OHIO AUDITOR OF STATE
KEITH FABER

Mount Healthy City School District

Performance Audit

May 2024

OHIO AUDITOR OF STATE
KEITH FABER

88 E. Broad St.
Columbus, Ohio 43215

Phone: (614) 466-4514
Toll Free: (800) 282-0370

www.ohioauditor.gov

OHIO AUDITOR OF STATE
KEITH FABER

To the Mt. Healthy City School District community,

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

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

This data-driven analysis of operations provides the District valuable information which can be used to make important financial decisions. Additional resources related to performance audits are available on the Ohio Auditor of State's website.

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

Sincerely,

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

May 16, 2024

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Introduction

The public expects and deserves government entities to be good stewards of taxpayer dollars. School officials have a responsibility to maximize program outcomes and success while minimizing costs. Transparent management of taxpayer dollars promotes a good relationship with the constituents served by a school district. School districts in Ohio are required to submit budget forecasts to the Ohio Department of Education and Workforce (ODEW) annually in the fall, with updates to the forecast submitted in the spring.[1] These documents provide three years of historical financial data, as well as the projected revenues and expenses for a five-year period.

The Ohio Auditor of State's Office Ohio Performance Team (OPT) routinely reviews the submitted forecasts in order to identify districts which may benefit from a performance audit. These audits are designed to assist school districts that are struggling financially. We use data-driven analyses to produce and support recommendations that identify opportunities for improved operations, effectiveness, increased transparency, and reductions in cost. While we have the authority to initiate a performance audit for school districts facing financial distress, any school district can request, and benefit from, an audit.[2]

Five-Year Forecasts

Ohio school districts provide a five-year financial forecast to the Ohio Department of Education and Workforce (ODEW) twice a year. These forecasts provide an overview of a district's financial health. To ensure all interested parties are able to understand the forecasts, ODEW has developed a guide with information including definitions of key terms, general ideas of what a good forecast should contain, and a line-by-line explanation of the forecast.

View the Full Document

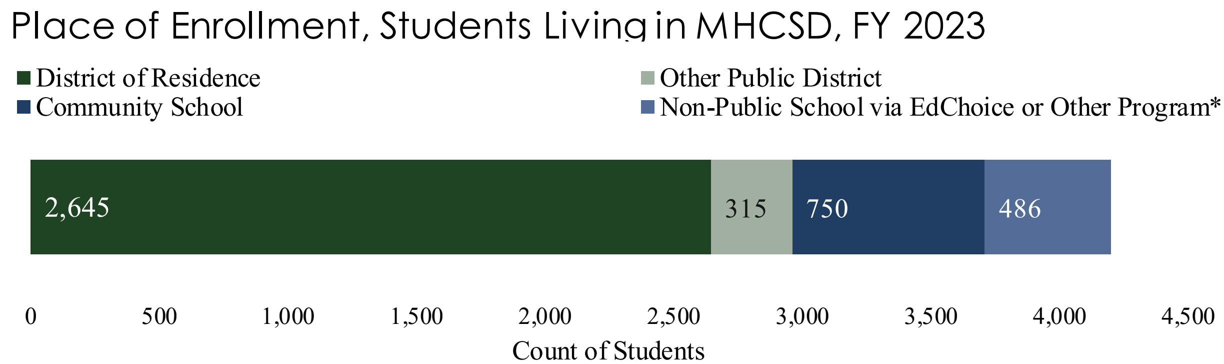
NOTE TO REPORT USERS

Due to the COVID-19 pandemic, districts received federal funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The aid was provided through Elementary and Secondary School Emergency Relief (ESSER) funding. Nearly $500 million was allocated to traditional public schools and community schools throughout Ohio. Districts are allowed to use this funding on a variety of expenditures, and may, for a short time, impact the five-year forecasts.

[1]ORC § 5705.391 and OAC 3301-92-04.
[2]Performance audits are conducted using Generally Accepted Government Auditing Standards guidelines, see **Appendix A** for more details.

Mt. Healthy City School District

Mt. Healthy City School District (MHCSD or the District) is located in Hamilton County and, as of fiscal year (FY) 2023, had 2,743 students enrolled. The District spans approximately 8 square miles and has a median income of $33,764. Of the total enrolled students, approximately 24.5 percent were students with disabilities. Based on available data from ODEW, which tracks state funding on a per-student basis, the visual below shows where students living in MHCSD are attending schools. It should be noted that this visual does not include students who choose to attend private schools and do not receive state assistance and those students who are home schooled.



Source: ODEW School Report Card

*Includes students participating in the EdChoice or EdChoice Expansion Scholarship Programs, the Cleveland Scholarship Program, the Ohio Autism Scholarship Program, or the Jon Peterson Special Needs Scholarship Program.

Note: This data is compiled by ODEW from a variety of sources and represents a snapshot of a single day in the school year. Due to this, enrollment figures will likely not match other official numbers reported by ODEW.

As seen in the visual above, approximately 36.9 percent of students residing in MHCSD have chosen to attend community schools, nonpublic schools, or another public district that accepts students through open enrollment.

Audit Methodology

Our audit focuses on identifying opportunities where expenditures may be reduced as the District administration can make decisions in these areas. The information, which was presented to District officials, is based on a combination of peer district comparisons, industry standards, and statewide requirements.

Two groups of peer districts were identified for the purpose of this audit. The first, local peers, is comprised of districts in the surrounding area and is used for labor market comparisons, such as salary schedules. The second peer group, primary peers, are districts located throughout Ohio and are chosen based on having similar or better academic performance while maintaining relatively lower spending per pupil. Primary peer districts are used for financial comparisons and analyses regarding operations such as staffing levels. See **Appendix A** for a list of all districts used in our peer comparisons.

NOTE TO REPORT USERS

The initial objectives of this audit centered on evaluating the efficiency and effectiveness of the District's operations. However, we found several internal control deficiencies regarding the District's policies, procedures, and contract management.

Internal controls refer to the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of an entity. According to *Standards for Internal Controls in the Federal Government* (U.S. Government Accountability Office, September 2024), management should design controls activities to achieve objectives and respond to risks.

Throughout the report, OPT identifies areas where the MHCSD has insufficient internal controls related to District operations, specifically in financial management, contract management, and data reporting to ODEW.

Financial Condition

In May 2023, the District released its semi-annual five-year forecast that showed negative year-end fund balances in the forecast period beginning in FY 2025 (the third year of the forecast period). A summary of this forecast is in the table below. As shown in this table, the District projected negative results of operations of approximately $7 million beginning in FY 2023, the first year of the forecast. Further, the District did not project funds generated by new or renewal levies throughout the forecast to help offset the negative results of operations. The deficit spending was projected to continue throughout the forecast and lead to a negative year-end fund balance of approximately $20.1 million in FY 2027 (the fifth year of the forecast period).

ODEW, along with the Ohio Auditor of State, monitors the fiscal health of school districts. When appropriate, ODEW may place a district in fiscal caution due to projections in the five-year forecast. If these conditions worsen, ODEW may recommend that AOS declare a state of fiscal watch or emergency.[3] These declarations are based on specific criteria and are designed to identify situations where the solvency of a district is threatened and provide appropriate assistance to resolve financial issues. As a result of MHCSD's declining financial condition reported in May 2023, ODEW placed the District into fiscal pre-caution. At the same time, in consultation with ODEW, we chose to conduct a performance audit.

[3] ORC § 3316.03

Financial Condition Overview (May 2023 Forecast)

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Total Revenue	$42,565,504	$41,613,939	$42,727,371	$42,858,081	$43,052,314
Total Expenditures	$50,012,515	$49,420,960	$49,774,828	$50,481,332	$51,203,033
Results of Operations	**($7,447,011)**	**($7,807,021)**	**($7,047,457)**	**($7,623,251)**	**($8,150,719)**
Beginning Cash Balance	$17,933,985	$10,486,974	$2,679,953	($4,367,503)	($11,990,755)
Ending Cash Balance	**$10,486,974**	**$2,679,953**	**($4,367,503)**	**($11,990,755)**	**($20,141,474)**
Encumbrances	$0	$0	$0	$0	$0
Cumulative Balance of Replacement/Renewal Levies	$0	$0	$0	$0	$0
Cumulative Balance of New Levies	$0	$0	$0	$0	$0
Ending Fund Balance	**$10,486,974**	**$2,679,953**	**($4,367,503)**	**($11,990,755)**	**($20,141,474)**

Source: ODEW

In November 2023, the District released its required annual forecast, which presented a significantly worsening fiscal condition. In the November 2023 forecast, the District projected higher levels of deficit spending in each year of the forecast and a negative ending fund balance beginning in the first year of the forecast period, which is the current fiscal year. This negative fund balance was projected to grow to more than $78 million by the end of the forecast in FY 2028. A summary of the November forecast is shown in the table below.

Financial Condition Overview (November 2023 Forecast)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Total Revenue	$42,656,228	$43,316,483	$43,513,684	$43,631,811	$44,237,195
Total Expenditures	$56,214,926	$58,803,561	$60,773,207	$63,318,511	$65,540,466
Results of Operations	**($13,558,698)**	**($15,487,078)**	**($17,259,523)**	**($19,686,700)**	**($21,303,271)**
Beginning Cash Balance	$8,496,055	($5,062,643)	($20,549,721)	($37,809,244)	($57,495,944)
Ending Cash Balance	**($5,062,643)**	**($20,549,721)**	**($37,809,244)**	**($57,495,944)**	**($78,799,215)**
Encumbrances	$0	$0	$0	$0	$0
Cumulative Balance of Replacement/Renewal Levies	$0	$0	$0	$0	$0
Cumulative Balance of New Levies	$0	$0	$0	$0	$0
Ending Fund Balance	**($5,062,643)**	**($20,549,721)**	**($37,809,244)**	**($57,495,944)**	**($78,799,215)**

Source: ODEW

The District's drastic change in fiscal condition is due to a variety of factors. First, the beginning cash balance in FY 2024 was approximately $2 million lower in the November forecast than it was in the May forecast. Some of this difference can be attributed to the variation in forecasted results of operations compared to the actual results of operations in FY 2023. While revenues remained stable, the District's expenditures far exceeded the initial projections. Additionally, a new treasurer was responsible for the creation of the November 2023 forecast.

While the previous forecast had been created without the assistance of specific forecasting software, the new treasurer decided to utilize a forecasting software. Along with the software itself, the District worked with a representative from the software company to ensure it was utilized properly. One significant change that resulted from the use of this software was that the District produced monthly financial reports, which created a more up-to-date understanding of the overall financial condition. In doing so, the assumptions regarding expenditures shifted, along with other changes to more accurately reflect the conditions of the District, resulting in significantly higher deficits in the results of operations.

As a result of the November 2023 forecast, the District was placed into fiscal caution by ODEW. Under the fiscal caution designation, the District was required to submit a written proposal to ODEW to correct the conditions and prevent further fiscal difficulties. Due to its financial condition, MHCSD worked with several school finance and budgeting experts to obtain a more accurate understanding of the District's overall financial condition.

The District chose not to submit a written proposal, and instead the Board passed a resolution on February 12, 2024 to inform ODEW and AOS that it was unable to formulate an acceptable financial recovery plan to cover the projected FY 2024 deficits. At this time, the Board requested that the District be placed in fiscal emergency immediately. Instead, ODEW recommended that the District be placed in fiscal watch by AOS and further determined that it did not have a basis to determine fiscal emergency and deferred to AOS's determination.

Resulting from the Board resolution, AOS placed the District in fiscal watch on February 27, 2024 and informed the District that it was required to submit a fiscal watch financial recovery plan. The District then reiterated its request to be placed in fiscal emergency and submitted a revised November forecast, shown in the table below. For ease of reading, this forecast is referred to as the February forecast throughout the report.

Financial Condition Overview (February 2024 Forecast)

	FY 2024	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**
Total Revenue	$43,222,348	$42,482,400	$42,474,981	$41,480,147	$42,142,678
Total Expenditures	$56,214,926	$58,803,561	$60,773,206	$63,318,512	$65,540,465
Results of Operations	**($12,406,725)**	**($17,070,478)**	**($19,047,542)**	**($22,587,681)**	**($24,147,103)**
Beginning Cash Balance	$4,965,193	($7,441,533)	($24,512,011)	($43,559,552)	($66,147,234)
Ending Cash Balance	**($7,441,533)**	**($24,512,011)**	**($43,559,552)**	**($66,147,234)**	**($90,294,336)**
Encumbrances	$0	$0	$0	$0	$0
Cumulative Balance of Replacement/Renewal Levies	$0	$0	$0	$0	$0
Cumulative Balance of New Levies	$0	$0	$0	$0	$0
Ending Fund Balance	**($7,441,533)**	**($24,512,011)**	**($43,559,552)**	**($66,147,234)**	**($90,294,336)**

Source: ODEW

Notably, the beginning cash balance in FY 2024 was approximately $3.5 million less than what was projected in the November forecast. Additionally, deficit spending throughout the forecast period was projected to result in a fund balance deficit of more than $90 million in FY 2028.

