

POLAND LOCAL SCHOOLS

Auditor of State of Ohio
Performance Audit Review
March 12, 2018

Janet Muntean, Treasurer

NOTEWORTHY ACCOMPLISHMENTS

Noteworthy Accomplishments

Noteworthy accomplishments acknowledge significant accomplishments or exemplary practices. The following summarizes a noteworthy accomplishment identified during the course of this audit.

- **Fuel Purchasing:** The District attempts to obtain optimal fuel pricing by soliciting vendor bids every time fuel is purchased. In fiscal year (FY) 2016-17, PLSD purchased 30,009 gallons of diesel fuel at an average cost of \$2.00 per gallon. The District's purchasing practice resulted in an average cost per gallon \$0.05, or 2.4 percent, less than it would have paid through the DAS Office of Procurement Services. Furthermore, at the time of the audit, the District started taking advantage of the Motor Fuel Tax Refund. This refund, obtained from the Ohio Department of Taxation, will allow the District to regain an additional \$0.06 a gallon.

- Fuel Purchasing
- Ohio Department of Taxation – Motor Fuel Tax Refund

TABLE 2: SUMMARY OF RECOMMENDATIONS

Table 2: Summary of Recommendations

	Recommendations	Savings
R.1	Consider reducing the subsidy of extracurricular activities to local peer level	\$52,200
R.2	Eliminate 2.5 FTE building administrator positions	\$304,700
R.3	Eliminate 3.5 FTE general education teacher positions	\$233,700
R.4	Eliminate 0.5 FTE career-technical programs/career pathway teacher positions	\$29,800
R.5	Eliminate 1.0 FTE counseling position	\$93,100
R.6	Eliminate 0.5 FTE clerical position	\$33,500
R.7	Eliminate 0.5 FTE computer programming position	\$23,900
R.8	Eliminate 2.5 FTE monitoring positions	\$110,600
R.9	Eliminate 2.0 FTE library staff positions	\$159,400
R.10	Renegotiate sick leave accumulation and severance payout	N/A
R.11	Consider closing two elementary buildings	\$1,026,700
R.12	Eliminate 5.5 FTE custodial positions	\$123,900
R.13	Implement an energy management program	\$45,700
R.14	Develop a data driven bus replacement plan	N/A
R.15	Decrease food service expenditures and/or increase revenues	N/A
	Cost Savings Adjustments ¹	(\$596,800)
	Total Cost Savings from Performance Audit Recommendations	\$1,640,400

¹ Implementation of R.2, R.5, R.6, R.8, R.9, and R.12 would reduce the savings achievable from the implementation of R.11.

Table 3: Financial Forecast with Performance Audit Recommendations

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Original Ending Fund Balance	\$2,515,281	\$818,688	(\$1,820,823)	(\$4,812,980)
Cumulative Balance of Performance Audit Recommendations	\$1,203,544	\$2,940,741	\$4,738,832	\$6,601,665
Revised Ending Fund Balance	\$3,718,825	\$3,759,429	\$2,918,009	\$1,788,685

Source: PLSD, 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, with the exception of R.11, cost savings have been applied to FY 2018-19 through FY 2021-22. Savings associated with R.11 have been applied starting in FY 2019-20.

TABLE 4 & 5: PLSD FINANCIAL CONDITION OVERVIEW

Table 4: PLSD Financial Condition Overview (May 2017)

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Total Revenue	\$21,261,757	\$20,780,658	\$19,643,399	\$17,969,744	\$17,455,317
Total Expenditure	\$21,770,719	\$22,581,149	\$23,341,347	\$24,140,984	\$24,940,317
Results of Operations	(\$508,962)	(\$1,800,491)	(\$3,697,948)	(\$6,171,240)	(\$7,485,000)
Beginning Cash Balance	\$3,820,853	\$3,311,891	\$1,511,400	(\$2,186,548)	(\$8,357,788)
Ending Cash Balance	\$3,311,891	\$1,511,400	(\$2,186,548)	(\$8,357,788)	(\$15,842,788)
Ending Fund Balance	\$3,261,891	\$1,461,400	(\$1,079,247)	(\$4,394,608)	(\$8,482,395)

