



Dave Yost • Auditor of State

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Dave Yost • Auditor of State

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

In consultation with 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 operations and management. Functional areas selected for 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
July 19, 2016

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Executive Summary

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 the Coventry Local School District (CLSD or the District) pursuant to Ohio Revised Code § 3316.042. The purpose of this performance audit was to improve CLSD'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.

The following scope areas were selected for detailed review and analysis in consultation with the District, including Open Enrollment, Financial Management, Human Resources, Facilities, and Transportation. 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. These standards required 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.

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 similar area (square mileage) 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

Primary Peers
<ul style="list-style-type: none"> • Clark-Shawnee Local School District (Clark County) • Clearview Local School District (Lorain County) • Hubbard Exempted Village School District (Trumbull County) • Indian Valley Local School District (Tuscarawas County) • Norton City School District (Summit County) • West Branch Local School District (Mahoning County)
Local Peers (Compensation, Benefits, and Bargaining Agreements)
<ul style="list-style-type: none"> • Copley-Fairlawn City School District (Summit County) • Green Local School District (Summit County) • Norton City School District (Summit County)
Transportation Peers
<ul style="list-style-type: none"> • Alliance City School District (Stark County) • East Liverpool City School District (Columbiana County) • Sheffield-Sheffield Lake City School District (Lorain County) • Tallmadge City School District (Summit County) • Winton Woods City School District (Hamilton County)

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: American School and University Magazine (AS&U), the Government Finance Officers Association (GFOA), the

National Center for Education Statistics (NCES), the National State Auditors Association (NSAA), 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 Coventry 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.

Table 2: Summary of Recommendations

	Recommendations	Savings
R.1	Establish open enrollment capacity limits	N/A
R.2	Optimize the number of open enrollment students accepted into the District	\$1,582,000
R.3	Develop a multi-year capital improvement plan	N/A
R.4	Consider eliminating General Fund subsidy of extracurricular activities	\$215,000
R.5	Reduce 19.0 FTE general education teacher positions	\$1,080,700
R.6	Reduce 3.0 FTE ESP teacher positions	\$203,000
R.7	Reduce 2.0 FTE office/clerical positions	\$77,800
R.8	Renegotiate collective bargaining agreement provisions	N/A
R.9	Reduce health insurance costs	\$51,300
R.10	Effectively monitor the transportation contract	N/A
R.11	Procure fuel using the DAS cooperative purchasing program	\$11,700
	Cost Savings Adjustments¹	(\$1,361,500)
	Total Cost Savings from Performance Audit Recommendations	\$1,860,000

¹ Savings associated with the staffing recommendations, **R.5**, **R.6**, and **R.7** were removed from the total because these savings are also captured in **R.2**.

Table 3a shows the District's ending fund balances, including renewal/replacement levies, as projected in the May 2016 five-year forecast.¹ Further, **Table 3a** includes the annual savings identified in this performance audit and the estimated impact that implementation of the recommendations will have on the ending fund balances.

Table 3a: Financial Forecast with Performance Audit Recommendations

With Renewal/Replacement Levies	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Ending Fund Balance with Renewal/Replacement Levies	\$476,299	(\$1,167,230)	(\$3,211,646)	(\$2,911,433)	(\$2,685,444)
Cumulative Balance of Performance Audit Recommendations	\$0	\$63,000	\$1,923,000	\$3,783,000	\$5,643,000
Final Ending Fund Balance	\$476,299	(\$1,104,230)	(\$1,288,646)	\$871,567	\$2,957,556

Source: CLSD, ODE, 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 2016-17 through FY 2019-20 only.

As shown in **Table 3a**, the combination of fully implementing the performance audit recommendations, along with voter approval of renewal/replacement levies, would allow the District to fully address projected deficits within the final two years of the forecast period.

¹ ORC § 5705.412 requires school district appropriations, contracts, and wage increases to be accompanied by a signed certificate certifying that necessary operating revenue is available to not only meet new obligations, but also to maintain all existing personnel and programs through the duration of the fiscal year. Necessary operating revenue includes all existing levies, renewal/replacement of existing levies, and estimates of all other sources of revenue.

Table 3b shows a similar scenario, but without accounting for renewal/replacement levies.

Table 3b: Financial Forecast with Performance Audit Recommendations

Without Renewal/Replacement Levies	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Ending Fund Balance without Renewal/Replacement Levies	\$476,299	(\$1,167,230)	(\$3,211,646)	(\$4,386,946)	(\$7,111,982)
Cumulative Balance of Performance Audit Recommendations	\$0	\$63,000	\$1,923,000	\$3,783,000	\$5,643,000
Final Ending Fund Balance	\$476,299	(\$1,104,230)	(\$1,288,646)	(\$603,946)	(\$1,468,982)

Source: CLSD, ODE, 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 2016-17 through FY 2019-20 only.

As shown in **Table 3b**, without renewal/replacement levies, the District will need to consider additional expenditure reductions, as it would still be projected to experience a negative ending fund balance of nearly \$1.5 million in FY 2019-20. Furthermore, if the District does not implement the recommendation to optimize open enrollment, implementing the remaining recommendations, which include aggressive staffing reductions, would result in a negative ending fund balance of more than \$2.1 million in FY 2019-20.

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 when certain conditions are evident. 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 applicable.

Background

On December 4, 2015, CLSD was placed in fiscal emergency by the Ohio Department of Education (ODE) and Ohio Auditor of State (AOS) due to the existence of deficit conditions and the District's inability to submit a financial recovery plan. **Table 4** shows the District's total revenues, total expenditures, results of operations, beginning and ending cash balances, and ending fund balances as projected in its October 2015 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.

Table 4: CLSD Financial Condition Overview (October 2015)

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Total Revenue	\$22,101,795	\$21,843,000	\$21,843,000	\$21,843,000	\$21,843,000
Total Expenditure	\$24,553,002	\$21,571,095	\$22,000,556	\$22,436,647	\$22,878,802
Results of Operations	(\$2,451,207)	\$271,905	(\$157,556)	(\$593,647)	(\$1,035,802)
Beginning Cash Balance	(\$1,581,701)	(\$4,032,908)	(\$3,761,003)	(\$3,918,559)	(\$4,512,205)
Ending Cash Balance	(\$4,032,908)	(\$3,761,003)	(\$3,918,559)	(\$4,512,205)	(\$5,548,008)
Outstanding Encumbrances	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000
Ending Fund Balance without Renewal/Replacement Levies	(\$4,432,908)	(\$4,161,003)	(\$4,318,559)	(\$4,912,205)	(\$5,948,008)
Cumulative Balance of Renewal/Replacement Levies	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance with Renewal/Replacement Levies	(\$4,432,908)	(\$4,161,003)	(\$4,318,559)	(\$4,912,205)	(\$5,948,008)

Source: CLSD and ODE

As shown in **Table 4**, the District's October 2015 five-year forecast included a deficit of over \$4.4 million in FY 2015-16. This deficit condition was a direct result of expenditures continuing to outpace revenues, increasing the negative ending cash balances over the forecast period. Left unaddressed, and without the impact of renewal/replacement levies, these conditions were projected to result in a cumulative deficit of over \$5.9 million by FY 2019-20.

In accordance with ORC § 3316.08, AOS certifies the operating deficit for a school district placed in fiscal emergency. AOS certified the District's FY 2015-16 deficit at approximately \$4.8 million, which is almost \$400,000 more than the District projected in the October 2015 five-year forecast. The District received more than \$4.8 million in State Solvency Assistance funds to cover its operating deficit, which will be paid back over two years.

In May 2016, as required by ORC § 5705.391 and OAC 3301-92-04, the District approved an updated five-year forecast which incorporates the State Solvency Assistance funds. **Table 5** shows total revenues, total expenditures, results of operations, beginning and ending cash balances, and year-ending fund balance as projected in the updated forecast.

Table 5: CLSD Financial Condition Overview (May 2016)

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Total Revenue	\$27,145,000	\$21,653,000	\$21,753,000	\$20,277,487	\$18,801,975
Total Expenditure	\$24,937,000	\$23,446,529	\$23,797,416	\$21,452,788	\$21,527,010
Results of Operations	\$2,208,000	(\$1,793,529)	(\$2,044,416)	(\$1,175,301)	(\$2,725,035)
Beginning Cash Balance	(\$1,581,701)	\$626,299	(\$1,167,230)	(\$3,211,646)	(\$4,386,946)
Ending Cash Balance	\$626,299	(\$1,167,230)	(\$3,211,646)	(\$4,386,946)	(\$7,111,982)
Outstanding Encumbrances	\$150,000	\$0	\$0	\$0	\$0
Ending Fund Balance without Renewal/Replacement Levies	\$476,299	(\$1,167,230)	(\$3,211,646)	(\$4,386,946)	(\$7,111,982)
Cumulative Balance of Renewal/Replacement Levies	\$0	\$0	\$0	\$1,475,513	\$4,426,538
Ending Fund Balance with Renewal/Replacement Levies	\$476,299	(\$1,167,230)	(\$3,211,646)	(\$2,911,433)	(\$2,685,444)

Source: CLSD and ODE

As shown in **Table 5**, the District has projected a deteriorating financial condition in its May 2016 five-year forecast. Specifically, the new five-year forecast shows a reduced negative ending fund balance in the first four years due to the District receiving more than \$4.8 million in State Solvency Assistance funds in FY 2015-16. The increased negative ending fund balance in FY 2019-20 is due to a decrease in revenue associated with the expiration of an emergency levy in FY 2017-18. If the emergency levy is renewed, the negative ending fund balance will decrease to nearly \$2.7 million.

Revenue is not directly controlled by school districts, but instead by federal and State laws, and support from local residents. ODE uses the Local Tax Effort Index to compare means-adjusted taxpayer support between school districts in Ohio. This index reflects the extent of effort the residents of a school district make in supporting public elementary and secondary education in relation to their ability to pay. A local tax effort of 1.0 represents the statewide average of all school districts. The District's local tax effort was 1.2795 for FY 2014-15 while the peer average was 0.8858, signifying that the District receives 44.4 percent more means-adjusted local taxpayer support than its primary peers. Further, the District's local tax effort was higher than the Summit County average of 0.9167 and the fourth highest in Summit County.

Eliminating future deficits can be accomplished by decreasing expenditures, increasing revenue, or a combination of both. Management control over operating decisions can directly affect expenditures. Consequently, the District's management, operations, and resulting expenses were examined by OPT in an effort to identify areas of potential cost savings. It is important to note the District's long history of allowing non-resident students to attend via open enrollment. In FY 2014-15, 37.1 percent of the District's total student enrollment was from open-enrolled students. See **R.1** and **R.2** for additional discussion on open enrollment. Further, the District has significant debt, which decreases the resources it can direct to student instruction. In FY 2014-

15, the District's debt service payments totaled approximately \$1.6 million, which included payments for House Bill (H.B.) 264 energy conservation projects², a lease for modular classrooms, and a loan from the Stark County Council of Governments. (See **R.9** for additional discussion.)

² The H.B. 264 School Energy Program allows school districts to make energy efficiency improvements to their buildings and use the cost savings to pay for those improvements.

Recommendations

R.1 Establish open enrollment capacity limits

Open enrollment was passed into law by the Ohio General Assembly as part of the Omnibus Educational Reform Act of 1989, Senate Bill (S.B.) 140. Initially, students were only allowed to open enroll into adjacent school districts. However, in July 1998, the General Assembly passed House Bill (H.B.) 497 which permitted students to enroll in any school district in the State and eliminated the authorization for a school district to object to the enrollment of a district student in another school district that allows open enrollment.

ORC § 3313.98 requires all school districts to adopt a resolution establishing a policy that either entirely prohibits open enrollment into their district, permits open enrollment of all students, or permits open enrollment of students only from adjacent districts. CLSD has adopted a resolution permitting open enrollment of all students.

Further, ORC § 3313.98 requires school districts with an open enrollment policy permitting the enrollment of students from all districts to have additional procedures. These include:

- “Application procedures, including deadlines for application and for notification of students and the superintendent of the applicable district whenever an adjacent or other district student’s application is approved.
- Procedures for admitting adjacent or other district applicants free of any tuition obligation to the district’s schools, including, but not limited to:
 - The establishment of district capacity limits by grade level, school building, and education programs;
 - A requirement that all native students wishing to be enrolled in the district will be enrolled and that any adjacent or other district students previously enrolled in the district shall receive preference over first-time applicants; [and]
 - Procedures to ensure that an appropriate racial balance is maintained in the district schools.”

CLSD’s open enrollment policy states that “The Board permits any student from any other district in the state to apply and enroll in the District schools free of any tuition obligation, provided that all procedures as outlined in the administrative regulations are met. Requirements include:

- Application procedures, including deadlines for application and notification to students of acceptance or rejection and the superintendents of other districts whenever another district’s students application is approved;
- Procedures for admission;
- District capacity limits by grade level, school building and educational programs are determined;
- Resident students and previously enrolled District students have preference over first-time applicants;
- No requirements of academic, athletic, artistic or any other skill or proficiency;

- No limitations on admitting students with disabilities, unless services required in an Individualized Education Program (IEP) are not available in the District;
- No requirement that the student be proficient in the English language;
- No rejection of any applying student because the student has been subject to disciplinary proceedings, except an applicant who has been suspended or expelled by another district for 10 consecutive days or more in the term for which admission is sought or in the term immediately preceding the term for which admission is sought; and
- Procedures to ensure maintenance of an appropriate racial balance in the District's schools."