With the release of the February forecast, the Auditor of State's Local Government Services (LGS) immediately began to review the District's financial condition to determine if MHCSD qualified for a fiscal emergency designation. LGS reviewed the actual results of operations, revenues, and expenditures from the previous three fiscal years, along with current FY 2024 data and made adjustments as necessary. Where the District projected a negative ending fund balance of $7.4 million in FY 2024, LGS projected a negative ending fund balance of $10.7 million in the same year. As a result of the review conducted by LGS, the District was placed under fiscal emergency on April 5, 2024.

A fiscal emergency is the last and most severe stage of a school district's financial solvency problems. Following a declaration by the Auditor of State, a commission is created that is responsible for a broad range of powers and duties as described in ORC 3316.07. One such duty is the approval or rejection of the financial recovery plan that must be developed by the Board to alleviate the school district's financial crisis.

The District's Board approved staffing reductions at its March 2024 meeting totaling 96 FTEs, which will take effect in FY 2025 school year. However, the District still faces significant financial problems. This is due to a combination of factors, including relatively stagnant revenues and decisions that have increased overall spending. In particular, the District chose to hire new teachers with temporary funding received from the federal government to address learning loss related to the COVID-19 pandemic. While the hiring of additional staff is not in and of itself a problematic decision, the District did so without a strategic plan to maintain or remove those teaching positions as funding expired. Personal services expenditures, which are expenditures related to staffing, increased from approximately $20.6 million in FY 2021 to a projected amount of $29 million in FY 2024.[4] This decision, along with several others related to spending, has led the District to a financial cliff where it required emergency financial assistance to pay staff salaries.

On April 15, 2024, a request to the State Controlling Board was approved for an advance of up to $10.7 million to assist the District. This emergency loan was provided so that the District could pay the remainder of its FY 2024 expenses and end the year with a positive fund balance. This loan must be repaid by the District by the end of FY 2026, unless extended by the Director of Budget and Management.

[4] Based on the Five-year Forecast submitted in February, 2024.

School Funding

Historically, school funding in Ohio has been a partnership between the state and local districts. Local districts can raise funds through property and income taxes and the state provides funding primarily through a foundation formula, which is intended to ensure a basic level of education funding for all students. Districts may also receive some funding from other sources, such as federal grants. In FY 2023, of the approximately $27.3 billion in reported revenue for public education in Ohio, nearly 80 percent, or $21.3 billion, came from state and local sources.

State Funding

On July 4, 2023, House Bill 33 of the 135th General Assembly (the biennial budget bill) was signed by the Governor. This bill included changes to the state foundation funding formula, which was enacted in 2021, and is commonly referred to as the Fair School Funding Plan and is expected to increase funding for most public schools. The funding increases will be phased-in at 50 percent in FY 2024 and 66.67 percent in FY 2025.[5] During the phase-in period, the amount of state funding received in any given year may be less than what would have been received if the formula were fully funded. ODEW transitioned to the new funding model in January of 2022.

Local Funding

Local revenue can be raised through a combination of property and income taxes. While property taxes are assessed on both residential and business properties within a district, income tax is assessed only on residents.[6] Approximately one-third of Ohio school districts currently have an income tax.

Property Tax

Property taxes levied in Ohio are subject to restrictions in the Ohio Constitution[7] and the Ohio Revised Code (ORC).[8] These restrictions limit the amount of tax that can be levied without voter approval to 10 mills[9] or 1 percent of property value. While the Constitutional limitation is based on fair market value, the ORC sets a more restrictive limit based on taxable value, which is defined as 35 percent of fair market value. These taxes are split between the various taxing districts that operate where a property is located.

The 10 mills allowed by the Constitution are typically referred to as inside, or un-voted mills. On average, school districts have approximately 4.7 inside mills, and the remainder of property tax revenue would come from voted, or outside millage.

School districts can obtain additional property tax revenue through voter approved bonds and levies. These taxes can have a variety of purposes that are defined in the authorizing language

5 See https://www.legislature.ohio.gov/download?key=21197&format=pdf
6 See https://tax.ohio.gov/wps/portal/gov/tax/individual/school-district-income-tax
7 Ohio Const. Art. XII, Section 2.
8 Ohio Rev. Code § 5705.02.
9 A mill is defined as one-tenth of one percent or $1 for every $1,000 of taxable value.

which are generally divided into three broad categories: general operations, permanent improvement, and construction.

Levies may be defined as either a fixed-rate or a fixed-sum. A fixed-rate levy identifies the number of mills that will be assessed in order to raise revenues. If new construction occurs within the district, the rate will apply, and the district would realize additional revenues. Current expense levies, used for general operations, and permanent improvement levies are typically fixed-rate. A fixed-sum levy identifies an amount that will be generated from the levy. While there may be an estimated millage rate, the actual rate will vary based on assessed property values. If new construction occurs within the district, there would be no new revenues for a fixed-sum levy. Emergency levies[10] for general operations, and bond levies for the financing of new buildings, are typically fixed-sum levies.

Ohio has historically had laws which limit the impact rising property values can have on property taxes. The most recent version of these limitations was enacted in 1976 and requires that the amount collected on fixed-rate millage is frozen at the dollar value collected in its first year.[11] In subsequent years, with exceptions such as new construction, a district would not receive additional revenue from a levy as property values increased.[12] Instead, the outside mills are subject to reduction factors[13] which lower the effective millage rate in order to maintain the preceding year's level of revenue from the same properties.[14]

However, under state law, in order to receive state foundation funding, a district must collect a minimum of 20 mills in property taxes for general purposes, or current expenses.[15] In order to prevent a district from failing to meet this minimum threshold, reduction factors stop being applied once a district reaches an effective rate of 20-mills, colloquially known as the 20-mill floor. Practically speaking, this means that if a district's effective tax rate is reduced to 20 mills for current expenses, the amount of revenue generated from levies will increase with property values unless a new operating levy is approved by voters. It is important to note not all levies count toward the 20-mill floor.

Ultimately, the mixture of property taxes approved by voters can have a wide-ranging impact on both the revenues collected by a district and the amount of tax that individual property owners are required to pay on an annual basis.

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[10] Authorized by ORC §5705.194.
[11] Am.Sub.H.B. No. 920, 136 Ohio Laws, Part II, 3182, 3194.
[12] If property value decreased due to reappraisal, it is possible that a district would receive less revenue than originally intended.
[13] ORC § 319.301.
[14] We are providing this information for historical purposes only. The law which regulates collection of on outside millage has been amended since enacted in 1976. The District should consult with the most current version of the law for a clear understanding of how this process works today.
[15] The term 'current expense' refers to revenue generated from levies that are not restricted in their use. It does not include bonds or levies that generate revenues for restricted funds, such as Permanent Improvement levies.

Income Tax

A school district income tax is an alternative method of raising local revenue. Like property taxes, an income tax must be approved by voters and may be for either general use or specific purposes, such as bond repayment. Once approved, a tax becomes effective on January 1st of the following year. Unlike municipal income taxes which are generally levied on wages earned in the municipality by both residents and nonresidents, school district income taxes are levied on wages earned by residents of the district, regardless of where the resident may work. Businesses operating within the school district are not required to pay the income tax.

A school board, when determining that an income tax is necessary for additional revenue, must submit a resolution to the Ohio Tax Commissioner identifying the amount of revenue to be raised and the tax base to be used for calculations. A school district income tax can be assessed on either a traditional tax base or an earned income tax base. The traditional tax base uses the same income base as Ohio's income tax and the earned income tax base is only earned income from an employer or self-employment. Under the earned income tax base, income such as capital gains or pension payments is not taxable, though this type of income may be taxed under the traditional tax base. Once this information is received, the Tax Commissioner identifies the income tax rate and equivalent property tax millage for the district.

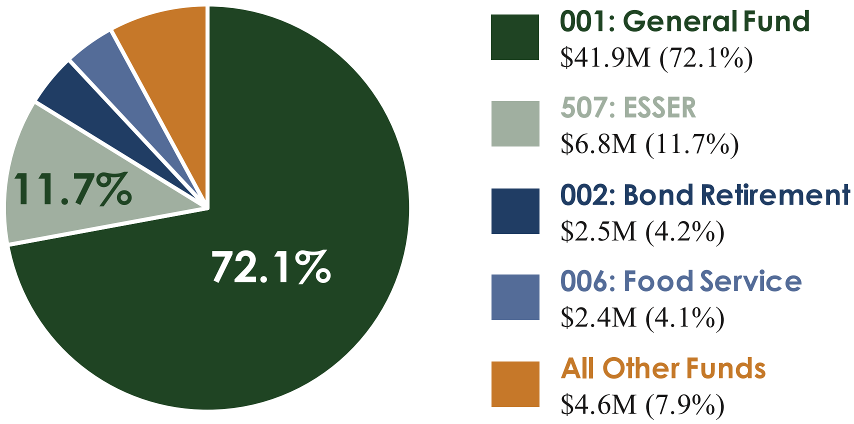
The Ohio Department of Taxation collects income tax through employer withholding, individual quarterly estimated payments, and annual returns. Employers are required to withhold the tax and submit payments to the state under the same rules and guidelines as are currently used for state income taxes. Districts receive quarterly payments from the Department of Taxation and each payment is for the amount collected during the prior quarter. A district receives the total amount of revenue collected less a 1.5 percent fee retained by the state for administration purposes. The amount of revenue collected via income tax each year will vary based on the earnings of the district's residents.

MHCSD Revenues

A school district budget is comprised of revenues and expenditures. Revenues are received from a variety of sources, primarily local, state, and federal funding, and can be placed into general or specific use funds. In FY 2023, MHCSD had approximately $58.1 million in total revenue. While the majority, 72.1 percent, of this revenue was General Fund revenue, the District also had federal COVID-19 relief funds totaling 11.7 percent of all revenue, along with funds for bond retirement and revenue from food service activities.

FY 2023 Total Revenue all Funds

Total: $58.1M



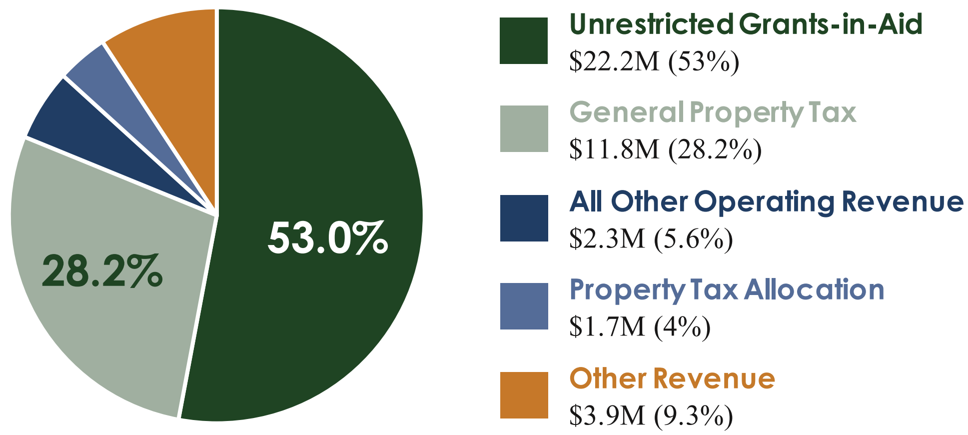
Source: MHCSD
Note: All other funds are comprised a variety of sources including IDEA funding, Title I, and Extracurricular Activities revenue.
Note: Due to rounding, revenue categories may not sum up to the total listed.

As noted above and seen in the previous chart, the majority of the District's revenue is directed to the General Fund, which is used for general operations. In FY 2023, the District's total General Fund revenue was approximately $41.9 million.[16] In addition, the Elementary and Secondary School Emergency Relief (ESSER) funding received by the District was federal funding aimed to address learning loss related to the COVID-19 pandemic and could be broadly used. Because ESSER funds are temporary stimulus funds, school districts have been instructed to use the funds wisely. ODEW advised that ESSER funds "... are one-time investments that should be managed carefully. These funds generally should not be used to provide ongoing services, as services may be terminated abruptly when federal funds expire."

Within the General fund, the District's primary sources of revenue are general property taxes and unrestricted grants-in-aid. The remaining revenue is comprised of a variety of sources as seen on the following page.

[16] This total excludes advances to the General Fund. For purposes of comparison, we excluded advances to the General Fund for both MHCSD and the peer groups throughout the Revenues section.

