



Dave Yost • Auditor of State



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To the residents, elected officials, management, and stakeholders of the Lockland Local School District,

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

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

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

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

Sincerely,

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

Dave Yost
Auditor of State

September 11, 2014

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Executive Summary

Purpose and Scope of the Audit

The Ohio Department of Education (ODE) requested and funded this performance audit of the Lockland Local School District (LLSD or the District). ODE requested this performance audit with the goal of improving LLSD’s financial condition through an objective assessment of the economy, efficiency, and effectiveness of the District’s operations and management. See **Table 1** in **Background** for a full explanation of the District’s financial condition.

The following scope areas were selected for detailed review and analysis in consultation with the District, including financial management, human resources, facilities, transportation, preschool, athletics, and special education. See **Appendix A: Scope and Objectives** for detailed objectives developed to assess operations and management in each scope area.

Performance Audit Overview

The United States Government Accountability Office develops and promulgates Government Auditing Standards that provide 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. These standards require that OPT plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. OPT believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

This performance audit provides 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.

Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the various divisions internally and externally, and reviewed and assessed available information. Assessments were performed using criteria from a number of sources including; peer comparison, surrounding district comparisons, industry standards, leading practices, statutory authority, and applicable policies and procedures.

In consultation with the District, the following 10 Ohio school districts were identified as peers: Arcadia Local School District (Hancock County), Botkins Local School District and Fairlawn

Local School District (Shelby County), Cedar Cliff Local School District (Greene County), Edgerton Local School District and Edon-Northwest Local School District (Williams County), Hardin Northern Local School District (Hardin County), Newton Local School District (Miami County), Old Fort Local School District (Seneca County), and Pettisville Local School District (Fulton County). Where reasonable and appropriate, peer districts were used for comparison.

Some operational areas, including employee compensation and benefits, can be impacted by factors outside District management's direct control, such as geographic location and surrounding district competition. For this reason, LLSD was compared to a select group of eight districts in Hamilton County, referred to as the surrounding districts. These districts include: Deer Park Community City School District, Finneytown Local School District, Mt. Healthy City School District, North College Hill City School District, Norwood City School District, Princeton City School District, Reading Community City School District, and St. Bernard-Elmwood Place City School District.

Finally, industry standards or leading practices were used for primary comparison in some operational areas. Sources of industry standards or leading practices used in this audit include: the Ohio Department of Education (ODE), the State Employment Relations Board (SERB), the Ohio Administrative Code (OAC), the Ohio Revised Code (ORC), the School Employees Retirement System (SERS), the State Teachers Retirement System (STRS), the National State Auditors Association (NSAA), the National Center for Education Statistics (NCES), the Government Finance Officers Association, Hamilton County Education Service Center (HCESC), the Ohio Governor's Office, the Ohio Association of EMIS Professionals, and the Hamilton/Clermont Cooperative Association.

The performance audit involved information sharing with the District, including drafts of findings and recommendations related to the identified audit areas. Periodic status meetings were conducted throughout the engagement to inform the District of key issues impacting selected areas, and share proposed recommendations. 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 Lockland 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.

Summary of Recommendations

Recommendations	Savings
R.1 Eliminate 2.0 FTE administrative positions	\$149,400
R.2 Eliminate 2.0 FTE office/clerical positions	\$58,600
R.3 Eliminate 6.0 FTE general education teaching positions	\$270,100
R.4 Eliminate 2.0 FTE educational service personnel (ESP) positions	\$90,000
R.5 Increase employee contributions to health insurance premiums	\$45,700
R.6 Discontinue the retirement fringe benefit offered to administrative employees	\$53,000
R.7 Renegotiate provisions within the collective bargaining agreements (CBAs)	N/A
R.8 Pursue shared services opportunities	N/A
R.9 Discontinue in-house preschool services	\$78,700
R.10 Determine the cost benefit of purchasing services vs. providing in-house services	N/A
R.11 Reduce sports-oriented extracurricular expenditures	\$31,000
R.12 Improve the accuracy of EMIS data	N/A
R.13 Accurately record transportation and facilities expenditures	N/A
Cost Savings Adjustments¹	\$21,800
Total Cost Savings from Performance Audit Recommendations	\$754,700

¹ Cost savings from certain recommendations are mutually exclusive. The order in which these recommendations are implemented may impact other recommendations and in turn will influence total savings. This cost savings adjustment assumes that the District will implement all staffing reductions (**R.1, R.2, R.3, and R.4**) prior to implementing health insurance changes (**R.5**). Detailed information concerning the individual financial implications is contained in the respective recommendation within the performance audit.

The following table shows the District’s ending fund balances as projected in its October 2013 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.

Financial Forecast with Performance Audit Recommendations

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Original Ending Fund Balance	\$70,175	(\$207,384)	(\$413,402)	(\$503,385)	(\$460,496)
Cumulative Balance of Performance Audit Recommendations ¹			\$761,556	\$1,529,188	\$2,303,085
Revised Ending Fund Balance	\$70,175	(\$207,384)	\$348,154	\$1,025,803	\$1,842,589

Source: LLSLD October 2013 five-year forecast and performance audit recommendations

Note: Although the District should seek to implement recommendations as soon as practicable there may be a reasonable delay in doing so. As a result, cost savings have been applied to FY 2015-16 through FY 2017-18 only.

¹The cost savings estimated in FY 2015-16 slightly exceeds the total of all the financial implications because the employee benefit portion of savings was inflated by 3.0 percent to reflect the District’s forecasted increases in health insurance. These forecasted increases are taken into consideration each year of the forecasted period and adjustments to OPT’s estimated savings were made.

While the performance audit recommendations are based on the District’s operations during FY 2013-14, implementation of all recommendations may not be achievable until FY 2015-16. If LLSLD implements the recommendations within the performance audit, it is estimated that the deficit projected in FY 2017-18 would be eliminated and the District would achieve a positive fund balance of approximately \$1.8 million.

Background

Financial Status

On November 26, 2013 LLSLD was placed in fiscal caution by ODE based on its October 2013 Five Year Forecast which projected General Fund deficits beginning in FY 2014-15. **Table 1** summarizes this forecast.

Table 1: LLSLD Financial Condition Overview (October 2013)

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Total Revenue	\$6,611,142	\$6,707,607	\$6,851,787	\$7,042,574	\$7,252,403
Total Expenditure	\$7,114,555	\$6,985,166	\$7,057,805	\$7,132,557	\$7,209,514
Results of Operations	(\$503,413)	(\$277,559)	(\$206,018)	(\$89,983)	\$42,889
Beginning Cash Balance	\$1,148,588	\$645,175	\$367,616	\$161,598	\$71,615
Ending Cash Balance	\$645,175	\$367,616	\$161,598	\$71,615	\$114,504
Encumbrances	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
Reservations	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Ending Fund Balance	\$70,175	(\$207,384)	(\$413,402)	(\$503,385)	(\$460,496)

Source: LLSLD October 2013 five-year forecast

As shown in **Table 1**, the District's forecast projects a deficit of over \$207,000 in FY 2014-15. The deficit condition continues each year over the forecasted period and is projected to result in a cumulative deficit of over \$460,000 by FY 2017-18. This deficit is due in part to expenditures projected to exceed revenues in the first four years of the forecasted period. While the ending cash balance remains positive each year, negative ending fund balances are largely due to projected reservations of \$500,000 set aside to ensure funds are available for emergencies and potential need for General Fund transfers to cover deficits in other District funds.¹

Eliminating future fund balance deficits can be accomplished by decreasing expenditures, increasing revenue, or a combination of both. Management control over operating decisions can directly affect expenditures. Consequently, LLSLD's operations and related expenses were examined by OPT in an effort to identify areas of potential cost savings for the District. If LLSLD's revenue increases, the District may be able to address projected deficits without making significant reductions to operations. However, revenue is not directly controlled by school districts, but instead by federal and State laws and regulations and support from local residents.

¹ According to ODE, while budget reserves are not required, some school districts use this line item as a "rainy day fund". In 2010-11, LLSLD created its budget reserve in response to the local utility contesting the Public Utility Personal Property revenue received by the District. The local utility appealed the valuation amount and the District created the reserve as it anticipated having to refund revenue if the local utility was successful in gaining a property value reduction. LLSLD continues to set aside funds in this reserve.