Although the District's open enrollment policy conforms to the broad requirements in ORC § 3313.98, it has not established formal capacity limits by grade level, school building, and/or educational program. The District has a long history of significant incoming open enrollment students. The number of incoming open enrollment students ranged from a low of 760 to a high of 834 from FY 2010-11 to FY 2014-15. The District's total student to general education teacher ratio ranged from a low of 22.7:1 to a high of 26.1:1 during this same time. The District's recent practice, however, has been to limit the number of open enrollment students to that which does not require hiring an additional teacher. This practice is not formally detailed in a Board policy or administrative guideline.

Hubbard Exempted Village School District (HEVSD) created administrative guidelines to define its open enrollment policy. Specifically, HEVSD requires each building principal to "notify the Superintendent by March 1st [of] the programs and classrooms which have space available for students from another Ohio district and for tuition students." Further, the "number of openings in a particular program for students from other Ohio districts will be determined by optimum size for a particular program, classroom/school building, or grade level which is the number of students that can be accommodated without increasing District expenditures for staff or equipment." HEVSD posts on its website the grades for which it is accepting open enrollment applications.

The District should establish capacity limits by grade level, school building, and/or educational program for the number of open enrollment students accepted into the District and define those limits in a Board policy or administrative guideline. Following this policy would help to annually predetermine the number of open enrollment students to accept based on openings in each grade level, school building, and educational program. Further, it would help the District define staffing levels and space availability without increasing expenditures.

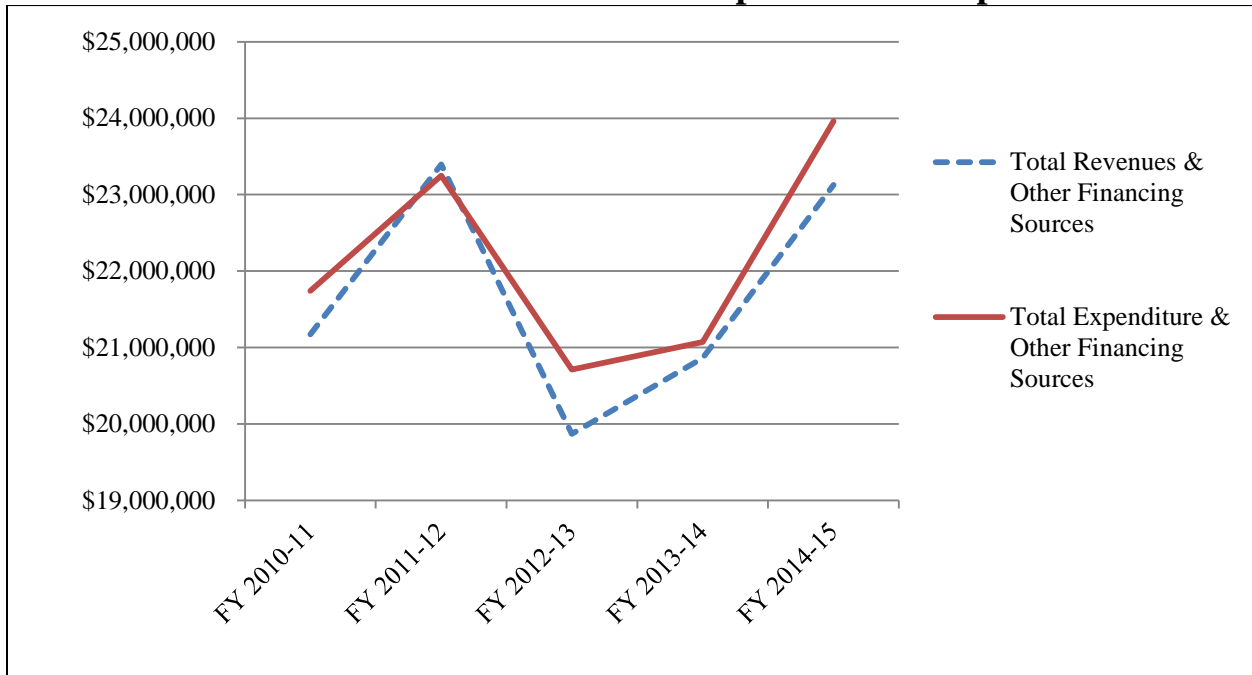
R.2 Optimize the number of open enrollment students accepted into the District

Financial Overview

The District’s incoming open enrollment student population has been relatively constant. From FY 2010-11 to FY 2014-15, the number of incoming open enrollment students ranged from a low of 760 to a high of 834. Further, the percent of open enrollment students to total students ranged from 33.9 to 38.7 percent during this time frame.

Chart 1 shows the District’s total revenues and other financing sources compared to its total expenditures and other financing sources from FY 2010-11 to FY 2014-15. This analysis shows if the District’s revenues were above or below its expenditures and how those patterns of saving or deficit spending are trending over time.

Chart 1: Historical Revenue and Expenditure Comparison



Source: CLSD and ODE

Note: See **Table 5** for projected revenues, expenditures, results of operations, and resulting fund balances as of the District’s May 2016 five-year forecast.

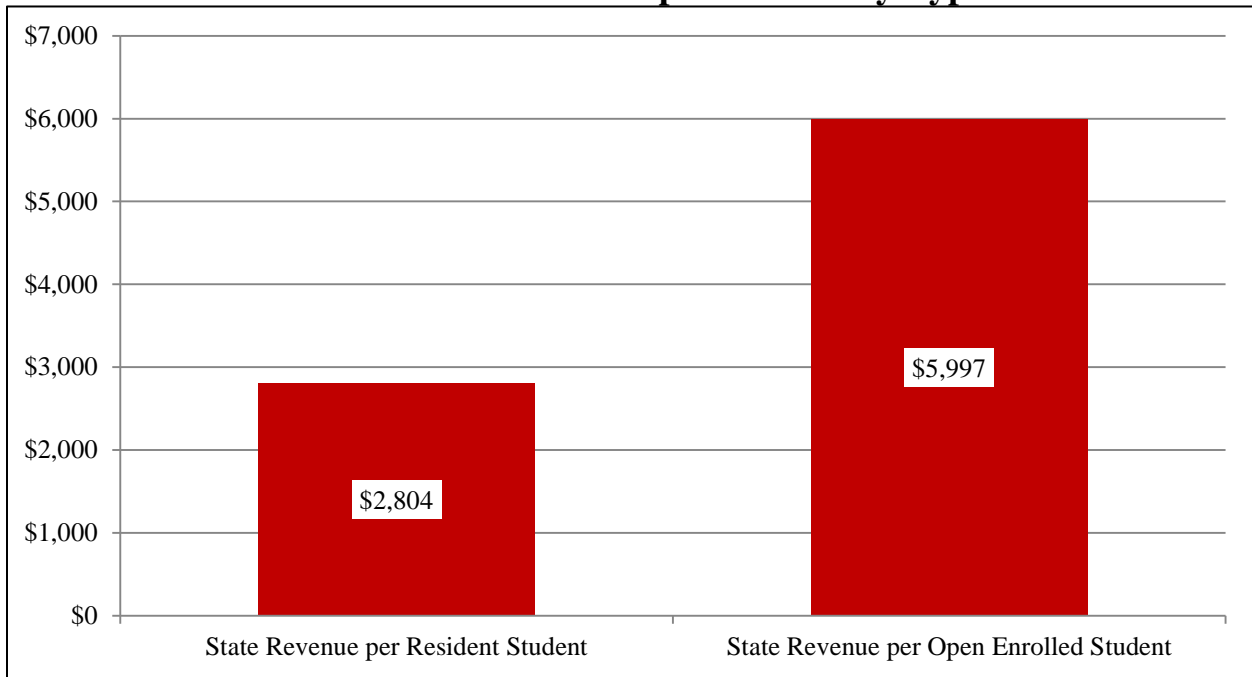
As shown in **Chart 1**, the District’s expenditures exceeded its revenues in each year except for FY 2011-12. However, in FY 2011-12, the District borrowed \$1.5 million to avoid deficit spending and meet payroll expenses. As such, for each of the last five complete fiscal years, the District’s expenses have continued to outpace revenues, without borrowed funds.

Detailed Revenue Analysis

Open enrollment is funded by the State primarily through the Opportunity Grant, which in FY 2014-15 was \$5,800 per student.³ School districts receive the entire opportunity grant amount per student for open enrollment and a portion of the grant for resident students through the State Share Index which is a calculation used to determine a district’s capacity to raise local revenue when distributing State funds. The basis for this calculation is the district’s three-year average property value, median income index, and a wealth index. Using this formula, no district will have a State share index greater than 0.90 or less than 0.05. In FY 2014-15, CLSD received slightly over \$4.2 million in State revenue with an applied State Share Index of 0.3283, which translates to \$2,804 in State revenue per student.

Chart 2 compares CLSD’s State revenue per resident student to the revenue generated from an open enrolled student for FY 2014-15.⁴ This comparison is important because it provides context as to the extent the State determines a district’s wealth in relation to the revenue it receives per resident student and how that revenue compares to an open enrolled student.

Chart 2: State Revenue per Student by Type



Source: CLSD and ODE

As shown in **Chart 2**, a CLSD resident student generates \$3,193, or 53.2 percent, less State revenue compared to an open enrolled student.

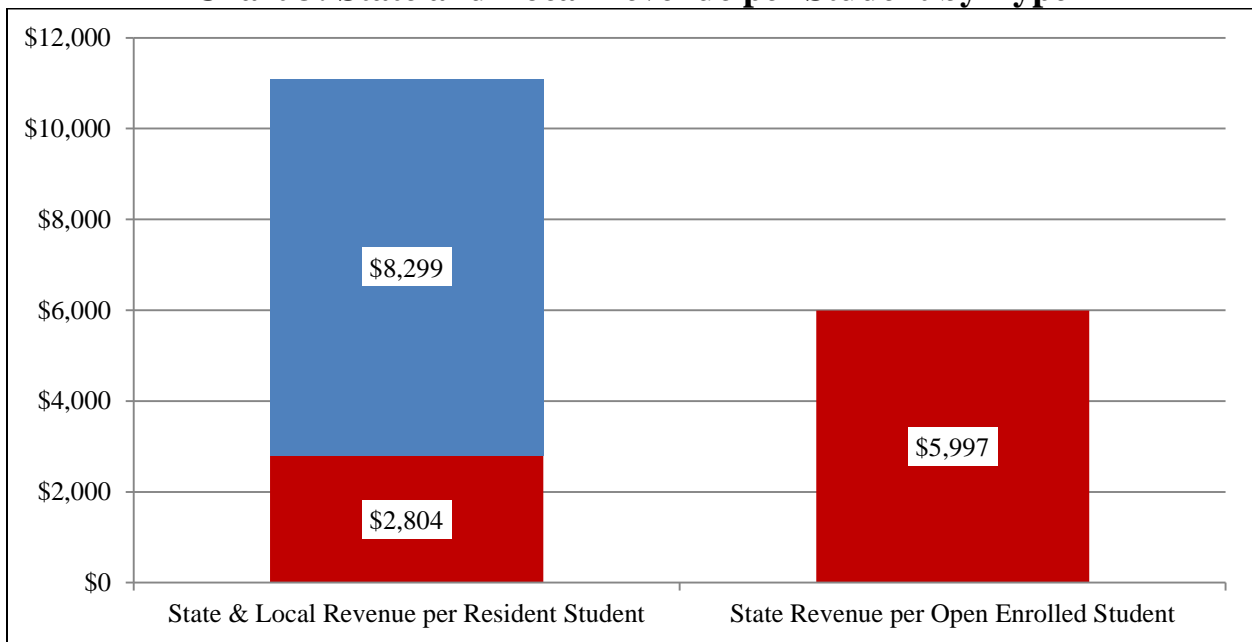
³ The Opportunity Grant increased from \$5,800 in FY 2014-15 to \$5,900 in FY 2015-16 and will increase to \$6,000 in FY 2016-17.

⁴ Medicaid was omitted from State revenue because it does not have a unique receipt code in the Uniform School Accounting System (USAS).

Local revenues are generated from the District’s property taxes and voted tax levies. ODE created a Local Tax Effort Index to reflect the extent of effort the residents of a school district make in supporting public elementary and secondary education, while also considering the ability of district residents to pay. A value of 1.0 indicates average local tax support, while values below or above 1.0 reflect below average or above average support, respectively. CLSD’s local tax effort for FY 2014-15 was 1.2795, signifying that its residents contribute more on a means-adjusted basis than the State average. The ability to generate a significant level of revenue from local taxes has a direct effect on the funding to educate a resident student.