Source: PLSD and ODE

Performance Audit
Page 8

Table 5: PLSD Financial Condition Overview (October 2017)

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Total Revenue	\$20,954,770	\$19,933,185	\$18,253,219	\$17,735,465	\$17,066,990
Total Expenditure	\$21,224,416	\$22,122,303	\$22,813,852	\$23,781,899	\$24,158,732
Results of Operations	(\$269,646)	(\$2,189,118)	(\$4,560,633)	(\$6,046,434)	(\$7,091,742)
Beginning Cash Balance	\$3,863,437	\$3,593,791	\$1,404,673	(\$3,155,960)	(\$9,202,394)
Ending Cash Balance	\$3,593,791	\$1,404,673	(\$3,155,960)	(\$9,202,394)	(\$16,294,136)
Ending Fund Balance	\$3,543,791	\$2,515,281	\$818,688	(\$1,820,823)	(\$4,812,980)

Source: PLSD and ODE

MAY TO OCTOBER COMPARISONS

- FY19 May projected deficit of **\$1.07M** to \$2.5M surplus
- FY21 Ending Fund Balance \$8.4M deficit in May to \$1.8M deficit
- FY22 Ending Fund Balance \$4.8M deficit In October

PRIMARY REASONS FOR IMPROVED FINANCIAL CONDITION

- (2) Principals retired – Replaced with (1) Principal and (1) Associate Principal
 - (5) Teachers retired – Not replaced
 - (1) Secretary retired – Not replaced
 - (1) Monitor retired – Not replaced
 - (1) sweeper/cleaner resigned – Not replaced
- HB49 - No loss of revenue - \$270,000 Annual loss projected in May 2017

TABLE 11: CLERICAL STAFF COMPARISON

Table 11: Clerical Staff Comparison

Students	PLSD		Primary Peer Avg.	Difference	
Students Educated ¹	1,899		1,987	(88)	
Students Educated (thousands)	1.899		1.987	(0.088)	
Table 11: Clerical Staff Comparison					
Position	PLSD		Primary Peer Avg.	Difference	
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	FTEs Per 1,000 Students	Total FTEs Above/(Below) ²
Central Office Clerical ³	4.00	2.11	1.76	0.35	0.66
School Building Clerical	7.00	3.69	3.57	0.12	0.23
Total Clerical	11.00	5.80	5.33	0.47	0.89

Source: PLSD and primary peers

¹ Reflects students receiving educational services from the District and excludes the percent of time students that 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 clerical FTEs per 1,000 students in line with the primary peer average.

³ The District contracts with MVRCOG for equivalent employees in this position. Costs of these employees are recorded in purchased services.

- Central Office Personnel – Reduction – Savings over \$65,000

TABLE 21: TOTAL ENERGY EXPENDITURE REDUCTION

Table 21: Total Energy Expenditure Reduction

Total Annual Energy Expenditures	\$445,832
Total District Square Footage	381,472
Total FY 2016-17 Primary Peer Average Cost Difference per Square Foot ¹	\$0.12
Total Expenditure Cost Difference	\$45,777

Source: PLSD and primary peers

¹ Includes gas and electricity.

Financial Implication: Reducing energy expenditures to the primary peer average could result in savings of **\$45,700**.