FY 2023 Total General Fund Revenue Composition
Total: $41.9M



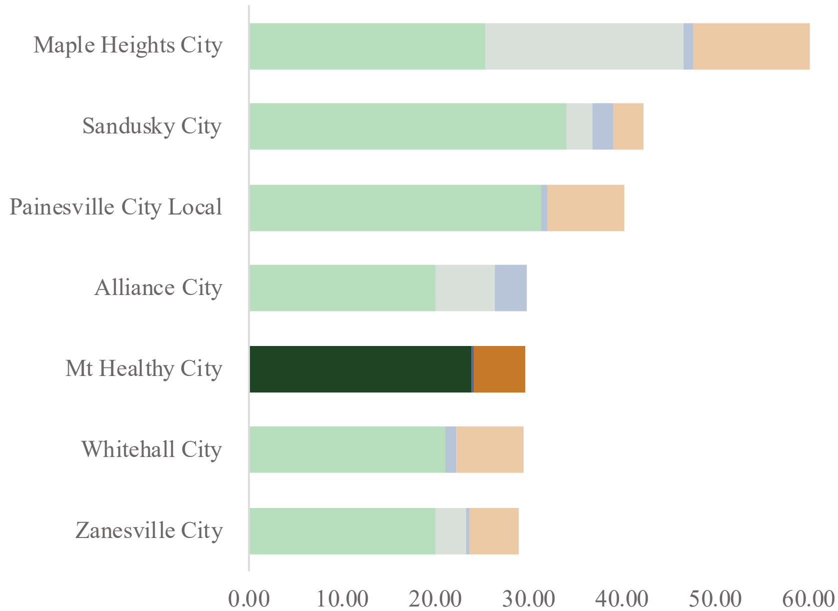
Source: ODE
Note: Unrestricted grants-in-aid is comprised primarily of state foundation funding.
Note: All Other Operating Revenue includes tuition, fees, earnings on investments, rentals, and donations.
Note: Property Tax Allocation consists of reimbursements from the state for local taxpayer credits or reductions.
Note: Other Revenue may include Tangible Personal Property Tax, Income Tax, Restricted Grants-in-Aid, Operating Transfers-In, and All Other Financing Sources.
Note: Due to rounding, revenue categories may not sum up to the total listed.

In 2023, MHCSD collected revenues on 29.58 mills of property tax for residential properties.[17] This included 4.56 inside mills and 19.26 outside mills for current expenses. In addition to the 23.81 mills collected for current expenses, the District collects property tax revenue comprised of a permanent improvement levy of 0.26 mills and a bond levy of 5.50 mills, totaling 5.76 mills in 2023. It should be noted that the District's most recent property tax levy for continuing operations was passed in 2003. Because no new taxes have been approved since that time, the local revenue received by the District has experienced limited growth for nearly two decades.

Since the total millage rate can be rolled back as a result of reduction factors, we compared the total effective millage for MHCSD to that of its primary peers. This comparison is shown in the chart on the following page. The green portion of the bar represents the current expense millage rate, where two of the peers are on the 20-mill floor. The grey portion represents emergency and substitute revenue, which is not subject to reduction factors. The blue represents permanent improvement funds, and the orange represents bond funding. MHCSD does not have a school district income tax, nor do any of the peer districts.

[17] Residential and agricultural property is considered Class 1 real estate. Commercial Property is considered Class 2 real estate and subject to a different set of reduction factors. The effective millage rate for Class 2 property in 2023 was 40.83.

2023 Millage and Millage Equivalents | Primary Peers



The composition of levies impacts district revenues. **Current Expense mills**, used for general operations are subject to reduction factors up to the 20-mill threshold. **Emergency and substitute mills** raise a defined amount of general operating revenue and are not reduced. **Income tax mill equivalents** are provided by the Department of Taxation for comparison purposes. **Permanent improvement mills** are used for maintenance of long-term assets and may be reduced over time. **Bond mills** raise a defined amount used for the purchase or construction of new buildings.

Source: Ohio Department of Taxation

The composition of levies impacts district revenues. Current expense mills, used for general operations, are subject to reduction factors until the 20-mill threshold is reached. Emergency and substitute mills raise a defined amount of general operating revenue and cannot be reduced. Income tax mill equivalents are calculated by OPT based on guidance provided by the Department of Taxation for comparison purposes. Permanent improvement mills are used for maintenance of long-term assets and may be reduced over time. Bond mills raise a defined amount used for the purchase or construction of new buildings.

Overall, the District's total effective millage rate of 29.58 is one of the lowest compared to the primary peers. It is important to understand that *revenue* generated from bond and emergency levies remains the same regardless of changes to property values, as they are voted as fixed-sum levies. The *revenue* generated from current expense millage and permanent improvement millage, except for new property, also stays the same until the 20-mill floor is hit for current expense taxes. At that point, a district at the floor would see additional revenues from increases in value to existing properties. The District relies heavily on current expense mills and is not presently at the 20-mill floor. This means that if property values increase within the District, it will not see additional revenues based on that growth.

The property tax revenues for the District's General Fund are generated from several levies. The table on the following page shows the District's levy history. This table shows both the Gross Tax Rate, or the amount that was voted on, and the Effective Tax Rate, or the amount that is assessed on properties. In the table, several levies are identified as starting in 1976. It should be noted that in 1976, changes were made to ORC that impacted the collection of property taxes. Those levies identified as 1976 include any levies that predate that year which are remain in effect.

Current Expense Levies Collected by Mt. Healthy CSD FY 2023

Levy Year	Levy Name	Gross Tax Rate	Class I Effective Tax Rate
NA	GENERAL FUND (INSIDE MILLAGE)	4.56	4.56
1976	CURRENT EXPENSE	2.94	0.58
1976	CURRENT EXPENSE	3.72	0.73
1976	CURRENT EXPENSE	5.40	1.06
1976	CURRENT EXPENSE	6.38	1.25
1976	CURRENT EXPENSE	8.42	1.65
1980	CURRENT EXPENSE	5.20	1.30
1984	CURRENT EXPENSE	8.00	2.45
1992	CURRENT EXPENSE	8.35	3.39
1998	CURRENT EXPENSE	6.99	3.27
2003	CURRENT EXPENSE	6.95	3.57
	Total	**66.91**	**23.81**

Source: Ohio Department of Taxation

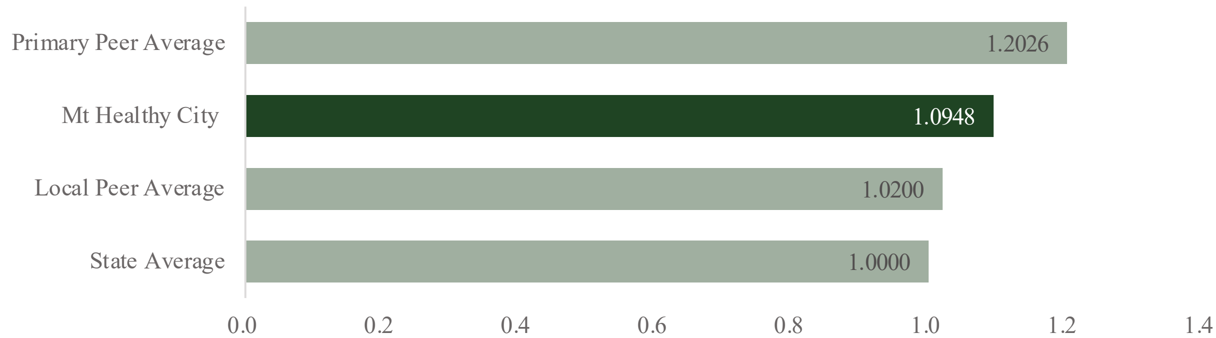
As seen in the table, the most recent levy for current operating expenses was passed by voters in 2003, or more than 20 years ago. The difference between the Gross Tax Rate and the Effective Tax Rate illustrates the impact that reduction factors have on collection rates. As property values have risen, the effective millage is reduced, resulting in the District seeing limited growth in revenue from local property taxes. If the District's effective rate for current expenses drops to 20 mills, it will begin to see revenue growth based on increases to property values. In addition to these current expense levies, the District also collected revenue from a bond (5.5 mills in FY 2023) and permanent improvement levy (0.26 mills in FY 2023).

Local Tax Effort

ODEW uses the Local Tax Effort Index as a measure of taxpayer support for the district in which they reside. This index, one of a number of possible measures for evaluating local effort, was initially developed by the Division of Tax Analysis within the Ohio Department of Taxation and is calculated in the context of the residents' abilities to pay by determining the relative position of each school district in the state in terms of the portion of residents' income devoted to supporting public education. This index uses median income data and provides context to better understand a community's tax burden, not only compared to other districts, but also as a function of the residents' ability to pay.

On this sliding scale, a value of 1.0 indicates the state average, a baseline against which all districts in the state are weighed. If a district has a local tax effort below 1.0, residents provide a smaller portion of their available income to public education, whereas a value above 1.0 indicates the community pays a larger portion of their available income to public education compared to the state average. The index is updated annually by ODEW as part of its District Profile Reports, also known as the Cupp Report, to reflect changes in local conditions from year to year.

FY 2023 Local Tax Effort Comparison



Source: ODEW

The District's local tax effort was compared to the local peers, primary peers, and the state average. The District has a local tax effort of 1.0948. This is the 239th highest local tax effort out of 606 districts in the state, which is approximately the 60th percentile of all districts. By comparison, the local peer average of 1.0200 would rank approximately 296th out of all 606 districts, or the 51st percentile.

Revenue per Pupil

Revenue per pupil, broken down by type of funding, is another way to compare funding sources between Ohio school districts. Because our audit focuses on the projected deficit in the five-year forecast, we reviewed only the forecasted fund revenues for this purpose.[18] In FY 2023, the District received approximately $14,580 per pupil, with 28.2 percent, or approximately $4,113, coming from local taxes.[19] In FY 2023, the primary peer average was $14,635 in revenue per pupil, with 27.5 percent, or approximately $4,025, coming from local taxes. The District's local revenue was in line with the primary peer average in FY 2023.

MHCSD Expenditures

Similar to revenues, expenditures are made out of specific funds. For example, salaries are generally paid out of the General Fund, and payments on a long-term debt related to buildings would be paid out of a Bond Retirement Fund. The chart below shows the District's total

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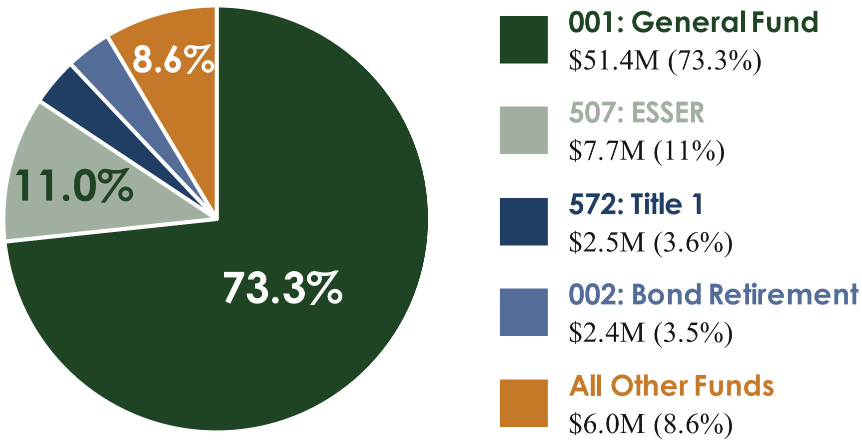
[18] Forecasted funds include the District's General Fund and funds derived from emergency levies.
[19] The Cupp Report, issued by ODEW, provides information on all revenues received by a district. Because of this, the percentage of revenues from local revenues in the Cupp report may vary from the amount in our report due to the inclusion of additional revenues. This is particularly true when reviewing data beginning in FY 2021 as districts received federal funding for COVID-19 relief through ESSER grants.

expenditures by fund type. Expenditures by fund may exceed the revenue by fund due to the ability to use available fund balances from previous years. This is noticeable in the variation in ESSER revenues and ESSER expenditures in FY 2023 at the District.

FY 2023 Total Expenditure Distribution by Fund

Total: $70.1M



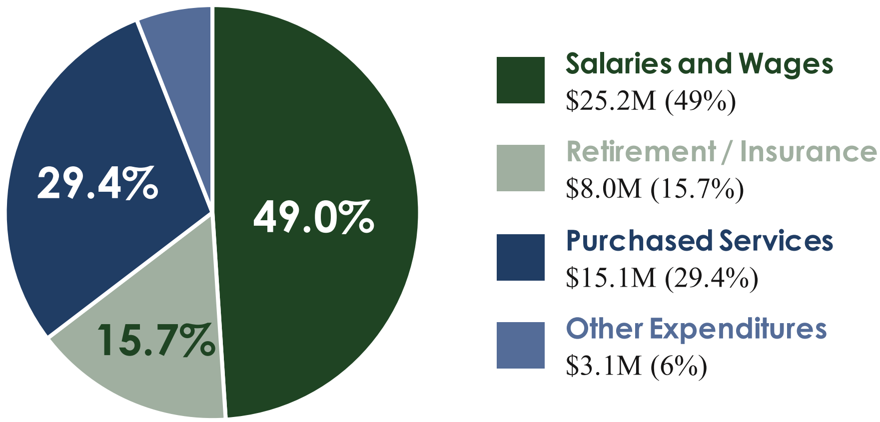
Source: MHCSD
Note: All other funds are comprised of a variety of sources including Food Service, IDEA, and Extracurricular Activities expenditures.
Note: Due to rounding, expenditure categories may not sum up to the total listed.