Chart 3 shows the District’s local and State revenue per resident student compared to the State revenue per open enrolled student for FY 2014-15.

Chart 3: State and Local Revenue per Student by Type



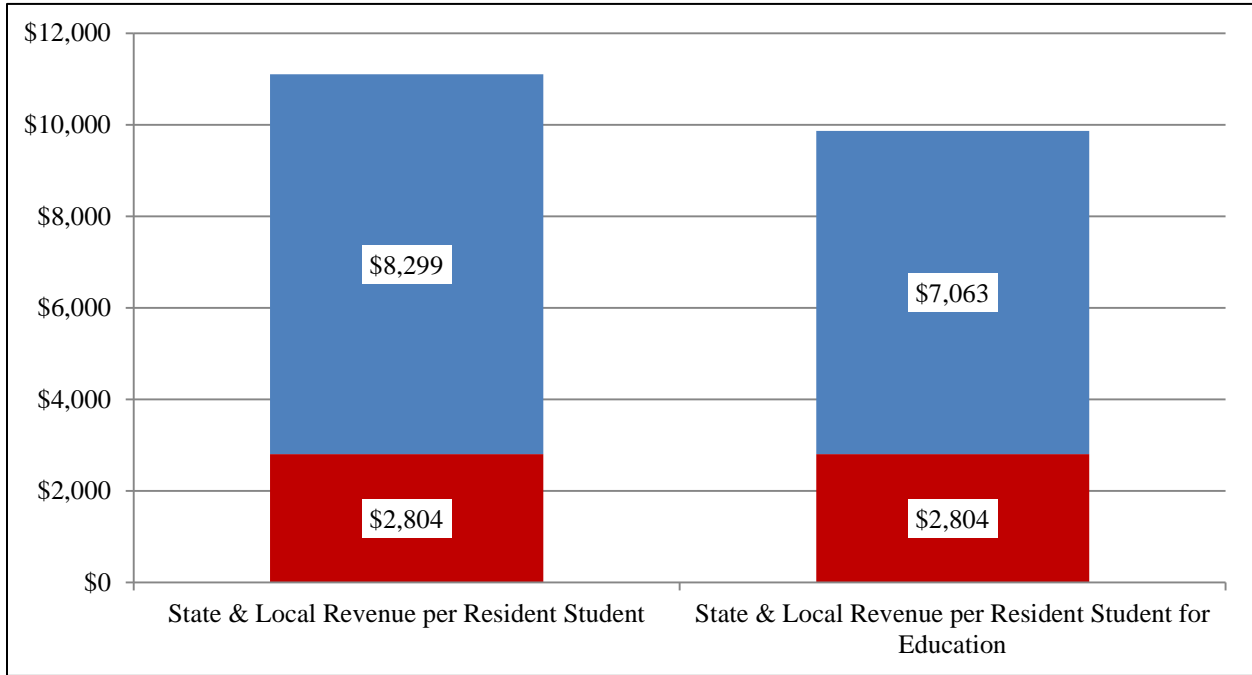
Source: CLSD and ODE

¹Local revenue excludes revenue associated with open enrollment and the Casino Tax.

As shown in **Chart 3**, CLSD’s local and State revenue per student was 85.1 percent greater in comparison to the per student revenue received for open enrollment. Not all revenue, however, can be dedicated to a student’s education. For example, expenditures associated with capital outlay and debt service are also funded through local taxes. In FY 2014-15, CLSD allocated approximately \$100,000 for capital outlay and approximately \$1.8 million for debt service from local taxes.

Chart 4 breaks these allocation levels out, showing the amount of revenue that is dedicated to paying for capital outlay and debt service expenditures on a per student basis. This is important to examine as it shows the amount of local tax revenue generated per student that did not go to resident students' classroom education.

Chart 4: State and Local Revenue Dedicated to Student Education

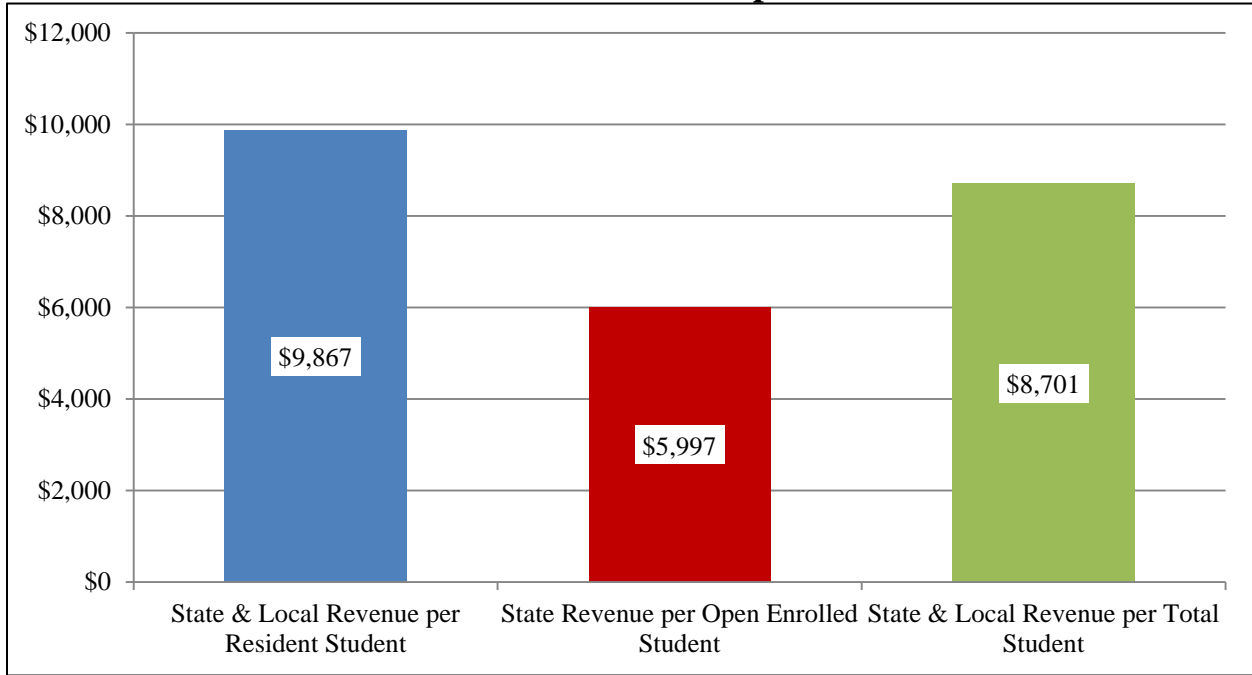


Source: CLSD and ODE

As shown in **Chart 4**, local tax revenue per student decreased from \$8,299 to \$7,063. This means that \$1,236, or 14.9 percent, of the locally generated tax revenue per student is dedicated to paying off the District's debt and does not go to the education of resident students. Also, the concept of dilution is important in the context of local tax revenue compared to open enrollment revenue. Because open enrollment generates \$5,997 per student compared to \$7,063 generated from local taxes, which stay with the student's resident district, every open enrolled student diminishes the tax efforts of the local community once the open enrollment into the District is greater than the open enrollment out of the District.

Chart 5 shows this dilution factor, on a per student basis, for FY 2014-15.

Chart 5: Revenue Dilution per Student



Source: CLSD and ODE

As shown in **Chart 5**, the average revenue generated from a resident student, when open enrollment revenue is added, diluted the total revenue per student by \$1,166, or 13.4 percent. This is because State revenue is calculated using only resident students. Districts will receive the revenue based on their State Share Index, despite what district their resident students attend.

Although per-student revenue decreased with open enrollment, further analysis was completed to determine if open enrollment students have a net positive or negative impact on the District's financials after accounting for expenditures per student.

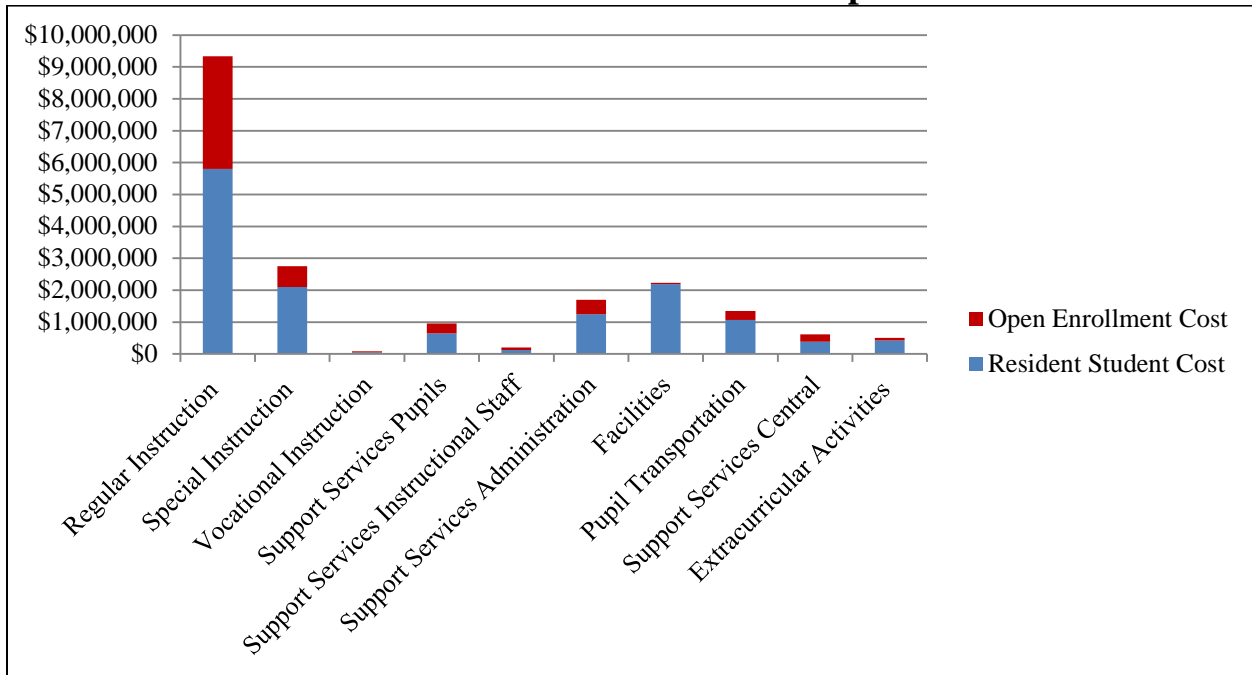
Detailed Expenditure Analysis

Chart 6 shows expenditures, by function, attributed to educating open enrollment students and compares the open enrollment cost to the resident student cost for FY 2014-15.⁵ The open enrollment costs were calculated by multiplying the percent of open enrollment students with expenditures in each function as follows:

- Special instruction expenditures were multiplied by the percent of special education open enrollment students (20.9 percent for FY 2014-15);
- Pupil transportation expenditures were multiplied by the percent of open enrollment students receiving transportation services (21.2 percent for FY 2014-15); and
- All other expenditures were multiplied by the total percent of open enrollment students (37.7 percent for FY 2014-15).

This type of analysis illustrates the relationship between the costs attributed to resident students and open enrollment students.

Chart 6: FY 2014-15 Costs Attributed to Open Enrollment



Source: CLSD and ODE

As show in **Chart 6**, resident student costs exceed open enrollment costs in every function.

⁵ Not all expenditures are available for, or have a direct relationship to, open enrolled students. Further, the Uniform School Accounting System, the structure under which all school districts are required to account for revenues and expenses, specifically defines certain expenses as being allocated specifically toward resident students. For example, Function 1131 Preparatory, Post-Secondary Education Curriculum is defined as being for resident students. The detailed expenditures shown here exclude all categories of expenditure that are specifically prohibited as well as categories of expenditure where no reasonable and appropriate relationship was determined to exist between an category and the cost to educate open enrolled students.

Table 6 shows the actual dollar amounts for the expenditures in **Chart 6**. Further, it compares the open enrollment cost to the revenue generated by these students. This type of analysis illustrates the net revenue or loss generated by open enrollment.

Table 6: FY 2014-15 Costs and Revenue Attributed to Open Enrollment

Total Students		2,076
Open Enrollment Students		782
Percentage of Open Enrollment Students		37.7%
Expenditure Type	Total Cost	Open Enrollment Cost
Regular Instruction ¹	\$9,338,970	\$3,534,458
Special Instruction ²	\$2,754,341	\$657,237
Vocational Instruction	\$83,667	\$31,521
Support Services Pupils	\$954,591	\$311,078
Support Services Instructional Staff	\$201,558	\$75,934
Support Services Administrative	\$1,693,455	\$445,580
Operation and Maintenance of Plant Services	\$2,225,704	\$38,695
Support Services Pupil Transportation	\$1,350,307	\$285,727
Support Services Central	\$614,987	\$231,336
Extracurricular Activities ³	\$505,523	\$81,009
Total Expenditures	\$19,723,103	\$5,692,575
Open Enrollment Revenue		\$4,690,021
Net Revenue/(Loss)		(\$1,002,554)

Source: CLSD and ODE

¹ This includes \$175,796 in certificated salaries and wages miscoded to the Operation and Maintenance of Plant Services function code.