Subsequent Events

Findings and recommendations within this performance audit were based on an analysis of the October 2013 Five Year Forecast (see **Table 1**) and operations during FY 2013-14. During the course of the performance audit, LLSD exhibited prudent fiscal and operational decision-making in managing its projected General Fund deficit. The Board and District administrators were proactive in making difficult decisions to reduce overall expenditures and lessen future operating deficits. During the course of the audit, the District worked with OPT to implement some of the recommendations. After completion of field work and prior to the release of the audit, LLSD approved the following changes for FY 2014-15:

- Eliminated 1.5 administrative positions (see **R.1**);
- Eliminated 1.0 office/clerical position (see **R.2**);
- Eliminated 9.0 FTE teaching positions (see **R.3** and **R.4**);
- Reduced custodial staffing and began examining contracting options for transportation services (see **R.10**); and
- Discontinued the in-house preschool program (see **R.9**).

In addition to the aforementioned reductions, LLSD created its May 2014 Five Year Forecast prior to the release of the audit. This forecast reflects reductions made by the District during the course of the audit as well as potential changes in projected revenue (see **Chart C-1** in **Appendix C**).

Recommendations

R.1 Eliminate 2.0 FTE² administrative positions

In FY 2013-14, LLS D employed 7.5 FTE administrative/supervisory staff, including the Superintendent (1.0 FTE), the Treasurer (1.0 FTE), 3.0 FTE principals, and 2.5 FTE directors. **Table 2** compares the District’s administrative staff per 1,000 students to the peer average.

Table 2: LLS D Administrative Staffing Comparison

	LLS D		Peer Average	Difference	
Students ¹	583.9		536.0	47.9	
Students (in thousands)	0.5839		0.5360	0.0479	
Staffing	FTEs ²	FTEs Per 1,000 Students	FTEs Per 1,000 Students	Difference Per 1,000 Students	Total FTEs Above (Below) ³
Administrative	7.5	12.8	8.8	4.0	2.3

Source: LLS D FY 2013-14 and peer district FY 2012-13 staffing data as reported to ODE.

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

² Adjustments were made to LLS D’s EMIS data to reflect staffing as of February 2014.

³ Represents the number of FTEs that would bring LLS D’s administrators per 1,000 students in line with the peer average. Calculated by multiplying “Difference Per 1,000 Students” by “Students (in thousands)”.

As shown in **Table 2**, LLS D had 2.3 more administrative FTEs than the peer average based on a per 1,000 student comparison. The District employs 3.0 FTE principals within its one school building; one dedicated to the high school/middle school, one to the elementary school, and one to the Arlington Heights Academy.³ In addition to the principals, 1.5 FTE deans of students encourage student development and address students’ issues and needs. The Director of Technology and Development (1.0 FTE) is responsible for integrating technology into the classroom as well as creating the special programs curriculum. The full time Superintendent and Treasurer make up the remaining 2.0 FTEs of the administrative total. Historically it has been common practice for schools of all sizes to employ a full time treasurer and superintendent. However, many districts have found benefit in sharing these services with other districts (see **R.8**).

In addition to the 7.5 administrative FTEs, LLS D has other positions that act in supervisory roles but are not coded as administrative positions. For example, the Facilities Supervisor performs administrative duties but is coded as 1.0 FTE Engineer (See **R.12**). The Athletic Director, who

² An FTE is defined by the ratio between the amount of time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time (*FY 2013 EMIS Reporting Manual*, ODE, 2013). One FTE is equal to the number of hours in a regular working day for that position, as defined by the district.

³ The Arlington Height Academy, the District’s alternative school, was moved from a separate building into the District’s main school building in January 2014. All employees, including the principal, were absorbed into the main school building.

also teaches at the District, is coded as 1.0 FTE teacher even though a portion of responsibilities are dedicated to administrative tasks. The District should ensure it considers these positions when making any changes to its administrative team.

Financial Implication: Eliminating 2.0 FTE administrative positions would save approximately **\$149,400** in salaries and benefits. This savings is calculated using the two lowest administrator staff salaries (\$54,771 average) and includes an average benefit ratio of 36.4 percent.⁴ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salary staff.

R.2 Eliminate 2.0 FTE office/clerical positions

In FY 2013-14, LLSD employed 7.0 FTE office/clerical staff which consisted of the Superintendent Secretary (1.0 FTE), the Payroll Coordinator (1.0 FTE), the EMIS Coordinator (1.0 FTE), 3.0 FTE school secretaries (one for each middle school/high school, elementary, and the alternative school), and the Guidance Counselor/Athletic Director Secretary (1.0 FTE). **Table 3** compares the District’s office/clerical staff on a per 1,000 student basis to the peer average.

Table 3: LLSD Office/Clerical Staffing Comparison

	LLSD		Peer Avg.	Difference	
Students ¹	583.9		536.0	47.9	
Students (in thousands)	0.5839		0.5360	0.0479	
Staffing Categories	FTEs ²	FTEs Per 1,000 Students	FTEs Per 1,000 Students	Difference Per 1,000 Students	Total FTEs Above (Below) ³
Office/Clerical	7.0	12.0	7.7	4.3	2.5

Source: LLSD FY 2013-14 and peer district FY 2012-13 staffing data as reported to ODE.

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

² Adjustments were made to LLSD’s EMIS data to reflect staffing as of February 2014.

³ Represents the number of FTEs that, when added or subtracted, would bring LLSD’s office/clerical FTEs per 1,000 students in line with the peer average. Calculated by multiplying “Difference Per 1,000 Students” by “Students (in thousands)”.

Table 3 shows that LLSD has 2.5 FTE more office/clerical staff per 1,000 students than the peers. When examining office/clerical staff, LLSD should evaluate the duties of each individual position to determine if responsibilities may be combined. In addition, the District may evaluate if any of these job-related duties could be outsourced to the Hamilton County Education Service Center or shared with surrounding districts (see **R.8**).

Financial Implication: Eliminating 2.0 FTE office/clerical positions would save approximately **\$58,600** in salaries and benefits. This savings is calculated using the two lowest salaries for office/clerical staff at LLSD in FY 2013-14 (\$21,514 average) and includes an average benefit

⁴ The average benefit percentage is calculated by dividing the District’s total employee retirement and insurance benefits by the total personal service expenditures in FY 2012-13.

ratio of 36.4 percent.⁵ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salary staff.

R.3 Eliminate 6.0 FTE general education teaching positions

General education teachers instruct students in a regular classroom environment. Ohio Administrative Code (OAC) § 3301-35-05 requires the ratio of general education teachers to students to be a least 1.0 FTE classroom teacher for every 25 regular students district-wide. This category excludes teaching staff in other areas such as gifted, special education, and education service personnel (ESP) teachers.⁶ **Table 4** presents four options for staffing reductions in which the District would continue to operate within State requirements for general education teacher staffing levels based on FY 2013-14 data.

Table 4: LLSD General Education Teacher Comparison

General Education FTEs	35.0			
Regular Student Population	520.4			
Staffing Ratio (Students:Teachers)	14.9:1			
Options	Staffing Ratio by Option (Students:Teachers)	Proposed Staffing for each Option	Difference Above / (Below)	Annual Savings ²
Option 1: Peer Average	18.5:1	28.1	6.9	\$310,666
Option 2: 20% Above State Minimum ¹	20:1	26.0	9.0	\$405,216
Option 3: 10% Above State Minimum ¹	22.5:1	23.1	11.9	\$535,786
Option 4: State Minimum	25:1	20.8	14.2	\$639,341

Source: LLSD, peer districts, and OAC

¹Options 2 and 3 use 20% (20 students per teacher) and 10% (22.5 students per teacher) above the State minimum ratio, respectively.

²Based on a first year teacher at the BA level earning \$33,009 and benefits of \$12,015

As illustrated in **Table 4**, the District has several options for reducing general education teachers. The selection of one of these options is ultimately District management’s responsibility based on the needs and desires of the stakeholders in its community. Those decisions must be balanced, however, with their fiduciary responsibility to adapt to the financial realities in the District and maintain a solvent operation.

Option 1, when coupled with the rest of the recommendations in this report, would bring the five-year forecast back into balance as well as align the teacher student ratio to the peer average. If the District is unsuccessful in reducing expenditures in other operational areas, Options 2, 3, or 4 in **Table 4** may be a necessary course of action. While it is not a common practice in Ohio to operate at or near State minimums, LLSD may need to make significant staffing reductions to address potential deficits if savings cannot be identified and achieved in other areas of operation.

⁵ The average benefit percentage is calculated by dividing the District’s total employee retirement and insurance benefits by the total personal service expenditures in FY 2012-13.

⁶ ESP teachers include K-8 art, music, and physical education teachers.

Financial Implication: Eliminating 6.0 FTE general education teaching positions would save approximately **\$270,100** in salaries and benefits annually. These savings were calculated using the FY 2013-14 base salary for a teacher with a bachelor’s degree of \$33,009 and include an average benefit ratio of 36.4 percent.⁷ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salary staff.