As noted in the visual above, the District's total General Fund expenditures were approximately $51.4 million in FY 2023.[20] The largest source of expenditures was human resources, which includes salaries, wages, and benefits, followed by purchased services. The chart that follows provides additional detail regarding District expenditures.

[20] This total excludes advances from the General Fund. For purposes of comparison, we excluded advances from the General Fund for both MHCSD and the peer groups throughout the Expenditures section.

FY 2023 Total General Fund Expenditure Composition

Total: $51.4M



Source: ODE
Note: Other Expenditures may include Supplies and Materials, Capital Outlay, Principal on Loans, Interest & Fiscal Charges, Other Objects, Operating Transfers-Out, and All Other Financing Uses.
Note: Due to rounding, expenditure categories may not sum up to the total listed.

Purchased services can include several different types of expenditures, but are generally things that a district chooses to pay for using a vendor rather than providing a service directly. At MHCSD, purchased services are nearly 30 percent of the District's overall expenditures. Some of the expenditures that are included in this category include the District's transportation contract, custodial contract, and utilities. Please see **Appendix B** for additional information.

Expenditures per Pupil

The majority of our comparisons are made on a per-pupil basis. This is done to normalize the variation in size between comparison districts. The table below shows the District's spending on a per-pupil basis in several key areas. It also shows the difference between the types of funds from which different expenditures are made. For example, the majority of salaries and wages are made using General Fund dollars, whereas the majority of capital outlay are made out of non-General Fund dollars.

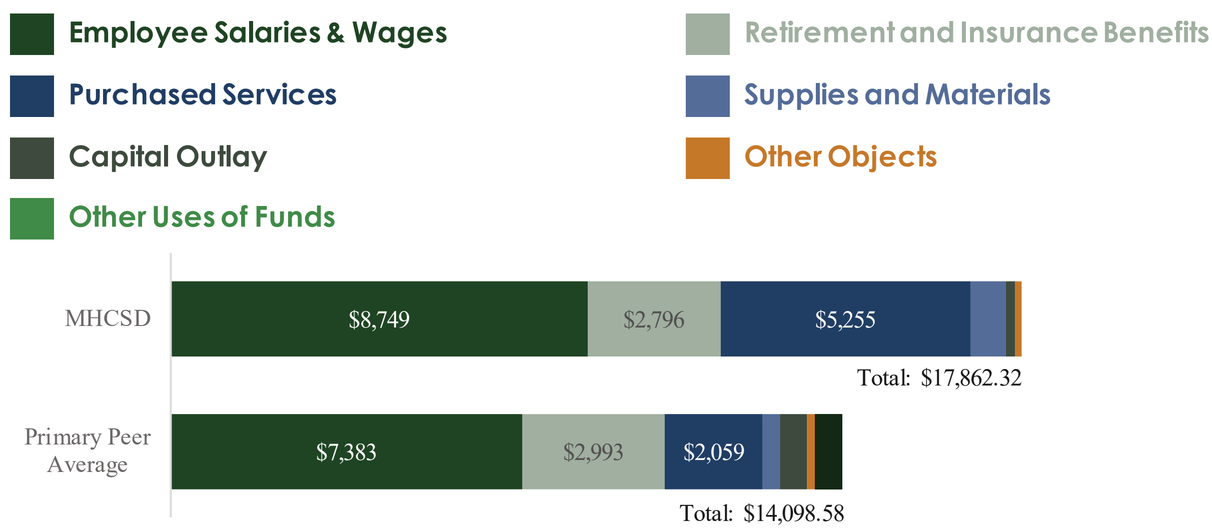
FY 2023 Expenditure per Pupil by Object Code Level 1

Object	General Fund	Other Funds	All Funds
100: Salaries & Wages	$8,749	$2,215	$10,964
200: Retirement & Insurance Benefits	$2,796	$745	$3,541
400: Purchased Services	$5,255	$571	$5,826
500: Supplies & Materials	$730	$473	$1,203
600: Capital Outlay	$210	$1,434	$1,644
800: Other Objects	$123	$1,063	$1,186
900: Other Uses of Funds	$0	$1	$1
Total	**$17,863**	**$6,502**	**$24,365**

Source: MHCSD and ODEW

In FY 2023, MHCSD spent approximately $17,863, or 26.7 percent, more per pupil when compared to the primary peer average of $14,099 per pupil. The District spent more than the primary peer average on employee salaries and wages, purchased services, and supplies and materials. The District spent less than the primary peer average on employee benefits, capital outlay, other objects, and other uses of funds.[21] The chart that follows provides a graphic comparison of expenditures per pupil for MHCSD and the primary peer average.

FY 2023 Total General Fund Expenditures Per Pupil



Source: MHCSD and Peers

Note: Excludes Advances

The District's higher employee salaries and wages are driven by employing more staff than the primary peers (see **Recommendation 5** and **Recommendation 6**), as well as exceeding the local peer average for specific classified salaries (see **Recommendation 8**). Further, MHCSD spent more than double on purchased services than the peers, which is driven in part by contracted busing and custodial services (see **Recommendation 11** and **Recommendation 13**). In addition to these categories, the District also spent approximately $3.5 million on professional services such as occupational therapists, psychologists, and speech pathologists and approximately $2.8 million on tuition payments related to special education and an alternative to expulsion program. For more information, see **Appendix B**.

In addition to exceeding the peer average spending on a per pupil basis, the District's FY 2023 General Fund expenditures per pupil of $17,863 exceeded its General Fund revenue per pupil of

[21] The category of "Other Objects" includes things such as interest on loans, memberships in professional organizations, County Board of Education contributions, and various types of non-healthcare insurance. "Other Uses of Funds" mainly consists of transfers, and contingencies within the various accounting dimensions.

$14,580 (see Revenue section above) by a difference of $3,283 per student. This resulted in a General Fund net loss of $9.5 million in FY 2023. This continued deficit spending, along with other structural imbalances in the District's finances, resulted in the District forecasting a $90 million dollar ending fund deficit in FY 2028. While the District announced some staffing reductions that will reduce expenditures in FY 2025, it also required an emergency loan from the state of nearly $11 million that must be repaid by the end of FY 2026. Without significant operational changes and/or revenue enhancements, the District will remain fiscally unsustainable.

Results of the Audit

Based on an initial analysis of the District's data as compared to its peer groups, the following scope areas were included for detailed review and further analyses: Financial Management, Human Resources, Facilities, and Transportation (see **Appendix A**). We identified 15 recommendations and 3 issues for further study within these scope areas which would result in reduced expenses or improve the District's operational management based on industry standards and peer comparisons.

Summary of Recommendations

Standard Recommendations		**Savings**
R.1	**Reduce the General Fund Subsidy for Extracurricular Activities to the Local Peer Level**	**$15,000**
R.2	**Develop Formal Plans**	**N/A**
R.3	**Develop a Formal Budgeting Process**	**N/A**
R.4	**Implement Forecasting Best Practices**	**N/A**
R.5	**Eliminate Administrative and Administrative Support Positions above the Peer Average**	**$1,816,000**
	Eliminate 5.5 FTE Central Office Administrator Staff	$898,000
	Eliminate 5.5 FTE Building Administrator Staff	$918,000
R.6	**Eliminate Direct Student Education and Support Positions above the Peer Average**	**$5,831,000**
	Eliminate 45.0 FTE Teachers	$3,877,000
	Eliminate 1.0 FTE Counselor	$130,000
	Eliminate 3.5 FTE Tutor/Small Group Instructors	$350,000
	Eliminate 12.0 FTE Full-time (Permanent) Substitute Teachers	$888,000
	Eliminate 1.0 FTE Dietitian/Nutritionist	$122,000
	Eliminate 1.0 FTE Nursing Staff	$22,000
	Eliminate 9.5 FTE Monitors	$331,000
	Eliminate 1.5 FTE Family and Community Liaisons	$111,000
R.7	**Renegotiate Collective Bargaining Agreement Provisions**	**N/A**
R.8	**Align Classified Salary Schedules with the Local Peers**	**N/A**
R.9	**Enforce Negotiated Certificated Employee Dental Premium Contribution**	**$13,000**
R.10	**Align Employer Insurance Costs with SERB Regional Average**[1]	**$453,000**
R.11	**Implement Best Practices for Custodial Contract Provisions and Monitoring**	**N/A**
R.12	**Renegotiate Contracted Custodial Services**	**N/A**
R.13	**Implement Best Practices for Transportation Contract Provisions and Monitoring**	**N/A**
R.14	**Eliminate 2 Bus Routes**	**$118,000**
R.15	**Develop Formal Internal Policies and Procedures for T Reporting**	**N/A**
Cost Savings Adjustments[2]		($13,000)
Total Cost Savings from Performance Audit Recommendations		**$8,233,000**

[1] The District would also see $21,000 average annual savings associated with employees paid from the Food Service Fund

[2] Implementation of R.9 would reduce the savings achievable in R.10

Our recommendations that are based on industry standards and peer comparisons are projected to save the District an average of approximately $8.2 million annually, or nearly $33 million over the course of the forecast period, if fully implemented.

As previously noted, the five-year forecasts recently submitted by MHCSD were not accurate in projecting the District's financial condition. The most recent forecast, submitted in February 2024, underrepresented the current year deficit by more than $3 million. LGS reviewed the information presented in the February forecast and made several adjustments to the prior years' data, as well as the FY 2024 projections, in doing so.[22] These changes significantly changed the District's financial outlook and increased the projected deficit in FY 2024. Due to the number of changes that have occurred in the District's recent forecasts, and the continued need for adjustments, we were unable to accurately determine the impact of our recommendations on the District's financial condition throughout the forecast period.

However, while the current deficits are underrepresented in the February 2024 forecast, we can determine that the savings identified using industry standards and peer comparisons would not address the projected deficit of more than $90 million in FY 2028. Because of this, MHCSD officials will need to consider additional cost savings measures. Our audit identified areas where the District could further reduce expenditures by going beyond alignment with peer averages and industry standards. In some cases, these cost saving measures may include reducing services to state minimum levels.

The additional cost saving measures are identified in the table below. The implementation of these measures could change the type or level of services offered by the District. It is important for MHCSD officials to carefully consider the needs of the students and families served by the District when implementing any of these additional cost saving measures. The potential cost savings associated with the additional recommendations are shown in the table below. These estimated savings reflect the average annual savings that could be achieved in FY 2025 through the remainder of the forecast period.

Additional Recommendations

Additional Recommendations		Savings
R.16	**Eliminate the General Fund Subsidy for Extracurricular Activities**	**$935,000**
R.17	**Implement a Base and Step Salary Freeze**	**$1,111,000**
R.18	**Eliminate up to 6.0 FTE Building Administrator Positions**	**$883,000**
R.19	**Eliminate up to 53.0 FTE Additional Teacher Positions**	**$4,765,000**

Note: Numbers in this table are rounded down to the nearest $1,000 to provide conservative estimates and for readability purposes.

[22] LGS did not review or opine on the information presented for FY 2025 through FY 2028 of the February forecast, nor did it carry forward the adjustments made to the forecast for these years.

The amount of savings realized from staffing reductions identified in **Recommendation 18 and Recommendation 19** would be dependent on a variety of factors, including the number of positions that are eliminated and the impact of other cost saving measures identified in this report or by the District itself. Similarly, the cost savings achieved from any type of salary freeze would be impacted by staffing reductions made by the District. Our estimated savings of up to $7.7 million identified for these recommendations are based on reductions to state minimum teacher and building administrator levels and represent the maximum savings possible.

While aligning with state minimum standards would change the type and level of services that the District is able to offer, it may be necessary for MHCSD. Using the most recent forecast, which was approved in February 2024, the District would not be able to fully eliminate the projected deficit, even if it implements every recommendation contained in this report.

Standard Recommendations

Financial Management

Any organization needs to consider both short-term needs and long-term goals when developing policies and procedures related to financial management. This requires strategic planning in order to identify the best use of available resources. School districts, in particular, must have sound planning processes in place so that they can effectively and transparently provide services to their residents. We reviewed MHCSD's financial management policies to determine if there were areas for improved management.

Recommendation 1: Reduce the General Fund Subsidy Percent of Total Expenditures for Extracurricular Activities to the Local Peer Level

Impact

Reducing expenditures and increasing revenue to bring the General Fund subsidy percent of total expenditures for extracurricular activities in line with the local peer average would save MHCSD an average of approximately $15,000 in each year of implementation.

Background

Extracurricular activities represent student activities falling outside the scope of a typical school curriculum. These activities occur under the guidance or supervision of qualified adults and are designed to provide opportunities for pupils to participate in such experiences on an individual basis, in small groups, or in large groups – at school events, public events, or a combination of these – for purposes such as motivation, enjoyment, and skill improvement. In practice, participation usually is not required, and credit usually is not given. When participation is required, or credit given, the activity is generally considered to be a curricular course.

Extracurricular activities include, but are not limited to, academic-oriented activities (drama, marching band, Spanish club), sport-oriented activities (individual and team sports), and co-curricular activities (student government, yearbook).

Methodology

The District's FY 2023 General Fund subsidy as a percent of total extracurricular activities expenditures was compared to the local peer average.

