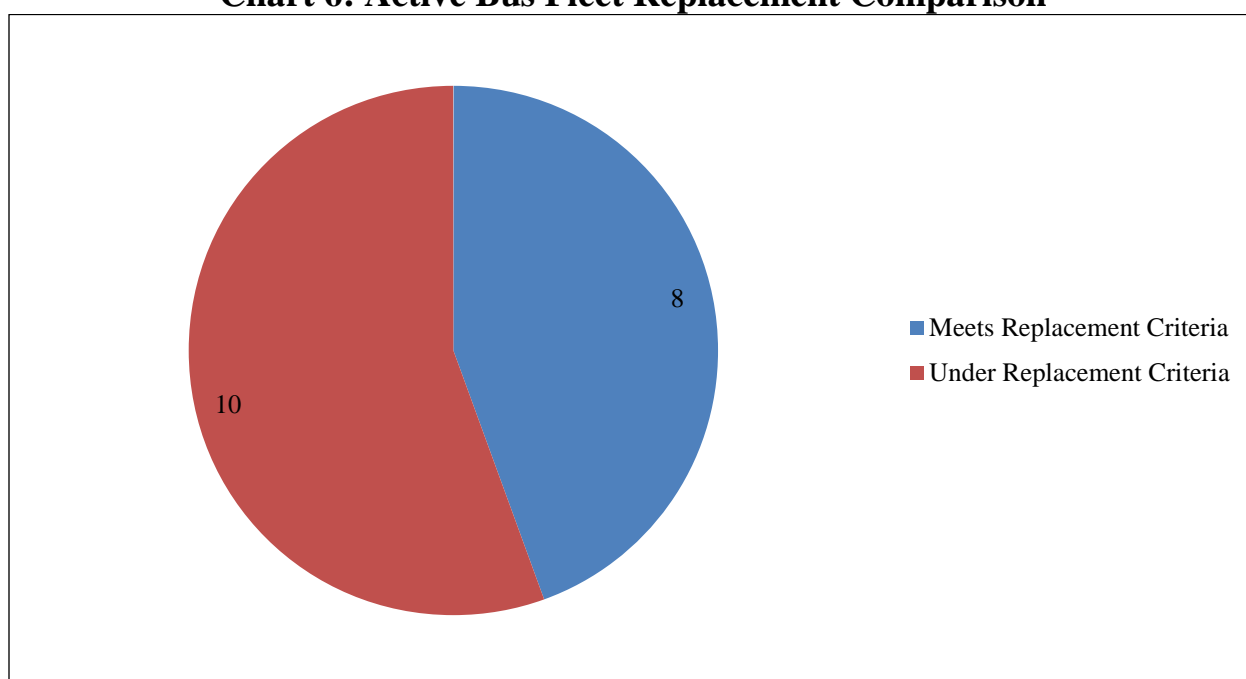
As shown in **Chart 5**, nine buses, or 50.0 percent, of the District's active bus fleet falls in the lowest priority group (Priority Four) while 50.0 percent of the District's buses will near replacement age in the short-term, assuming no change in fleet size. A fleet replacement plan could help the District gain visibility into the costs of the fleet in priority groupings and in determining future reductions and/or replacements, enabling it to meet EPA suggested guidelines.

<sup>22</sup> Buses are classified by model year in the following priority groups: Priority One: pre-1998 model years; Priority Two: model years 1998 through 2003; Priority Three: model years 2004 through 2006; and Priority Four: model years 2007 and newer. For this analysis, the groupings were updated to the following priority groupings: Priority One: pre-2004 model years; Priority Two: model years 2004 through 2009; Priority Three: model years 2010 through 2012; Priority Four: model years 2013 and newer. It is important to note that the original EPA parameters also take into account emissions standards changes occurring in 2004 and 2007. There have not been significant emissions standards changes affecting school buses since that time.

According to *School Bus Replacement Considerations* (National Association of State Directors of Pupil Transportation Services (NASDPTS), 2002), the replacement of school buses should be a planned process. The bus replacement plan should incorporate maintenance data and should establish priorities with regard to safety and emissions. Additionally, the NASDPTS recommends a combined approach to school bus replacement that considers both age and mileage in which replacement thresholds are set between 12 and 15 years, or 150,000 to 200,000 miles, respectively.

**Chart 6** shows how the District's active bus fleet compares to the bus replacement thresholds for either age or mileage as established by the NASDPTS. This is important as it shows the number of buses that could be given priority for replacement in the fleet.

**Chart 6: Active Bus Fleet Replacement Comparison**



Source: MLSD and NASDPTS

As shown in **Chart 6**, eight of the District's 18 active buses, or 44.4 percent of its active fleet, meet the replacement thresholds established by the NASDPTS of either 12 years and older or greater than 150,000 miles. Of the eight buses identified, two meet the replacement criteria for both age and mileage.

The District should develop a formal data driven bus replacement plan that considers the full cost of bus operation, including fuel, parts, labor, and vehicle depreciation, in addition to safety and emissions. Doing so would allow it to communicate to leadership and to the public about the needs of its bus fleet. Additionally, it would allow the District to communicate its progress in meeting its schedule of replacement and any risks posed by the current state of the fleet. Adopting a plan could reduce overall operating costs and help to avoid the need to replace a major portion of the fleet at the same time.

## R.16 Eliminate 9.0 daily labor hours from the food service operation

The District's food service operation is accounted for as an enterprise fund (i.e., the Food Service Fund) with the intention that the cost of operation is to be fully recovered through fees and/or charges. Any Food Service Fund loss is required to be subsidized by the General Fund which, in turn, affects the District's forecasted financial position. **Table 19** shows the operating results of the Food Service Fund for FY 2014-15 through FY 2017-18. Examining the financial performance of food service operations is important as negative operations can directly affect the General Fund if subsidization is needed.

**Table 19: Food Service Fund Historical Performance**

Account Type	FY 2015-16	FY 2016-17	FY 2017-18
Total Operational Revenue	\$458,178.35	\$496,311.10	\$491,924.65
Total Operational Expenditures	\$460,762.47	\$522,841.38	\$528,102.58
<b>Revenues Over (Under) Expenses</b>	<b>(\$2,584.12)</b>	<b>(\$26,530.28)</b>	<b>(\$36,177.93)</b>
Transfers-In	N/A	\$7,000	\$41,000.00
Beginning Fund Balance	\$22,682.91	\$20,098.79	\$568.51
<b>Ending Fund Balance</b>	<b>\$20,098.79</b>	<b>\$568.51</b>	<b>\$5,390.58</b>
<b>Ending Fund Balance less Transfers</b>	<b>\$20,098.79</b>	<b>(\$6,431.49)</b>	<b>(\$35,609.42)</b>

Source: MLSD

As shown in **Table 19**, the Food Service Fund had negative results of operations in all three fiscal years examined, requiring transfers from the General Fund in order to avoid fund balance deficits in FY 2016-17 and FY 2017-18. While the transfers in FY 2016-17 and FY 2017-18 provided enough cash to avoid fund balance deficits, the Food Service Fund is on track to again require a General fund cash infusion, as the Food Service Fund was depleted to less than \$5,400 at the close of FY 2017-18.

Meals per labor hour is a common indicator of food service labor efficiency and is determined by taking the number of meal equivalents served in relation to the number of food preparation hours. **Table 20** shows the District's meals per labor hour for FY 2017-18 compared to benchmark data outlined in *School Food and Nutrition Service Management for the 21st Century* (Pannell-Martin and Boettger, 2014). It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

**Table 20: Labor Hours Comparison to Benchmark**

Building	Meal Equivalents Served per Day	Daily Labor Hours	Meals per Labor Hour (MPLH)	Industry Benchmark MPLH	Over / (Under) Industry Benchmark	Total Daily Labor Hours Required <sup>1</sup>	Daily Labor Hours Over / (Under) Industry Benchmark
Margaretta Elementary	370	23.5	15.7	16.0	(0.3)	23.1	0.4
Margaretta High School	432	34.0	12.7	17.0	(4.3)	25.4	8.6
<b>Total</b>	<b>802</b>	<b>57.5</b>	<b>28.4</b>	<b>33.0</b>	<b>(4.6)</b>	<b>48.5</b>	<b>9.0</b>

Source: MLSD and Pannell-Martin

<sup>1</sup> Based on the District's number of meal equivalents served per day.

As shown in **Table 20**, the District's daily labor hours exceeded the benchmark by 0.4 hours at the elementary school and 8.6 hours at the high school. Eliminating a district-wide total of 9.0 labor hours would reduce salary and benefits expenditures for food service operations and eliminate the Food Service Fund deficit.

The District should also assess additional ways to operate its food service program without the need for General Fund transfers, such as monitoring participation<sup>23</sup> and meal prices. *Best Practices Could Help School Districts Reduce Their Food Service Program Costs* (Florida Legislature's Office of Program Policy Analysis & Government Accountability, 2009), details strategies school districts can adopt to help reduce operational costs and/or increase revenues, including:

- Develop long term program plans;
- Reduce food costs – match food items to supplier stock items;
- Ensure staff has appropriate training;
- Share managers;
- Promote the food service program;
- Identify and reduce participation barriers; and
- Revise meal prices.

Given that the Food Service Fund has historically not been self-sufficient, MLSD should determine if any of the aforementioned practices could help decrease or eliminate the need for future General Fund subsidies.

**Financial Implication:** Eliminating 9.0 daily labor hours from the food service operation could save an average of **\$41,900** in salaries and benefits in each year of implementation over the forecasted period.<sup>24</sup> The value of each labor hour is calculated using actual salaries and benefits and projected increases of the least tenured food service positions. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more-tenured staff.

### **R.17 Make additional reductions to address the deficit**

Even after implementing all preceding recommendations, the District's October 2018 five-year forecast would still project a cumulative deficit of approximately \$3,259,200, or an annual average of approximately \$814,800.<sup>25</sup> To address the remaining gap, the District would need to consider additional cost saving measures, including those that would bring staffing levels below primary peer averages. The exact nature of these additional cost savings measures are at the discretion of District leadership and elected officials, with stakeholder input, but should be reflective of the necessity to uphold fiduciary responsibilities.

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<sup>23</sup> Participation rate is defined as the regular and free-reduced meals recipients as a percentage of eligible students. Increasing participation rates may optimize potential revenue.

<sup>24</sup> The value of the savings from this recommendation is projected to increase 4.2 percent annually for FY 2019-20 through FY 2022-23 to account for projected increases in salaries and benefits. Annual increases are included in the Cumulative Balance of Performance Audit Recommendations shown in **Table 3**. Benefits include medical, prescription drug, dental, life insurance, Medicare, retirement, retirement pick-up on the pick-up, and workers' compensation.

<sup>25</sup> Represents annual savings needed over the last four years of the forecast period.

The following four options represent decisions the District could make to address the remaining \$3,259,200 deficit over the forecast period. The implementation of a combination of these options would be sufficient to eliminate the deficit by the end of the forecast period.

- Eliminate 10.5 FTE general education teacher positions:** General education teachers instruct students in a regular classroom environment. OAC 3301-35- 05 requires the District-wide ratio of general education teacher to students to be at least 1.0 FTE classroom teacher for every 25 regular students.<sup>26</sup> While **Tables B-3** and **B-4** compare MLSD's general education teacher staffing level to the primary peer averages per 1,000 students, **Table 21** shows MLSD's general education teacher staffing level required to eliminate the remaining deficit based on its FY 2018-19 students to teacher ratio. It is important to project the impact that eliminating the remaining deficit will have on staffing levels.

**Table 21: General Education Teacher Comparison**

FY 2018-19 General Education FTEs		49.00	
Regular Student Population		951.70	
Staffing Ratio (Student : Teachers)		19.42	
	Staffing Ratio (Students : Teachers)	Proposed FTE Staffing	Proposed FTE Reduction
<b>Address Remaining Deficit</b>	<b>25.04</b>	<b>38.00</b>	<b>11.00</b>
State Minimum	25.00	38.07	10.93
<b>Proposed Action</b>	<b>24.72</b>	<b>38.50</b>	<b>10.50</b>

Source: MLSD and OAC

As shown in **Table 21**, the District would need to reduce 11.00 FTE general education teacher positions in order to fully address its remaining deficit. However, doing so would result in a staffing level below the State minimum requirement. Therefore, the District could reduce a maximum of 10.50 FTE general education teacher positions in an effort to partially address the remaining deficit. A decision to reduce staffing to a level near the State minimum is ultimately District management's responsibility based on the needs and desires of the stakeholders in the community, and any staffing decisions must be balanced with the fiduciary responsibility to adapt to financial realities and maintain a solvent operation. This option could be implemented in FY 2019-20.