² Open enrollment special education students account for approximately 21.2 percent of total special education students. This percent was applied to the Special Instruction expenditures, except for Disadvantaged Youth which was multiplied by the percent of open enrollment students.

³ Open enrollment cost is based on the District's net cost of \$215,029 for extracurricular activities multiplied by the percent of open enrollment students.

As shown in **Table 6**, CLSD's net loss for educating open enrollment students was approximately \$1.0 million in FY 2014-15.

Optimized Open Enrollment

If CLSD were to revise its current open enrollment policy, it could still offer open enrollment by using those students to round out classes. This could allow the District to increase its revenue without adding additional staff. To demonstrate this concept, two approaches were developed including:

- **Table 7a** shows how the District could maximize revenue from open enrollment while maintaining the FY 2015-16 total students to general education teacher ratio of 24:1.⁶
- **Table 7b** shows how the District could maximize revenue from open enrollment by increasing the total students to general education teacher ratio to 25:1.

Table 7a: Maximizing Open Enrollment Revenue

FY 2015-16 Student to General Education Teacher Ratio				24:1
Grade	FY 2015-16 Resident Students	Gen. Ed. Teachers Required	Rounded Gen. Ed. Teacher FTEs ¹	Additional Capacity for OE Students
K	86	3.58	4.00	10
1	87	3.63	4.00	9
2	95	3.96	4.00	1
3	103	4.29	5.00	17
4	104	4.33	5.00	16
Subtotal Elementary School	475	19.79	22.00	53
5-8	407	16.96	17.00	1
Subtotal Middle School	407	16.96	17.00	1
9-12	452	18.83	19.00	4
Subtotal High School	452	18.83	19.00	4
Total Students	1,334	55.58	58.00	58
Total Open Enrollment Revenue				\$342,200

Source: CLSD and ODE

¹ According to the *EMIS Reporting Manual* (ODE, 2015), a full time equivalent (FTE) is defined as 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.

As shown in **Table 7a**, the District could admit 58 open enrollment students, based on FY 2015-16 resident student enrollment, and still maintain its current student to general education teacher ratio. However, this option limits the revenue the District could receive from open enrollment.

⁶ This is based on 89.0 FTE general education teachers and excludes the 2.0 FTE general education teachers at the elementary school dedicated to technology education.

Table 7b: Maximizing Open Enrollment Revenue

Revised Student to General Education Teacher Ratio				25:1
Grade	FY 2015-16 Resident Students	Gen. Ed. Teachers Required	Rounded Gen. Ed. Teacher FTEs	Additional Capacity for OE Students
K	86	3.44	4.00	14
1	87	3.48	4.00	13
2	95	3.80	4.00	5
3	103	4.12	5.00	22
4	104	4.16	5.00	21
Subtotal Elementary School	475	19.00	22.00	75
5-8	407	16.28	17.00	18
Subtotal Middle School	407	16.28	17.00	18
9-12	452	18.08	19.00	23
Subtotal High School	452	18.08	19.00	23
Total Students	1,334	53.36	59.00	116
Total Open Enrollment Revenue				\$684,400

Source: CLSD and ODE

As shown in **Table 7b**, the District could admit 116 open enrollment students if it increased its total student to general education teacher ratio from 24:1 to 25:1.

Ultimately, the number of open enrollment students the District can admit with the goal of maximizing financial efficiency will vary based on resident student enrollment and the desired student to teacher ratio. It is important to note, however, that the District would experience a slight increase in supplies and materials expenditures and water and sewer utilities due to the additional students.

Table 8 shows the net savings to the District if it optimized open enrollment based on the scenario shown in **Table 7b**.

Table 8: Potential Net Savings from Open Enrollment Optimization

Savings from Eliminating Excess Cost of Open Enrollment	\$1,002,554
Additional Revenue from Optimizing Open Enrollment (116 students)	\$684,400
Reduction of Transportation Revenue from Optimizing Open Enrollment ⁷	(\$94,821)
Increase in Supplies and Materials Expenditures	(\$9,654)
Increase in Water and Sewer Utilities	(\$438)
Net Savings	\$1,582,041

Source: CLSD and ODE

As shown in **Table 8**, reducing open enrollment to a level that maximizes staff resources could reduce the District’s expenditures by almost \$1.6 million annually. The additional funds could be

⁷ Reducing the number of open enrollment students would decrease the District’s transportation funding by \$462.54 per student no longer transported.

used to reduce debt payments, offset the reduction in State revenue to pay back State Solvency Assistance funds, and/or educate students.

Reducing total expenditures would impact the maintenance of effort (MOE) calculations completed by ODE for IDEA Part B⁸ and Title I⁹ federal funds. However, ODE calculates MOE based on total expenditures and expenditures-per-pupil and then selects the MOE with the most favorable outcome for the District. Reduced student enrollment is an exemption to the MOE requirements for IDEA-B, which means reducing expenditures and enrollment associated with open enrollment are not likely to impact MOE and the District's future funding. The amount of Title funds a district receives are based on the district's census data, except for Title II-A which is based on enrollment. Although Title II-A funding may decrease, it would not be significant to District operations as it would only reduce a portion of the total Title II-A funding, which in FY 2014-15 was \$65,400. The District's total Title I funding was approximately \$447,900 in FY 2014-15. Further, the District may request a waiver of MOE requirements due to a decline in financial resources. As such, reducing the District's open enrollment population and associated expenditures will have an immaterial impact on its federal funding.

Financial Implication: The District could save approximately **\$1,582,041** annually by optimizing the number of open enrollment students it accepts.

R.3 Develop a multi-year capital improvement plan

The District does not have a capital plan. However, voters passed an approximately \$28.3 million bond issue in May 2013 which generates permanent improvement funds estimated by the Treasurer to equal approximately \$300,000 per year. The poor condition of the District's school buildings prompted it to pursue the bond issue to fund construction of a new high school and renovations to existing school buildings, which are scheduled for completion before the 2016-17 school year.

According to *Multi-Year Capital Planning: Best Practice* (GFOA, 2006), public entities that are allocated capital outlay or permanent improvement funding should prepare and adopt multi-year capital plans. A properly prepared capital plan is essential to the future 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 and maintenance costs.

The District should create a multi-year capital plan for all of its capital assets. Doing so would ensure that capital assets and permanent improvement funds are effectively managed.

⁸ Part B of the Individuals with Disabilities Education Act (IDEA Part B) governs how states and public agencies provide special education and related services for children and youth ages 3-21.

⁹ Funds made available under Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA) are used to provide services that are in addition to the regular services normally provided by a school district.

R.4 Consider eliminating General Fund subsidy of extracurricular activities

The District offers various extracurricular activities, including pay-to-participate athletics. In March 2016, the District increased its per sport pay-to-participate fee from \$75 to \$100 for high school and from \$50 to \$75 for middle school, effective FY 2016-17. According to ORC § 3315.062, a school district may use General Fund money to support student activities; however, such support shall not exceed five-tenths of one percent of the annual operating budget. While the District complied with this statute in FY 2014-15, the General Fund still subsidized extracurricular activities. Given the District’s deficit and fiscal emergency status, this practice is not sustainable.

Table 9 shows the net cost of extracurricular activities by activity type compared to the primary peers in FY 2014-15. Analyzing data by activity type is important because it identifies activities requiring the greatest level of General Fund subsidy, and can help the District make appropriate management decisions to reduce or eliminate the net cost of those activities.

Table 9: Extracurricular Net Cost Comparison

Activity Type	CLSD Rev.	CLSD Exp.	CLSD Net Cost	Peer Avg. Net Cost ¹	Difference	Percent Difference
Academic Oriented	\$160,584	\$115,806	\$44,778	(\$151,921)	\$196,699	(129.5%)
Occupation Oriented	\$0	\$534	(\$534)	\$1,367	(\$1,901)	(139.1%)
Sport Oriented	\$91,529	\$331,263	(\$239,734)	(\$344,721)	\$104,987	(30.5%)
School and Public Service Co-Curricular	\$0	\$57,920	(\$57,920)	(\$44,413)	(\$13,507)	30.4%
Bookstore Sales	\$4,587	\$0	\$4,587	\$646	\$3,941	610.1%
Other Extracurricular	\$4,441	\$0	\$4,441	\$99,799	(\$95,358)	(95.6%)
Non-specified ²	\$29,353	\$0	\$29,353	\$28,408	\$945	3.3%
Total	\$290,494	\$505,523	(\$215,029)	(\$410,835)	\$195,806	(47.7%)

Source: CLSD and primary peers

¹ West Branch LSD was excluded from the peer average, as detailed financial information was not available.

² This represents revenue that was not coded by activity type.

As shown in **Table 9**, the District's extracurricular activities net cost of approximately \$215,000 was significantly less than the peer average. Specifically, the District operated three activities (occupation oriented, sports oriented, and school and public service co-curricular) at a net cost. Sports oriented activities operated with the largest net cost of over \$239,000. Although the District was below the peer average, its severe financial condition may warrant eliminating the General Fund subsidy of extracurricular activities.

In order to eliminate the General Fund subsidy, the District must increase revenue and/or decrease expenditures. This can be achieved by implementing one or more of the following:

- Increase pay to participate fees for sports;
- Increase admissions and sales;
- Increase booster club funding;
- Reduce the supplemental salary schedule; and
- Eliminate programs.

Making these changes would help eliminate the General Fund subsidy, allowing more resources to be dedicated to student instruction.

Financial Implication: Eliminating the General Fund subsidy of extracurricular activities could save the District approximately **\$215,000** per year, based on FY 2014-15 data.

R.5 Reduce 19.0 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 teachers to students to be at least 1.0 FTE classroom teacher for every 25 regular students. This category excludes teaching staff in other areas such as gifted, special education, and educational service personnel (ESP).

Table 10 shows a general education staffing comparison based on the District’s FY 2015-16 students to teacher ratio. It is important to compare staffing to both the peer average and State minimum requirements to provide a full picture of staffing efficiency.

Table 10: General Education Teacher Staffing Comparison

General Education FTEs					91.0
Regular Student Population					1,791.2
Staffing Ratio (Students:Teachers)					19.7
	Staffing Ratio by Option (Students: Teachers)	Proposed Staffing for Each Option	Difference Above/ (Below)	Proposed Reduction for this Option	Annual Savings
Option 1: Peer Average	21.1:1	85.1	(5.9)	5.5	\$287,834
Option 2: 10% Above State Minimum	22.5:1	79.6	(11.4)	11.0	\$590,553
Option 3: State Minimum	25.0:1	71.6	(19.4)	19.0	\$1,080,729

Source: CLSD, ODE, and OAC

As shown in **Table 10**, the District's general education teacher staffing level is above the peer average and significantly above the State minimum requirement. The selection of one of the options presented in **Table 10** is ultimately District management's responsibility based on the needs and desires of the stakeholders in its community. Staffing decisions must be balanced, however, with their fiduciary responsibility to adapt to the District’s financial realities and maintain a solvent operation. Prior to making any reductions, the District should review staffing in all areas to determine appropriate service levels based on programmatic needs and responsibilities. The option to reduce general education staffing to State minimums is not a common practice in Ohio, but may be necessary to maintain financial solvency based on the deficit projections in the October 2015 five-year forecast and fiscal emergency status.

Financial Implication: Reducing 19.0 FTE general education teachers could save approximately **\$1,080,700** in salaries and benefits annually. This savings was calculated using the lowest full-

time general education teacher salaries and an average benefits ratio of 41.9 percent.¹⁰ The estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

R.6 Reduce 3.0 FTE ESP teacher positions

ESP teacher positions include K-8 art, music, and physical education teachers. In FY 2015-16, the District employed 9.0 FTE ESP teachers, which included 1.0 FTE art teacher, 4.3 FTE music teachers, and 3.7 FTE physical education teachers. Effective April 24, 2015, OAC 3301-35-05 was revised to state, "The local board of education shall be responsible for the scope and type of educational services in the district. The district shall employ educational service personnel to enhance the learning opportunities for all students." This revision eliminated State minimum staffing levels for ESP staffing.

Table 11 shows the District's ESP staffing on a per 1,000 students basis as compared to the peer average for FY 2015-16. Comparing ESP staffing in relation to student population normalizes the effect of district size between CLSD and the peers.

Table 11: ESP Teacher Staffing Comparison

	CLSD	Primary Peer Avg.	Difference
Students Educated ¹	2,053.6	1,992.2	61.4
Students Educated (thousands)	2.0536	1.9922	0.0614

	FTEs	FTEs per 1,000 Students	Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
ESP Teachers	9.00	4.38	3.80	0.58	1.19

Source: CLSD, ODE, and primary peers

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 the District's number of office/clerical FTEs per 1,000 students in line with the peer average.

As shown in **Table 11**, the District employed more ESP teachers than the peer average, signifying that financial efficiency could be gained by bringing its operation more in-line with this staffing level. A reduction of 1.0 FTE ESP teacher could save the District approximately \$61,300 annually. Given the District's fiscal emergency status, reductions below the peer average could help it reduce the deficits in its five-year forecast. As a result, the District's K-8 art, music, and physical education FTEs were further analyzed on a per building basis. **Table 12** shows this comparison, which serves to detail ESP teacher FTEs dedicated to instructing students at each District building.