R.4 Eliminate 2.0 FTE educational service personnel (ESP) positions

ESP positions include K-8 art, music, and physical education teachers; counselors; librarians; social workers; and visiting teachers. In FY 2013-14, LLS D employed 6.8 FTE ESP staff, which included 2.0 FTE art teachers, 2.0 FTE music teachers, 1.0 FTE physical education teacher, 1.0 FTE counselor, and 0.8 FTE school nurse. OAC § 3301-35-05 requires that school districts employ a minimum of 5.0 FTE ESP for every 1,000 students in the regular student population. **Table 5** presents three options for staffing reductions in which the District would continue to operate within State requirements for ESP.

Table 5: LLS D Educational Service Personnel (ESP) Comparison

Educational Service Personnel FTEs					6.8
Regular Student Population					520.4
Staffing Ratio (ESP per 1,000 students)					13.1
	Staffing Ratio by Option (ESP per 1,000 Students)	Proposed Staffing for each Option	Difference Above / (Below)	Annual Savings¹	
Option 1: Peer Average	8.6	4.5	2.3	\$103,555	
Option 2: 15% Above State Minimum	5.8	3.0	3.8	\$171,091	
Option 3: State Minimum	5.0	2.6	4.2	\$189,101	

Source: LLS D, peer districts, and OAC

¹Annual savings are calculated based on a first year teacher at the BA level earning \$33,009 and average employee retirement and insurance benefits of \$12,015

The selection of one of the options presented in **Table 5** is ultimately District management’s responsibility based on the needs and desires of the stakeholders in their community. Staffing decisions must be balanced, however, with their fiduciary responsibility to adapt to the financial realities of the District and maintain a solvent operation. Option 1, when coupled with the other recommendations in this report, would bring the District’s five-year forecast back into balance.

While it is not a common practice in Ohio to operate at or near State minimums, LLS D may need to make significant staffing reductions to address potential deficits if savings cannot be identified and achieved in other areas of operation. If the District is unsuccessful in reducing expenditures in other operational areas, Options 2 or 3 in **Table 5** may be a necessary course of action.

Financial Implication: Eliminating 2.0 FTE ESP positions would save approximately **\$90,000** in salaries and benefits annually. These savings were calculated using the FY 2013-14 base salary

⁷ The average benefit percentage is calculated by taking the District’s total employee retirement and insurance benefits divided by the total personal service expenditures in FY 2012-13.

for a teacher with a bachelor’s degree (\$33,009) and include an average benefit ratio of 36.4 percent.⁸ Estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher salary staff.

R.5 Increase employee contributions to health insurance premiums

LLSD is a member of the Greater Cincinnati Insurance Consortium (the Consortium), a group of surrounding school districts that purchase medical insurance. Purchasing through a consortium allows entities to leverage purchasing power to obtain more competitive rates. The Consortium offers one plan for medical coverage; a preferred provider organization plan. As of January 2014, 63 LLSD employees were participating in the healthcare plan.⁹

Table 6 provides an illustration of the District’s FY 2013-14 insurance premiums including Board and employee contributions.

Table 6: LLSD FY 2013-14 Health Insurance Premiums and Contributions

	Single Employee Coverage		Family Employee Coverage	
	Dollar Amount	% of Total Premium	Dollar Amount	% of Total Premium
Administrators				
Employee Contribution	\$0.00	0.0%	\$0.00	0.0%
Board Contribution	\$477.38	100.0%	\$1,182.72	100.0%
Total Premium	\$477.38	100.0%	\$1,182.72	100%
Certificated & Classified Employees				
Employee Contribution	\$47.74	10.0%	\$118.27	10.0%
Board Contribution	\$429.64	90.0%	\$1,064.45	90.0%
Total Premium	\$477.38	100%	\$1,182.72	100%

Source: LLSD

As illustrated in **Table 6**, certificated and classified employees contribute 10 percent of the insurance premium, while the Board pays the remaining 90 percent. The Board pays 100 percent of the insurance premium for its administrators as a fringe benefit (see **R.6**).

The State Employment Relations Board (SERB) surveys public sector entities concerning health insurance costs and publishes this information on an annual basis. The purpose of this survey is to provide data on various aspects of health insurance, plan design, and cost for government entities in Ohio. LLSD’s FY 2013-14 PPO premiums for single and family coverage were compared to benchmarks published in the *21st Annual Report on the Cost of Health Insurance in Ohio’s Public Sector* (SERB, 2013). LLSD premium payments for both single and family coverage were below the SERB benchmarks in 2013. See **Table B-3** in **Appendix B** for detail of this comparison.

⁸ The average benefit percentage is calculated by taking the District’s total employee retirement and insurance benefits divided by the total personal service expenditures in FY 2012-13.

⁹ Includes 29 employees with single coverage and 34 employees with family coverage.

The percentage of the insurance premium paid by employees was compared to the eight surrounding districts. Five of the surrounding districts required employees to contribute 10 percent and the remaining three required employees to contribute 15 percent (see **Table B-5** in **Appendix B**). **Table 7** illustrates three options with corresponding savings for health insurance contribution adjustments.

Table 7: Potential Savings from Contribution Adjustments

Options	Estimated Savings
Option 1: Increase certificated and classified employee contributions to 15 percent	\$25,761
Option 2: Increase administrator contributions to 10 percent	\$13,350
Option 3: Increase all employee contributions to 15 percent	\$45,780

Source: LLSD

Financial Implication: Increasing the employee contribution rate to 15 percent for all covered employees would save the District approximately **\$45,700** annually. This savings is based on the FY 2013-14 health insurance premiums. Contribution percentages are a function of the District’s collective bargaining agreements (CBAs) and changes would need to be negotiated.

R.6 Discontinue the retirement fringe benefit offered to administrative employees

Ohio school districts and their employees make retirement contributions into the School Employees Retirement System of Ohio (SERS) or State Teachers Retirement System of Ohio (STRS). In FY 2013-14, SERS required a 14 percent employer contribution and a 10 percent employee contribution while STRS required a 14 percent employer contribution and an 11 percent employee contribution.¹⁰ While LLSD’s certificated and classified employees make retirement contributions through salary reduction, six¹¹ of the District’s administrators receive a fringe benefit where the Board covers the employee’s contribution. This benefit is in addition to the Board paying 100 percent of LLSD administrators’ health insurance premiums (see **R.5**).

Paying the employee share of retirement contributions allows for some districts to control salary costs and attract administrative personnel by offering these fringe benefits in lieu of a higher salary (See **Chart B-1** in **Appendix B** for comparison of LLSD’s administrator salaries to surrounding districts). As this is a common practice in Ohio school districts, LLSD may decide to continue offering this benefit to its senior level staff (Superintendent and Treasurer). However, offering this retirement benefit can be costly and LLSD may need to make significant reductions to address potential deficits if savings cannot be identified and achieved in other areas of operation. The District may decide to take a gradual method to decrease this benefit such as a percentage decrease or elimination at individual contract expiration. Another method would be to offer a partial pick-up of employee contributions, rather than the entire 10 percent.

¹⁰ In September 2012, the Ohio General Assembly passed Substitute Senate Bill 342 to improve the financial condition of STRS Ohio. As part of this bill, employee contribution rates are scheduled to increase from 10 percent (in FY 2012-13) to 14 percent (in FY 2016-17). This increase will be phased in at a rate of 1 percent each fiscal year beginning July 1, 2013. The employee contribution rate to STRS was 11 percent for compensation earned on or after July 1, 2013.

¹¹ Includes the Superintendent, Treasurer, three principals, and the Director of Technology and Development.

Financial Implication: Requiring administrative employees to pay their full retirement contribution would save approximately **\$53,000** based on employee retirement benefits paid by the Board in FY 2013-14.