Eliminating 10.50 FTE general education teacher positions could save the District an average of **\$782,000** annually over the forecast period,<sup>27</sup> and would partially address the remaining deficit. The financial implication is calculated using the actual salaries and benefits of the 10.50 FTE least tenured general education teaching positions. Estimated savings could increase if the reduction occurs through retirement or voluntary separation of more tenured staff.

<sup>26</sup> This category excludes teaching staff in other areas such as gifted, special education, and educational service personnel (ESP).

<sup>27</sup> The value of the savings from this recommendation was projected to increase by an average of 5.0 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, life insurance, Medicare, and retirement.



- **Implement a 13.5 percent across-the-board staff reduction:** While **R.3** through **R.8** address MLSD's staffing relative to the primary peer average, the District could make an additional 13.5 percent across-the-board staffing reduction to generate sufficient savings to offset the remaining deficit. **Table 22** shows the nature and savings of this staffing reduction for each staffing category. This provides the District with information necessary to evaluate staffing reductions and the potential savings associated with each.

**Table 22: Additional Staffing Reductions**

Category	Revised Total FTEs	FTEs after 13.5% Reduction	Rounded FTE Reduction	Avg. Annual Savings
Administrators <sup>1</sup>	9.06	7.84	1.00	\$118,671
Office Support	6.52	5.64	0.50	\$23,458
Educational	60.00	51.90	8.00	\$608,012
Operational <sup>2</sup>	11.00	9.52	1.00	\$73,227
Support	7.47	6.46	1.00	\$36,073
<b>Total</b>	<b>94.05</b>	<b>81.36</b>	<b>11.50</b>	<b>\$859,441</b>

Source: MLSD

<sup>1</sup> Administrators excludes the superintendent, treasurer, and special education supervisor.

<sup>2</sup> Transportation is excluded as staffing level needs were determined based on actual ridership and capacity relative to industry benchmarks. Further, food service staffing is excluded as the staffing reductions presented in **R.16** would be sufficient to cover the General Fund subsidy to the Food Service Fund. Since these employees are paid out of the Food Service Fund and not the General Fund, further reductions in staff would not impact the five-year forecast.

As shown in **Table 22**, an across-the-board staffing reduction of 13.5 percent would result in the elimination of an additional 11.50 FTEs. Eliminating these FTEs could save the District an average of approximately **\$859,400** in salaries and benefits annually over the forecast period.<sup>28</sup> This was calculated using salaries and benefits of the least tenured employees remaining after position reductions identified in **R.3** through **R.8**. Estimated savings could increase if the reductions occur through retirement or voluntary separation of higher salaries staff. Additionally, this option could be fully implemented in FY 2019-20. Although this option would eliminate the deficit, it could drastically change service levels within the District. Considering it with a combination of the options presented in this performance audit could enable the District to avoid operating deficits.

- **Implement a base and step freeze on all salaries for the remainder of the forecast:** The District's certificated CBA expires on August 31, 2019 and its classified CBA expires on June 30, 2019. Due to its financial condition, MLSD may need to consider implementing a base and step salary freeze for the remainder of the forecast period. The District's October 2018 five-year forecast assumes a 2.0 percent base increase and steps for all eligible staff for FY 2019-20 through FY 2022-23. **Table 23** shows the impact of implementing a base and step increase freeze for FY 2019-20 through FY 2022-23, after taking into account staff reductions previously identified. This analysis provides an indication of the impact of a wage freeze relative to the number of years it is in effect.

<sup>28</sup> The value of the savings from this recommendation was projected to increase by an average of 4.6 percent annually over the forecasted period to account for projected increases in salaries and benefits. Benefits include medical, prescription drug, dental, life insurance, Medicare, and retirement.

**Table 23: Impact of Base and Salary Freeze**

	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>
Salaries and Benefits with Base Increase and Steps	\$10,407,865	\$10,810,985	\$11,227,263	\$11,635,784
Salaries and Benefits with Base and Step Freeze	\$10,171,563	\$10,324,169	\$10,485,351	\$10,652,656
<b>Difference</b>	<b>\$236,302</b>	<b>\$486,816</b>	<b>\$741,912</b>	<b>\$983,128</b>
<b>Cumulative Savings</b>				<b>\$2,448,158</b>
<b>Average Annual Savings</b>				<b>\$612,040</b>

Source: MLSD

As shown in **Table 23**, implementing a salary freeze for the remainder of the forecast period could save the District an average of approximately **\$612,000** annually over the forecast period, which would partially address the remaining deficit. This option could be implemented in FY 2019-20, if negotiated by the District.

- **Eliminate the entire General Fund subsidy of extracurricular activities:** In FY 2017-18, the District's student extracurricular activities required subsidization from the General Fund in the amount of \$313,297 (see **Table B-2**). Steps to fully eliminate the General Fund subsidy of extracurricular activities include increasing pay to participate fees, increasing admissions and sales, increasing booster club spending, reducing the supplemental salary schedule, and/or eliminating programs. This action could save the District **\$313,200** annually over the forecast period.

Financial Implication: Eliminating 10.5 FTE general education teacher positions could save an average of **\$782,000** annually; making a 13.5 percent across-the-board staffing reduction could save an average of approximately **\$859,400** annually; implementing a base and step freeze for FY 2019-20 through FY 2022-23 could save an average of approximately **\$612,000** annually; and fully eliminating the General Fund subsidy of extracurricular activities could save **\$313,200** annually. The District should evaluate these options and determine the appropriate combination of the various options in order to address the remaining savings needed of **\$814,800** annually.

## Appendix A: Scope and Objectives

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

In consultation with ODE and the District, OPT identified the following scope areas for detailed review: Financial Management, Human Resources, Facilities, Transportation, and Food Service. Based on the agreed upon scope, OPT developed objectives designed to identify improvements to economy, efficiency, and / or effectiveness. **Table A-1** illustrates the objectives assessed in this performance audit and references the corresponding recommendation when applicable. Nine of the 21 objectives did not yield a recommendation (see **Appendix B** for additional information including comparisons and analyses that did not result in recommendations).

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

Objective	Recommendation
<b>Financial Management</b>	
Are the District's budgeting and forecasting practices consistent with leading practices and is the five-year forecast reasonable and supported?	N/A
Are the District's strategic planning practices consistent with leading practices?	N/A
Are the District's financial communication practices consistent with leading practices?	R.1
Are the District's open enrollment practices financially beneficial and are policies consistent with leading practices?	N/A
Is the District's General Fund subsidy of extracurricular activities appropriate in comparison to local peers and the District's financial condition?	R.17
Are the District's purchasing practices consistent with leading practices and appropriate based on the District's financial condition?	N/A
<b>Human Resources</b>	
Are the District's staffing levels appropriate in comparison to primary peers, state minimum standards, demand for services, and the District's financial condition?	R.3, R.4, R.5, R.6, R.7, R.8, and R.17
Are the District's salaries and wages appropriate in comparison to local peers and the District's financial condition?	R.17
Are the District's collective bargaining agreement provisions appropriate in comparison to local peers, minimums requirements, and the District's financial condition?	R.9
Are the District's insurance costs appropriate in comparison to other governmental entities within the local market and the District's financial condition?	R.10
<b>Facilities</b>	
Is the District's buildings utilization appropriate in comparison to leading practices, industry standards, and the District's financial condition?	R.11
Are the District's facilities staffing levels appropriate in comparison to leading practices, industry standards, and the District's financial condition?	N/A
Are the District's facilities expenditures appropriate in comparison to primary peers, leading practices, industry standards, and the District's financial condition?	N/A

Are the District's facilities temporary labor expenditures appropriate in comparison to primary peers, leading practices, industry standards, and the District's financial condition?	<b>N/A</b>
Are the District's facilities preventive maintenance practices consistent with leading practices and industry standards?	<b>R.12</b>
Are the District's capital planning practices consistent with leading practices and industry standards?	<b>R.13</b>
<b>Transportation</b>	
Is the District's fleet sized appropriately and routed efficiently in comparison to leading practices, industry standards, and the District's financial condition?	<b>R.14</b>
Is the District's fleet maintained efficiently and appropriately in comparison to transportation peers, leading practices, industry standards, and the District's financial condition?	<b>N/A</b>
Are the District's fuel procurement practices cost effective in comparison to DAS benchmarks and consistent with leading practices and industry standards?	<b>N/A</b>
Are the District's fleet replacement practices consistent with leading practices and industry standards and appropriate based on the District's financial condition?	<b>R.15</b>
<b>Food Service</b>	
Is the District's food service program operated in a manner that is consistent with leading practices and industry standards and appropriate based on the District's financial condition?	<b>R.16</b>

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

## Appendix B: Additional Comparisons

### *Open Enrollment*

**Table B-1** shows the District's cost to educate open enrollment students in comparison to the revenue generated by these students in FY 2017-18. This analysis illustrates the net revenue or loss generated by open enrollment.

**Table B-1: Costs and Revenue Attributed to Open Enrollment**

Total Students	1,159	
Open Enrollment Students	196	
Percentage of Open Enrollment Students	16.9%	
Expenditure Type	Total Cost	Open Enrollment Cost
Regular Instruction	\$5,638,916	\$954,646
Special Instruction <sup>1</sup>	\$2,447,728	\$187,761
Support Services Pupils	\$1,034,374	\$852
Support Services Instructional Staff	\$435,022	\$5,821
Support Services Administrative	\$1,272,367	\$24,837
Operation and Maintenance of Plant	\$1,469,642	\$29,697
Support Services Pupil Transportation	\$1,199,397	\$0
Support Services Central	\$230,453	\$0
Food Service Operation	\$526,780	\$89,182
Extracurricular Activities <sup>2</sup>	\$313,297	\$52,947
<b>Total Expenditures</b>	<b>\$14,567,976</b>	<b>\$1,345,743</b>
<b>Open Enrollment Revenue</b>		<b>\$1,491,538</b>
<b>Net Revenue/(Loss)</b>		<b>\$145,795</b>

Source: MLSD and ODE

<sup>1</sup> Open enrollment special education students accounted for approximately 18.0 percent of total special education students. However, this percentage was not applied to the Special Instruction expenditures for special education categories 3, 4, 5 and 6, as none of the special education open enrollment in FY 2017-18 fell into these categories.

<sup>2</sup> Open enrollment cost is based on the District's net cost of \$313,297 for extracurricular activities multiplied by the percentage of open enrollment students.

As shown in **Table B-1**, MLSD's net gain for educating open enrollment students was \$145,795 in FY 2017-18.

### *Extracurricular Activities*

**Table B-2** shows the District's net cost for student extracurricular activities in FY 2017-18 compared to the local peer average. This analysis illustrates the net revenue or loss generated by student extracurricular activities.

**Table B-2: Student Extracurricular Activity Net Cost Comparison**

	MLSD			Local Peer Avg.
Students	1,159			1,934
Activity Type	Rev.	Exp.	Net Cost	
Academic Oriented	\$0	\$62,778	(\$62,778)	(\$110,474)
Occupation Oriented	\$0	\$42,752	(\$42,752)	(\$30,988)
Sport Oriented	\$0	\$511,045	(\$511,045)	(\$547,705)
School & Public Service Co-Curricular	\$0	\$31,681	(\$31,681)	(\$70,029)
Bookstore Sales	\$0	N/A	\$0	\$0
Other Extracurricular	\$24,063	N/A	\$24,063	\$84,635
Non-specified <sup>1</sup>	\$393,620	N/A	\$393,620	\$95,320
Total	\$417,683	\$648,256	(\$230,573)	(\$579,241)
Total General Fund Direct Revenue			\$0.00	\$19,801
Total General Fund Direct Expenditures			\$313,297	\$544,441
Total General Fund Transfers			\$0.00	\$0.00
Total General Fund Subsidy of Extracurricular Activities			\$313,297	\$524,640
Total General Fund Subsidy of Extracurricular Activities per Pupil			\$270	\$271
Total Difference in General Fund Subsidy to Local Peer Average			(\$1,159)	
Remaining General Fund Subsidy			\$313,297	

Source: MLSD, local peers, and ODE

<sup>1</sup> Non-specified represents revenue that was not coded to a specific activity type, but does reduce the net cost.