¹⁰ Calculated using the FY 2014-15 personal services expenditures divided by the employee's retirement/insurance benefits expenditures from the October 2015 five-year forecast.

Table 12: ESP Teacher per Building Staffing Comparison

	Turkeyfoot Elementary / 4 th Grade Academy	Coventry Middle School			
Students Educated	717.00	679.00			
Students Educated (hundreds)	7.17	6.79			
	ESP Teachers	ESP Teachers/100 Students	ESP Teachers	ESP Teachers/100 Students	Difference Above/(Below)
Art Education K-8	0.00	0.00	1.00	0.14	0.14
Music Education K-8	1.30	0.18	3.00	0.44	0.26
Physical Education K-8	1.70	0.24	2.00	0.29	0.06
Total ESP Teachers	3.00	0.42	6.00	0.88	0.46
Total Adjustment Needed to Equal Elementary ESP Teacher Staff per 100 Students					3.30
Proposed ESP Teacher Reduction					3.00
Annual Savings					\$203,058

Source: CLSD

As shown in **Table 12**, the District employs more ESP teachers at Coventry Middle School on a total FTE basis and per 100 students basis. The District would need to reduce 3.0 FTE ESP teachers from Coventry Middle School to reach the ESP teacher staffing level at the elementary level. The selected course of action by the District is ultimately management's responsibility based on the needs and desires of the stakeholders in its community and must be balanced with the fiduciary responsibility to adapt to financial realities and maintain a solvent operation.

Financial Implication: Reducing 3.0 FTE ESP teacher positions could save approximately **\$203,000** in salaries and benefits annually. This was calculated using the lowest ESP staff salaries and an average benefits ratio of 41.9 percent.¹¹ The estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

¹¹ Calculated using the FY 2014-15 personal services expenditures divided by the employee's retirement/insurance benefits expenditures from the October 2015 five-year forecast.

R.7 Reduce 2.0 FTE office/clerical positions

Office/clerical personnel are responsible for general office activities or building, department, and/or administrative secretarial duties. **Table 13** shows the District’s FY 2015-16 office/clerical staffing compared to the primary peer average on a per 1,000 student basis. This analysis serves as a proxy workload measure for each FTE.

Table 13: District-Wide Office/Clerical Staffing Comparison

	CLSD		Primary Peer Avg.	Difference	
Students Educated ¹	2,053.6		1,992.2	61.4	
Students Educated (thousands)	2.0536		1.9922	0.0614	
	FTEs	FTEs per 1,000 Students	Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
Office/Clerical	14.09	6.86	5.85	1.01	2.07

Source: CLSD and 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 Represents the number of FTEs that, when added or subtracted, would bring the District’s number of office/clerical FTEs per 1,000 students in line with the peer average.

As shown in **Table 13**, CLSD’s district-wide office/clerical staffing was above the primary peer average. In total, the District would need to reduce 2.07 FTEs to be comparable to the primary peer average. Additionally, analyzing the District’s office/clerical staffing levels on a per building basis identifies if building-level office/clerical staffing levels contribute to the higher district-wide office/clerical staffing levels. **Table 14** shows this analysis, which serves as a proxy workload measure for each building-level FTE.

Table 14: Building-Level Office/Clerical Staffing Comparison

	CLSD		Primary Peer Avg.	Difference	
Buildings	3.0		4.3	1.3	
	FTEs	FTEs per Building	Peer FTEs per Building	Difference per Building	Total FTEs Above/ (Below) ¹
Office/Clerical	7.00	2.33	1.47	0.86	2.58

Source: CLSD and ODE

¹ Represents the number of FTEs that, when added or subtracted, would bring the District’s number of building-level office/clerical FTEs per building in line with the peer average.

As shown in **Table 14**, CLSD was staffed higher compared to the primary peer average. To achieve a staffing ratio consistent with the peers, the District would need to reduce 2.58 FTE building-level office/clerical positions. While the primary peers have more buildings than CLSD, the District’s financial condition necessitates operating more efficiently.

The office/clerical analyses completed in **Table 13** and **Table 14** both show the District has an opportunity to reduce 2.0 FTE office/clerical positions. Whether the reductions occur from district-wide positions, building-level positions, or some combination thereof, is ultimately up to the District. Reducing 2.0 FTE office/clerical positions would streamline the District's operations and allow more resources to be dedicated to student instruction.

Financial Implication: Reducing 2.0 office/clerical FTEs would save approximately **\$77,800** in salaries and benefits annually. This was calculated using the lowest office/clerical staff salaries and an average benefits ratio of 41.9 percent.¹² The estimated savings could increase if the reduction occurs through retirement or voluntary separation of higher-salaried staff.

R.8 Renegotiate collective bargaining agreement provisions

The District has negotiated collective bargaining agreements (CBAs) with the Coventry Education Association (certificated CBA) and the Ohio Association of Public School Employees (OAPSE) Local 131 (classified CBA). The District's certificated CBA expires July 31, 2016 and its classified CBA expired June 30, 2013; since that time the District has been operating under a continuation of the expired agreement. An analysis of these CBAs identified certain provisions that exceeded State minimum standards and/or typical provisions in Ohio school districts. The following provisions exceeded the local peer district average or ORC minimum requirements:

- **Holidays:** The District's classified CBA offers nine paid holidays to 12-month employees and eight paid holidays to employees who work less than 12 months. Although these levels were below the surrounding district average of 12 paid holidays for 11 and 12-month employees and consistent with eight paid holidays for nine and 10-month employees, ORC § 3319.087 states 11 and 12-month employees are entitled to a minimum of seven paid holidays, while nine and 10-month employees are entitled to six paid holidays. Direct savings from reducing the number of holidays could not be quantified; however, a reduction would increase the number of available work hours at no additional cost to the District.
- **Vacation:** The District's classified CBA provides employees with annual vacation accrual whereby they earn 565 vacation days over the course of a 30-year career. This exceeded the surrounding district average of 520 days and the ORC § 3319.084 minimum of 460 days. Providing employees with more vacation days could increase substitute and overtime costs. Direct savings from reducing the vacation schedule could not be quantified; however, a reduction would increase the number of available work hours at no additional cost to the District.
- **Severance Leave Accrual and Payout:** Both of the District's CBAs allow employees to accrue 300 days of unused sick leave. Norton CSD allows for a maximum accrual of 250 days, Green LSD 310 days, and Copley-Fairlawn CSD is unlimited. Further, ORC § 3319.141 details sick leave accumulation and specifies that unused sick leave shall be cumulative to 120 days. Providing an accrual in excess of State minimum levels

¹² Calculated using the FY 2014-15 personal services expenditures divided by the employee's retirement/insurance benefits expenditures from the October 2015 five-year forecast.

represents the potential for increased financial liability when sick leave is paid out to retiring employees. Additionally, the District's CBAs allow certificated and classified employees to be paid for accumulated sick leave upon retirement. Specifically, the certificated CBA allows for payment of 75 days. The classified CBA allows for payment of 90 days. In comparison, the surrounding districts average maximum sick leave payout is 54 days for certificated employees and 57 days for classified employees. The District's sick leave payout is also higher than required by ORC § 124.39, which allows school employees to be paid for 30 days (25 percent of 120 days) of unused sick leave at retirement. Allowing employees to receive payout in excess of State minimums becomes costly at employee retirement.

Table 15 shows the District's historical severance payout data compared to what it would have paid its certificated and classified employees had it been aligned with the peer average caps of 54 and 57 days, respectively.

Table 15: Severance Payout Potential Impact

	FY 2012-13	FY 2013-14	FY 2014-15	Total
CLSD Severance Payout	\$86,415	\$55,219	\$14,579	\$156,213
Payout Based on Peer Average	\$70,983	\$50,746	\$6,914	\$128,643
Difference	\$15,432	\$4,473	\$7,665	\$27,570
Average Severance Payout Savings at Peer Average				\$9,190
Payout Based on ORC Minimum	\$44,914	\$36,924	\$13,126	\$94,964
Difference	\$41,501	\$18,295	\$1,453	\$61,249
Average Severance Payout Savings at ORC Minimum				\$20,416

Source: CLSD, SERB, local peers, and ORC

As shown in **Table 15**, the District could have saved an average of \$9,190 annually if severance payouts were aligned with the peer average and an average of \$20,416 annually if severance payouts were aligned with the ORC minimum.

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 would be beneficial to the District's financial position.

The District's CBAs have already expired, or will expire within the forecast period. As such, pursuing renegotiation of these changes for existing employees would have a direct impact on the forecasted financial condition. However, if the District determines that an immediate reduction in these benefits is impractical to implement, modifying these provisions for new hires may be more feasible.

R.9 Reduce health insurance costs

The District procures its medical, dental, and vision insurance through the Stark County Schools Council of Government (COG), which provides its members with greater insurance purchasing power by pooling their resources together to create one group under the same insurance plan. In January 2016, the COG had 94 members which included schools, libraries, educational service centers (ESCs), and other various public entities. This spreads the insurance risk out across its members rather than to a single district. The COG offers one medical, dental, and vision plan to its members and requires members to only offer COG dental and vision insurance.

CLSD was self-insured prior to joining the COG in April of 2012. The COG agreed to defer five monthly insurance premium payments starting in April 2012 through January 2013, which totaled approximately \$1.3 million. Subsequently, the District deferred four additional monthly insurance premiums payments in FY 2013-14.

According to the COG's bylaws, members can receive premium holidays once they are vested in the plan. A premium holiday is a provision that permits the cessation of one month of insurance premiums, effectively reducing the employee and employers cost of insurance by 1/12th or 8.3 percent per holiday offered. In order to become vested, an entity needs to either have 30 percent equity in the plan or be a part of the plan for at least five years, whichever comes first; and not have any outstanding debt to the plan. Premium holidays are awarded based on the amount of available equity from the previous year's pooled premiums. CLSD has not been eligible for premium holidays due to its debt to the COG, which was certified on March 4, 2016 as more than \$2.8 million. Once CLSD pays off the loan, it will qualify for premium holidays.

The District offers one insurance plan to employees with varying employee contributions depending on the employee's classification.¹³ The District's insurance plan costs and employee contributions were compared to the raw data collected by SERB in creating the *23rd Annual Report on the Cost of Health Insurance in Ohio's Public Sector* (SERB, 2015). To create this report, SERB surveys public sector entities on various aspects of health insurance benefits.

Medical Insurance

Table 16 shows CLSD's employer share of the medical premiums, by position type and by single and family coverage, as compared to the average for all reporting entities within Summit County, derived from 2015 SERB data. This comparison is important because insurance costs are recognized as sensitive to local conditions and, where possible, other local or regional plans provide the most realistic benchmarks for relative price competitiveness.

¹³ The District's certificated CBA expires July 31, 2016 and its classified CBA expired June 30, 2013.

Table 16: Monthly Employer Medical Insurance Cost Comparison

Plan Type	CLSD	SERB ¹	Difference	Percent Difference
Administration/Certificated				
Single	\$549.41	\$529.13	\$20.28	3.8%
Family	\$1,334.54	\$1,304.26	\$30.28	2.3%
Central Office²				
Single	\$601.12	\$529.13	\$71.99	13.6%
Family	\$1,460.14	\$1,304.26	\$155.88	12.0%
OAPSE 1³				
Single	\$601.12	\$529.13	\$71.99	13.6%
Family	\$1,460.14	\$1,304.26	\$155.88	12.0%
OAPSE 2³				
Single	\$601.12	\$529.13	\$71.99	13.6%
Family	\$1,312.35	\$1,304.26	\$8.09	0.6%
OAPSE 3³				
Single	\$601.12	\$529.13	\$71.99	13.6%
Family	\$1,192.29	\$1,304.26	(\$111.97)	(8.6%)

Source: CLSD and SERB

¹ Reflects the 2015 average monthly employer cost for medical/prescription insurance for Summit County governments.

² Central Office includes staff who are not certified, such as the office/clerical staff.

³ OAPSE members who have annual contracted hours of 1,387.5 or more are classified as OAPSE 1, employees who have annual contracted hours between 1,068 and 1,387 are classified as OAPSE 2 and employees who have annual contracted hours between 890 and 1,067 are classified as OAPSE 3.

As shown in **Table 16**, the District's 2015 cost for health insurance was higher than the Summit County average for every plan type, with the exception of the OAPSE 3 family plan. Higher insurance costs can be caused by higher overall premium levels, lower employee contributions, or a combination of both. Due to its outstanding debt to the COG, the District has not been eligible for premium holidays; however, if the District received premium holidays, it would lower the effective employer cost.

Table 17 shows the District's estimated savings associated with one premium holiday based on FY 2015-16 data.