R.7 Renegotiate provisions within the collective bargaining agreements (CBAs)

The District has negotiated agreements with the Lockland Education Association (the certificated CBA)¹² and Lockland's Association of Public School Employees (the classified CBA).¹³ An analysis of these CBAs identified certain provisions that exceeded State minimum standards and/or typical provisions in Ohio school districts. The following provisions exceed State minimum standards:

- **Sick Leave Accrual and Payout:** LLSD's certificated and classified CBAs allow employees to accrue up to 240 days of unused sick leave.¹⁴ Ohio Revised Code (ORC) § 3319.141 allows a school employee to accrue at least 120 unused sick days. Allowing employees to accrue at a rate in excess of State minimums becomes costly at employee retirement. LLSD's certificated CBA allows eligible employees to receive sick leave payout equal to 25 percent of accumulated but unused sick leave accrued at retirement. With a maximum accrual of 240 days, employees could receive up to 60 days paid out at retirement. This payout is higher than the State minimum requirement of 30 days (25 percent of 120 days). The additional 30 days of sick leave pay out would cost the District up to \$12,000 in additional payout for each retiring certificated employee and up to \$4,500 for each retiring classified employee based on FY 2012-13 salaries. This amount would increase if salaries increase from one year to the next.
- **Paid Holidays:** LLSD's classified CBA provides 12 paid holidays per year for 11-12 month employees and 11 paid holidays for 9-10 month employees. ORC § 3319.087 entitles non-teaching employees to 7 paid holidays for 11-12 month employees and 6 paid holidays for 9-10 month employees. Providing employees with additional holidays reduces the overall number of work days devoted to District operations.
- **Vacation Leave:** The classified CBA entitles employees with 1 to 6 years of service to 2 weeks of vacation per year; employees with 7 to 13 years are entitled to 3 weeks; and employees with 14 or more years are entitled to 4 weeks. State minimum requirements are as follows: employees with 1 to 9 years are entitled to 2 weeks of vacation per year; 10 to 19 years are entitled to 3 weeks; and 20 years or more are entitled to 4 weeks.

¹² The bargaining unit includes as all certificated employees who are under contract with the Board to teach a full school year, excluding all LD tutors, substitute teachers, preschool teachers, community education staff and all administrative staff. This CBA is effective June 30, 2011 through June 30, 2014.

¹³ The bargaining unit includes full time and regularly employed part time cafeteria workers, custodians, secretaries, aides, maintenance, and transportation employees. Supervisory employees and confidential employees including secretaries to the Superintendent, Treasurer, Director of Special Programs, and Accounting Assistance are excluded. This CBA is effective June 30, 2011 through June 30, 2014.

¹⁴ Reflects 12 month classified employees. Classified employees working 9 or 10 months may accrue up to 220 unused sick days.

In addition to contract provisions which exceed State minimums, the District should attempt to adjust or remove provisions in its CBAs that exceed what similar districts in the area offer or that unnecessarily restrict management's ability to efficiently manage the District.

- **Super Severance Payout:** LLSD's certificated CBA provides for a one-time super severance payout (i.e., retirement incentive) if an employee retires in the first year of eligibility. The super severance provides certificated employees with a \$10,000 stipend paid at retirement, in addition to regular severance pay. According to the District's staffing data, four certificated employees will be eligible for the super severance over the forecasted period. If the District eliminated this provision it would avoid \$40,000 in potential super severance payouts over the forecasted period.
- **Insurance Opt-Out Incentive:** LLSD's classified CBA provides an opt-out bonus to employees who elect to drop medical insurance coverage. The bonus is a one-time payment of \$2,000 or \$4,000 for single or family plans, respectively. Although this provision was originally intended to be a one-time insurance opt-out bonus in FY 2007-08, it has been continued each year since its inception into the CBA. In FY 2013-14, LLSD paid \$10,000 to employees electing to opt out of medical insurance coverage. Four of LLSD's surrounding districts offer incentives for opting out of insurance benefits. However, the amount paid was significantly lower, averaging \$1,000 for single and \$1,550 for family.

Provisions within CBAs that provide benefits beyond what is required or typically offered in other school districts can create an unnecessary financial burden on the District and limit management's ability to control costs. Any progress made through negotiations that would make contract provisions more cost effective or restore management rights would be beneficial to the District's financial position.

R.8 Pursue shared services opportunities

LLSD serves approximately 1.2 square miles in Hamilton County north of the City of Cincinnati. LLSD does not currently share services with surrounding school districts or other neighboring local governments.

Hamilton County has been noted by the Ohio Governor's Office in its report *Beyond Boundaries: A Shared Services Action Plan for Ohio Schools and Governments* (2012) as providing more than 1,000 examples of shared services among governments and schools. As defined in this plan, shared services is a collaborative strategy that is fundamentally about optimizing staff, equipment and facilities and other corporate or public resources across jurisdictions to improve operational efficiencies and related outcomes.

Many of LLSD's neighboring school districts are engaged in shared services. Wyoming City School District (WCSD), located to the west of LLSD, has multiple shared services agreements in place with local governments. Recognizing that the City of Wyoming has the same stakeholders and that resources are limited in a residential community, WCSD has shared services with the city in many areas including school facilities, such as gymnasium use, and technology services such as computer network coordination and personnel. WCSD has had

multiple shared service agreements with other school districts in the area including Oak Hills Local School District (treasurer services), Milford Exempted Village School District (food service operations) and Deer Park Community School District (payroll services). WCSO estimates that its shared services agreements save more than \$150,000 annually. In addition, Reading City School District, located to the east of LLSD, has a shared service agreement in place with Three Rivers Local School District to share treasurer services.

With the goal of improving efficiencies, LLSD should pursue shared service opportunities with neighboring school districts and other local government entities. The Hamilton County Educational Service Center (HCESC) is available to assist the District in exploring potential shared service opportunities.

R.9 Discontinue in-house preschool services

In FY 2013-14, LLSD operated its own preschool program for three District students with special needs. As required by the Individuals with Disabilities Education Act (IDEA), school districts are responsible for ensuring that a free appropriate public education (FAPE) is provided to all children with disabilities residing in the school district between the ages of 3 through 22. These services can be provided by the school district or through agreements with other education agencies, including education service centers. Students with disabilities are mainstreamed into classrooms with students without disabilities. In FY 2012-13, the District collected approximately \$9,000 in tuition for educating preschool students without disabilities.¹⁵

ORC § 3313.646 states that a school district may establish and operate a program to provide services to preschool-age children and use school funds in support of the program. School districts may establish fees or tuition, which may be graduated in proportion to family income, for participation in a preschool program. In cases where payment of fees or tuition would create a hardship for the child's parent or guardian, the board may waive any such fees or tuition.

LLSD piloted the preschool program beginning in FY 2012-13 in an effort to increase student enrollment. The program is supported by a teacher and a teaching aide (both full-time). Operating the preschool cost the District \$87,785 which consisted primarily of the salaries and benefits of the two preschool employees. Expenditures were expected to remain consistent in FY 2013-14. In addition to the District's preschool program, the Hamilton County Education Service Center (HCESC) provides Head Start¹⁶ to LLSD students within the confines of the District's building.

HCESC provides preschool services to many of LLSD's neighboring school districts. The Early Learning Program offers Head Start and Early Head Start (infants/toddlers), as options for families with limited resources. These programs are offered to district students within the school district or a designated childcare center. The Head Start/Early Childhood Special Education Collaborative is a collaborative program that serves preschoolers with disabilities in a Head Start

¹⁵ Preschool students without disabilities are not reported to ODE through EMIS.

¹⁶ Head Start is a federally funded program that promotes the school readiness of children (birth to age 5) from low-income families.

classroom. The classroom is designed and co-taught by the Head Start teacher and a special education teacher. Students receive the comprehensive services provided by Head Start as well as the expertise of a special education teacher and team.

LLSD has the option to collaborate with the HCESC to provide preschool services to all eligible students in the District (see **R.8**). Working with the HCESC to collaborate special education preschool schools services with the Head Start program will allow the District to reduce expenditures while continuing to provide quality education services to its students.

Financial Implication: The District would save approximately **\$78,700** by discontinuing its preschool program and contracting with the ESC to provide the services. This savings was calculated by subtracting the tuition received from the District's total preschool expenditures in FY 2013-14.

R.10 Determine the cost benefit of purchasing services vs. providing in-house services

LLSD's purchased services¹⁷ include, but are not limited to, open enrollment/tuition payments, repairs and maintenance services, legal services, and data processing services. The District does not have a formal bidding or contract management process in place for its purchased services.

It is common practice for school districts to purchase professional and technical services that require specialized skills and knowledge (such as specialized instruction services and legal services). In addition, many school districts utilize purchased service options for entire operational areas, such as transportation services or facilities management, in place of providing the services in-house. School districts often achieve cost savings and increased efficiency by contracting for these services.

According to *Best Practices in Contracting for Services* (National State Auditors Association (NSAA), 2003), proper planning provides the foundation for contract awarding and monitoring. Planning identifies what services are needed and when, how they should be provided, and what provisions should be in the contract. When an agency is deciding whether or not to contract for a service it should analyze its business needs, goals, objectives, and services and determine whether or not the service is necessary. It should also conduct a cost/benefit analysis and evaluate options, such as whether contracting is more or less expensive than using agency staff. Once the decision to contract has been made, the agency should develop performance requirements that will hold vendors accountable for the delivery of quality services. Finally, contract monitoring should ensure that contactors comply with contract terms, performance expectations are achieved, and any problems are identified and resolved.