Analysis

In FY 2023, the District spent approximately $1.2 million on student extracurricular activities, which included the salaries and benefits of directors, coaches, advisors; supplies and materials; transportation services; awards and prizes; and other miscellaneous expenditures. A portion of these expenditures was offset by generating revenue of approximately $98,000 for admissions and other extracurricular activity sources. A total of $935,000 was subsidized by the General Fund, which has increased by approximately 45.6 percent since FY 2021. The District's General Fund subsidy as a percent of extracurricular expenditures is 75.4 percent compared to the local peer average of 73.8 percent.

Aligning the District's General Fund subsidy as a percent of extracurricular expenditures with the peer average would save approximately $15,000 annually. While it is common for Ohio school districts to subsidize extracurricular activities from the General Fund, doing so at a rate that exceeds the local peer average may represent an undue burden on the District's General Fund.

The District could consider the following steps to reduce expenditures or raise additional revenue related to extracurricular activities:

- Implement pay-to-participate fees;
- Increase admissions and sales;
- Increase booster club funding;
- Reduce the supplemental salary schedule; and/or,
- Eliminate programs.

Conclusion

The District's General Fund subsidy of extracurricular activities as a percent of total extracurricular expenditures is above the peer average. To close the gap between the revenue and expenditures, and in turn alleviate the amount of General Fund support needed, the District should reduce the General Fund subsidy as a percent of total expenditures for extracurricular activities to the local peer average. Doing so would save the District approximately $15,000 in each year of implementation.

Recommendation 2: Develop Formal Plans

MHCSD should develop formal capital improvement, facilities preventative maintenance, and bus replacement plans in order to meet financial, programmatic, and operational needs. Further, the District should ensure that its existing strategic plan is fulfilling its intended purpose by linking it to a capital plan and formal budgets.

Impact

School districts should have multiple formal plans that identify future needs and guide each operational area of the district. It is important that the district has a long-term strategic plan tied to a formal budget and a capital plan, as well as a facilities preventative maintenance plan and bus replacement plan. This allows the district to ensure the needs of all operational areas can be met in an efficient and effective manner.

Methodology

We interviewed District officials and confirmed that the District does have a strategic plan and a fleet preventative maintenance plan, as well as components of a capital plan, but does not have a facilities preventative maintenance plan or a bus replacement plan. We then compared the District's current planning practices to industry standards and best practices to identify opportunities for improvement.

Analysis

The District's strategic plan will provide a framework for decision making as MHCSD officials work to achieve long-term goals. However, without a comprehensive capital plan that identifies needs over a multi-year period, the decisions made related to the strategic plan may be inefficient or ineffective. Further, while the District has a fleet preventative maintenance plan, it does not have formal plans for facilities preventative maintenance or bus replacement. The lack of a bus replacement plan, for example, could result in financial difficulty in the future if the District is forced to make a large purchase that is unplanned.

Each operational area within the District has specific planning needs which should be considered and included in planning documents. Specific criteria related to each type of plan is addressed below.

Strategic Plan

The Government Finance Officers Association (GFOA) provides guidance to governmental entities in the development and maintenance of effective long-term planning. *Establishment of Strategic Plans* (GFOA, 2005) defines strategic planning as "a comprehensive and systematic management tool designed to help organizations assess the current environment, anticipate and respond appropriately to changes in the environment, envision the future, increase effectiveness, develop commitment to the organization's mission, and achieve consensus on strategies and objectives for achieving that mission.

Key steps in the strategic planning process include:

- Initiating the strategic planning process;
- Preparing a mission statement;
- Assessing and identifying environmental factors and critical issues;
- Agreeing upon and developing strategies for a small number of broad goals;
- Creating an action plan, including measurable objectives and performance measures;
- Obtaining approval of the plan; and,
- Implementing, monitoring, and reassessing the plan.

While MHCSD has a strategic plan that, in writing, generally meets GFOA best practices, it is important to ensure that the strategic plan is accomplishing its intended purpose. The District's strategic plan is not tied to financial planning, capital improvement, or formal budgets. Historically, the District has not maintained formal budget practices (see **Recommendation 3**). If the District were to link its existing strategic plan to these elements, it may result in increased efficiency and effectiveness of the strategic plan and cohesiveness between the District's initiatives and finances.

Beginning in FY 2020, the District has made several decisions that have impacted its overall operations and financial condition. These decisions were based on the programmatic preferences of District officials. They were not driven by enrollment trends or educational requirements. Additionally, the District did not consider its ability to pay for the expenditures associated with these decisions.

Early Learning Center: In FY 2020, the Board approved the construction of the Early Learning Center (ELC) for preschool and kindergarten students (see **Issue for Further Study 3**). The forecast prior to the Board approving this project showed annual deficit spending that was projected to deplete significant portions of the District's available fund balance. At the time of the construction, there was no need to provide a new facility for these students, as there was space in the existing elementary schools that had been constructed to educate students in those grades. The District took on $10.5 million in debt to facilitate the construction, which must be repaid over a period of 19 years at interest rates between 2 and 4 percent. Additionally, by constructing this facility, the District took on additional expenditures related to facilities and overall staffing needs, such as additional utility bills, new space requiring maintenance and custodial services, and the need for additional administrative personnel.

Culinary Arts Center: In January 2023, the Board approved the construction of a Culinary Arts Center, which is attached to the Junior/Senior High School building. This facility, which opened in January 2024, will provide career and technical education to students. Shortly after the approval of the project, the May 2023 forecast showed significant spending deficits and an ending fund deficit of more than $20 million at the end of the forecast period. At this time, the District was placed in fiscal pre-caution by ODEW and was identified as a potential candidate for a performance audit by AOS.

The District approved the use of approximately $7.4 million, or nearly 30 percent, of the federal ESSER funding to help pay for this project, although the total cost to the District may be higher. ESSER funding was intended to address learning loss related to the COVID-19 pandemic. While spending categories were broad, ODEW's guidance stated, "funds should be used for one-time or short-duration intensive supports that address the impacts of education disruption due to the coronavirus pandemic or that build the capacity of the education system to operate effectively." Although the use of ESSER funds for capital projects is considered appropriate, districts were guided to use these funds strategically. While not a violation of ESSER guidelines, the construction of the Culinary Arts Center was approved based on the programmatic preferences of the District. This decision was not based on needs due to enrollment trends or space concerns and did not take into consideration the financial implications of the ongoing costs associated with the additional space. In particular, while the majority of one-time expenses related to construction were paid using ESSER funds, the District will need to identify funding for the continued operations of this facility, including staffing, supplies, and other materials.

Open Enrollment: During the course of the audit, the District announced plans to offer open enrollment to students outside the District. Open enrollment can provide opportunities to improve program offerings; however, the decision to offer open enrollment must be made with a clear intent and purpose. MHCSD must work to fully understand the financial impact of accepting students through open enrollment, particularly as it is in fiscal emergency and is projecting significant deficit spending. While some districts may be able to absorb the costs of open enrollment, MCHSD should fully consider the operational impact these additional students may have. (See **Issue for Further Study 1**).

Building Reconfiguration: During the course of the audit, the District announced plans to reconfigure the buildings. While there may be some opportunity to achieve efficiency in staffing by combining classes at the elementary level, the District's plan does not appear to have a strategic framework. When the plan was announced, it was promoted as a way to increase space for open enrollment students. Further, it does not appear that the District has fully considered the impact of building reconfiguration on other operational areas, such as transportation, or any one-time costs that must be incurred to facilitate a building reconfiguration (See **Issue for Further Study 3**).

Capital Plan

According to *Multi-Year Capital Planning* (Government Finance Officers Association (GFOA), 2022), public entities should "prepare and adopt comprehensive, fiscally sustainable, and multi-year capital plans to ensure effective management of capital assets." The GFOA further states that "a prudent multi-year capital plan identifies and prioritizes expected needs based on a strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs."

The District's capital improvement plan partially meets GFOA best practices. The District's plan covers a period of 5 to 25 years and is partially linked to the strategic plan, contains capital asset life cycles for major capital assets, projects future operating and maintenance costs, and determines financial impacts of planned projects. However, the plan does not identify funding sources, determine estimated amounts of funding from various sources, integrate environmental, social, and governance considerations, or prioritize capital requests based on health, safety, and asset preservation. Overall, the District's capital plan only considers facilities components. The District would benefit from improving their capital planning practices and aligning it with these best practices.

Facilities Preventative Maintenance Plan

According to the *Planning Guide for Maintaining School Facilities* (National Center for Education Statistics, 2003), a comprehensive facility maintenance program is a school district's foremost tool for protecting its investment in school facilities and is the cornerstone of any effective maintenance initiative. A good maintenance program is built on a foundation of preventative maintenance. An effective maintenance program begins with an audit of buildings, grounds, and equipment. Once facilities data has been assembled, structural items and pieces of equipment can be selected for preventative maintenance.

Once the items that should receive preventative maintenance are identified, planners must decide on the frequency and type of inspections. Manufacturers' manuals are a good place to start when developing this schedule; they usually provide guidelines about the frequency of preventative service, as well as a complete list of items that must be maintained. Once this information is assembled, it must be formatted so that preventative maintenance tasks can be scheduled easily. Ideally, scheduling should be handled by a computerized maintenance management program; however, tasks can be efficiently managed using a manual system as well.

Bus Replacement Plan

In *School Bus Replacement Considerations* (NASDPTS, 2002), the National Association of State Directors of Pupil Transportation Services recommends that the timely replacement of school buses should be a planned process. While available funding is a key consideration for the replacement of school buses, there are two other major factors which should be considered:

- First, the need to keep up with federal standards for safety, fuel efficiency, or exhaust emission requirements; and,
- Second, the operating and maintenance expenses on a school bus, or a group of school buses.

While the rule of thumb for bus replacement is between 12 and 15 years of age, reviewing maintenance costs for each bus may identify buses that should be replaced sooner or kept in service longer. With accurate and thorough records on operating and maintenance costs of all buses in a fleet, a District will have the data necessary to understand when to make replacement decisions. The District currently owns 21 buses, 12 of which are active and 9 of which are spares.[23] Of the Board-owned buses, 9 active buses and all 9 spare buses meet or exceed the replacement criteria of 12 to 15 years of age.

Conclusion

Formal plans, from a multi-year capital plan to a routine maintenance plan, help an organization to address financial, programmatic, and operational needs. By developing these plans, the District will be able to efficiently and effectively allocate its limited resources. In particular, by understanding and mapping out both routine expenditures and those large purchases, the District will improve its ability to avoid unexpected or unnecessary expenses.

[23] There are also 17 contractor-owned active buses and 4 contractor-owned spare buses.

Recommendation 3: Develop a Formal Budgeting Process

The District does not have a formal, written budgeting process. MHCSD spent more than $70 million in FY 2023, and the absence of a budgeting process contributed to the District's current financial condition. GFOA best practices for school budgeting outline the ideal contents of such a process, and the District does not fully meet any elements of the GFOA criteria. A formal, written budgeting process that identifies roles and responsibilities for employees would allow for a more transparent and effective budget. In order to ensure the District is making the most informed decisions with their resources, and is as prepared as possible for future needs, the District should develop a written budget plan and process that addresses each of the steps and sub-steps outlined in the GFOA best practices.

Impact

By understanding its expected revenues and the resource needs of students and staff – and creating a plan in which received dollars will be allocated to meet those needs – MHCSD can ensure that each dollar the District receives is spent thoughtfully to achieve maximum impact. Fully adhering to best practices in school budgeting may help prevent the District from overlooking gaps between its resource acquisition and resource needs.

Internal Controls in Performance Audits

During the course of the audit, it was determined that the District has not established formal policies and procedures governing internal controls over its annual budgeting process. As such, this constitutes an internal control deficiency related to the District's financial management.

Background

School district budgets outline the planned distribution of a district's funding for the upcoming fiscal year based on expected revenues and resource needs of students and staff.

Methodology

We interviewed District officials to understand their annual budgeting process. Once we gained an adequate understanding of MHCSD's budgeting process, we compared the District's process to *Best Practices in School Budgeting* (GFOA, 2017), a formal guidance for school district financial administrators to adopt when creating their annual budget.

Using the Government Accountability Office's (GAO) Greenbook, which outlines standards for internal controls that are used at all levels of government, as well as the District's applicable board policies, we assessed the District's internal controls over its budgeting process.

Analysis

MHCSD does not have a formal budgeting process. The District recently hired a new treasurer and transitioned to a new finance software, which contributed, in small part, to the absence of a current formal budget. In addition, prior to the new treasurer, there was no formal written process for budgeting.

After comparing MHCSD's budgeting process to the GFOA's best practices, we determined that MHCSD partially adheres to 5 of the 15 budgeting sub-steps recommended by the GFOA. The District does not adhere to the remaining 10 sub-steps.