Table 17: Medical Premium Holiday Savings per Employee Classification

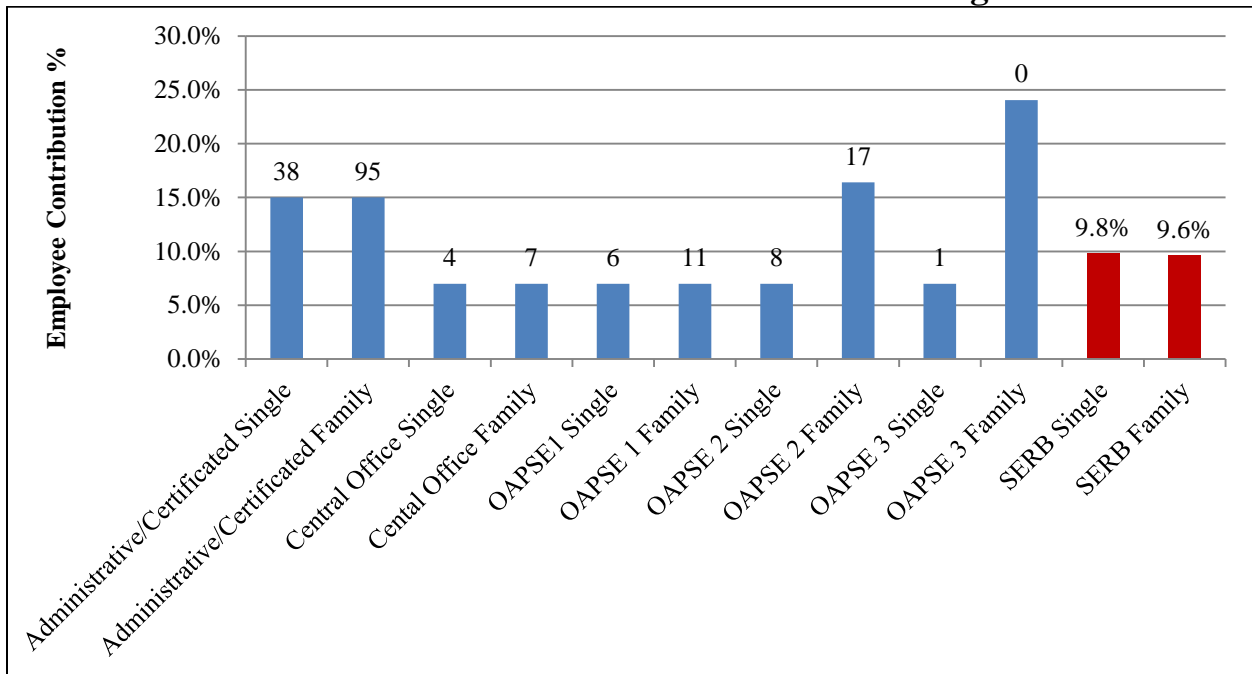
Plan Type	Health Premium Savings	Dental Premium Savings	Vision Premium Savings
Administrative/Certificated	\$151,497	\$19,664	\$4,155
Central Office	\$12,954	\$1,551	\$328
OAPSE 1	\$20,180	\$2,196	\$446
OAPSE 2	\$27,824	\$2,380	\$636
OAPSE 3	\$617	\$63	\$18
Savings by Insurance Type	\$213,072	\$25,854	\$5,583
Total Savings from One Premium Holiday for FY 2015-16			\$244,509

Source: CLSD

As shown in **Table 17**, the District can reasonably expect premium holiday savings of approximately \$244,500 per holiday offered for FY 2015-16 once outstanding debt with the COG is eliminated. The District can then allocate premium holiday savings to other outstanding debt.

Chart 7 shows the distribution of employees enrolled in each health plan and their employee contribution percentages for FY 2014-15 through FY 2015-16, as well as the SERB county average health insurance employee contribution of 9.8 for single coverage and 9.6 percent for family coverage. This comparison provides a benchmark to determine if District employees are contributing an appropriate amount relative to other public entities in Summit County.

Chart 7: CLSD Medical Insurance Contribution Percentages FY 2015-16



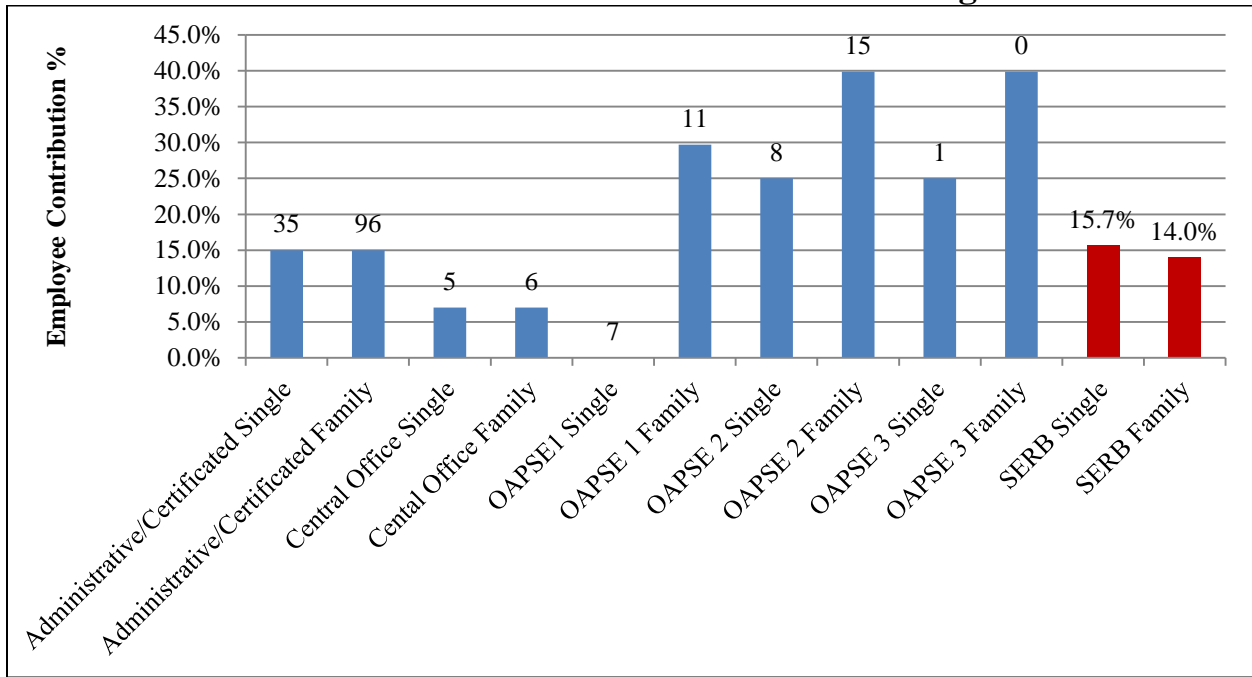
Source: CLSD and SERB

As shown in **Chart 7**, 37 employees, or 19.8 percent of all covered employees, currently contribute less than the SERB Summit County averages of 9.8 and 9.6 percent, respectively. As previously noted, CLSD’s employee contribution percentages vary widely due to provisions in the District’s collective bargaining agreements, as well as participation in single or family coverage. Specifically, OAPSE employees pay differing amounts based on the hours worked per year, position, and date of hire. OAPSE employees hired after July 1, 2010 are required to pay 20 percent of the total premium for single health plans. In contrast, OAPSE employees hired before this date are “grandfathered” into the plan and are required to pay the amounts listed above.

Dental Insurance

Chart 8 shows the distribution of employees enrolled in each dental plan and their employee contribution percentages for FY 2015-16, as well as the SERB Summit County average dental insurance employee contribution of 15.7 percent for single coverage and 14.0 percent for family coverage. This analysis provides CLSD with benchmarking criteria for future negotiations.

Chart 8: CLSD Dental Insurance Contribution Percentages FY 2015-16



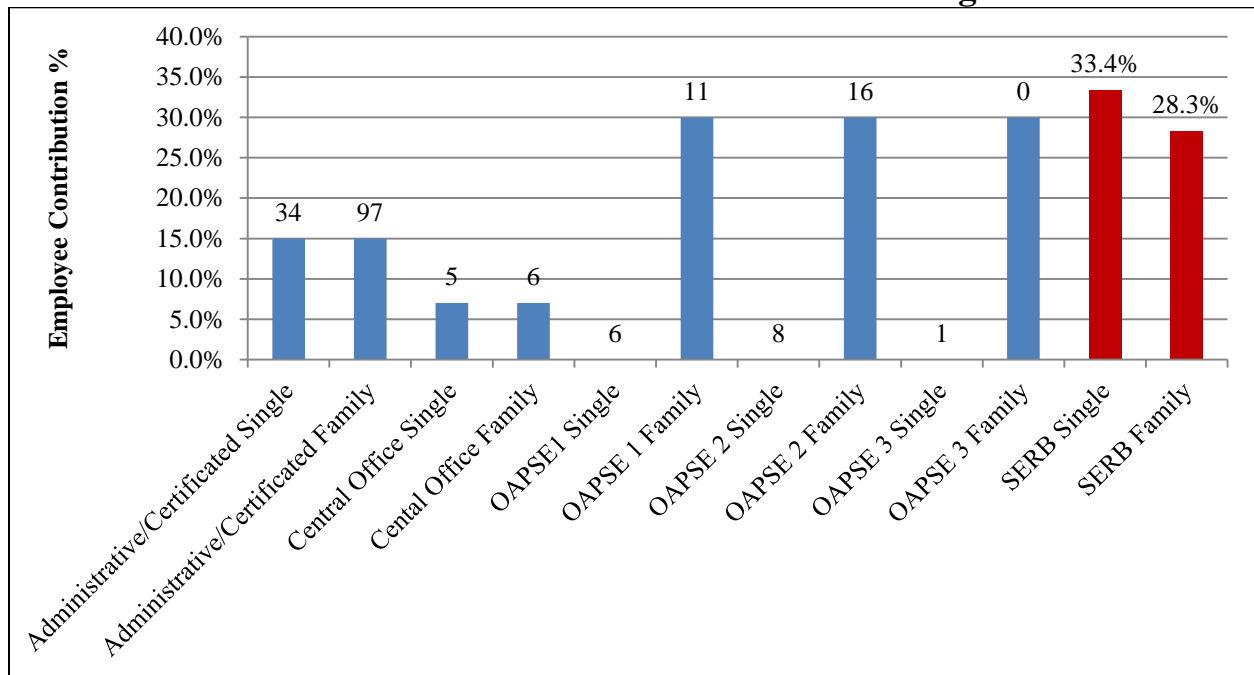
Source: CLSD and SERB

As shown in **Chart 8**, 53 employees, or 28.8 percent of all covered employees, currently contribute less than the SERB Summit County averages of 15.7 and 14.0 percent, respectively.

Vision Insurance

Chart 9 shows the distribution of employees enrolled in each vision plan and the respective employee contribution percentages for FY 2015-16, as well as the SERB Summit County average vision insurance employee contribution of 33.4 percent for single coverage and 28.3 percent for family coverage. This analysis provides CLSD with benchmarking criteria for future negotiations.

Chart 9: CLSD Vision Insurance Contribution Percentages FY 2015-16



Source: CLSD and SERB

As shown in **Chart 9**, 157 employees, or 85.3 percent of all covered employees, currently contribute less than the SERB Summit County averages of 33.4 and 28.3 percent, respectively.

Higher board cost relative to other area public entities is a result of higher premiums coupled with lower employee contributions. **Table 18** shows the financial impact associated with CLSD increasing employee contributions to a level equal to administrative and certificated employees for medical and dental and increasing all employee vision contributions to the SERB Summit County average. OAPSE single health plans were omitted from a financial savings because these contributions have already been negotiated.

Table 18: Financial Impact of Increasing Employee Contributions

Plan Type	Savings
Employee Medical Contribution Increase	
Certificated/Administration	N/A
Central Office	\$13,372
OAPSE 1 ¹	\$17,011
OAPSE 2	N/A
OAPSE 3	N/A
Employee Dental Contribution Increase	
Certificated/Administration	N/A
Central Office	\$1,601
OAPSE 1	N/A
OAPSE 2	N/A
OAPSE 3	N/A
Employee Vision Contribution Increase	
Certificated/Administration	\$14,274
Central Office	\$1,165
OAPSE 1	\$1,579
OAPSE 2	\$2,246
OAPSE 3	\$71
Total Savings	\$51,319

Source: CLSD and SERB

¹OAPSE savings includes family plans only.

As shown in **Table 18**, increasing employee contributions to 15 percent for all single and family medical and dental plans to match current administration and certificated plans, and increasing vision employee contributions to 33.4 percent for single and 28.3 percent for family plans, could result in an annual savings of approximately \$51,300.

Financial Implication: The District could save an average of **\$51,300** annually by increasing employee contributions to a level equal to administrative and certificated employees for medical and dental, and by increasing all employee vision contributions to the SERB Summit County average.

R.10 Effectively monitor the transportation contract

The District contracts with Petermann Northeast LLC (the Contractor) for transportation services. The Superintendent and Treasurer are responsible for the management of the contract. Pursuant to the agreement, the Contractor provides transportation management and maintenance services as well as buses, while the District employs the bus drivers and procures fuel. The original contract term was July 1, 2011 through July 31, 2016. Effective July 1, 2014, the District extended the contract for five additional years to July 31, 2021.