Performance Audit
Page 24

- Energy Audit - Produced by Gardiner, April 2017
 - Implemented – August 2017 at PSHS
 - August 2017 – December 2017 – Savings \$12,741.
- Gas and Electric Procurement Contracts – Current Contracts Expire December 2019 (Electric) Based on Annual usage (kWh) – Future Contract Savings - \$20,000

TABLE B-13: TRANSPORTATION COST COMPARISON

Table B-13: Transportation Cost Comparison

	PLSD	Transportation Peer Average	Difference
Cost Per Yellow Bus Rider	\$655.24	\$823.75	(20.5%)
Cost Per Assigned Bus	\$35,141.53	\$56,060.78	(37.3%)
Cost Per Routine Mile	\$4.91	\$5.14	(4.5%)

Source: PLSD and ODE

As shown in **Table B-13**, PLSD's expenditures are below transportation peers per rider, bus, and mile.

- Transfinder Software Purchase – Approximately \$13,000 in 2014
- Bus Purchases –
 - 5 New Buses since 2013
 - 2 Buses Rebuilt since 2013
 - FY18 Special Needs Bus – Reduced Purchase Services by approximately \$100,000.
 - Purchase (1) New Bus Forecasted in FY19
 - Purchase (1) New Bus Forecasted in FY21
- Spares – Recently Sold

TABLE 22: HISTORICAL FOOD SERVICE FUND RESULTS

Table 22: Historical Food Service Fund Results

	FY 2014-15	FY 2015-16	FY 2016-17
Beginning Fund Balance	\$1,304.90	\$14,757.76	\$3,636.39
Revenues	\$604,454.11	\$573,763.07	\$452,940.25
Expenditures	\$660,501.25	\$658,727.58	\$540,088.09
Results of Operations	(\$56,047.14)	(\$84,964.51)	(\$87,147.79)
Transfers-In from General Fund	\$69,500.00	\$73,843.14	\$85,000.00
Ending Fund Balance	\$14,757.76	\$3,636.39	\$1,488.60

Source: PLSD

Performance Audit
Page 26

Food Service Impact on General Fund
(R15)

CURRENT STEPS TO RESOLVE DEFICIT

- Competitive Bid
- Increase Participation – Food Choices
- Implementation of Breakfast Program

REVENUE

Sources of Additional Revenue

- Income Tax
- Open Enrollment – Would generate approximately \$6,000 per student
- New Levy – 1 mill generates approximately \$380,000.

Increases in Revenue through:

- Medicaid Reimbursement Processes
 - Excess Cost Reimbursement Processes
 - Catastrophic Cost Reimbursement Processes
 - Motor Tax Fuel Rebates
 - Investment Earnings Rates of Return Changes
- 

EXPENDITURES

Decrease in Expenditures through:

- Personnel through attrition
- More Cooperative Purchasing Options
- Reduction in Purchased Service Contracts
- Implementation of programs to reduce energy costs
- Implementation of programs to reduce printing/copying expenses
- Streamlining of processes to improve efficiency

Debt Obligations

- FY15 Debt Balance – Approximately \$11.5M
- FY18 Debt Balance – Approximately \$6M

Bond

- Early redemption
- Balance to Permanent Improvement

Permanent Improvement

- 1 mill – Lease Purchase Payment – Approximately \$315,000.