GFOA School Budgeting Best Practices

☐ Meets ☐ Partially Meets ☐ Doesn't Meet ☐ Non-Applicable

Plan and Prepare	**Set Instructional Priorities**	**Pay for Priorities**	**Implement Plan**	**Ensure Sustainability**
Budget process includes multiple key stakeholders	SMARTER goals are created and assessed as part of budget process	District regularly performs staff analysis and a cost-of-service analysis	The district creates a strategic financial plan	The district should create a system of monitoring its budget and goals throughout the year
There are budget policies and principles in place that can be understood and reviewed by the district	District performs a root cause analysis to determine gaps between goals and current state in relation to the budget	District identifies expenditures associated with instructional priorities and how they will pay for them	The district has a plan of action to accompany their strategic plan	
District collects data on student achievement and how it relates to the budget	District researches to close the gap between current state and desired state in relation to the budget		Allocation of funds are directly tied to student outcomes. The budget should be more specific than line-item	
There is a communication strategy attached to the budget to communicate the budget to stakeholders	Options and steps for closing gap is communicated throughout district		Budget presentation is broken down into 5 major sections	

The sub-steps labeled as "Partially Meets" were marked as such due to the District adhering to the practices in principle, but since the District does not have a formal budgeting process to which these practices can be applied, they cannot be considered fully met. Generally, the sub-steps which were partially met are found in the District's strategic plan and instructional priorities. According to the GFOA, a school budgeting framework "begins with guidelines for district-wide communication and collaboration, including setting baseline expectations for what the budget process will achieve. The focus then shifts to developing robust goals and integrating the process with the district's strategic plan, including developing a comprehensive package for implementing a district's goals, or instructional priorities."

In addition to comparing the District's budgeting practices to GFOA best practices, we also assessed the District's internal controls over the budgeting process using the GAO Greenbook. As part of our assessment, we interviewed District officials and examined applicable Board policies. The GAO identifies 5 components of internal control which are comprised of 17 principles. One of the principles was not assessed due to insufficient information. Of the remaining 16 principles, 2 were met, 1 was partially met, and 13 were not met.

Note: During the course of the audit, the District acknowledged its intention to develop and implement a formal budgeting process for FY 2025.

Conclusion

The budgeting process is an extremely important and annual process which culminates in the allocation of District resources to reach their goals and positively impact their students. By developing a formal budgeting process that is built on best practices, with proper internal controls, that is fully integrated with the District's strategic plan, MHCSD will be able to focus on optimizing student achievement within its available resources. A robust budgeting process encompasses a complete budgeting cycle which includes planning, development, evaluating how the process functions, and adjusting accordingly. Within this cycle, the District's instructional priorities will provide a guide for decision-making.

Recommendation 4: Implement Forecasting Best Practices

MHCSD does not have formal forecasting procedures in place. Further, the District's most recent forecasts, released in May 2023, November 2023, and February 2024, showed a drastically worsening condition with minimal explanation as to the cause of variation. A formal, written forecasting process that identifies roles and responsibilities for employees would allow for a more transparent and effective forecasting process. In order to ensure the District is presenting an accurate depiction of its current and future financial condition, the District should develop written forecasting policies and procedures that address each of the steps and sub-steps outlined in the GFOA best practices.

Impact

By implementing forecasting best practices, the District will have the ability to develop five-year forecasts that are reliable and provide an accurate representation of the District's true financial condition. The District will also be able to develop forecast assumptions and enhance the accuracy of the forecast.

Internal Controls in Performance Audits

During the course of the audit, it was determined that the District has not established formal policies and procedures governing internal controls over its annual forecasting process. As such, this constitutes an internal control deficiency related to the District's financial management.

Background

School districts use financial forecasts to evaluate current and future fiscal conditions which guide budgets, policies, and programmatic decisions. In Ohio, school districts are required to submit a five-year financial forecast every November, with an updated forecast submitted in May. These forecasts guide financial planning and operational decisions and are essential in monitoring the overall fiscal health of a district.

Methodology

We interviewed District officials to understand their forecasting process. Once we gained an understanding of MHCSD's forecasting process, we compared the District's process to *Financial Forecasting in the Budgeting Preparation Process* (GFOA, 2014), a formal guidance for school district financial administrators to adhere to when developing forecasts. The guidance outlines six major steps and 16 sub-steps for forecasting. For each sub-step, we determined whether the District meets the best practice. We also compared the District's forecasting practices to best practices from ODEW guiding the development and submission of five-year forecasts. Using the GAO Greenbook, which outlines standards for internal controls which are used at all levels of government, we assessed the District's internal controls over its forecasting process. We also interviewed a representative from Forecast 5, which is a company that provides the budgeting and forecasting software used by the District.

Analysis

MHCSD does not have formal written policies for developing financial forecasts. Historically, only the treasurer has been involved in the creation of the five-year forecasts. The current treasurer used Forecast 5 software to develop both the November 2023 and February 2024 five-year forecasts. Forecast 5 receives monthly financial data from MHCSD and calculates historical actuals and creates forecasted data. Forecast 5 also provides training materials to aid treasurers in creating accurate forecasts but does not have a data reliability process to ensure the financial data is accurate.

After comparing MHCSD's forecasting process to the GFOA's best practices, we determined that MHCSD adheres to 4 of the 16 forecasting sub-steps recommended by the GFOA, partially adheres to 8 sub-steps, and does not adhere to the remaining 4 sub-steps, as seen in the visual below.

Forecasting Best Practices

☐ Meets ☐ Partially Meets ☐ Doesn't Meet ☐ Non-Applicable

Define Assumptions	Gather Information	Preliminary/ Exploratory Analysis	Select / Implement Methods	Use Forecast
Forecast has a timeline	District uses statistical data in forecasting	Understands how revenues/ expenditures vary with economic activity	Determine the quantitative and/or qualitative forecasting methods that will be used	Forecaster has credibility
District is transparent as to whether the forecast is conservative in estimating revenues/ expenditures	Uses accumulated judgment and expertise of individuals inside and perhaps also outside the organization	Understands effects of demographic trends	Put into practice described forecasting methods	Forecast is presented with a clear message
District is aware of political/legal issues that could affect forecast	Become familiar with other longer-term planning efforts of the organization that impact financial decisions and the fiscal environment.	Outliers are identified and explained		Forecast plays a key role in budgeting and financial decisions
District knows major revenue/ expenditure categories		Relationships between different variables are identified and explained		

Note: For easier readability, the Select Methods and Implement Methods categories were condensed into one column.

After comparing MHCSD's forecasting practices to ODEW best practices, we determined that the District partially adheres to one of the practices and does not adhere to the remaining three practices.

Forecasting ODEW Best Practices

☐ Meets ☐ Partially Meets ☐ Doesn't Meet ☐ Non-Applicable

Proactive management of revenues/expenditures	Board policy to achieve and maintain 60 days of expenditures in cash balance	Report and discuss expenditures vs revenues monthly	Participate in a program that promotes best budgeting practices for school districts

In addition to comparing the District's forecasting practices to GFOA and ODEW best practices, we also assessed the District's internal controls over the forecasting process using the GAO Greenbook. As part of our assessment, we interviewed District officials and examined applicable Board policies. The GAO identifies 5 components of internal control which are comprised of 17 principles. One of the principles was not assessed due to insufficient information. Of the remaining 16 principles, 2 were met, 3 were partially met, and 11 were not met.

The lack of formal forecasting policies has resulted in issues relating to the reliability of the District's most recent five-year forecasts. The May 2023 forecast projected deficit fund balances beginning in FY 2025, the second year of the forecast. The November 2023 forecast, created by the District's current treasurer projected a deficit fund balance in FY 2024, the current fiscal year, of approximately $5 million, growing to approximately $78.8 million in FY 2028.

Due to the District's worsening financial condition, outside consultants were hired to assess internal issues and steps that could be taken to resolve them. These consultants were able to discover that payments on several invoices were withheld due to cash flow issues, accounts with negative balances from FY 2021 through FY 2024 required transfers from the General Fund, and examples of the improper accounting of some revenues and expenditures. Using this more accurate information, the District submitted a revised forecast in February 2024. This forecast projected a significantly worse financial condition from the original November 2023 forecast with a fund balance deficit of approximately $7 million in FY 2024, growing to approximately $90.2 million by FY 2028.

After the release of the February 2024 forecast, MHCSD asked AOS to be placed in fiscal emergency. Based on this request, LGS reviewed the February 2024 forecast and determined that the FY 2024 projection was still inaccurate due to errors made between FY 2021 and FY 2023 that impacted the February 2024 forecast and that the projected deficit in the current fiscal year was more than $10 million. As a result of the work conducted by LGS, the District was officially placed in fiscal emergency on April 5, 2024.

Conclusion

By implementing forecasting practices outlined by the GFOA and ODEW, the District will have the ability to create forecasts that are reliable and provide an accurate representation of the District's true financial state, which is essential information for the governing body to have in order to make sound financial decisions regarding the operations of the District. In addition, the District's forecast assumptions will be reasonably supported, which will add to the accuracy of the forecast.

Issue for Further Study 1: Monitor/Evaluate Open Enrollment Procedures

During the course of the audit, the Board approved a resolution to accept students via open enrollment beginning in FY 2025. While open enrollment can be beneficial to a district, it is important that it be continuously monitored and actively managed. Prior to offering open enrollment, District officials should fully understand the financial impact of this choice and how it will impact other operational areas. Because open enrollment only generates revenue from state aid, MHCSD must balance the additional costs of open enrollment students with benefits of the programs that are able to be offered. Some districts may be able to absorb the cost from additional students that enroll through open enrollment. However, districts such as MHCSD, which is in fiscal emergency, should carefully consider and plan for open enrollment in a strategic manner before adding additional students to the district.

While students in Ohio have an assigned, or home, district, they may attend school at other districts that accept open enrollment students. ORC § 3313.98 requires all school districts to adopt a resolution that either prohibits open enrollment into their district, permits open enrollment to any student, or permits open enrollment to students living in adjacent districts. If a district permits open enrollment, it must have policies in place that address specific criteria outlined in ORC § 3313.98 including application guidelines, capacity limitations, and prioritization of resident students and previously enrolled open enrollment students.

As discussed at the beginning of this report, school funding is generated primarily through state and local sources. The state revenue provided to districts is based on a complex formula that considers a variety of factors related to the cost of education. Once a formula amount is identified, the school district receives monthly payments from ODEW based on the number of students enrolled, regardless of where they reside. Local revenue is raised through property and income taxes and are voted on by residents of the district. Open enrollment has no impact on the local revenue generated by the District.

Because the revenue generated from open enrollment is significantly lower than the District's overall spending per pupil, it is important that it be utilized strategically. For example, if a district has a target student to teacher ratio, it could accept open enrollment students to meet that threshold. However, when open enrollment requires additional classes, it could result in extra expenditures that exceed the revenue generated from the additional students. At the time of the proposal, MHCSD did not indicate how it would use open enrollment as it moves to expand existing class sizes. Because of pending changes to staffing levels and announced building reconfiguration, it may be in the best interest of the District to take time to monitor the impact of these changes prior to bringing in additional students.

Ultimately, open enrollment is complex and can impact a school district in a variety of ways. Without strategic plans and goals, the District is at risk of incurring costs above and beyond what it can reasonably afford, which can negatively impact the education of resident students. When considering the impact of open enrollment, the District would need to determine the impact of increases in revenue along with additional expenditures, such as teaching staff, increased utilities and maintenance supplies, or other items.

Human Resources

Human resources (HR) expenditures are significant to both the operational and financial conditions within school districts. OPT reviewed MHCSD's staffing levels, CBA provisions, salaries, and insurance offerings and compared them to peer districts. Certain staff, including Title I and Special Education staffing, were excluded from our analyses due to various legal and contractual requirements within these programs.

Recommendation 5: Eliminate Administrative Positions above the Peer Average

MHCSD should consider eliminating central office and building administrator positions above the primary peer average.

Impact

By reducing central office and building administrator positions to be in line with the primary peer average, the District could save an average of approximately $1,816,000 annually.[24]

Background

The District employs individuals in central office and building administrator positions who are responsible for activities related to the daily operations of the District. While these positions provide support to students and educators at MHCSD, the District may be able to reduce some positions based on peer comparisons.

Methodology/Analysis

Staffing levels for the District were identified and compared to primary peer averages on a per-1,000-student and per-building basis.[25] Areas where MHCSD could reduce central office and building administrators include:

- 5.5 FTE Central Office Administrators; and,
- 5.5 FTE Building Administrators.

Central Office Administrators

MHCSD employs 21.0 FTEs as central office administrators who are responsible for overseeing various programs and operational areas at the District. These administrators include 3.0 FTE assistant superintendents, 4.0 FTE supervisors and managers, 7.0 FTE coordinators, 6.0 FTE directors, and 1.0 FTE other official/administrative positions. This is 5.6 FTEs above the primary

[24] Calculated savings are based on the salary and benefits of the lowest tenured employee in each position category.
[25] A Full-Time Equivalent (FTE) was used to identify staffing levels, based on ODEW reporting guidelines.

peer average on a per-1,000-student basis. Eliminating 5.5 FTE central office administrator positions could save an average of approximately $898,000 annually.