As shown in **Table B-2**, MLSD's net cost for student extracurricular activities of (\$313,297) was lower than the local peer average of (\$524,640) in FY 2017-18. The District's extracurricular net cost was also slightly lower than the local peer average when normalized on a per pupil basis.

### Staffing

MLSD's FY 2018-19 FTE staffing levels by category are shown in **Chart 1** and **Chart 2**.<sup>29</sup> Analyses of staffing levels that resulted in recommendations include: eliminate 2.5 FTE central office administrator positions (see **R.3**), eliminate 0.5 FTE building administrator position (see **R.4**), eliminate 0.5 FTE tutor/small group instructor position (see **R.5**), eliminate 1.5 FTE building office support staff positions (see **R.6**), eliminate 1.0 FTE messenger position (see **R.7**), and eliminate 4.0 FTE monitor positions (see **R.8**). Staffing comparisons where the analysis did not result in a recommendation are presented for informational purposes below. Staffing comparisons show total FTEs only when the evaluation of the category as a whole is relevant.

<sup>29</sup> The individual positions within each staffing category in **Chart 2** are explained in detail within section 3.9 of the *EMIS Reporting Manual* (ODE, 2017).

## Teaching Staff

**Table B-3** shows MLSD's FY 2018-19 teaching staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

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

Students	MLSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	1,111		1,131	(20)	
Students Educated (thousands)	1.111		1.131	(0.020)	
Position	MLSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs Per 1,000 Students	Total Above/ (Below) <sup>2</sup>
General Education	49.00	44.10	46.66	(2.56)	(2.84)
Gifted and Talented	0.00	0.00	0.44	(0.44)	(0.49)
Career-Technical Programs/Career Pathways	1.50	1.35	1.55	(0.20)	(0.22)

Source: MLSD and primary peers

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

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

As shown in **Table B-3**, MLSD employs fewer FTE teaching staff than the primary peer average in all teaching categories.

**Table B-4** shows MLSD's FY 2018-19 K-8 art, music, and physical education teaching staff per 1,000 students compared to the primary peer average for FY 2017-18. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table B-4: K-8 Art/Music/Physical Education Teaching Staff Comparison**

Students	MLSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	781		784	(3)	
Students Educated (thousands)	0.781		0.784	(0.003)	
Position	MLSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs Per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Art Education K-8	1.00	1.28	1.59	(0.31)	(0.24)
Music Education K-8	1.00	1.28	2.12	(0.84)	(0.66)
Physical Education K-8	1.00	1.28	1.70	(0.42)	(0.33)

Source: MLSD and primary peers

<sup>1</sup> Reflects K-8 students receiving educational services from the District and excludes the percent of time students are receiving educational services outside of the District.

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

As shown in **Table B-4**, MLSD employs fewer FTE K-8 art, music, and physical education teaching staff than the primary peer average in all categories.

### Non-Teaching Educational Staff

**Table B-5** shows a comparison of the District's FY 2018-19 non-teaching educational staffing compared to the FY 2017-18 primary peer average per 1,000 students. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.



**Table B-5: Non-Teaching Educational Staff Comparison**

Students	MLSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	1,111		1,131	(20)	
Students Educated (thousands)	1.111		1.131	(0.020)	
Position	MLSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Curriculum Specialist	0.00	0.00	0.14	(0.14)	(0.16)
Counseling	3.00	2.70	2.81	(0.11)	(0.12)
Remedial Specialist	0.00	0.00	1.02	(1.02)	(1.13)
Tutor/Small Group Instructor	1.00	0.90	0.37	0.53	0.59
Full-time (Permanent) Substitute Teacher	0.00	0.00	0.04	(0.04)	(0.04)
Other Educational	0.00	0.00	0.64	(0.64)	(0.71)

Source: MLSD and primary peers

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

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

As shown in **Table B-5**, MLSD employs fewer non-teaching educational staff than the primary peer average in the curriculum specialist, counseling, remedial specialist, full-time (permanent) substitute teacher, and other educational categories. Higher non-teaching educational staff was identified in the tutor/small group instructor category. Analysis of the non-teaching educational staff that resulted in a recommendation includes the elimination of 1.0 FTE tutor/small group instructor position (see **R.5**).

### Professional Staff

**Table B-6** shows a comparison of the District's FY 2018-19 professional staffing compared to the FY 2017-18 primary peer average per 1,000 students. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

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

Students	MLSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	1,111		1,131	(20)	
Students Educated (thousands)	1.111		1.131	(0.020)	
Position	MLSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Psychologist	1.00	0.90	0.48	0.42	0.47
Planning/Research/Development/Evaluation/Analysis	0.00	0.00	0.11	(0.11)	(0.12)

Source: MLSD and primary peers

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

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

As shown in **Table B-6**, although MLSD is slightly higher than the primary peer average in the psychologist category, the variance did not warrant a recommendation. In addition, MLSD does not employ staff in the planning/research/development/evaluation/analysis category.

### Technical Staff

**Table B-7** shows a comparison of the District's FY 2018-19 technical staff compared to the FY 2017-18 primary peer average per 1,000 students. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

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

Students	MLSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	1,111		1,131	(20)	
Students Educated (thousands)	1.111		1.131	(0.020)	
Position	MLSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Computer Operating	0.00	0.00	0.33	(0.33)	(0.37)

Source: MLSD and primary peers

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

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

As shown in **Table B-7**, MLSD does not employ staff in the computer operating category.

### Central Office Support Staff

**Table B-8** shows a comparison of the District's FY 2018-19 central office clerical staff compared to the FY 2017-18 primary peer average per 1,000 students. Comparing staffing in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table B-8: Central Office Support Staff Comparison**

Students	MLSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	1,111		1,131	(20)	
Students Educated (thousands)	1.111		1.131	(0.020)	
Position	MLSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Administrative Assistant	0.00	0.00	0.22	(0.22)	(0.24)
Accounting	0.00	0.00	0.33	(0.33)	(0.37)
Bookkeeping	2.00	1.80	0.77	1.03	1.14
Central Office Clerical	0.38	0.34	1.55	(1.21)	(1.34)
Records Managing	0.00	0.00	0.28	(0.28)	(0.31)
<b>Total</b>	<b>2.38</b>	<b>2.14</b>	<b>3.15</b>	<b>(1.01)</b>	<b>(1.12)</b>

Source: MLSD and primary peers

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

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

As shown in **Table B-8**, MLSD employs fewer central office support staff than the primary peer average. MLSD does not employ staff in the administrative assistant, accounting, and records managing categories.

### Library Staff

**Table B-9** shows the District's FY 2018-19 library staff compared to the FY 2017-18 primary peer average per 1,000 students. Comparing library staff in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table B-9: Library Staff Comparison**

Students	MLSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	1,111		1,131	(20)	
Students Educated (thousands)	1.111		1.131	(0.020)	
Position	MLSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Librarian/Media	0.00	0.00	0.33	(0.33)	(0.37)
Library Aide	1.00	0.90	1.14	(0.24)	(0.27)
<b>Total</b>	<b>1.00</b>	<b>0.90</b>	<b>1.47</b>	<b>(0.57)</b>	<b>(0.63)</b>

Source: MLSD and primary peers

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

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

As shown in **Table B-9**, MLSD employs fewer library staff than the primary peer average. MLSD does not employ staff in the librarian/media category.

### Nursing Staff

**Table B-10** shows the District's FY 2018-19 nursing staff compared to the FY 2017-18 primary peer average per 1,000 students. Comparing nursing staff in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table B-10: Nursing Staff Comparison**

Students	MLSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	1,111		1,131	(20)	
Students Educated (thousands)	1.111		1.131	(0.020)	
Position	MLSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Registered Nursing	0.00	0.00	0.40	(0.40)	(0.44)
Practical Nursing	0.00	0.00	0.10	(0.10)	(0.11)
<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>0.50</b>	<b>(0.50)</b>	<b>(0.56)</b>

Source: MLSD and primary peers

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

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

As shown in **Table B-10**, MLSD does not employ nursing staff. Instead, the District contracts for nursing services through the Erie County Health Department.

**Table B-11** shows the District's FY 2018-19 classroom support staff compared to the FY 2017-18 primary peer average per 1,000 students. Comparing classroom support staff in relation to student population normalizes the effect of district sizes on raw staffing numbers.

**Table B-11: Classroom Support Staff Comparison**

Students	MLSD		Primary Peer Avg.	Difference	
Students Educated <sup>1</sup>	1,111		1,131	(20)	
Students Educated (thousands)	1.111		1.131	(0.020)	
Position	MLSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs per 1,000 Students	Total Above/ (Below) <sup>2</sup>
Instructional Paraprofessional	0.00	0.00	0.44	(0.44)	(0.49)
Teaching Aide	5.60	5.04	4.18	0.86	0.96
<b>Total</b>	<b>5.60</b>	<b>5.04</b>	<b>4.62</b>	<b>0.42</b>	<b>0.47</b>

Source: MLSD and primary peers

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

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

As shown in **Table B-11**, although MLSD employs slightly more classroom support staff than the primary peer average, the variance did not warrant a recommendation. While the District's

teaching aide staff level is higher than the peers, higher staffing in this category allows for a lower teaching staff level (see **Table B-3**), as teaching aides provide support in the classroom and therefore can alleviate some duties of classroom teachers. MLSD does not employ staff in the instructional paraprofessional category.

### *Salaries and Compensation*

**Table B-12** shows the District's salary schedules for certificated and classified staff employees over the course of a 30-year career in comparison to the local peers. Comparing compensation regionally is important, as it takes local factors affecting the labor market into consideration.

**Table B-12: Career Compensation Comparison**

Certificated				
	MLSD	Local Peer Avg.	Difference	% Difference
Bachelors	\$1,642,430	\$1,630,480	\$11,950	0.7%
Masters	\$1,907,100	\$1,884,560	\$22,540	1.2%
Classified Staff <sup>1</sup>				
	MLSD	Local Peer Avg.	Difference	% Difference
Cook <sup>2</sup>	\$658,924	\$651,171	\$7,753	1.2%
Head Custodian <sup>3</sup>	\$1,219,738	\$1,267,998	(\$48,260)	(3.8%)
Custodian	\$450,267	\$466,920	(\$16,653)	(3.6%)
Bus Driver	\$691,649	\$692,518	(\$869)	(0.1%)
Aides	\$1,077,029	\$1,241,585	(\$164,556)	(13.3%)

Source: MLSD and local peers

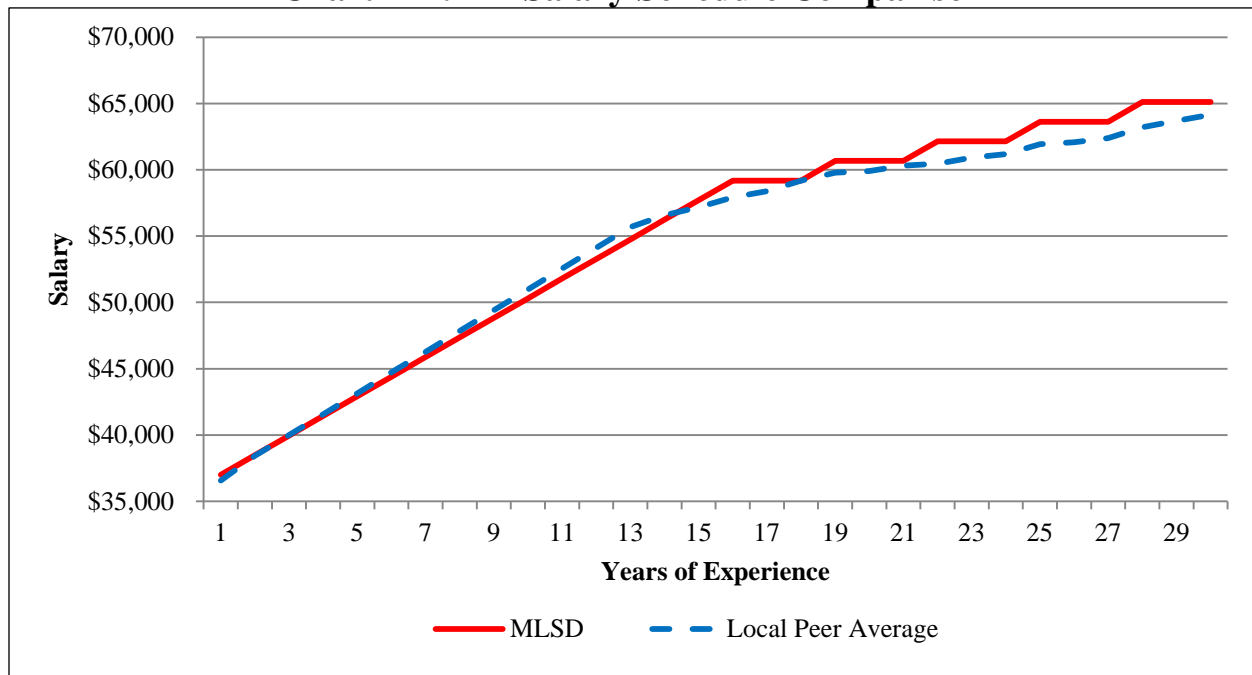
<sup>1</sup> Monroeville LSD was excluded as it does not have a classified collective bargaining agreement.