LLSD should examine the potential cost benefit of contracting out the following services:

¹⁷ Purchased services are amounts paid for personal services rendered by personnel who are not on the payroll of the school district, and other services which the school district may purchase (USAS, 2013). While a product may or may not result from the transaction, the primary reason for the purchase is the service provided in order to obtain the desired results.

- **Custodial and Maintenance Services:** In FY 2013-14, the District employed 7.1 FTEs to maintain its facilities. This included the Facilities Supervisor (1.0 FTE) and 6.1 FTE maintenance and custodial staff. These employees are responsible for the general custodial and maintenance duties at the District as well as performing other tasks, including transporting students. When examining the actual time devoted to custodial and maintenance services, LLSD dedicated approximately 5.6 FTEs to these functions which was below the industry standard (see **Table B-2** in **Appendix B**). Managing the required day to day activities with this staffing level can be difficult. As a result, the District does require purchased services from outside vendors to maintain its facilities.¹⁸

Reading City School District, one of LLSD's surrounding districts, outsources its facilities management to a contractor who provides an efficient approach to staffing, regular maintenance, and preventive maintenance. Reading City School District has not only achieved savings from outsourcing but has also experienced a higher quality of service than was provided in-house. Other surrounding districts, including Wyoming City School District and Mariemont City School District, have benefitted from contracting a portion of custodial services, specifically second shift cleaning duties.

- **Transportation Services:** Because LLSD geographically encompasses only 1.2 square miles, it operated at the State minimum transportation level and provided limited services in FY 2013-14. ORC § 3327.01 requires school districts to provide transportation to resident school pupils in grades kindergarten through eight who live more than two miles from the school in which they attend.¹⁹ In addition, school districts are required to transport all children who are so disabled that they are unable to walk to and from school.

In FY 2013-14, LLSD used three vans to run four routes, providing transportation services to seven students. The transportation routes were operated by four of the District's custodial/maintenance personnel. Providing this service in-house cost the District approximately \$50,000 in FY 2012-13 which included custodial/maintenance employees' portion of salaries and benefits dedicated to this function as well as insurance and maintenance costs for the vehicles. As vehicles depreciate and need to be replaced, the District may consider purchasing transportation services from a third party or examining options to share services with surrounding entities (see **R.8**). The District should take into account the cost and quality of the services when making this decision.

To determine if purchasing these services would benefit the District, LLSD must first ensure accurate cost allocation is being completed for the two functions (see **R.13**). A cost benefit analysis will assist the District in evaluating the option of contracting the service. LLSD may consider reaching out to surrounding districts that have recognized financial benefit and/or increases in service quality by outsourcing these operations. Finally, establishing a bidding

¹⁸ In FY 2012-13, the District's General Fund purchased services dedicated to facilities repairs and maintenance were approximately \$147,000.

¹⁹ As stipulated ORC § 3327.01, students in grades kindergarten through eight who reside in the District but attend a school outside of the District (such as a nonpublic or community school) are eligible for transportation services as long as the school in which they are attending is more than two miles from the students' home and the transportation would not require more than 30 minutes of direct travel time.

process and continually monitoring its service contracts will allow the District to ensure that it is receiving quality services in a cost effective and efficient manner.

R.11 Reduce sports-oriented extracurricular expenditures

In FY 2012-13, the District expended over \$224,000 on sports-oriented extracurricular activities which included the salaries and benefits of the Athletic Director and coaches, supplies and materials, transportation services, awards and prizes, and other miscellaneous expenditures. Without a pay to participate fee,²⁰ the sports-oriented extracurricular activities are largely supported by transfers from the General Fund.

Table 8 illustrates a comparison of the District’s sports-oriented expenditures per student to the surrounding district average.

Table 8: Sports-Oriented Expenditure Comparison

	Lockland	Surrounding District Average	\$ Difference	% Difference
Sports-Oriented Expenditures¹	\$224,756	\$453,135	(\$228,379)	(50.4%)
Number of Pupils²	614	2,302	(1,688)	(73.3%)
Expenditures per pupil	\$366	\$210	\$156	74.3%

Source: LLSD and surrounding district FY 2013-13 financial data

¹ Reflects expenditures in all funds coded within the USAS 4500 function level (sports-oriented activities).

² Reflects the FY 2012-13 headcount as reported to ODE.

As illustrated in **Table 8**, LLSD spends 74.3 percent more per pupil on sports-oriented activities than the surrounding district average. With 73.3 percent fewer pupils and a similar number of sports-oriented activities offered, it is expected that LLSD’s per pupil costs would exceed the surrounding district average. For this reason, it is not expected that LLSD would be able to continue offering sports-oriented activities at a comparable per pupil cost to the surrounding districts. LLSD, however, should evaluate all available options to reduce expenditures to a level closer to the surrounding district average. These options should include reevaluating its supplemental salary schedules, reducing the number of supplemental positions, and reducing the amount of funds dedicated to the purchase of supplies and material, awards, and prizes.²¹ If savings cannot be achieved in these areas, LLSD may consider reducing the number of sports-oriented activities (athletic teams) offered.

Financial Implication: Reducing expenditures to within 50 percent of the surrounding district average would save the District approximately **\$31,000**. This savings was calculated by taking 150 percent of the surrounding district cost per student (\$315), multiplying by the number of

²⁰ A pay to participate fee, while common among surrounding school districts, is not a feasible option in LLSD as the majority of students qualify for free/reduced lunch. The Treasurer indicated that with a lower than average median income, the majority of families would not be able to pay for sports-oriented activities. Therefore, this is not something the District would consider enacting.

²¹ Salaries and benefits consisted of 60 percent of total sports-oriented expenditures while supplies, materials, awards and prizes consisted of 17.3 percent of total sports-oriented expenditures in FY 2012-13.

LLSD students (614) and subtracting this from LLSD's total sports-oriented expenditures (\$224,756).

R.12 Improve the accuracy of EMIS data

The Education Management Information System (EMIS) is the Statewide data collection system for Ohio's primary and secondary education. Staff, student, district/building, and financial data are collected through this system. LLSD's EMIS Coordinator is responsible for entering and maintaining EMIS information.²² While the EMIS Coordinator has attended ODE sponsored trainings regarding EMIS reporting and uses checklists to review entered information, the District does not have formal policies and procedures for preparing, reviewing, or reconciling EMIS information prior to submission to ODE.

The District's FY 2013-14 EMIS staffing data contained inaccurate data. Specifically, five employees were coded as more than 1.0 FTE, current employees were missing from EMIS, employees who were no longer employed were still actively coded in the EMIS reports, and reported position codes did not reflect actual job duties for five employees. The accuracy and correctness of the data is the sole responsibility of the EMIS reporting entity. While data validation and error reports are provided, the reporting entities are responsible for correcting such errors in a timely manner and resubmitting the data.

To assist school districts in submitting accurate EMIS data, the Ohio Association of EMIS Professionals offers Certified EMIS Professional and Master Certified EMIS Professional designations, which are earned after completing a regimented program of professional development and work experience. In addition, the Hamilton/Clermont Cooperative Association, an Information Technology Center, provides assistance and support for EMIS reporting.

LLSD should take advantage of the resources available to assist in improving the overall accuracy of its EMIS reporting. In addition, the District should develop formal policies and procedures for preparing, reviewing, and reconciling EMIS information prior to submission to ODE.

R.13 Accurately record transportation and facilities expenditures

The Uniform School Accounting System (USAS) was developed by the Ohio Auditor of State's Office and is used by Ohio school districts to report financial activity. USAS is based upon the use of a combination of dimensions, each of which supplies different elements of information. These dimensions include, but are not limited to, fund, function, and object. Selecting the most appropriate code within each required dimension ensures each financial transaction of the school district will be adequately identified.

During analysis of LLSD's expenditures, OPT identified areas in which the District could more appropriately record costs. LLSD utilizes its custodians and maintenance personnel to transport students. The District coded the total salaries and benefits of these personnel to the facilities-

²² The EMIS Coordinator performs other duties which include special education secretary and student records coordinator.

related function. The expenditures resulting from time spent transporting students would be more properly coded to the transportation-related function.