Building Administrators

MHCSD employs 17.5 FTEs as building administrators, including 6.0 FTE principals, 10.0 FTE assistant principals, and 1.5 FTE deans of students. This is 5.57 FTEs above the peer average on a per-1,000-student basis and 3.18 FTEs above the peer average on a per-building basis. Eliminating 5.5 FTE building administrator positions could save an average of approximately $918,000 annually.

Conclusion

The District should eliminate 11.0 FTE central office and building administrator positions. Eliminating these positions could save an average of approximately $1,816,000 annually and bring staffing to a level consistent with the primary peer average.

Note: In March 2024, MHCSD approved a reduction of 3.5 FTE central office administrators and 4.5 building administrators, effective for FY 2025. Since these reductions are not reflected in the February 2024 five-year forecast, we did not adjust our recommended staffing reductions or the associated financial impact.

Recommendation 6: Eliminate Direct Student Education and Support Positions above the Peer Average

MHCSD should consider eliminating direct student education and support positions above the primary peer average.

Impact

By reducing direct student education and support positions to be in line with the primary peer average, the District could save an average of approximately $5,831,000 annually.[26]

Background

Direct student education and support positions perform functions that assist students in an educational setting directly in some manner. Positions may include a variety of professionals including teachers, tutors, educational support specialists, and counselors. Based on peer comparison, MHCSD could eliminate staffing positions in several of these categories.

Methodology/Analysis

Staffing levels for the District were identified and compared to primary peer averages on a per-1,000-student basis. Areas where MHCSD could reduce direct student education and support positions include:

- 45.0 FTE Teaching Staff;
- 1.0 FTE Counselors;
- 3.5 FTE Tutor/Small Group Instructors;
- 12.0 Full-Time (Permanent) Substitute Teachers;
- 1.0 FTE Dietitian/Nutritionist;
- 9.5 FTE Monitoring Staff;
- 1.5 FTE Family and Community Liaisons; and,
- 1.0 FTE Nursing Staff.

Teaching Staff

MHCSD employs 175.84 FTE teaching staff, which is 45.04 FTEs above the peer average. Eliminating 45.0 FTE teaching staff positions could save an average of approximately $3,877,000 annually. When ESSER funding became available in FY 2021, the District hired approximately two dozen teachers to reduce class sizes and focus on pandemic learning loss

[26] Calculated savings are based on the salary and benefits of the lowest tenured employee in each category.

recovery. However, ESSER funding expires on September 30, 2024, so the District will no longer have the funding to support this level of teaching staff.

Counselors

MHCSD employs 8.0 FTE counselors, which is 1.21 FTEs above the peer average. Eliminating 1.0 FTE counseling position could save an average of approximately $130,000 annually.

Tutor/Small Group Instructors

MHCSD employs 11.16 FTE tutor/small group instructors, which is 3.73 FTEs above the peer average. Eliminating 3.5 FTE tutor/small group instructor positions could save an average of approximately $350,000 annually.

Full-Time (Permanent) Substitute Teachers

MHCSD employs 14.5 FTE full-time (permanent) substitute teachers, which is 12.1 FTEs above the peer average. Eliminating 12.0 FTE full-time substitute teacher positions could save an average of approximately $888,000 annually. As a result of this reduction, the District may incur daily substitute expenses, which may offset a portion of the projected savings. However, we were unable to calculate expenses incurred by using daily substitutes as it will depend on whether the substitutes are internal or external. The number of days substitutes are needed, which will be impacted by the number of teacher FTEs, will also affect cost savings.

Dietitian/Nutritionist

MHCSD employs 1.0 FTE dietitian/nutritionist, which is 0.99 FTEs above the peer average. Eliminating 1.0 FTE dietitian/nutritionist position could save an average of approximately $122,000 annually.

Monitoring Staff

MHCSD employs 15.0 FTE monitors, which is 9.85 FTEs above the peer average. Eliminating 9.5 FTE monitoring staff positions could save an average of approximately $331,000 annually.

Family and Community Liaison

MHCSD employs 2.0 FTE family and community liaisons, which is 1.54 FTEs above the peer average. Eliminating 1.5 FTE family and community liaison positions could save an average of $111,000 annually.

Nursing Staff

MHCSD employs 4.0 FTE nurses, which is 1.07 FTEs above the peer average.[27] Eliminating 1.0 FTE nursing staff position could save an average of approximately $22,000 annually.[28]

Conclusion

MHCSD could eliminate 74.5 FTEs from its direct student education and support positions. Eliminating these positions could save an average of approximately $5,831,000 annually and bring staffing to a level consistent with the primary peer average.

Note: In March 2024, MHCSD approved a reduction of 63.17 FTE teachers, 1.0 FTE counselor, 1.83 FTE tutor/small group instructors, 11.0 FTE full-time (permanent) substitute teachers, 2.0 FTE family and community liaisons, and 1.0 FTE nursing staff, effective for FY 2025. Since these reductions are not reflected in the February 2024 five-year forecast, we did not adjust our recommended staffing reductions or the associated financial impact.

Also included in the Board-approved staffing reduction, but not part of our recommended reductions, are the following positions: 2.0 FTE intervention specialists, 1.0 FTE central office support staff, 1.0 FTE building office support staff, 1.0 FTE psychologist, 1.0 FTE library staff, and 2.0 FTE classroom support staff.

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[27] Because of the variation in how staff is obtained and coded by Maple Heights and Painesville, these districts were excluded from our peer analysis.
[28] The savings calculated for this recommendation are based on the least tenured nursing employee, who only worked a partial year for the FY 2024 school year.

Issue for Further Study 2: Evaluate Social Services Staffing Levels and Delivery Method

MHCSD employs 6.0 FTE social workers, 4.0 FTE of which are designated for special education. These employees help to assist in the prevention or solution of personal, social, and emotional problems experienced by the student body involving family, school, and community relationships.

While MHCSD chooses to employ these individuals directly, we found that some peers use contracted services or a hybrid of contracted services and in-house staff to perform similar functions. Because of the variation in how staff is obtained and coded by each district, we were unable to compare MHCSD's social worker staffing levels to the primary peers.

The National Association of Social Workers (NASW) recommends a ratio of 1 social worker for each 250 students.

FY23 Social Worker Ratio Comparison

	Students per FTE
MHCSD	**457**
NASW Benchmark	250
State Average	2,054

Source: MHCSD, ODEW, NASW

As shown in the table, MHCSD's ratio of 1 social worker FTE per 457 students is less than the NASW benchmark ratio of 1:250 and is higher than the state average ratio of 1:2,054.

The District should review its social services delivery to ensure staffing levels are appropriate based on the District's needs and financial condition. In addition to reviewing staffing levels, the District should review how services are provided to ensure a cost-effective delivery (i.e. compare cost of contracting versus providing in-house). Based on this review, MHCSD officials may choose to alter the level of staffing or the method in which social services are provided (i.e. in-house staff versus contracted services).[29]

[29] The District should ensure maintenance of effort requirements are satisfied prior to making any changes since a portion of the social worker FTEs are for special education.

Recommendation 7: Renegotiate Collective Bargaining Agreement Provisions

MHCSD should renegotiate and align its collective bargaining agreement (CBA) provisions with ORC requirements and local peer districts in order to reduce future expenditures and decrease the risk for future liabilities.

Impact

While there is no identified financial implication for this recommendation, the District's certificated and classified CBAs contain certain provisions which may increase future liabilities.

Background

MHCSD maintains two collective bargaining agreements:

- Mt. Healthy Teachers Association, representing certificated staff, effective through June 30, 2025; and,
- Mt. Healthy Classified Employees Association, representing classified staff, effective through June 30, 2024.

Methodology

The District's CBAs were obtained from the State Employment Relations Board (SERB). MHCSD's CBAs were then analyzed and compared to ORC requirements and local peer districts' CBAs to highlight any overly generous provisions or potential opportunities to reduce costs or increase operational efficiency.

Analysis

In addition to the following provisions analyzed in depth, we also compared several other provisions which were not selected for further analysis due to being in line with the local peer average and/or ORC requirements. These provisions, for certificated staff, include unused personal leave, attendance incentive, retirement incentive, reductions in force, planning time, professional development bonuses, and class size. For classified staff, the District's unused personal leave, holiday pay, overtime hours, and calamity day pay were not selected for further analysis.

Sick Leave Accumulation and Severance Payout: ORC § 124.39 requires that public employees must be paid one quarter of accrued sick leave at retirement, based on a maximum accrual of 120 days. Based on this requirement, employees are eligible for up to 30 days of severance pay. However, public entities may choose to provide severance pay in excess of ORC requirements. According to the District's CBAs, certificated and classified employees may accrue up to 300 days and 265 days of sick leave, respectively, and may receive up to 75 days and 60 days of paid severance, respectively. The District's sick leave accrual allowance for both certificated and classified employees is above the local peer average. The severance payout offered by the District is higher than the local peer average of 62.5 days for certificated employees and lower than the local peer average of 66 days for classified employees. Further, the District's sick leave accrual is higher than the ORC requirement of 120 days and its maximum severance payout is higher than the ORC requirement of 30 days. The District also offers certificated employees a severance payout upon resignation. A severance payout upon resignation for employees with at least 10 years of service is not offered by any of the peers and is not required by the ORC.

Excessive sick leave accrual increases the likelihood of severance payouts that are larger than required by state law and can increase the cost associated with substitutes or overtime.

Sick Leave Advance: The District's certificated CBA contains a provision which provides 40 days of sick leave advance in the event of a "catastrophic illness." While three peer districts also have this provision, the average is 9 days. Further, this provision is not required by the ORC.

Personal Leave: The District's certificated and classified employees are both provided with four days of personal leave annually, which exceeds the local peer average of 3.4 and 3.2 days, respectively. The District's classified provision also exceeds the ORC minimum of 3 days. The ORC does not require personal leave for certificated staff. Providing employees with more personal days could increase substitute costs and increase future liabilities.

Vacation Leave: Under the District's classified CBA, employees are entitled to 540 vacation leave days over the course of a 30-year career. This is higher than the local peer average of 515.5 days and also higher than the requirement of 460 days in ORC § 3319.084. Providing employees with more vacation days could increase substitute and overtime costs and increase future liabilities. Direct savings from reducing the vacation schedule could not be quantified; however, this would serve to increase the number of available work hours, at no additional cost to the District.

Certificated Tuition Reimbursement: The District allocates approximately $50,000 in tuition reimbursement annually for its certificated staff. This provision is in line with the local peer average; however, it is not required by the ORC.

Internal Substitute Rate: The District's certificated CBA offers an internal substitute pay rate of $33.33 per hour, which exceeds the local peer average of $29.54 per hour. The District's internal substitute rate provision, which is based upon the rate set in the BA salary schedule, step 0, increases as the BA base salary rate increases. Only one peer offers a similar method of pay for internal substitutes.

Mentor Compensation: The District's certificated CBA offers $2,514 in mentor compensation, which is higher than the local peer average of $875. This provision is not required by the ORC.

Conclusion

The District has negotiated CBA provisions or offered benefits to its certificated and classified staff that exceed ORC requirements and local peer averages. MHCSD should consider renegotiating the provisions discussed above in order to provide cost savings and reduce potential liabilities.

Recommendation 8: Align Classified Salary Schedules

MHCSD should align its classified salary schedules with the local peer average.

Impact

While cost savings are not calculated for this recommendation, aligning the classified salary schedules for specific positions with the local peer average would result in future cost savings and allow the District to improve its overall fiscal condition.

Background

The District's classified CBA is in effect until June 30, 2024, and contains salary schedules for all classified staff.

Methodology

We used the District's classified CBA and salary schedule which were in effect during FY 2024 for purposes of our analysis. The District's classified salaries over a 30-year career were reviewed and compared to the local peer average (see **Appendix C**). The District's certificated salaries over a 30-year career were also reviewed and compared to the local peer average; however, we found that they were in line with the peer average. A 30-year career was chosen since school district salary schedules are generally structured around a 30-year period. Position categories used in our analysis were determined based on the identification of comparable positions and corresponding salary schedules at the local peer districts. As such, this analysis did not include all of the District's salary schedules. Pay schedules from the peer district CBAs were obtained from the SERB website. When updated contracts and salary schedules were unavailable from SERB, they were obtained directly from peer districts.

Analysis

The following classified categories were identified for salary comparison between the District and the local peers:

- Aide;
- Secretary;
- Cook; and,
- Maintenance.

The District's salaries for the aide and cook positions, over a 30-year period, exceed the local peer average by 5.8 percent and 9 percent, respectively. The District's secretary and maintenance positions were in line with the peer average.

Conclusion

The salary schedules for the District's aide and cook positions have a higher 30-year career compensation than the local peer average. To achieve savings, the District should align its salaries with the local peer average.

Recommendation 9: Enforce Negotiated Certificated Employee Dental Premium Contribution

MHCSD should reduce its employer contribution rate for certificated employee dental premiums to the contribution rate negotiated within the certificated CBA.

Impact

Enforcing the negotiated certificated employee contribution rate of five percent of the dental premium could save the District approximately $13,000 annually.