<sup>2</sup> Clyde-Green Springs EVSD was excluded as it did not have a comparable salary schedule.

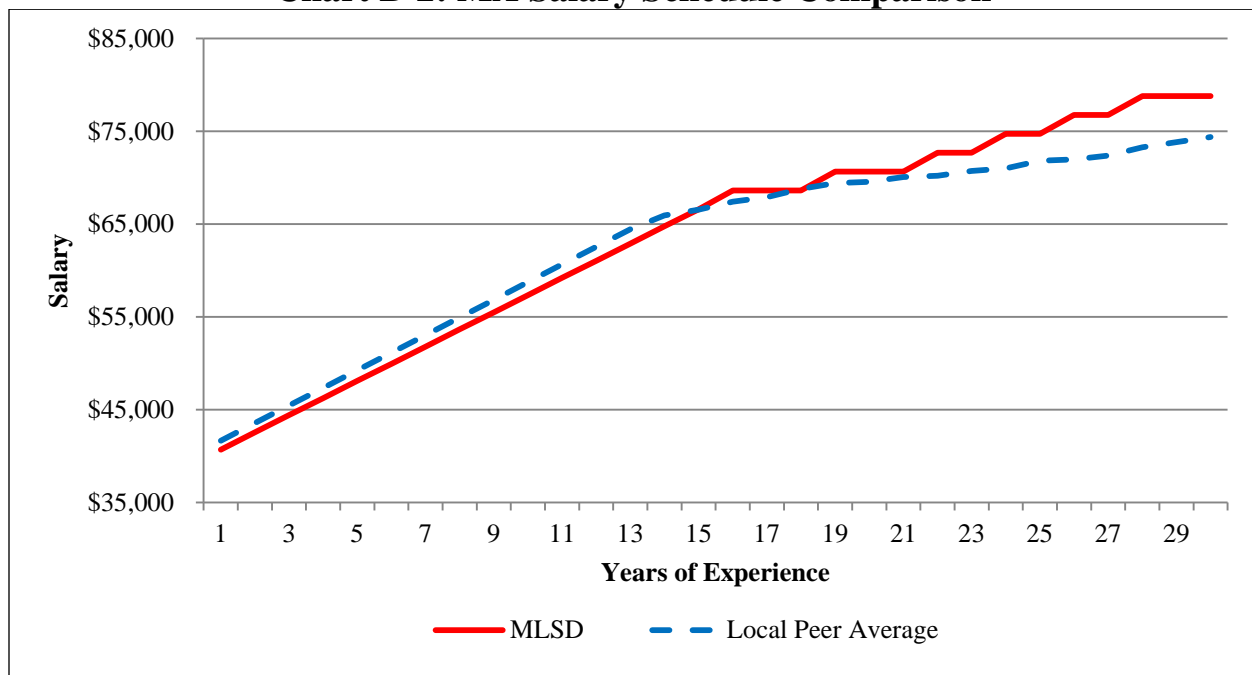
<sup>3</sup> Port Clinton CSD was excluded as it did not have a comparable salary schedule.

As shown in **Table B-12**, the District's career compensation for certificated employees is in line with the local peer average for each category. Career compensation for classified employees is lower than the local peer average in all categories with the exception of the cook classification, which is only 1.2 percent higher.

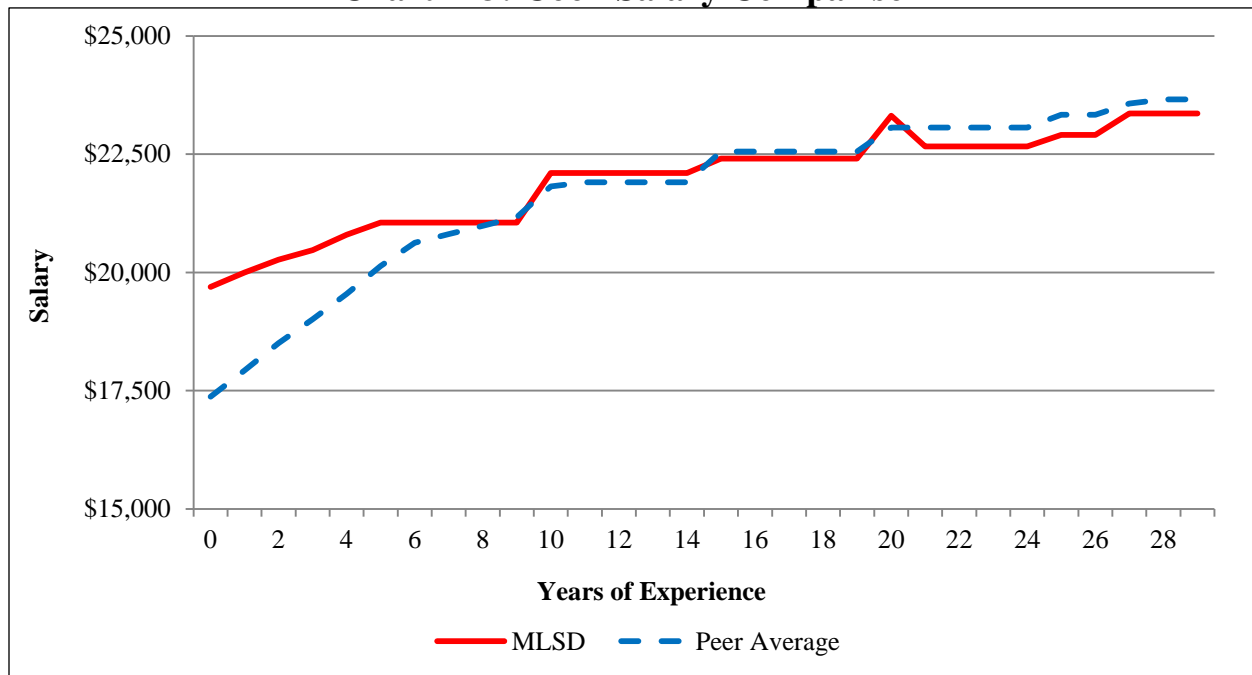
**Chart B-1** through **Chart B-7** show comparisons of MLSD's certificated and classified salary schedules to the local peer averages for FY 2018-19. It is important to examine the beginning salaries and steps in the pay schedule to identify the cause of any variation relative to the local peer districts. For classified staff, total hourly rates refer to the rate of pay plus any longevity payments.