According to *Measuring the Cost of Government Services* (Government Finance Officers Association, 2003), measuring the cost of government services is useful for a variety of purposes, including performance measurement and benchmarking; setting user fees and charges; privatization; competition initiatives, and activity-based costing and activity-based management. The full cost of a service encompasses all direct and indirect costs related to that service. Direct costs include the salaries, wages, and benefits of employees while they are exclusively working on the delivery of the service. Properly coding expenditures, specifically the salaries and benefits of personnel, to the facilities and transportation functions would give LLSD a more accurate picture of the true cost of operating these services areas and provide management with the tools necessary to measure the services.

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, preschool, athletics, and special education. 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. Five of the seventeen 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
Financial Management	
Are the District’s budgeting practices comparable to best practices?	R.13
Are the District’s purchasing practices comparable to best practices?	R.10
Do opportunities exist for the District to shared services with surrounding entities?	R.8
Human Resources	
How do the staffing levels at the District compare to the peer district average and State standards (when applicable)?	R.1, R.2, R.3, R.4, R.12
How do the Districts salary schedules for classified and certificated staff compare to the surrounding district average?	N/A
How does administrative compensation packages compare to surrounding districts?	R.5, R.6
How do the insurance benefits offered by the District compare with state averages and industry benchmarks?	R.5
Are the District’s collective bargaining agreements consistent with leading practices?	R.7
Do the District’s Worker’s Compensation practices meet recommended practices?	N/A
Is the District’s sick leave usage comparable to State averages?	N/A
Facilities	
Is the District’s custodial and maintenance staffing efficient compared to industry benchmarks?	R.10
Does the District make effective use of its buildings?	N/A
Transportation	
Are the District’s students transported in the most efficient way?	R.10
Does the District make efficient use of staff dedicated to transporting students?	R.10
Preschool Operations	
How does the District’s preschool operations compare to alternative methods?	R.9
Athletics	
Does the District manage its athletic operations in the most efficient way?	R.11
Special Education	
Is the District’s special education program cost effective?	N/A

Appendix B: Additional Comparisons

Staffing

Table B-1 illustrates the full-time equivalent (FTE) staffing levels per 1,000 students at LLSD and the average of the peer districts. According to the *FY 2013 EMIS Reporting Manual* (ODE, 2013) instructions for reporting staff data, an FTE is defined by the ratio between the amount of time normally required to perform a part-time assignment and the time normally required to perform the same assignment full-time. One (1.0) FTE is equal to the number of hours in a regular working day for that position, as defined by the district.

Peer data is from FY 2012-13 as reported to ODE through the Education Management Information System (EMIS) while LLSD data is from FY 2013-14. The staff levels are partially dependent on the number of students served. Presenting staffing data in this manner decreases differences attributable to the size of the peers. It should be noted that adjustments were made to LLSD’s EMIS data to reflect accurate staffing at the time of the assessment.²³

Table B-1: LLSD Staffing Comparison

	LLSD		Peer Avg.	Difference	
Students ¹	583.9		536.0	47.9	
Students (in thousands)	0.5839		0.5360	0.0479	
Staffing Categories	LLSD FTEs	LLSD FTEs Per 1,000 Students	Peer FTEs Per 1,000 Students	Difference Per 1,000 Students	Total FTEs Above (Below) ²
Administrative	7.5	12.8	8.8	4.0	2.3
Office/Clerical	7.0	12.0	7.7	4.3	2.5
General Education Teachers	35.0	59.9	51.2	8.7	5.1
All Other Teachers	7.1	12.2	9.9	2.3	1.3
Education Service Personnel (ESP)	6.8	11.6	8.6	3.0	1.8
Educational Support	1.7	3.0	2.7	0.3	0.2
Non-Certificated Classroom Support	1.0	1.7	7.4	(5.7)	(3.3)
Other Professional and Technical Staff	3.0	5.1	2.9	2.2	1.3

Source: LLSD FY 2013-14 and peer district FY 2012-13 staffing data as reported to ODE

Note: LLSD’s operational staffing, including van drivers, custodians, and maintenance workers are not included in the peer comparison. These areas were assessed based on industry and operational standards (see **Table B-2**).

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

² Represents the number of FTEs that, when added or subtracted, would bring LLSD’s number of employees per 1,000 students in line with the peer average. Calculated by multiplying “Difference Per 1,000 Students” by “Students (in thousands)”.

Staffing levels within the Facilities Department were assessed based on workload measures, including square footage maintained and cleaned, rather than on a per student basis. ODE

²³ The assessment reflects LLSD’s staffing levels as of February 2014.

reported that LLS D’s total square footage was 184,300 in FY 2011-12. This included all unused area in the building as well as the District’s alternative school which was closed in January 2014. According to the District’s Facilities Supervisor, the maintained square footage of the building was 149,754 and the total cleaned square footage was 137,580. The comparison was made using the District’s estimated square footage. **Table B-2** illustrates LLS D’s facilities staffing levels compared to industry benchmarks.

Table B-2: Facilities Staffing Comparison

	LLSD FTEs	Adjusted FTEs ¹	Industry Benchmark ²	Difference
Custodial Staff	3.4	3.0	4.7	(1.7)
Maintenance Staff	3.7	2.6	1.6	1.0
Total	7.1	5.6	6.3	(0.7)

Source: LLS D, NCES, AS&U

Note: LLS D’s square footage maintained was 149,754 and square footage cleaned was 137,580.

¹ LLS D’s custodial and maintenance staff perform duties unrelated to the facilities functions (see **R.13**). The portion of these responsibilities was adjusted in order to accurately compare the District facilities FTEs to industry benchmarks.

² The *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics (NCES), 2003) was developed to assist in evaluating a facilities maintenance plan. According to NCES, on average, a custodian can clean approximately 29,500 square feet in eight hours at a level that is typical of school facilities. According to data collected from 2005 to 2009 for American School & University’s annual *Maintenance & Operations Cost Study*, the median square footage maintained per full time maintenance worker was 94,872.

Health Insurance

Table B-3 illustrates LLS D’s FY 2013-14 health insurance premiums and contributions compared to benchmarks published in the *21st Annual Report on the Cost of Health Insurance in Ohio’s Public Sector* (SERB, 2013).

Table B-3: LLS D Health Insurance Premium and Contribution Comparison

	LLSD	SERB Benchmarks			% Difference		
Total Premiums							
	LLSD	Statewide	Cincinnati Region	School Districts	Statewide	Cincinnati Region	School Districts
Single Coverage	\$477.38	\$520.00	\$510.00	\$497.00	(8.2%)	(6.4%)	(3.9%)
Family Coverage	\$1,182.72	\$1,370.00	\$1,371.00	\$1,274.00	(13.7%)	(13.7%)	(7.2%)
Employee Contribution Percentages							
	LLSD	Statewide	Cincinnati Region	School Districts	Statewide	Cincinnati Region	School Districts
Single Coverage	10.0%	11.2%	11.8%	11.1%	(10.7%)	(15.3%)	(9.9%)
Family Coverage	10.0%	12.2%	12.9%	12.4%	(18.0%)	(22.5%)	(19.4%)

Source: LLS D and SERB

Table B-4 provides a detailed illustration of FY 2013-14 insurance premiums, including District and employee contributions and annual costs to the District.

Table B-4: LLS D Health Insurance Breakdown

	Board Share of Premium	Total Employees on Plan	Monthly Cost to District	Annual Cost to District
Employee Single PPO	\$429.64	28	\$12,029.92	\$144,359.04
Employee Family PPO	\$1,064.45	25	\$26,611.25	\$319,335.00
Administrator Single PPO	\$477.38	1	\$477.38	\$5,728.56
Administrator Family PPO	\$1,182.72	9	\$10,644.48	\$127,733.76
Total		63	\$49,763.03	\$597,156.36
Average Annual Employer Cost per Employee				\$9,478.67

Source: LLS D

Table B-5 compares the LLS D’s employee contributions to health insurance premiums to the surrounding districts.

Table B-5: FY 2013-14 LLS D Employee Contribution Comparison

	Single Coverage	Family Coverage
Lockland LSD	10.0%	10.0%
Princeton City School District	15.0%	15.0%
St. Bernard-Elmwood Place City School District ¹	10.0%	10.0%
Finneytown Local School District	15.0%	15.0%
Norwood City School District	10.0%	10.0%
Reading Community City School District	15.0%	15.0%
North College Hill City School District	10.0%	10.0%
Mt Healthy City School District	10.0%	10.0%
Deer Park Community City School District	10.0%	10.0%
Peer Average	11.9%	11.9%

Source: LLS D and surrounding districts

¹ Reflects only the certificated employee contributions. Classified employees pay a lower percentage (6.0 percent) according to the bargaining agreement.