For FY 2015-16, the District is required to compensate the Contractor \$547,200 for the provision of 24 routes (or buses) and the above-mentioned transportation management services. However, the Contractor is only providing 21 routes in FY 2015-16, which means the District is paying for three more routes than it is using. Based upon a per bus cost of \$22,800, the District will pay

\$68,400 in FY 2015-16 for routes that are not utilized. It is important to note that compensation in the contract is based on a year-to-year cost for service. As such, the contracted cost per bus may change if the number of active buses is reduced.

According to *Best Practices in Contracting for Services* (National State Auditors Association, 2003), “monitoring is an essential part of the contracting process. Monitoring should ensure that contractors comply with contract terms, performance expectations are achieved, and any problems are identified and resolved. Without a sound monitoring process, the contracting agency does not have adequate assurance it receives what it contracts for.” To properly monitor the transportation contract, the District should:

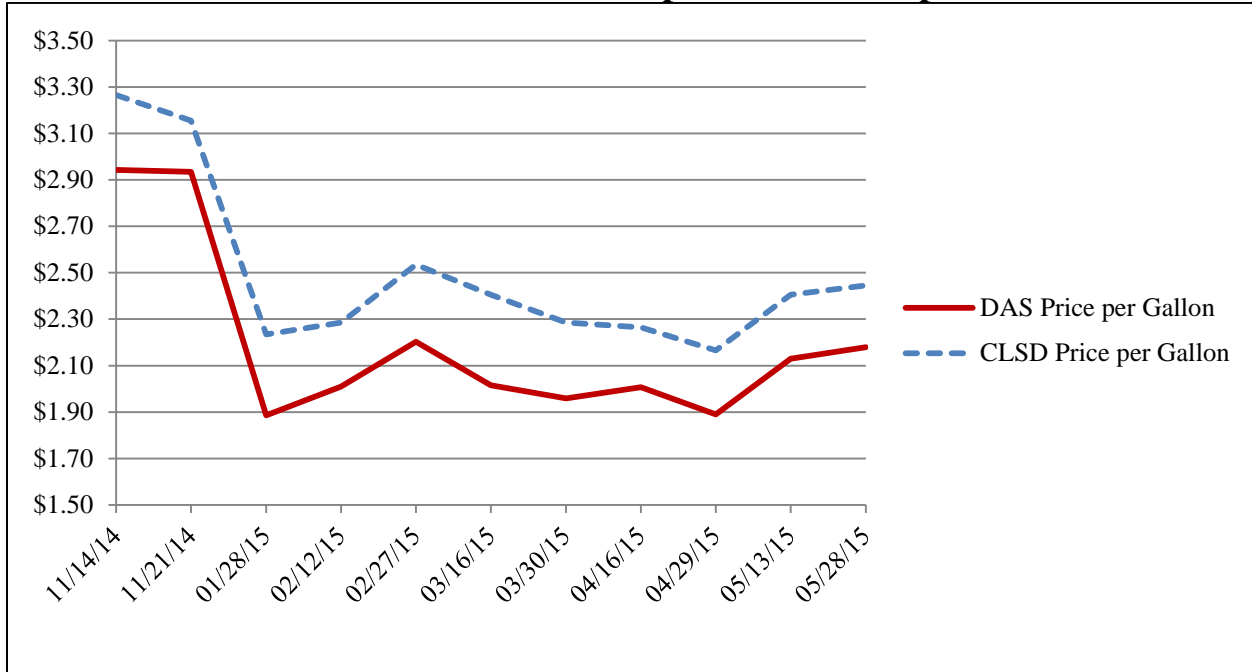
- Assign a contract manager with the authority, resources, and time to monitor it;
- Ensure the contract manager possesses adequate skills and training to properly manage the contract;
- Track budgets and compare invoices and charges to contract terms and conditions;
- Ensure that deliverables are received on time and document acceptance or rejection;
- Withhold payments to vendors until deliverables are received;
- Retain documentation supporting charges against the contract; and
- Evaluate the contract against established criteria.

The District should manage its transportation contract to ensure it receives the services for which it pays. Additionally, the District should continue to evaluate ridership levels throughout the course of the contract and determine if future bus reductions are feasible before negotiating future transportation contracts.

R.11 Procure fuel using the DAS cooperative purchasing program

The District does not participate in cooperative purchasing for diesel fuel, electing instead to purchase directly from a vendor. The District's fuel costs were compared to prices available through the DAS Cooperative Purchasing Program (CPP). This program offers political subdivisions, including school districts, the benefits and cost savings of procuring goods and services through State contracts. **Chart 10** shows a comparison between the District's total cost for diesel fuel and the price offered through the CPP on the same dates during FY 2014-15. The comparison is important because it shows what the District paid for fuel compared to what it could have paid through cooperative purchasing.

Chart 10: Diesel Fuel Price per Gallon Comparison



Source: CLSD and DAS

As shown in **Chart 10**, the District consistently paid more for diesel fuel compared to the CPP contract in FY 2014-15. In addition, ORC § 125.04(C) states, "A [school district] may purchase supplies or services from another party, including a political subdivision, instead of through participation in contracts if the [school district] can purchase those supplies or services from the other party upon equivalent terms, conditions, and specifications but at a lower price than it can through those contracts." As shown above, the District did not obtain lower pricing than was offered through the CPP. During the course of the performance audit, the District obtained a quote from its regional CPP vendor and worked to establish a purchase order for this vendor.

Financial Implication: Purchasing diesel fuel through the CPP could save approximately **\$11,700** annually. This savings is based on the difference between the District's diesel fuel expenditures (\$64,000) and the CPP contract prices (\$52,300) for FY 2014-15, reflective of the number of gallons purchased.

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: Open Enrollment, Financial Management, Human Resources, Facilities, and Transportation. 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. Of the 13 objectives, five 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
Open Enrollment	
Are open enrollment policies financially beneficial?	R.1 and R.2
Financial Management	
Is capital planning consistent with leading practices?	R.3
Are extracurricular activities appropriate to the peers and/or financial condition?	R.4
Human Resources	
Is staffing efficient compared to peers and/or OAC/state minimums, where applicable?	R.5, R.6, and R.7
Are salaries appropriate in comparison with regional peers and financial condition?	N/A
Are collective bargaining agreements consistent with ORC minimum requirements and/or leading practices?	R.8
Are insurance benefits consistent with leading practices?	R.9
Facilities	
Is maintenance and operations staffing consistent with leading practices?	N/A
Is preventive maintenance consistent with leading practices?	N/A
Transportation	
Are T-Report procedures and practices consistent with leading practices?	N/A
Is management of the transportation contract consistent with leading practices?	R.10
Are fuel procurement and security practices consistent with leading practices?	R.11
Is fleet size and composition consistent with leading practices?	N/A

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

Staffing

Table B-1 shows full-time equivalent (FTE) staffing levels per 1,000 students at the District compared to the primary peer district average. The latest available peer data was from FY 2014-15, as reported to ODE through the Education Management Information System (EMIS). Adjustments were made to the District's EMIS data to reflect accurate staffing levels for FY 2015-16.

Table B-1: CLSD Staffing Comparison

	CLSD		Primary Peer Avg.	Difference	
Students Educated ¹	2,053.6		1,992.2	61.4	
Students Educated (thousands)	2.0536		1.9922	0.0614	
	FTEs	FTEs per 1,000 Students	Peer FTEs per 1,000 Students	Difference per 1,000 Students	Total FTEs Above/ (Below) ²
Administrative	11.00	5.36	7.45	(2.09)	(4.29)
Office/Clerical	14.09	6.86	5.85	1.01	2.07
General Education Teachers	91.00	44.31	43.36	0.95	1.95
Educational Service Personnel (ESP) Teacher	9.00	4.38	3.80	0.58	1.19
All Other Teachers	23.00	11.20	11.33	(0.13)	(0.27)
Other Educational	11.85	5.77	4.01	1.76	3.61
Professional	10.00	4.87	6.50	(1.63)	(3.35)
Non-Certificated Support	18.51	9.01	12.95	(3.94)	(8.09)
Technical Staff	1.00	0.49	0.62	(0.13)	(0.27)

Source: CLSD and ODE

Note: The District's operational staffing, including custodians, maintenance workers, bus drivers, and food service employees are not included in the peer comparison. These areas were assessed based on industry and operational standards.

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 the District's number of employees per 1,000 students in line with the peer average.

As shown in **Table B-1**, District staffing levels were above the peer average in office/clerical, general education teachers, educational service personnel (ESP) teachers, and other educational. Assessments of general education teacher, and ESP teacher, and office/clerical staffing levels are discussed in greater detail in **R.5**, **R.6**, and **R.7**, respectively. Other educational staff includes various teachers whose staffing levels are dictated by individualized education programs (IEPs) or OAC 3301-51-09. As such, this category was not assessed.

Salaries

Table B-2 shows the District’s FY 2015-16 salary schedules compared to the local peers over the course of 30 years. Comparing careers compensation to other area districts provides a gauge as to the appropriateness of salary levels on a regional basis.

Table B-2: Career Compensation Comparison

	CLSD	Local Peer Average	Difference	Percent Difference
Certificated: 30-Year Salary				
Bachelor’s Degree	\$1,675,309	\$1,678,578	(\$3,269)	(0.2%)
Bachelor’s Maximum	\$1,772,115	\$1,807,218	(\$35,103)	(1.9%)
Master’s Degree	\$1,843,802	\$1,920,276	(\$76,474)	(4.0%)
Master’s Maximum	\$1,881,000	\$1,986,142	(\$105,142)	(5.3%)
Classified: 30-Year Salary				
Head Custodian	\$1,183,499	\$1,152,750	\$30,749	2.7%
Custodial Helper	\$1,027,686	\$1,072,836	(\$45,150)	(4.2%)
Secretary	\$1,074,965	\$1,075,665	(\$700)	(0.1%)
Head Cook	\$1,008,342	\$914,888	\$93,454	10.2%
Cooks Helper	\$882,586	\$788,660	\$93,926	11.9%
Bus Driver	\$1,183,499	\$1,178,812	\$4,687	0.4%

Source: CLSD, SERB, and local peers

As shown in **Table B-2**, the District’s career compensation for certificated staff was lower than the local peer average. Further, the District’s career compensation for classified staff was lower than or comparable to the local peer average for each classification except for the head cook and cooks helper. The District’s starting salaries for both the head cook and cooks helper classifications were higher than the peer average. However, wages for food service employees are paid from the Food Service Fund, which has ended each of the last three fiscal years with an operative surplus. As a result, no recommendation was warranted.

Facilities Expenditures

Table B-3 shows the District's FY 2014-15 facilities expenditures per square foot compared to the primary peer average. This comparison allows for a standardized comparison of the District to its peers.

Table B-3: Facilities Expenditures per Square Foot Comparison

	CLSD	Primary Peer Average	Difference	% Difference
Salaries and Wages	\$2.81	\$1.91	\$0.90	47.1%
Employee Benefits	\$1.22	\$0.95	\$0.27	28.4%
Purchased Services (Excluding Utilities)	\$1.62	\$0.57	\$1.05	184.2%
Utilities	\$1.04	\$1.25	(\$0.21)	(16.8%)
Water & Sewage	\$0.01	\$0.10	(\$0.09)	(90.0%)
Sub-Total Energy	\$1.03	\$1.15	(\$0.12)	(10.4%)
Electric	\$0.71	\$0.89	(\$0.18)	(20.2%)
Gas	\$0.32	\$0.26	\$0.06	23.1%
Other Energy Sources	\$0.00	\$0.00	\$0.00	NA
Supplies & Materials	\$0.31	\$0.35	(\$0.04)	(11.4%)
Capital Outlay	(\$0.01)	\$0.07	(\$0.08)	(114.3%)
Other Objects	\$0.00	\$0.00	\$0.00	NA
Total Expenditures per Square Foot	\$6.99	\$5.10	\$1.89	37.1%

Source: CLSD, Ohio Facilities Construction Commission, primary peers, and ODE

As shown in **Table B-3**, the District's overall expenditures per square foot were higher than the primary peer average. Specifically, the District was higher than average in salaries and wages, employee benefits, and purchased services (excluding utilities). Salaries and wages were higher due to the District improperly coding approximately \$172,800 in certificated wages to facilities. When the certificated wages were backed out, the revised salaries and wages expenditures decreased to \$2.27 per square foot, which was \$0.36 higher per square foot than the primary peer average. While this was still higher, it is not attributed to building and grounds staffing levels or salary schedules. In addition, employee benefits were addressed in **R.9**.

The District's purchased services expenditures were significantly higher than the peer average, in part, because the District improperly coded approximately \$162,204 in preschool expenditures to facilities. When preschool expenditures were backed out, the District's revised purchased services (excluding utilities) expenditures decreased to \$1.11 per square foot, which was \$0.54 higher per square foot than the primary peer average. While this was still higher, it was attributed to contracts for custodial services for the Lakeview Building (Administration Offices) and snow removal and mandatory well water and septic system inspections.