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

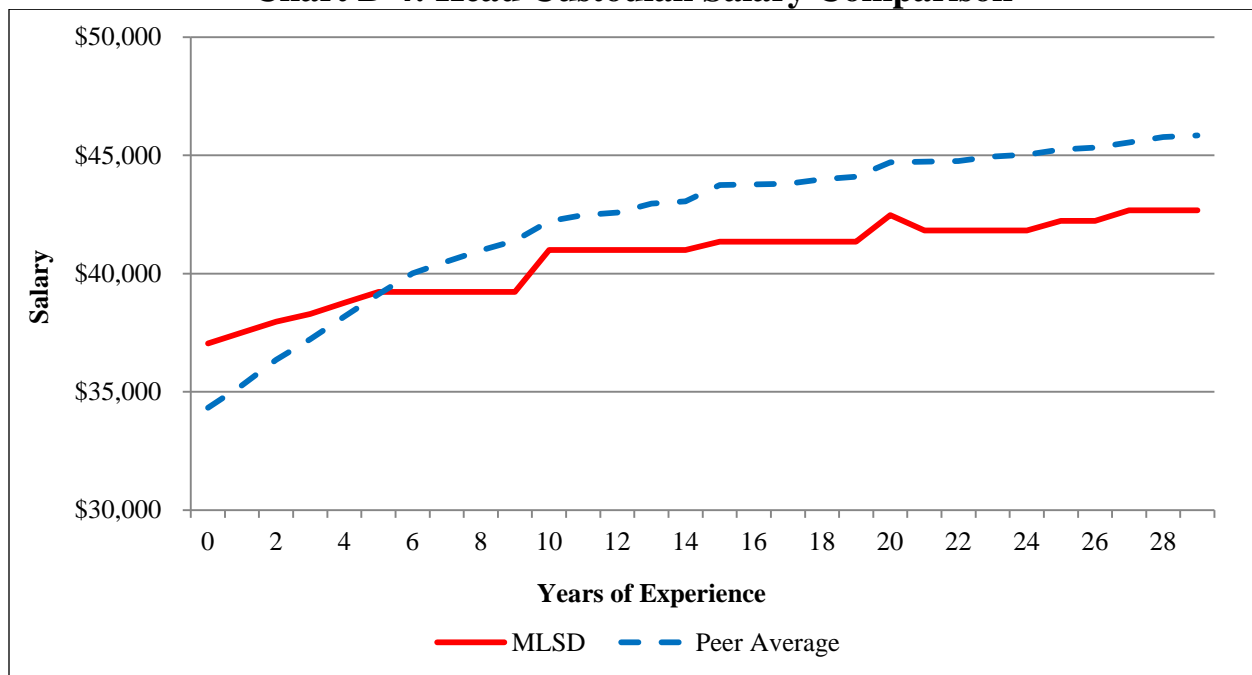
Source: MLSD and local peers

**Chart B-2: MA Salary Schedule Comparison**

Source: MLSD and local peers

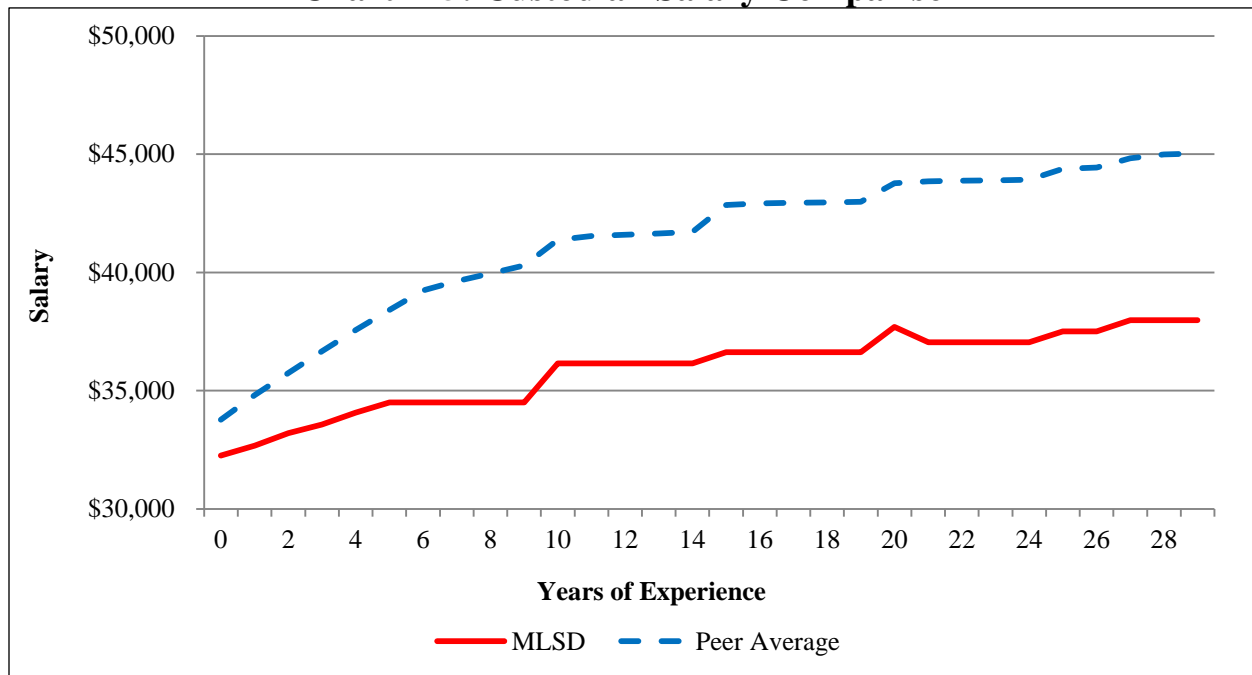
**Chart B-3: Cook Salary Comparison**

Source: MLSD and local peers

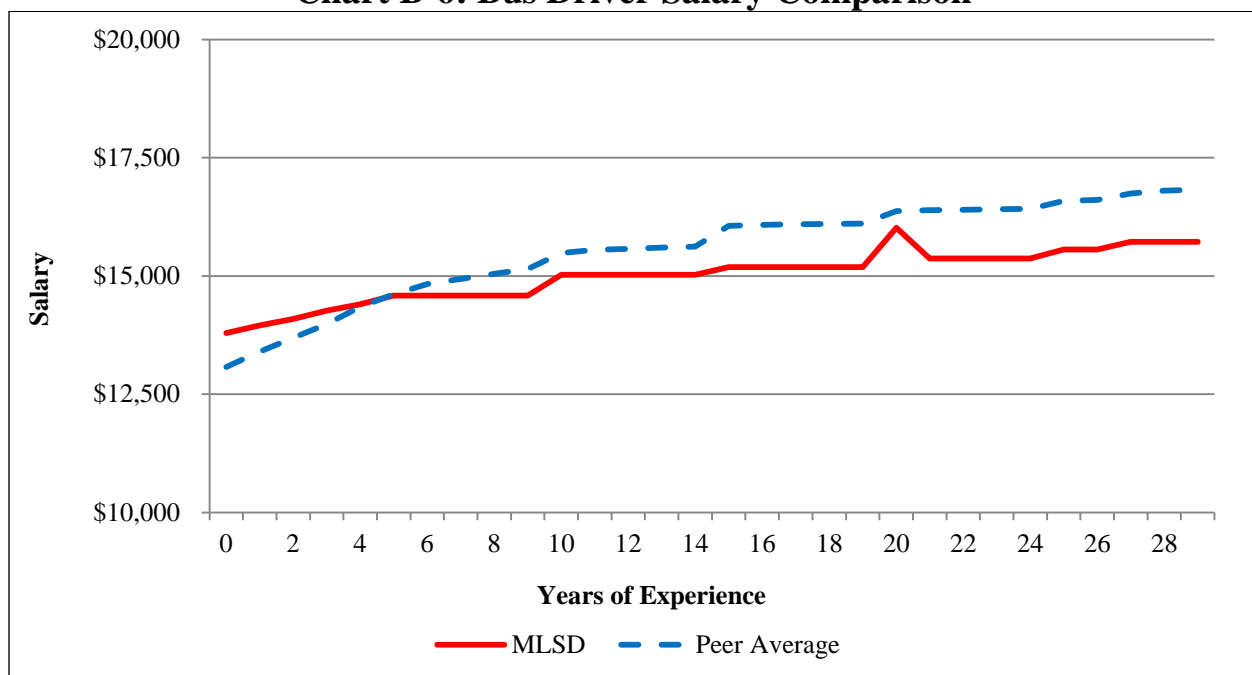
**Chart B-4: Head Custodian Salary Comparison**

Source: MLSD and local peers

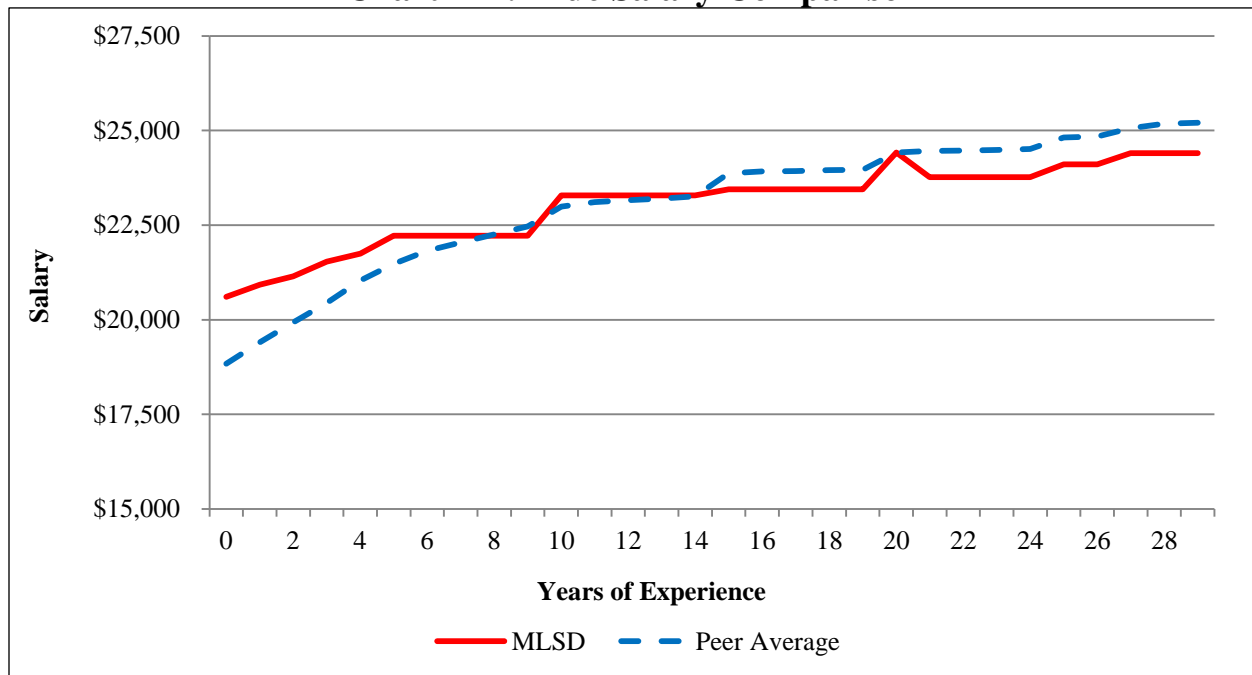


**Chart B-5: Custodian Salary Comparison**

Source: MLSD and local peers

**Chart B-6: Bus Driver Salary Comparison**

Source: MLSD and local peers

**Chart B-7: Aide Salary Comparison**

Source: MLSD and local peers

As shown in **Chart B-1** through **Chart B-7**, both of MLSD's certificated salary schedules begin at a lower rate than the local peer average and end at a higher rate over the course of the respective 30-year careers. The District's classified staff salary schedules all begin at a higher rate than the local peer average, and, with the exception of custodians, end at a lower rate.

### *Sick Leave Severance*

**Table B-13** shows the District's maximum financial liability for sick leave severance by position, in comparison to its projected liability resulting from bringing its CBA provisions for sick leave payouts in line with the ORC minimums (see **R.9**). This analysis provides an indication of the District's maximum sick leave severance exposure compared to the minimum levels required.

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

<b>Certificated Employees</b>						
	<b>Final Daily Rate of</b>	<b>CBA Maximum</b>	<b>Maximum Payout</b>	<b>ORC Minimum</b>	<b>Pay Out at ORC</b>	<b>Difference</b>
BA	\$353.83	75	\$26,537.25	30	\$10,614.90	\$15,922.35
CERT+18	\$380.97	75	\$28,572.75	30	\$11,429.10	\$17,143.65
MA	\$428.22	75	\$32,116.50	30	\$12,846.60	\$19,269.90
MA+12	\$438.27	75	\$32,870.25	30	\$13,148.10	\$19,722.15
<b>Average Certificated Difference</b>						<b>\$18,014.51</b>
<b>Classified Employees</b>						
Cashier / Cook-Assistant /	\$113.75	70	\$7,962.50	30	\$3,412.50	\$4,550.00
Cook	\$118.56	70	\$8,299.20	30	\$3,556.80	\$4,742.40
Custodian III	\$147.52	70	\$10,326.40	30	\$4,425.60	\$5,900.80
Custodian II / Groundskeeper	\$164.80	70	\$11,536.00	30	\$4,944.00	\$6,592.00
Head Custodian I	\$165.60	70	\$11,592.00	30	\$4,968.00	\$6,624.00
Groundskeeper / Maintenance	\$167.12	70	\$11,698.40	30	\$5,013.60	\$6,684.80
Bus Driver	\$171.52	70	\$12,006.40	30	\$5,145.60	\$6,860.80
Fleet Mechanic Skilled /	\$187.28	70	\$13,109.60	30	\$5,618.40	\$7,491.20
Aide (Bus, Educational,	\$128.78	70	\$9,014.60	30	\$3,863.40	\$5,151.20
Mail Route Carrier	\$15.53	70	\$1,087.10	30	\$465.90	\$621.20
<b>Average Classified Difference</b>						<b>\$5,521.84</b>

Source: MLSD and ORC

As shown in **Table B-13**, MLSD employees are entitled to receive severance payouts for more days at retirement than the ORC minimum. Specifically, on average the District will pay out an additional \$18,000 for certificated employees and \$5,500 for classified employees. Adjusting payouts to the ORC minimum could decrease the District's future severance liability.

### *Medical Insurance*

MLSD is self-insured and is a participating member in the Huron-Erie School Employees health insurance consortium. The District offers single and family plans for medical/prescription drug (health), dental, and vision insurance coverage to eligible employees.<sup>30</sup> The District's insurance coverage, plan components, and employer/employee contribution levels are included in the collective bargaining agreements. As of November 2018, 127 employees were enrolled in District health insurance plans.

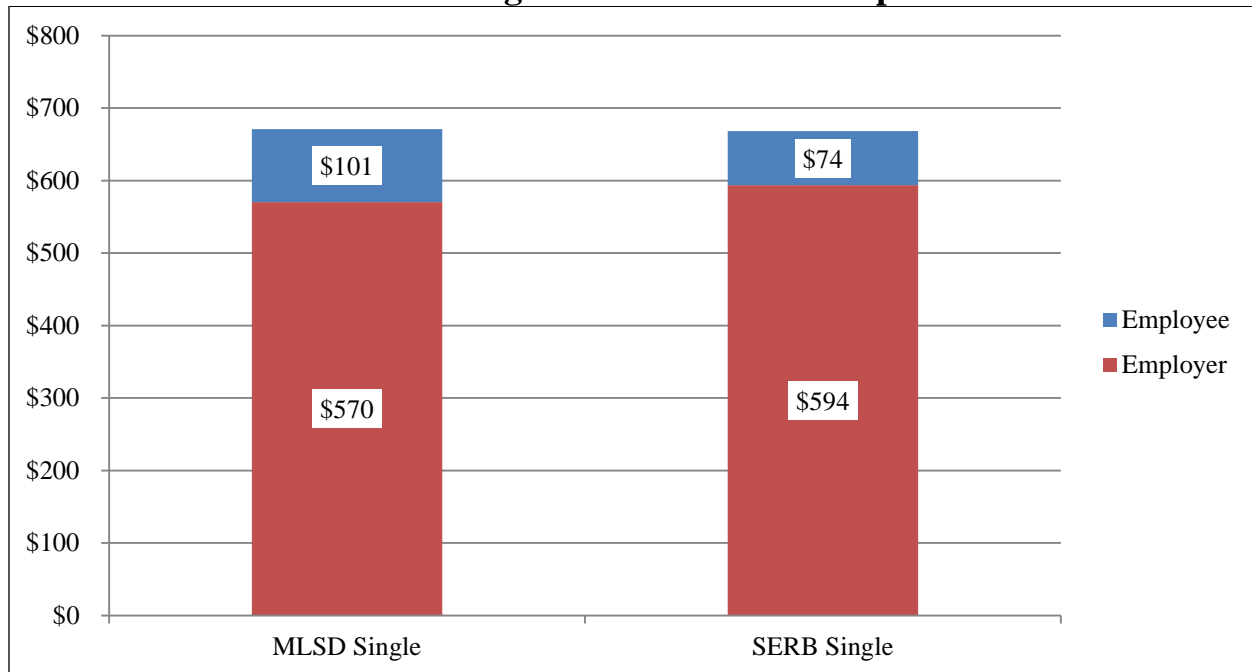
In gauging the relative cost of insurance, it is important to compare to other entities in the geographical area. The Ohio State Employment Relations Board (SERB) surveys public sector entities concerning medical, dental, and vision insurance costs and publishes this information annually in *Health Insurance: The Cost of Health Insurance in Ohio's Public Sector* (SERB, 2017).<sup>31</sup> **Charts B-8 and B-9** use this SERB data, and show MLSD's monthly health insurance premiums and contributions for FY 2018-19 as compared to the FY 2017-18 Erie County

<sup>30</sup> Per the classified CBA, employees contracted for a minimum of 120 days per year are eligible for insurance benefits.