Compensation

LLS D’s wages were compared to the surrounding district average. This was completed using negotiated salary schedules from FY 2013-14 employee bargaining agreements for LLS D and the surrounding districts. The following positions were included in the comparison:

- Custodian;
- Education/Instructional Aide;
- Maintenance; and
- Teacher (Bachelor’s Degree and Master’s Degree).

Table B-6 represents the results within each of the comparisons. Certificated base rates and ending rates are shown as annual salary while classified compensation is shown as hourly rates. Both categories compare total salary schedule cost to the surrounding district average. Total

salary schedule cost is calculated by taking the sum compensation each year from step 0 to step 30.

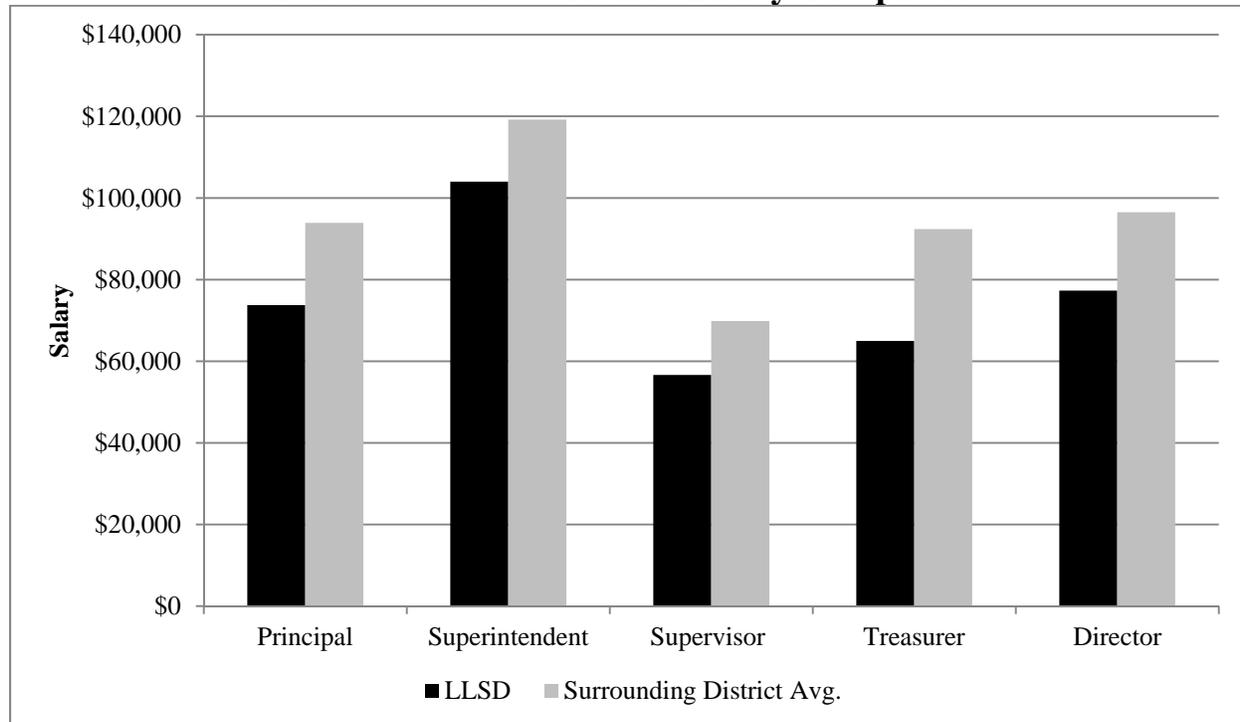
Table B-6: LLSD Compensation Comparison

	LLSD			Surrounding District Average	Difference	
	Base Rate	Ending Rate	Total Salary Schedule Cost	Total Salary Schedule Cost	\$ Difference	% Difference
Custodian	\$13.46	\$15.63	\$950,373	\$1,094,201	(\$143,828)	(13.1%)
Educational Aide	\$10.63	\$12.65	\$766,979	\$927,316	(\$160,337)	(17.3%)
Maintenance	\$15.65	\$17.08	\$1,047,488	\$1,252,436	(\$204,948)	(16.4%)
Teacher (BA)	\$33,009	\$58,425	\$1,562,143	\$1,697,782	(\$135,639)	(8.0%)
Teacher (MA)	\$36,640	\$69,319	\$1,736,435	\$1,952,973	(\$216,538)	(11.1%)

Source: LLSD and surrounding districts' FY 2013-14 salary schedules

LLSD’s administrator salary schedules were also compared to the surrounding district average. This was completed using salaries reported in EMIS for specific positions codes. The positions included in this comparison were principal, superintendent, supervisor, treasurer, and director. In instances where multiple FTEs were reported within one position code (principal for example), the average salary was used. **Chart B-1** illustrates LLSD’s administrator salary compared to the surrounding districts.

Chart B-1: Administrator Salary Comparison



Source: FY LLSD and surrounding districts EMIS reported salaries

Note: The surrounding district average reflects only those districts with the position; districts that did not employ a specific position were excluded from the average.

Building Capacity and Utilization

LLSD’s building capacity and utilization were analyzed according to the methodology described in *Defining Capacity* (DeJong, 1999). While the District educated its students all within one building, the elementary capacity was analyzed separately from middle and high school because of the nature of how classrooms are used.²⁴

Building capacity for elementary is calculated based on the number of available regular education classrooms. An average class size of 25 students is used to determine the capacity. Large unused rooms that could be converted for use as classrooms are included as part of the building’s capacity. Non-regular rooms, special education and other programs that require a dedicated space, such as art and music, are excluded from the capacity analysis.

Building utilization for middle and high school is determined using the concept of design capacity compared to enrollment. Design capacity of a building is calculated by multiplying the number of teaching stations by an average class size of 25 students. A teaching station is defined as any regularly sized space where students are educated. Gymnasiums, science, art, music, and computer rooms are all considered teaching stations. Auditoriums, libraries, and cafeterias are not considered teaching stations.

Table B-7 illustrates LLSD’s student enrollment, building capacity, and building utilization rates for elementary and middle school/high school.

Table B-7: LLSD Building Utilization

	Enrollment ¹	Capacity	Utilization
Elementary	285	600	47.5%
Middle School/High School	329	650	50.6%
Total	614	1,250	49.1%

Source: LLSD and DeJong

¹ Reflects FY 2012-13 headcount as reported to ODE. Final FY 2013-14 enrollment was not available at the time of assessment. Arlington Heights Academy students are included in the respective categories.

As illustrated in **Table B-7**, LLSD’s total building utilization was 49.1 percent in FY 2012-13. OPT completed a building walk through with the District’s Facilities Supervisor and with the District’s input, determined the use of each respective classroom. The unique structure and use of LLSD’s one school building may restrict it from being able to close off portions. Specifically, the building is a product of multiple additions being combined into one large connected school building. There were some small corridor type hallways that were not being used. Other spaces were shared between elementary and high school functions. It appeared that LLSD was effectively using the space and no resulting recommendation was warranted.

²⁴ According to DeJong, a utilization rate of 85 percent is considered the target capacity for maximizing utilization of middle and high school buildings. Middle and high schools operate on a different basis than elementary schools. Students are not in self-contained environments occasionally traveling to another location for a special class. At this school level, students typically change classes each period.

Appendix C: Five Year Forecast

Chart C-1 displays the District’s May 2014 Five Year Forecast.