Appendix C: Five-Year Forecasts

Chart C-1 shows the District’s October 2015 Five-Year Forecast and **Chart C-2** shows the District’s May 2016 Five-Year Forecast.

Chart C-1: CLSD October 2015 Five-Year Forecast

Line	Actual			Forecasted				
	2013	2014	2015	2016	2017	2018	2019	2020
1.010 General Property (Real Estate)	8,714,895	9,094,047	9,839,869	10,435,000	10,435,000	10,435,000	10,435,000	10,435,000
1.020 Tangible Personal Property Tax	530,031	594,461	592,257					
1.035 Unrestricted Grants-in-Aid	3,217,787	3,710,349	4,198,478	4,373,000	4,373,000	4,373,000	4,373,000	4,373,000
1.040 Restricted Grants-in-Aid	23,553	38,424	4,721	5,000	5,000	5,000	5,000	5,000
1.045 Restricted Federal Grants-in-Aid - SFSF	62,913							
1.050 Property Tax Allocation	1,491,163	1,499,021	1,499,086	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
1.060 All Other Operating Revenue	5,328,264	5,924,978	5,480,655	5,480,000	5,480,000	5,480,000	5,480,000	5,480,000
1.070 Total Revenue	19,368,606	20,861,280	21,615,066	21,793,000	21,793,000	21,793,000	21,793,000	21,793,000
2.010 Proceeds from Sale of Notes	500,000							
2.040 Operating Transfers-In			1,404,543					
2.050 Advances-In			60,820	308,795	50,000	50,000	50,000	50,000
2.060 All Other Financial Sources		920	47,052					
2.070 Total Other Financing Sources	500,000	920	1,512,415	308,795	50,000	50,000	50,000	50,000
2.080 Total Revenues and Other Financing Sources	19,868,606	20,862,200	23,127,481	22,101,795	21,843,000	21,843,000	21,843,000	21,843,000
3.010 Personnel Services	10,623,995	10,527,606	10,841,323	10,669,134	11,148,100	11,471,100	11,791,100	12,113,100
3.020 Employees' Retirement/Insurance Benefits	3,757,946	4,710,394	4,537,536	7,750,000	4,447,000	4,535,940	4,636,659	4,739,592
3.030 Purchased Services	4,423,749	4,291,787	4,479,696	4,817,000	4,850,000	4,855,000	4,860,000	4,865,000
3.040 Supplies and Materials	271,430	286,706	320,635	340,000	345,000	350,000	355,000	360,000
3.050 Capital Outlay	(67,363)	83,960	100,976	105,000	110,000	115,000	120,000	125,000
4.010 Debt Service: All Principal (Historical)	1,344,925	700,180						
4.020 Debt Service: Principal-Notes			441,150					
4.050 Debt Service: Principal - HB 264 Loans			192,970	123,978	53,039	55,437	57,943	60,563
4.055 Debt Service: Principal - Other			64,000	67,000	70,000	73,000	76,000	79,000
4.060 Debt Service: Interest and Fiscal Charges	118,701	103,709	104,257	74,791	65,856	59,979	53,844	47,447
4.300 Other Objects	188,884	280,135	1,014,229	481,100	382,100	385,100	386,100	389,100
4.500 Total Expenditures	20,662,267	20,984,477	22,096,772	24,428,002	21,471,095	21,900,556	22,336,647	22,778,802
5.010 Operational Transfers - Out	47,857		1,421,324	75,000	50,000	50,000	50,000	50,000
5.020 Advances - Out			308,795	50,000	50,000	50,000	50,000	50,000
5.030 All Other Financing Uses		86,629	132,197					
5.040 Total Other Financing Uses	47,857	86,629	1,862,316	125,000	100,000	100,000	100,000	100,000
5.050 Total Expenditure and Other Financing Uses	20,710,124	21,071,106	23,959,088	24,553,002	21,571,095	22,000,556	22,436,647	22,878,802
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	(841,518)	(208,906)	(831,607)	(2,451,207)	271,905	(157,556)	(593,647)	(1,035,802)
7.010 Beginning Cash Balance	300,330	(541,188)	(750,094)	(1,581,701)	(4,032,908)	(3,761,003)	(3,918,559)	(4,512,205)
7.020 Ending Cash Balance	(541,188)	(750,094)	(1,581,701)	(4,032,908)	(3,761,003)	(3,918,559)	(4,512,205)	(5,548,008)
8.010 Outstanding Encumbrances	236	212	441,128	400,000	400,000	400,000	400,000	400,000
10.010 Fund Balance June 30 for Certification of Appropriations	(541,424)	(750,306)	(2,022,829)	(4,432,908)	(4,161,003)	(4,318,559)	(4,912,205)	(5,948,008)
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	(541,424)	(750,306)	(2,022,829)	(4,432,908)	(4,161,003)	(4,318,559)	(4,912,205)	(5,948,008)
15.010 Unreserved Fund Balance June 30	(541,424)	(750,306)	(2,022,829)	(4,432,908)	(4,161,003)	(4,318,559)	(4,912,205)	(5,948,008)

Source: CLSD and ODE

Chart C-2: CLSD May 2016 Five-Year Forecast

Line	Actual			Forecasted				
	2013	2014	2015	2016	2017	2018	2019	2020
1.010 General Property (Real Estate)	8,714,895	9,094,047	9,839,869	10,409,000	10,409,000	10,409,000	9,121,487	7,833,975
1.020 Tangible Personal Property Tax	530,031	594,461	592,257					
1.035 Unrestricted Grants-in-Aid	3,217,787	3,710,349	4,198,478	4,398,000	4,398,000	4,398,000	4,398,000	4,398,000
1.040 Restricted Grants-in-Aid	23,553	38,424	4,721	120,000	120,000	120,000	120,000	120,000
1.045 Restricted Federal Grants-in-Aid - SFSF	62,913							
1.050 Property Tax Allocation	1,491,163	1,499,021	1,499,086	1,476,000	1,476,000	1,476,000	1,288,000	1,100,000
1.060 All Other Operating Revenue	5,328,264	5,924,978	5,480,655	5,656,000	5,200,000	5,300,000	5,300,000	5,300,000
1.070 Total Revenue	19,368,606	20,861,280	21,615,066	22,059,000	21,603,000	21,703,000	20,227,487	18,751,975
2.010 Proceeds from Sale of Notes	500,000							
2.020 State Emergency Loans & Advancements (Approved)				4,838,000				
2.040 Operating Transfers-In			1,404,543					
2.050 Advances-In			60,820	248,000	50,000	50,000	50,000	50,000
2.060 All Other Financial Sources		920	47,052					
2.070 Total Other Financing Sources	500,000	920	1,512,415	5,086,000	50,000	50,000	50,000	50,000
2.080 Total Revenues and Other Financing Sources	19,868,606	20,862,200	23,127,481	27,145,000	21,653,000	21,753,000	20,277,487	18,801,975
3.010 Personnel Services	10,623,995	10,527,606	10,841,323	10,633,000	11,200,000	11,200,000	11,200,000	11,200,000
3.020 Employees' Retirement/Insurance Benefits	3,757,946	4,710,394	4,537,536	7,547,000	5,300,000	5,375,000	5,450,000	5,525,000
3.030 Purchased Services	4,423,749	4,291,787	4,479,696	4,593,000	4,300,000	4,300,000	4,300,000	4,300,000
3.040 Supplies and Materials	271,430	286,706	320,635	388,000	300,000	300,000	300,000	300,000
3.050 Capital Outlay	(67,363)	83,960	100,976	483,000	75,000	75,000	75,000	75,000
4.010 Debt Service: All Principal (Historical)	1,344,925	700,180						
4.020 Debt Service: Principal-Notes			441,150					
4.040 Debt Service: Principal - State Advancements					2,419,000	2,419,000		
4.050 Debt Service: Principal - HB 264 Loans			192,970	162,000	53,039	55,437	57,943	60,563
4.055 Debt Service: Principal - Other			64,000	67,000	70,000	73,000	76,000	79,000
4.060 Debt Service: Interest and Fiscal Charges	118,701	103,709	104,257	77,000	39,490	59,979	53,844	47,447
4.300 Other Objects	188,884	280,135	1,014,229	340,000	340,000	340,000	340,000	340,000
4.500 Total Expenditures	20,662,267	20,984,477	22,096,772	24,290,000	24,096,529	24,197,416	21,852,788	21,927,010
5.010 Operational Transfers - Out	47,857		1,421,324	1,097,000	50,000	50,000	50,000	50,000
5.020 Advances - Out			308,795	50,000	50,000	50,000	50,000	50,000
5.030 All Other Financing Uses		86,629	132,197	(500,000)	(750,000)	(500,000)	(500,000)	(500,000)
5.040 Total Other Financing Uses	47,857	86,629	1,862,316	647,000	(650,000)	(400,000)	(400,000)	(400,000)
5.050 Total Expenditure and Other Financing Uses	20,710,124	21,071,106	23,959,088	24,937,000	23,446,529	23,797,416	21,452,788	21,527,010
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	(841,518)	(208,906)	(831,607)	2,208,000	(1,793,529)	(2,044,416)	(1,175,301)	(2,725,035)
7.010 Beginning Cash Balance	300,330	(541,188)	(750,094)	(1,581,701)	626,299	(1,167,230)	(3,211,646)	(4,386,946)
7.020 Ending Cash Balance	(541,188)	(750,094)	(1,581,701)	626,299	(1,167,230)	(3,211,646)	(4,386,946)	(7,111,982)
8.010 Outstanding Encumbrances	236	212	441,128	150,000				
10.010 Fund Balance June 30 for Certification of Appropriations	(541,424)	(750,306)	(2,022,829)	476,299	(1,167,230)	(3,211,646)	(4,386,946)	(7,111,982)
11.020 Property Tax - Renewal or Replacement							1,475,513	2,951,025
11.300 Cumulative Balance of Replacement/Renewal Levies							1,475,513	4,426,538
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	(541,424)	(750,306)	(2,022,829)	476,299	(1,167,230)	(3,211,646)	(2,911,433)	(2,685,444)
15.010 Unreserved Fund Balance June 30	(541,424)	(750,306)	(2,022,829)	476,299	(1,167,230)	(3,211,646)	(2,911,433)	(2,685,444)

Source: CLSD and 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.



COVENTRY LOCAL SCHOOL DISTRICT

2910 S. MAIN STREET, AKRON, OH 44319 FAX: (330) 644-0159

RUSSELL A. CHABOUDY
SUPERINTENDENT
(330) 644-8489

MATTHEW MUCCIO
TREASURER
(330) 644-1435

Dear Auditor Yost,

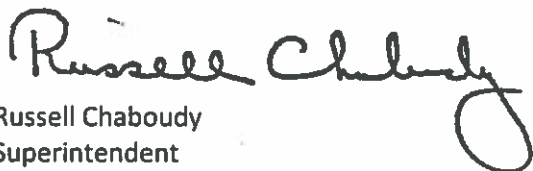
On behalf of the Administration and Board of Education of the Coventry Local School District, thank you for the time and efforts that have been put forth conducting Coventry's Performance Audit. Prior to this school year, the Coventry School District had been in Fiscal Watch since 1997, the longest in state history. As a result of ongoing financial challenges, inadequate state funding, and an overwhelming deficit, the district made the conscious decision to request placement into the state's Fiscal Emergency category and recovery process.

Over the course of the 2015-2016 school year, while transitioning into Fiscal Emergency, the district has had the opportunity to work closely with the state's financial auditors, performance audit team, and a five-member state Commission. By having access to all of these resources and perspectives, Coventry is hopeful that the district's financial challenges will soon be a thing of the past. At this point, the district plans to review, analyze, and implement some of the recommendations outlined in the Performance Audit that will help in our efforts to reduce costs, without jeopardizing the district's excellent educational programs and successes.


Coventry has already taken several steps to reduce spending, establish meaningful procedures, and strategically plan to achieve long-term financial fortitude. In fiscal year 2016, the district reduced \$750,000 in personnel costs and recommended an additional \$880,000 in cost savings for fiscal year 2017. In addition to the spending reductions, the district is working to address permanent improvement needs, ensure transportation efficiency, and implement clearer guidelines for open enrollment practices. The district's cost saving measures, procedural improvements, along with some of the recommendations outlined in the Performance Audit, will all be critical components in Coventry's efforts for fiscal solvency.

With Coventry's ongoing work and dedication in completing the state's recovery process, the district will continue to reflect upon the recommendations outlined in the Performance Audit. Please accept our sincerest appreciation for the time and work that the audit team has put forth to develop this resource. The Coventry School District is fully committed to achieving long-term fiscal stability, while providing our students with the highest quality of education.

Sincerely,



Russell Chaboudy
Superintendent



Matt Muccio
Treasurer



Robert L. Wohlgamuth
President, Coventry Board of Education

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Dave Yost • Auditor of State

COVENTRY LOCAL SCHOOL DISTRICT

SUMMIT 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
JULY 19, 2016