<sup>31</sup> SERB does not publish inflationary information that is directly calculable for vision insurance. Therefore, no inflationary factor is included in this analysis.

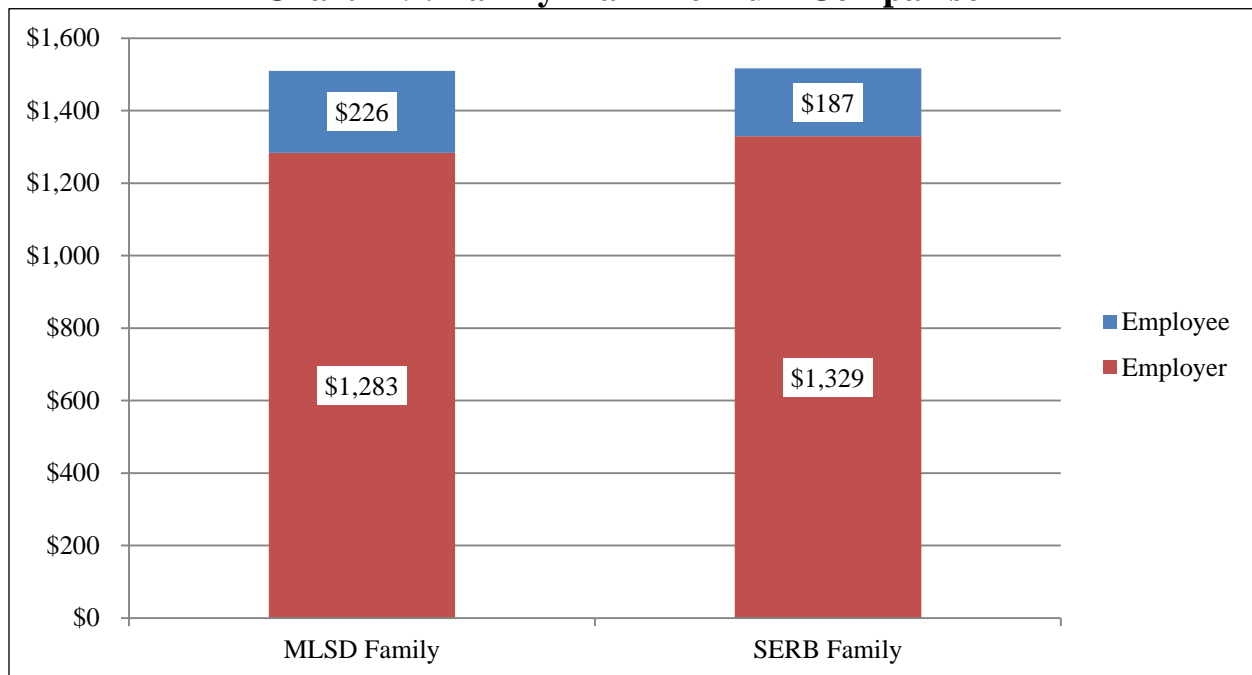
average for other self-insured plans. This is important as it highlights the appropriateness of each individual plan premium in comparison to other entities in Erie County.

**Chart B-8: Single Plan Premium Comparison**



Source: MLSD and SERB

**Chart B-9: Family Plan Premium Comparison**



Source: MLSD and SERB

As shown in **Chart B-8** and **Chart B-9**, MLSD's single and family plan total health insurance premiums are in line with the Erie County average for self-insured entities. Furthermore, the District's employer cost is lower than the Erie County average for both the single and family premiums, while its employee costs for the premiums are higher, signifying that MLSD employees pay a higher portion of their single and family premiums relative to the Erie County average.

**Table B-14** shows MLSD's key health insurance plan design elements, by plan type, as compared to the Erie County average. This comparison is important as insurance costs are recognized as sensitive to local conditions, and other comparable plans in the county provide the most appropriate benchmarks for relative price competitiveness.

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

	MLSD	SERB Self Insured	Difference
<b>Copayments</b>			
Office Visit	\$25	\$24	\$1
Urgent Care Visit	\$40	\$35	\$5
Emergency Room Visit	\$100	\$98	\$2
<b>Deductible</b>			
<b>In-Network</b>			
<i>Family</i>	\$1,000	\$1,082	(\$82)
<i>Single</i>	\$500	\$564	(\$64)
<b>Out-of-Network</b>			
<i>Family</i>	\$1,000	\$1,118	(\$118)
<i>Single</i>	\$500	\$582	(\$82)
<b>Out-of-Pocket Maximum</b>			
<b>In-Network</b>			
<i>Family</i>	\$3,000	\$2,836	\$164
<i>Single</i>	\$1,500	\$1,391	\$109
<b>Out-of-Network</b>			
<i>Family</i>	\$6,000	\$5,582	\$418
<i>Single</i>	\$3,000	\$2,736	\$264
<b>Coinsurance</b>			
<b>In-Network</b>	\$90	\$75	\$15
<b>Out-of-Network</b>	\$70	\$90	(\$20)

Source: MLSD and SERB

As shown in **Table B-14**, MLSD's single and family, in-network and out-of-network copays are slightly more than the Erie County averages. Also, the District's in-network and out-of-network deductibles are lower than the Erie County averages and out-of-pocket maximums for both in-network and out-of-network are higher than the Erie County averages.

**Table B-15** shows MLSD's total employer cost of health insurance for FY 2018-19 as compared to the Erie County average for other self-insured plans. This is important as it provides context for the potential savings available through bringing total employer cost in line with the Erie County average.

**Table B-15: Medical Insurance Employer Cost Comparison**

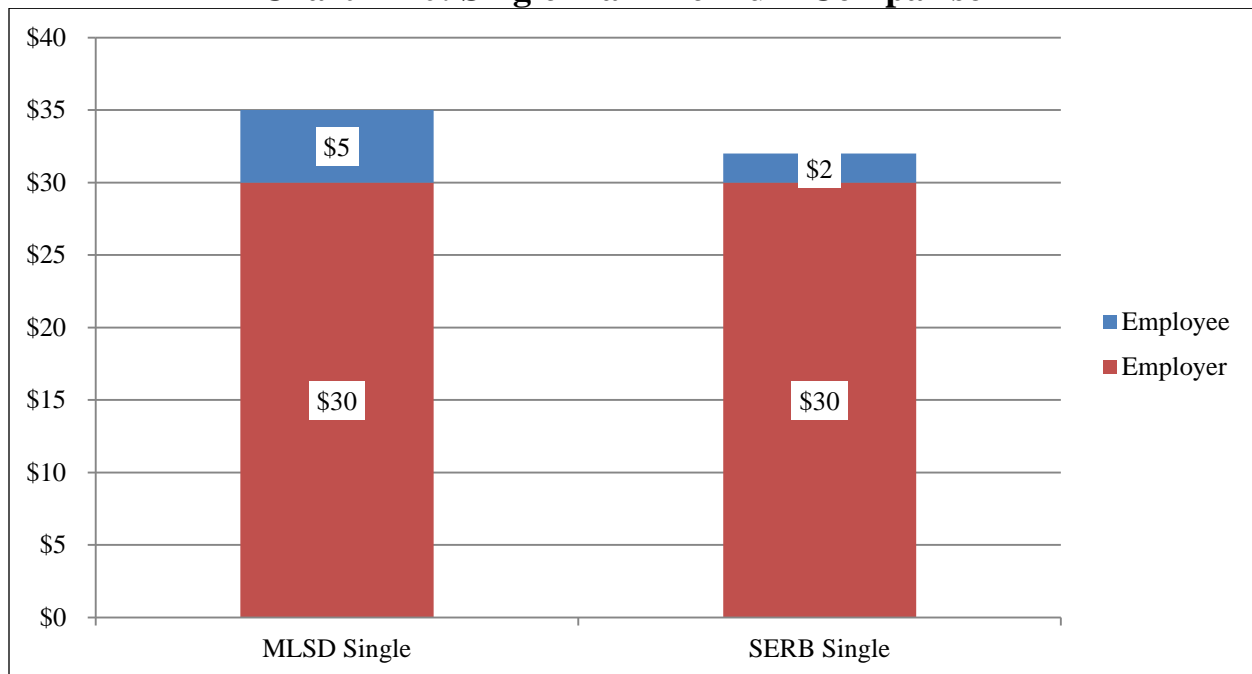
MLSD Employees Enrolled by Type		
Single		41
Family		86
Plan Type	MLSD Annual Employer Costs <sup>32</sup>	Erie County Avg. Self-Insured Entities
Single	\$280,440	\$292,248
Family	\$1,324,056	\$1,371,528
<b>Single Plan Annual Difference per Employee</b>		<b>(\$288)</b>
<b>Family Plan Annual Difference per Employee</b>		<b>(\$552)</b>

Source: MLSD and SERB

As shown in **Table B-15**, MLSD's annual employer cost of health insurance is lower than the Erie County average for self-insured entities.

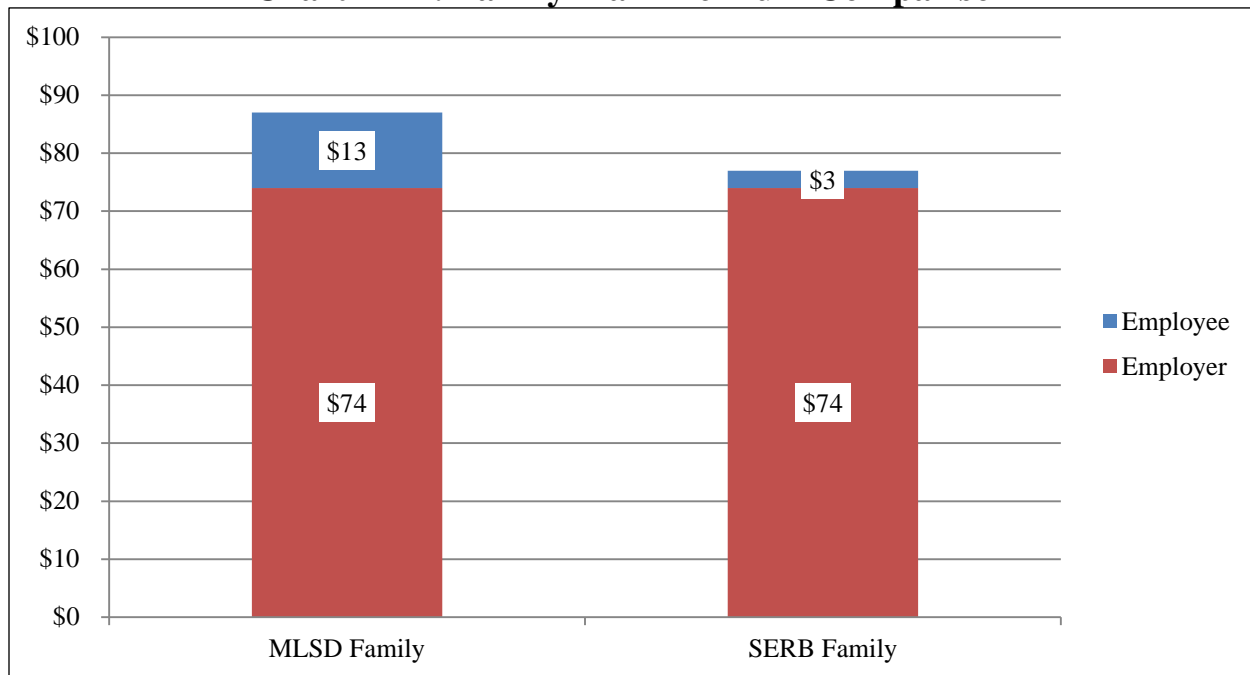
### *Dental Insurance*

**Charts B-10** and **B-11** show MLSD's monthly dental insurance premiums and contributions for FY 2018-19 as compared to the FY 2017-18 Erie County average for other self-insured plans. This is important as it highlights the appropriateness of each individual plan premium in comparison to other entities in Erie County.