Chart C-1: LLSLD May 2014 Five Year Forecast

Line	Actual			Forecasted				
	2011	2012	2013	2014	2015	2016	2017	2018
1.010 General Property (Real Estate)	2,074,300	2,345,210	2,200,811	2,234,087	2,144,107	2,150,737	2,190,048	2,238,177
1.020 Tangible Personal Property Tax	230,749	264,399	291,144	328,745	324,331	345,460	371,428	403,071
1.035 Unrestricted Grants-in-Aid	1,717,214	1,858,194	2,024,851	1,924,099	2,152,318	2,271,739	2,396,896	2,528,597
1.040 Restricted Grants-in-Aid	158,992	101,477	13,497	265,191	264,398	264,398	264,398	264,398
1.050 Property Tax Allocation	1,553,495	1,433,995	1,313,668	1,313,683	1,311,013	1,307,838	1,308,483	1,307,820
1.060 All Other Operating Revenue	796,070	695,463	497,436	474,027	474,027	474,027	474,027	474,027
1.070 Total Revenue	6,530,820	6,698,738	6,341,407	6,539,831	6,670,195	6,814,200	7,005,281	7,216,089
2.050 Advances-In	41,487	209,733						
2.060 All Other Financial Sources		120,599	99,273	177,582	30,000	30,000	30,000	30,000
2.070 Total Other Financing Sources	41,487	330,332	99,273	177,582	30,000	30,000	30,000	30,000
2.080 Total Revenues and Other Financing Sources	6,572,307	7,029,070	6,440,680	6,717,413	6,700,195	6,844,200	7,035,281	7,246,089
3.010 Personnel Services	3,660,848	3,492,361	3,224,197	3,163,346	3,055,250	3,055,250	3,055,250	3,055,250
3.020 Employees' Retirement/Insurance Benefits	1,207,925	1,315,195	1,175,295	1,138,068	1,150,086	1,184,782	1,221,213	1,259,465
3.030 Purchased Services	1,687,288	1,948,777	2,473,591	2,067,637	2,481,164	2,481,164	2,481,164	2,481,164
3.040 Supplies and Materials	140,689	150,746	114,769	80,338	80,338	80,338	80,338	80,338
3.050 Capital Outlay	45,946	103,421	20,436	2,555	2,555	2,555	2,555	2,555
4.300 Other Objects	119,365	114,320	117,107	133,502	133,502	133,502	133,502	133,502
4.500 Total Expenditures	6,862,061	7,124,820	7,125,395	6,585,445	6,902,895	6,937,591	6,974,021	7,012,273
5.010 Operational Transfers - Out	326,770	300,775		500,000	150,000	300,000	300,000	300,000
5.020 Advances - Out	209,733	3,252						
5.030 All Other Financing Uses			3,001					
5.040 Total Other Financing Uses	536,503	304,027	3,001	500,000	150,000	300,000	300,000	300,000
5.050 Total Expenditure and Other Financing Uses	7,398,564	7,428,847	7,128,396	7,085,445	7,052,895	7,237,591	7,274,021	7,312,273
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	(826,257)	(399,777)	(687,716)	(368,032)	(352,700)	(393,391)	(238,740)	(66,184)
7.010 Beginning Cash Balance	3,062,338	2,236,081	1,836,304	1,148,588	780,556	427,856	34,465	(204,275)
7.020 Ending Cash Balance	2,236,081	1,836,304	1,148,588	780,556	427,856	34,465	(204,275)	(270,459)
8.010 Outstanding Encumbrances	75,000	75,000	64,337	75,000	75,000	75,000	75,000	75,000
9.030 Budget Reserve				279,817	279,817	279,817	279,817	279,817
9.080 Total Reservations				279,817	279,817	279,817	279,817	279,817
10.010 Fund Balance June 30 for Certification of Appropriations	2,161,081	1,761,304	1,084,251	425,739	73,039	(320,352)	(559,092)	(625,276)
12.010 Fund Bal June 30 for Cert of Contracts,Salary Sched,Oth Obligations	2,161,081	1,761,304	1,084,251	425,739	73,039	(320,352)	(559,092)	(625,276)
15.010 Unreserved Fund Balance June 30	2,161,081	1,761,304	1,084,251	425,739	73,039	(320,352)	(559,092)	(625,276)

Source: ODE

Client Response

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.

LOCKLAND SCHOOL DISTRICT

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Lockland Middle & High Schools

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Arlington Heights Academy

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tel 513.563.5000 • fax 513.761.3408

September 3, 2014

Mr. David Yost
Ohio Auditor of State
88 E. Broad Street
Columbus, OH 43215

Auditor Yost,

On behalf of the Lockland Local School District, we would like to thank the entire Performance Audit Team for their work with our leadership team during the course of this audit. Lead Auditor Melissa Rohr and her team made the process both informative and efficient.

During the 2013-14 school year, Treasurer Doug Ackermann and I were experiencing our first year on the job within the district. Along with our leadership team, Doug and I spent the year evaluating every aspect of the operation as did the audit team. It was encouraging to see the concerns the audit team reported were the same as identified by the leadership team throughout the process. We believed we were on the right track at each stage of the process after each update meeting with the audit team. Since we were meeting regularly, the leadership team was able to implement many of the anticipated suggestions for the 2014-15 school year.

The following are thirteen recommendations from the audit team and our responses. Many of the action plans recommended have already been implemented or are in the planning stages.

R.1. Eliminate 2.0 FTE administrative positions

Based on an internal audit by the leadership team and corroborated by the Performance Audit, the district has eliminated one full time principal. The half time Dean of Students for Arlington Heights Academy was eliminated. The Athletic Director supplemental was eliminated. The full time Dean of Students at Lockland Middle and High Schools was reclassified as an Assistant Principal/Athletic Director for Lockland Middle and High Schools. Thus, the one full time and two half time positions make up the two recommended administrative positions from the audit report.

R.2. Eliminate 2.0 FTE office/clerical positions

Based on an internal audit by the leadership team and corroborated by the Performance Audit, the district eliminated one full time secretary from Arlington Heights Academy. Looking at other

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positions, we feel we are adequately staffed. The elementary building has one secretary. The middle and high school office is on a different floor and share one secretary. The guidance and athletic office share the third secretary.

R.3. Eliminate 6.0 FTE general education teaching positions

Based on an internal audit by the leadership team and corroborated by the Performance Audit, the district eliminated seven full time and one half time teaching positions. This was a result of integrating Arlington Heights Academy within the main campus and sharing of staff.

R.4. Eliminate 2.0 FTE educational service personnel (ESP) positions

The audit said we have 2.0 FTE art teachers in grades K-8. Actually, we have one full time art teacher K-8 and one that is shared between grades 6-12. The audit said we have 2.0 FTE music teachers in grades K-8. Actually, we have one full time music teacher K-8 and one that is shared between grades 5-12 and is also the band director. This would satisfy one of the FTE recommended by the audit.

R.5. Increase employee contributions to health insurance premiums

The district will be negotiating contracts with the Lockland Education Association and the Ohio Association of Public School Employees in the spring of 2015.

R.6. Discontinue the retirement fringe benefit offered to administrative employees

According to regional studies, Lockland's administrative salaries and benefits are currently the lowest in the area. It should be remembered that any adjustments to salary and/or benefits must be implemented at the start of a new contract for the individual administrator. Further, as attempts to retain and recruit quality administrators are made, it is critical that compensation stay competitive with similar districts in the region.

R.7. Renegotiate provisions within the collective bargaining agreements (CBAs)

The district will be negotiating contracts with the Lockland Education Association and the Ohio Association of Public School Employees in the spring of 2015.

R.8. Pursue shared services opportunities

We have and will continue to reach out to neighboring districts in an effort to share services which may increase efficiencies and/or reduce costs.

R.9. Discontinue in-house preschool services

Based on an internal audit by the leadership team and corroborated by the Performance Audit, the district eliminated the district ran all day Montessori Preschool. We worked with the Hamilton County Educational Service Center and Head Start to bring an additional all day programs to Lockland beginning with the 2014-15 school year.

R.10. Determine the cost benefit of purchasing services vs. providing in-house services

Based on an internal audit by the leadership team and corroborated by the Performance Audit, the district stopped using maintenance employees to transport special needs students to

outside educational placements. This was not an efficient use of our employees. We contracted special education transportation for the 2014-15 school year. We have also contracted out part time psychological services with the Hamilton County Educational Service Center instead of employing our own. We will continue to look at ways the HCESC can lower our expenditures and retain or even increase efficiency.

R.11. Reduce sports-oriented extracurricular expenditures

Lockland Middle and High School offers a very limited extra-curricular menu for students. The district must comply with Title IX and offer equal opportunities as well. Our student population is 97% Free and Reduced Lunch, so pay to play is almost impossibility. It really comes down to what kind of educational experience we want to offer our students. If we choose to not have sports, we may lose students to neighboring districts, thus our revenue from the state will decrease. It may be something we are forced to do in the near future, but while we are able to, this is something the district will continue to invest our resources.

R.12. Improve the accuracy of EMIS data

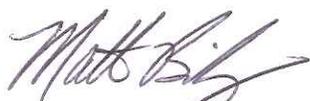
This is an issue we have been dealing with from the past administration. We have a plan in place to accomplish this recommendation.

R.13. Accurately record transportation and facilities expenditures

We are now contracting out our special needs transportation as referenced in R.10. We have put a plan in place to accomplish this recommendation.

If your office requires any additional information, please do not hesitate to contact us. Thank you again for offering guidance in making our district effective and efficient.

Yours in education,



Matt M. Bishop, Ph.D.
Superintendent



Doug Ackermann
Treasurer

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Dave Yost • Auditor of State

LOCKLAND LOCAL SCHOOL DISTRICT

HAMILTON 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
SEPTEMBER 11, 2014**