CHART C-2: OCTOBER 2017 FIVE-YEAR FORECAST

Chart C-2: October 2017 Five-Year Forecast

Line	Actual			Forecasted				
	2015	2016	2017	2018	2019	2020	2021	2022
1.010 General Property (Real Estate)	12,530,294	12,405,340	12,690,400	12,335,609	11,483,621	10,102,851	9,677,877	9,127,340
1.020 Tangible Personal Property Tax	674,956	672,544	712,106	729,064	684,024	619,747	598,340	571,708
1.035 Unrestricted Grants-in-Aid	5,535,749	5,580,113	5,453,700	5,462,907	5,570,183	5,568,514	5,567,554	5,566,176
1.040 Restricted Grants-in-Aid	58,673	42,565	120,667	54,567	54,517	54,207	54,029	53,772
1.050 Property Tax Allocation	2,004,747	2,000,065	1,995,521	1,998,573	1,841,027	1,608,088	1,537,854	1,448,180
1.060 All Other Operating Revenue	314,891	322,467	276,381	372,073	299,813	299,813	299,813	299,813
1.070 Total Revenue	21,119,310	21,023,094	21,248,775	20,952,794	19,933,185	18,253,219	17,735,465	17,066,990
2.060 All Other Financial Sources	71,099	2,437	11,513	1,976				
2.070 Total Other Financing Sources	71,099	2,437	11,513	1,976				
2.080 Total Revenues and Other Financing Sources	21,190,409	21,025,531	21,260,288	20,954,770	19,933,185	18,253,219	17,735,465	17,066,990
3.010 Personnel Services	11,360,272	11,407,875	10,799,196	10,278,285	10,555,798	10,840,805	11,133,507	11,434,111
3.020 Employees' Retirement/Insurance Benefits	3,870,763	4,276,878	4,291,772	4,331,782	4,613,142	4,919,366	5,252,852	5,616,236
3.030 Purchased Services	3,503,273	3,866,478	4,523,090	4,736,496	4,878,591	5,024,949	5,175,697	5,330,968
3.040 Supplies and Materials	511,663	496,492	446,098	725,020	746,770	794,173	929,248	816,016
3.050 Capital Outlay	142,410	859,007	257,342	185,180	410,000	310,000	400,000	100,000
4.010 Debt Service: All Principal (Historical)	371,935	383,480	395,773					
4.050 Debt Service: Principal - HB 264 Loans				194,550	198,550	203,550	167,887	134,000
4.055 Debt Service: Principal - Other				212,232	219,688	228,705	238,289	248,174
4.060 Debt Service: Interest and Fiscal Charges	146,276	130,776	114,149	96,984	82,704	65,283	47,137	31,377
4.300 Other Objects	291,473	284,503	294,734	322,388	332,059	342,021	352,282	362,850
4.500 Total Expenditures	20,198,065	21,705,489	21,122,154	21,082,916	22,037,303	22,728,852	23,696,899	24,073,732
5.010 Operational Transfers - Out	74,500	78,843	95,556	141,500	85,000	85,000	85,000	85,000
5.040 Total Other Financing Uses	74,500	78,843	95,556	141,500	85,000	85,000	85,000	85,000
5.050 Total Expenditure and Other Financing Uses	20,272,565	21,784,332	21,217,710	21,224,416	22,122,303	22,813,852	23,781,899	24,158,732
6.010 Excess Rev & Oth Financing Sources over(under) Exp & Oth Financing	917,844	-758,801	42,578	-269,646	-2,189,118	-4,560,633	-6,046,434	-7,091,742
7.010 Beginning Cash Balance	3,661,816	4,579,660	3,820,859	3,863,437	3,593,791	1,404,673	-3,155,960	-9,202,394
7.020 Ending Cash Balance	4,579,660	3,820,859	3,863,437	3,593,791	1,404,673	-3,155,960	-9,202,394	-16,294,136
8.010 Outstanding Encumbrances	574,679	91,376	119,721	50,000	50,000	50,000	50,000	50,000
10.010 Fund Balance June 30 for Certification of Appropriations	4,004,981	3,729,483	3,743,716	3,543,791	1,354,673	-3,205,960	-9,252,394	-16,344,136
11.020 Property Tax - Renewal or Replacement					1,160,608	2,864,040	3,406,923	4,099,585
11.300 Cumulative Balance of Replacement/Renewal Levies					1,160,608	4,024,648	7,431,571	11,531,156
12.010 Fund Bal June 30 for Cert of Contracts, Salary Sched, Oth Obligations	4,004,981	3,729,483	3,743,716	3,543,791	2,515,281	818,688	-1,820,823	-4,812,980
15.010 Unreserved Fund Balance June 30	4,004,981	3,729,483	3,743,716	3,543,791	2,515,281	818,688	-1,820,823	-4,812,980

Source: PLSD and ODE



Thank You