**Chart B-10: Single Plan Premium Comparison**

Source: MLSD and SERB

<sup>32</sup> Reflects the number of enrolled employees multiplied by the portion of the premium paid by the District.

**Chart B-11: Family Plan Premium Comparison**

Source: MLSD and SERB

As shown in **Chart B-10** and **Chart B-11**, MLSD's single and family plan total dental insurance premiums are slightly higher than the respective Erie County averages for self-insured entities. However, the District's employer cost is in line with the Erie County average for both the single and family premiums as a result of higher employee cost shares for the premiums relative to the Erie County average.

### *Facilities*

**Table B-16** shows the District's FY 2017-18 facilities operating costs per square foot compared to the primary peer average. Comparing expenditures per square foot gives an indication of the cost effectiveness of the District's facility operations as it normalizes size variances between districts.

**Table B-16: Facilities Expenditures per Square Foot Comparison**

	MLSD	Peer Average	Difference	% Difference
Salaries and Wages	\$2.20	\$1.81	\$0.39	21.5%
Employee Benefits	\$0.92	\$0.79	\$0.13	16.5%
Purchased Services (Excluding Utilities)	\$0.60	\$0.91	(\$0.31)	(34.1%)
Utilities	\$0.85	\$1.05	(\$0.20)	(19.0%)
Supplies & Materials	\$0.48	\$0.34	\$0.14	41.2%
Capital Outlay	\$0.11	\$0.11	(\$0.00)	(0.0%)
Other Objects	\$0.00	\$0.05	(\$0.05)	(100%)
<b>Total Expenditures per Square Foot</b>	<b>\$5.16</b>	<b>\$5.06</b>	<b>\$0.10</b>	<b>2.0%</b>

Source: MLSD, ODE, and primary peers.

As shown in **Table B-16**, the District's total facilities expenditures per square foot were generally consistent with the primary peer average.

**Table B-17** shows the District's FY 2018-19 buildings and grounds staffing compared to industry benchmarks established by the NCES<sup>33</sup> and the AS&U<sup>34</sup>. It is important to compare and monitor staffing using workload measures in order to determine proper staffing levels and maintain efficiency.

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<sup>33</sup> The NCES is the primary federal entity for collecting, analyzing, and reporting data related to education in the US and other nations and publishes a planning guide for maintaining school facilities.

<sup>34</sup> The AS&U is a trade organization focused on school facility management which published school facility management related survey data collected during the period 2005 to 2009.



**Table B-17: Buildings & Grounds Staffing Comparison**

<b>Grounds Staffing</b>	
Grounds FTEs	1.3
Acreage Maintained	56.0
AS&U Benchmark - Acres per FTE	40.2
Benchmarked Staffing Need	1.4
<b>Grounds FTEs Above/(Below) Benchmark</b>	<b>(0.1)</b>
<b>Custodial Staffing</b>	
Custodial FTEs	6.9
Square Footage Cleaned <sup>1</sup>	248,510
NCES Level 3 Cleaning Benchmark - Median Square Footage per FTE <sup>2</sup>	29,500
Benchmarked Staffing Need	8.4
<b>Custodial FTEs Above/(Below) Benchmark</b>	<b>(1.5)</b>
<b>Maintenance Staffing</b>	
Maintenance FTEs	2.3
Square Footage Maintained	252,260
AS&U Benchmark - Square Footage per FTE	94,872
Benchmarked Staffing Need	2.7
<b>Maintenance FTEs Above/(Below) Benchmark</b>	<b>(0.4)</b>
<b>Total Buildings &amp; Grounds Staffing</b>	
Total FTEs Employed	10.5
Total Benchmarked Staffing Need	12.5
<b>Total FTEs Above/(Below) Benchmark</b>	<b>(2.0)</b>

Source: MLSD, AS&U, and NCES

Note: The table does not include the square footage associated with the Townsend Community School or the corresponding B&G staff specifically assigned to clean and/or maintain it.

<sup>1</sup> The 3,750 square foot bus garage facility is not regularly cleaned by the Building and Grounds staff, and so was therefore excluded from custodial staffing analysis.

<sup>2</sup> According to NCES, Level 3 cleaning is the norm for most school facilities. It is acceptable to most stakeholders and does not pose any health issues.

As shown in **Table B-17**, MLSD's buildings and grounds staffing levels are below the established benchmarks in total and in each functional category.

**Table B-18** shows the District's regular and non-regular salaries and wages as a percent of total salaries and wages compared to the primary peer average for buildings and grounds employees (custodians, facility maintenance staff, and groundskeepers) in FY 2017-18. Comparing expenditures as a percent of the total normalizes the effect of district sizes on expenditure totals.

**Table B-18: Buildings & Grounds Salaries & Wages Comparison**

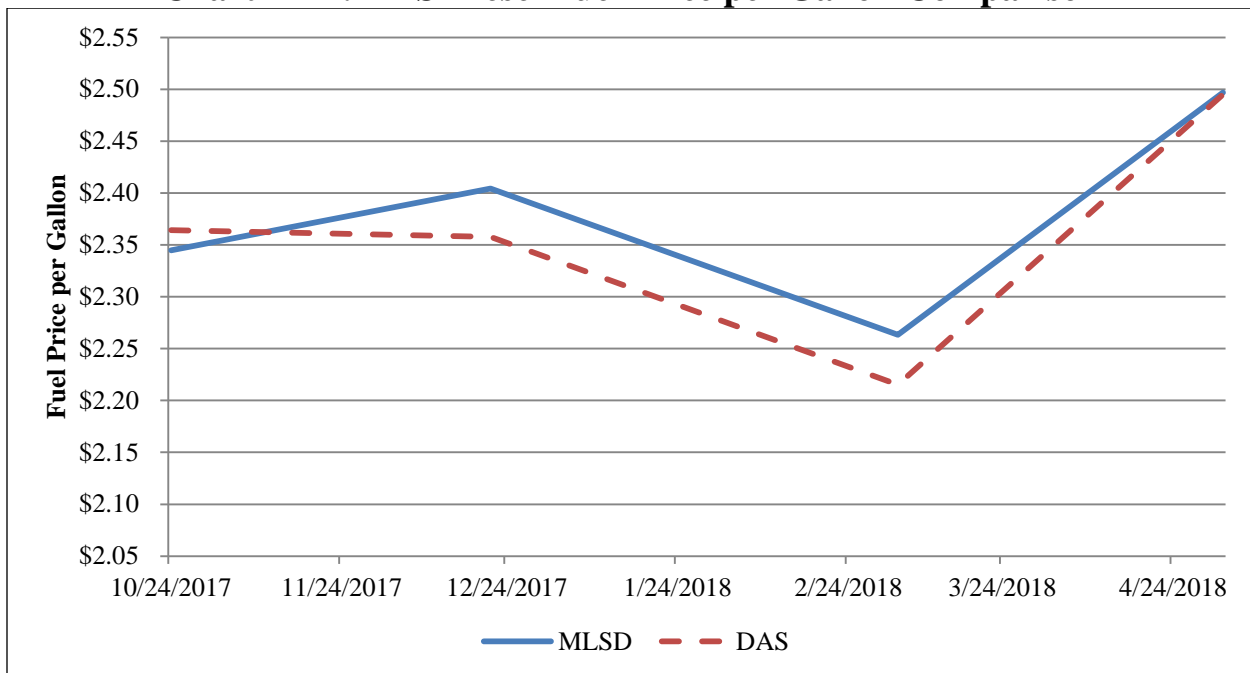
Salary & Wages Category	MLSD	Primary Peer Average	Difference
Regular	88.6%	88.6%	(0.0%)
Non-Regular			
Temporary	9.3%	8.9%	0.4%
Supplemental	0.0%	0.1%	(0.1%)
Overtime	2.1%	2.5%	(0.4%)
Other	0.0%	0.0%	0.0%
<b>Non-Regular As % of Total Salaries &amp; Wages</b>	<b>11.4%</b>	<b>11.5%</b>	<b>(0.1%)</b>

Source: MLSD and primary peers

As shown in **Table B-18**, the District's regular and non-regular salaries and wages as a percent of total salaries and wages were consistent with the primary peer averages.

### Transportation

**Chart B-12** shows how the pricing obtained by the District for diesel fuel over the course of FY 2017-18 compares to the pricing offered through the DAS Cooperative Purchasing Program (CPP) on corresponding dates of purchase. This is important as it provides further detail regarding what the District paid for fuel and what it could have paid had it exercised the option to purchase through the CPP.

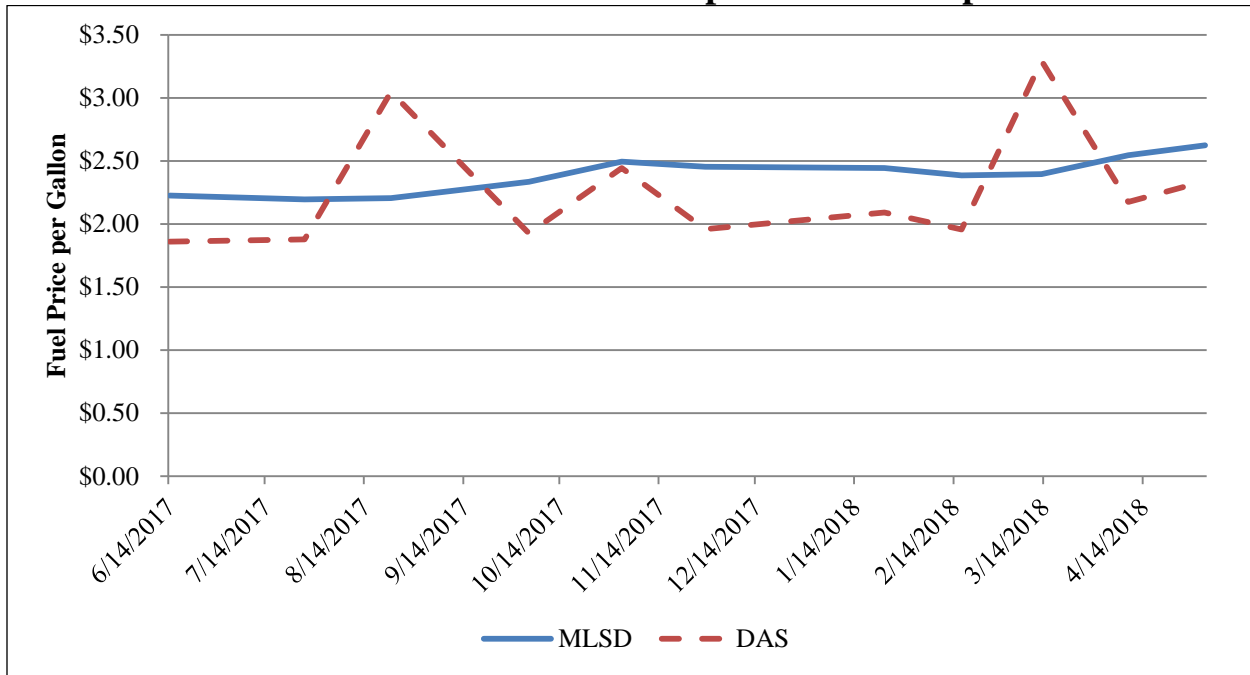
**Chart B-12: DAS Diesel Fuel Price per Gallon Comparison**

Source: MLSD and DAS

As shown in **Chart B-12**, the District's diesel fuel purchases were in alignment with the CPP over the course of FY 2017-18.

**Chart B-13** shows how the pricing obtained by the District for gasoline over the course of FY 2017-18 compared to the pricing offered through the DAS CPP on corresponding dates of purchase.

**Chart B-13: DAS Gasoline Price per Gallon Comparison**



Source: MLSD and DAS

Note: The CPP charges a \$200 minimum quantity fee for purchases of less than 250 gallons. The District did not purchase the minimum volume of gasoline on 8/22/17 and 3/13/18, so the minimum quantity charges are reflected in the chart for those respective dates.

As shown in **Chart B-13**, the District's gasoline purchases were slightly higher than the CPP over the course of FY 2017-18.

**Table B-19** shows a comparison of the District's total fuel cost in FY 2017-18 compared to what it could have been if fuel was purchased through the CPP. This is important as it highlights the financial significance of the District's current fuel purchasing practice.

**Table B-19: Annual Fuel Cost Comparison**

	<b>MLSD</b>	<b>DAS CPP</b>	<b>Difference</b>	<b>% Difference</b>
Diesel Fuel Expenditure	\$70,602	\$70,034	\$568	0.8%
Gasoline Expenditure	\$7,535	\$6,870	\$665	9.7%
CPP Membership Fee	N/A	\$100	(\$100)	N/A
<b>Total Cost</b>	<b>\$78,137</b>	<b>\$77,004</b>	<b>\$1,133</b>	<b>1.5%</b>
			<b>Net Savings</b>	<b>\$1,100</b>

Source: MLSD and DAS

Note: The gasoline expenditures based on the CPP pricing includes \$200 minimum quantity fees for the gasoline purchase dates of 8/22/17 and 3/13/18.

As shown in **Table B-19**, the District's fuel expenditure was generally consistent with what it would have spent by utilizing the CPP. Specifically, the District spent a difference of 1.5 percent, or approximately \$1,100 more, for fuel in FY 2017-18 in comparison to the CPP offering.

# Appendix C: Five-Year Forecasts

**Chart C-1** shows MLSD's May 2018 five-year forecast and **Chart C-2** shows the District's October 2018 five-year forecast.

**Chart C-1: MLSD May 2018 Five-Year Forecast**

Line	Actual			Forecasted				
	2015	2016	2017	2018	2019	2020	2021	2022
1.010 General Property (Real Estate)	4,940,193	5,129,010	5,089,509	5,152,258	5,229,542	4,844,391	4,003,421	4,094,536
1.020 Tangible Personal Property Tax	593,990	597,356	624,887	645,789	655,476	589,091	542,900	597,927
1.035 Unrestricted Grants-in-Aid	4,169,161	4,314,188	4,691,602	4,543,075	4,543,075	4,543,075	4,543,075	4,543,075
1.040 Restricted Grants-in-Aid	54,836	136,098	297,006	85,135	85,986	86,846	87,715	88,592
1.050 Property Tax Allocation	2,082,374	1,893,226	1,678,395	1,541,899	1,433,360	1,278,309	1,026,765	944,860
1.060 All Other Operating Revenue	2,251,413	2,599,229	3,198,777	3,403,961	3,423,080	3,491,134	3,524,063	3,455,160
1.070 Total Revenue	14,091,967	14,669,107	15,580,176	15,372,117	15,370,519	14,832,846	13,727,939	13,724,150
2.050 Advances-In	2,100	753,800	9,894	5,778	10,000	5,000	5,000	5,000
2.060 All Other Financial Sources	62	164						
2.070 Total Other Financing Sources	2,162	753,964	9,894	5,778	10,000	5,000	5,000	5,000
2.080 Total Revenues and Other Financing Sources	14,094,129	15,423,071	15,590,070	15,377,895	15,380,519	14,837,846	13,732,939	13,729,150
3.010 Personnel Services	6,826,660	7,128,320	7,669,969	8,158,051	8,275,445	8,473,703	8,643,177	8,816,041
3.020 Employees' Retirement/Insurance Benefits	2,726,831	2,967,344	3,089,347	3,337,110	3,384,789	3,383,388	3,620,225	3,873,641
3.030 Purchased Services	3,178,231	3,318,955	3,358,050	3,333,440	3,272,577	3,338,029	3,404,790	3,472,885
3.040 Supplies and Materials	641,522	467,294	590,804	797,779	496,640	506,573	516,704	527,038
3.050 Capital Outlay	169,640	180,905	242,799	103,828	15,000	15,000	15,000	15,000
4.055 Debt Service: Principal - Other	109,000	113,000	443,000	447,000	462,000	483,000	498,000	144,000
4.060 Debt Service: Interest and Fiscal Charges	94,267	105,814	112,204	119,571	113,433	85,627	63,245	55,483
4.300 Other Objects	209,344	224,480	211,333	100,910	213,267	215,650	203,056	210,487
4.500 Total Expenditures	13,955,495	14,506,112	15,717,506	16,397,689	16,233,151	16,500,970	16,964,197	17,114,575
5.010 Operational Transfers - Out	4,665	94	22,000	25,000	25,000	25,000	25,000	25,000
5.020 Advances - Out	3,800	762,000	5,778	10,000	5,000	5,000	5,000	5,000
5.040 Total Other Financing Uses	8,465	762,094	27,778	35,000	30,000	30,000	30,000	30,000
5.050 Total Expenditure and Other Financing Uses	13,963,960	15,268,206	15,745,284	16,432,689	16,263,151	16,530,970	16,994,197	17,144,575
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	130,169	154,865	-155,214	-1,054,794	-882,632	-1,693,123	-3,261,258	-3,415,425
7.010 Beginning Cash Balance	2,343,339	2,473,508	2,628,373	2,473,159	1,418,365	535,733	-1,157,391	-4,418,649
7.020 Ending Cash Balance	2,473,508	2,628,373	2,473,159	1,418,365	535,733	-1,157,391	-4,418,649	-7,834,074
8.010 Outstanding Encumbrances				100,000	95,000	90,000	100,000	105,000
10.010 Fund Balance June 30 for Certification of Appropriations	2,473,508	2,628,373	2,473,159	1,318,365	440,733	-1,247,391	-4,518,649	-7,939,074
11.020 Property Tax - Renewal or Replacement						605,088	1,724,641	1,724,641
11.300 Cumulative Balance of Replacement/Renewal Levies						605,088	2,329,729	4,054,370
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	2,473,508	2,628,373	2,473,159	1,318,365	440,733	-642,303	-2,188,920	-3,884,704
15.010 Unreserved Fund Balance June 30	2,473,508	2,628,373	2,473,159	1,318,365	440,733	-642,303	-2,188,920	-3,884,704

Source: MLSD and ODE

**Chart C-2: MLSD October 2018 Five-Year Forecast**

Line	Actual			Forecasted				
	2016	2017	2018	2019	2020	2021	2022	2023
1.010 General Property (Real Estate)	5,129,010	5,089,509	5,119,059	5,170,249	4,740,342	3,766,379	3,273,268	3,380,449
1.020 Tangible Personal Property Tax	597,356	624,887	675,387	682,140	589,091	542,900	597,927	551,044
1.035 Unrestricted Grants-in-Aid	4,314,188	4,691,602	4,606,704	4,689,184	4,759,522	4,806,717	4,854,379	4,902,511
1.040 Restricted Grants-in-Aid	136,098	297,006	77,460	78,710	79,891	81,089	82,306	83,540
1.050 Property Tax Allocation	1,893,226	1,678,395	1,541,050	1,431,387	1,339,388	1,266,289	1,206,072	1,156,834
1.060 All Other Operating Revenue	2,599,229	3,198,777	3,554,901	3,328,848	3,362,137	3,412,644	3,463,908	3,515,942
1.070 Total Revenue	14,669,107	15,580,176	15,574,560	15,380,519	14,870,370	13,876,018	13,477,861	13,590,320
2.050 Advances-In	753,800	9,894			5,000	5,000	5,000	5,000
2.060 All Other Financial Sources	164							
2.070 Total Other Financing Sources	753,964	9,894			5,000	5,000	5,000	5,000
2.080 Total Revenues and Other Financing Sources	15,423,071	15,590,070	15,574,560	15,380,519	14,875,370	13,881,018	13,482,861	13,595,320
3.010 Personnel Services	7,128,320	7,669,969	8,191,161	8,349,333	8,516,320	8,686,646	8,860,379	9,037,587
3.020 Employees' Retirement/Insurance Benefits	2,967,344	3,089,347	3,329,291	3,384,789	3,486,333	3,730,376	3,991,502	4,270,907
3.030 Purchased Services	3,318,955	3,358,050	3,402,136	3,292,577	3,325,503	3,358,758	3,392,345	3,426,269
3.040 Supplies and Materials	467,294	590,804	745,008	506,640	516,773	527,108	537,650	548,403
3.050 Capital Outlay	180,905	242,799	107,228	15,000	15,000	15,000	15,000	15,000
4.055 Debt Service: Principal - Other	113,000	443,000	447,000	462,000	483,000	498,000	144,000	149,000
4.060 Debt Service: Interest and Fiscal Charges	105,814	112,204	119,404	102,846	85,627	67,745	55,483	49,007
4.300 Other Objects	224,480	211,333	207,781	183,267	215,650	223,106	230,637	238,244
4.500 Total Expenditures	14,506,112	15,717,506	16,549,008	16,296,452	16,644,204	17,106,739	17,226,997	17,734,417
5.010 Operational Transfers - Out	94	22,000	44,658	25,000	25,000	25,000	25,000	25,000
5.020 Advances - Out	762,000	5,778		5,000	5,000	5,000	5,000	5,000
5.040 Total Other Financing Uses	762,094	27,778	44,658	30,000	30,000	30,000	30,000	30,000
5.050 Total Expenditure and Other Financing Uses	15,268,206	15,745,284	16,593,667	16,326,452	16,674,204	17,136,739	17,256,997	17,764,417
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	154,865	-155,214	-1,019,106	-945,933	-1,798,834	-3,255,721	-3,774,137	-4,169,097
7.010 Beginning Cash Balance	2,473,507	2,628,372	2,473,158	1,454,052	508,118	-1,290,716	-4,546,437	-8,320,573
7.020 Ending Cash Balance	2,628,372	2,473,158	1,454,052	508,118	-1,290,716	-4,546,437	-8,320,573	-12,489,670
8.010 Outstanding Encumbrances				25,000	25,000	25,000	25,000	25,000
10.010 Fund Balance June 30 for Certification of Appropriations	2,628,372	2,473,158	1,454,052	483,118	-1,315,716	-4,571,437	-8,345,573	-12,514,670
11.020 Property Tax - Renewal or Replacement					581,480	1,660,744	2,158,527	2,158,527
11.300 Cumulative Balance of Replacement/Renewal Levies					581,480	2,242,224	4,400,752	6,559,279
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	2,628,372	2,473,158	1,454,052	483,118	-734,235	-2,329,213	-3,944,822	-5,955,391
15.010 Unreserved Fund Balance June 30	2,628,372	2,473,158	1,454,052	483,118	-734,235	-2,329,213	-3,944,822	-5,955,391

Source: MLSD and ODE

## **Client Response**

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The letter that follows is the District's official response to the performance audit. Throughout the audit process, staff met with District officials to ensure substantial agreement on the factual information presented in the report. When the District disagreed with information contained in the report, and provided supporting documentation, revisions were made to the audit report.

# **Margaretta Local School District**

Mr. Dennis Mock, Superintendent  
Mrs. Diane Keegan, Treasurer



*February 19, 2019*

**Keith Faber, Auditor**  
**Office of the Auditor of State**  
**88 East Broad Street, 5th Floor**  
**Columbus, Ohio 43215**

*The Margaretta Board of Education would like to thank you and the audit team, led by Cody E. Koch and his team, for partnering and conducting the requested Performance Audit. The Performance Audit, will assist our District in reducing expenditures, improving the efficiency of programs and services by providing options and recommendations to balance the 5-year budget.*

*Results of the Margaretta Local School District (MLSD) Performance Audit will be presented by members of Ohio Auditor Keith Faber's staff during a Special Closed Meeting of the MLSD Board of Education on Tuesday, February 19, 2019 at 5:00 PM in the Board Office. Performance Audits provide school board members with an objective third-party analysis of their operations to help improve performance, reduce costs and make informed, data-driven decisions. The audit will provide cost savings options and recommendations to sustain and balance future budgets.*

*In addition, the District has implemented several of the recommendation via attrition as the 2018-19 school year has progressed (bus driver, custodial). The results of the Special Closed Meeting will be shared at March 18, 2019 Board meeting at 6:30 PM. With the presentation of these results, the District will use this Performance Audit as part of our roadmap to continue to be fiscal stewards of our community's tax dollars.*

*In summary, the Margaretta Board of Education wishes to acknowledge the partnership formed with the audit team. This process has yielded insights that will benefit the Board, Superintendent and Treasurer in determining staffing plans and services in order to sustain a balanced budget.*

*Support from our voters on our Renewal levy on May 7, 2019 remains critical.*

**Regards,**

**Andy Warner, Board President**

**Dennis Mock Superintendent**

**Diane Keegan, Treasurer**



# OHIO AUDITOR OF STATE KEITH FABER



**MARGARETTA LOCAL SCHOOL DISTRICT**

**ERIE COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 21, 2019**