Internal Controls in Performance Audits

During the course of the audit, it was determined that the District is not adhering to the dental contribution rate provision within its certificated CBA. As such, this constitutes an internal control deficiency related to the District's human resources and contract management.

Background

The District's certificated CBA is in effect until June 30, 2025, and contains employer and employee contribution rates for medical and dental insurance.

According to the CBA, "The Board of Education shall provide a dental plan through the Greater Cincinnati Insurance Consortium, to each member of the bargaining unit and their family and pay ninety-five (95%) of the premium." This provision has been in effect since FY 2014. However, based on the available payroll data, the District did not enforce it as far back as FY 2022. Because payroll data was not available for the previous decade, we were unable to determine if the District has ever enforced this provision.

At the time of analysis, the District had 271 certificated enrollees in the family dental plan. Single coverage is not an option.

Methodology

We obtained the District's certificated CBA from SERB and analyzed the insurance provisions to identify areas for improved efficiency.

Analysis

MHCSD covers 100 percent of the dental premium for certificated staff despite its CBA requiring a 5 percent contribution by certificated staff. Neither the Board of Education nor District administrators could explain when this happened, why it happened, or provide documentation such as a Board resolution or policy authorizing the change. As such, the District has insufficient internal controls over its monitoring and implementation of the certificated dental insurance contribution provision.

To achieve cost savings, the District could align its employer contribution rate to the negotiated contribution rate of 95 percent. In FY 2024, by covering 100 percent of the dental premium, the District paid an additional $13,008 for certificated dental insurance.

Conclusion

By exceeding the negotiated employer contribution rate for certificated dental insurance, the District has incurred additional costs. If MHCSD paid only 95 percent of the dental premium, as negotiated, it would result in savings of approximately $13,000 annually.

Recommendation 10: Align Employee Share of Insurance Costs with SERB Regional Average

The District should align employee costs for medical and dental insurance premiums with the SERB regional average for other school districts.

Impact

Aligning employer costs with the SERB regional average for school districts would reduce expenditures and result in average annual savings of approximately $453,000 beginning in FY 2025.[30] Due to union contracts which stipulate the employee cost share, these savings could not be fully implemented until FY 2026. This alignment could be accomplished by increasing the percentage of the premium paid by employees.

Background

The District is part of the Greater Cincinnati Insurance Consortium, an organization which provides insurance to participating members. MHCSD offers one insurance program for medical and prescription coverage, a Preferred Provider Organization (PPO) plan, with an option for single or family coverage. In addition, the District offers one plan for dental coverage, with an option for family coverage.

At the time of analysis, MHCSD had 202 enrollees in the family medical plan and 199 enrollees in the single medical plan. Prescription coverage is included in the medical plan. The District also had 442 enrollees in the family dental plan. The District's vision insurance was not selected for analysis since employees who are enrolled in vision coverage are responsible for 100 percent of the premium.

Methodology

We compared the District's medical and dental insurance provisions and costs to the SERB regional peer average for school districts. Peer information was obtained from the 2023 SERB survey.[31] The District's medical plans were compared to 54 regional peers and its dental plan was compared to 53 regional peers. This peer average excluded outlier districts whose plans were more than two standard deviations outside the mean. Using the District's assumptions for increases to annual insurance costs, we then projected potential cost savings over the course of the forecast period.

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[30] In addition, $21,000 in average annual savings would be applied to the Food Service Fund.
[31] Since the District's medical insurance rates had been updated for FY 2024, we inflated the SERB FY 2023 data for use in that analysis. Dental insurance rates were not inflated.

Analysis

The District offers medical, combined with prescription, dental, and vision coverage to full-time employees. These insurance benefits are specified in the District's certificated and classified CBAs, which state that the Board reserves the right and responsibility to select the carrier for the health and dental insurance benefits provided. The insurance premium, or the cost of obtaining insurance, is split between the District and the employee on a percentage basis. For full-time employees, the District covers 90 percent of the premium for the medical plan, 100 percent of the premium for the dental plan, and 0 percent of the premium for the vision plan.

Medical Insurance

Our review of the District's insurance plan found that the coverage and provisions, such as deductibles and copayments, are generally in line with the regional peer group, with the exception of out-of-pocket maximums and the non-network deductible for single and family coverage.

Under the current medical insurance plan, as seen in the following table, the District pays less for medical insurance on a monthly basis than the regional peer group; however, the District contributes a greater percentage of the premium for both single and family coverage than the regional peers do. If the District were to maintain the current insurance plan, it would need an adjustment to shift a greater percentage of the premium to the employees to bring itself in line with the percentage contribution level of the peers and reduce insurance related expenditures. The results of this adjustment are calculated in the following table.

2023 Monthly Medical Insurance Costs - PPO

		MHCSD		Regional Peer Averages		MHCSD Adjustment	
		Costs	**% Share**	**Costs**	**% Share**	**Costs**	**% Share**
Single Medical + Rx	District	$610.14	90.0%	$674.65	83.4%	$565.50	83.4%
	Employee	$67.80	10.0%	$134.14	16.6%	$112.44	16.6%
Family Medical + Rx	District	$1,513.12	90.0%	$1,707.89	82.4%	$1,385.39	82.4%
	Employee	$168.14	10.0%	$364.74	17.6%	$295.87	17.6%

Source: MHCSD and SERB

To align itself with the SERB regional average for employer share, the District would need to shift a portion of the medical premium to its employees. As seen in the table above, employees enrolled in the single medical plan would need to pay 16.6 percent of the monthly payment and employees enrolled in the family medical plan would need to pay 17.6 percent of the monthly payment.

Dental Insurance

The total monthly cost for the District's dental plan is lower than the regional peer group. The District's portion of the premium payment is in-line with the regional peer group; however, the District contributes a greater percentage of the premium than the regional peers do. If the District were to maintain the current dental insurance plan, it would need an adjustment to shift a greater percentage of the premium to employees to reduce insurance related expenditures. The results of this adjustment are calculated in the following table.

2023 Monthly Medical Insurance Costs - Dental

		MHCSD		Regional Peer Averages		MHCSD Adjustment	
		Costs	**% Share**	**Costs**	**% Share**	**Costs**	**% Share**
Family Dental	District	$80.00	100.0%	$78.79	87.9%	$70.34	87.9%
	Employee	$0.00	0.0%	$10.82	12.1%	$9.66	12.1%

Source: MHCSD and SERB

To align itself with the SERB regional average for employer share, the District would need to shift a greater percentage of the dental premium to its employees. As seen in the table above, employees enrolled in the family dental plan would need to pay 12.1 percent of the monthly payment.

We identified potential cost savings associated with bringing the employer and employee percent shares of insurance costs in line with the regional peer average. The District has projected a seven percent increase in health insurance costs for FY 2025 throughout the remainder of the forecast period. The District could save an average of $453,000[32] annually in each year of the forecast, beginning in FY 2025, by aligning the employer and employee percent shares of insurance costs with the regional peer group. The District could pursue additional insurance cost reductions by further adjusting the plan designs, shifting premium costs, or seeking out alternative insurance options.

Conclusion

MHCSD should work to bring its percentage contribution level for insurance premiums for medical and dental more in line with the SERB regional average. Doing so could result in average annual savings of approximately $453,000. These savings can be realized by reducing District contributions towards premium costs and exploring alternative insurance options.

[32] The calculated average annual savings of $453,000 includes the $13,000 of savings identified in **Recommendation 9**.

Facilities

The changing landscape of education requires periodic reviews of facility staffing and maintenance to ensure that a district is using limited resources wisely. We reviewed MHCSD's facilities staffing levels, building utilization, and contract management practices in comparison to best practices and industry standards to determine if there were any areas for improvement.

Recommendation 11: Implement Best Practices for Custodial Contract Provisions and Monitoring

MHCSD should implement best practices for evaluating and monitoring contract provisions outlined by the National State Auditors Association (NSAA).

Impact

While there is no direct financial implication for this recommendation, implementing best practices for evaluating and monitoring contract provisions ensures that the District is being provided with invoices that align with contract rates and is receiving all agreed upon services.

Internal Controls in Performance Audits

During the course of the audit, it was determined that the District has not established formal policies and procedures for monitoring and managing contracts. As such, this constitutes an internal control deficiency related to the provision of custodial services.

Background

A third-party custodial contractor provides MHCSD with year-round custodial services, and provides all supplies, materials, and substitute custodians necessary to complete the agreed upon services, with the exception of can liners, paper products, and hand soap. The custodial contractor has provided the District with custodial services for nearly 18 years, with the current contract beginning in FY 2022 and ending in FY 2024. MHCSD originally outsourced this function due to high costs associated with worker's compensation claims and overtime hours accrued by custodial staff.

Methodology

We obtained the District's custodial services contract from the District, as well as an invoice for all custodial services provided during FY 2023. We also interviewed District officials on contract management practices in place, then compared these practices to best practices outlined by the NSAA.

Analysis

The custodial contractor sends a monthly invoice to MHCSD for services provided, which, in addition to the agreed upon day-to-day custodial tasks, may include sporting event coverage, painting, or other items requested by the District.

For the FY 2023 school year, the agreed upon base coverage, which includes specific services outlined in the contract, was approximately $925,000. From July 2022 to June 2023, the District received an invoice for approximately $103,000 for additional services charged outside of the base coverage. The amounts charged for many of these additional services are not stated in the contract and, as a result, cannot be compared to the contract rates. This creates challenges for the District when monitoring invoices. Further, when building additions or changes are being considered, the District does not have a policy in place to consult with the custodial contractor to understand how the changes will impact the cost of services being provided.

In *Best Practices on Contracting for Services* (NSAA, 2003), the NSAA provides tools for identifying and evaluating best practices in contracting for services. There are eight categories organizations can use to evaluate practices; however, six are dedicated to organizations that do not have an existing contract agreement. As such, only the Contract Provisions and Monitoring categories were selected for analysis.

After comparing MHCSD's contract management practices to the NSAA's best practices, we determined that the District meets 2 of the best practices, partially meets 9 of the best practices, and does not meet 5 of the best practices.

Facilities Contract Provisions Best Practices

Meets | Partially Meets | Doesn't Meet | Non-Applicable

Contract Provisions			Contract Monitoring	
Defined scope of work, contract terms, allowable renewals, and procedures for changes.	Contains performance standards, and incentives and penalties based on performance outcomes, along with a dispute resolution process.	Include provisions for contract termination.	Assigned contract manager with the authority, resources, and time.	Withhold payments to vendors until deliverables are received.
Measurable deliverables and reporting requirements, including due dates.	Contain inspection and audit provisions.	Include provisions for contract renegotiation and/or price escalations, if applicable.	Contract manager has received training and possesses the skills to manage the contract.	Retain documentation supporting charges against the contract.
Describes payment methods and schedules.	Contain appropriate signatures, approvals, acknowledgements, or witnesses.	Tie payments to the acceptance of deliverables or the final product, if possible.	Track budgets evaluate invoices based on contract terms.	Conduct and document an evaluation of the contractor's performance against a set of pre-established, standard criteria.
Limits liability for work performed either before or after the contracts scope.	As necessary, allow for legal counsel's review of the contracting process and contract terms.	Contain all standard or required clauses as published in the RFP.	Ensure that deliverables are received on time with documented results.	

Note: The Not Applicable best practice is a result of the District not having an available copy of the original RFP.

Conclusion

MHCSD does not have a formal contract management process that fully evaluates and monitors the deliverables established in its custodial services contract. Without a formal contract management process, the District may not be able to ensure that all invoices align with contract rates, and all agreed upon services are received.

Recommendation 12: Renegotiate Contracted Custodial Services

The District uses a third-party contractor for custodial services. Using industry standards, MHCSD's current contract provides more custodial staff than is necessary. To align with industry benchmarks, MHCSD should renegotiate its contract with a third-party custodial contractor to include a reduction of services equal to 3.5 FTE custodial staff positions.

Impact

Since contract negotiations are required to achieve custodial staff reductions, a financial impact for a reduction of 3.5 FTE custodians is unable to be calculated for this recommendation.

Background

For nearly 18 years, MHCSD has contracted out all custodial services to a third-party custodial contractor. The current custodial services contract expires on June 30, 2024. The custodial contractor determines staffing based on actual hours of cleaning completed during the day and after school, and additional requests from the District.

Methodology

We analyzed the District's custodial services contract staffing provisions. Using the number of contracted custodians and square footage cleaned, we determined if the District's staffing was in line with industry benchmarks.

Analysis

The custodial contractor provides MHCSD with 18 full-time custodians and 11 part-time custodians, or 23.5 FTEs. All custodians are scheduled regularly and are not substitute custodians.

The National Center for Education Statistics (NCES) identifies varying levels of cleaning benchmarks than can be used to guide facilities staffing. According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), Level 3 cleaning is the standard for most school facilities. When adhering to a Level 3 standard of cleaning, a custodian can clean approximately 28,000 to 31,000 square feet in 8 hours. Based on this standard of cleaning, MHCSD exceeds the benchmark in custodial staff.

The following table shows the District's custodial staffing compared to the NCES benchmark.

Custodial Contractor Staffing

Custodial FTE's	23.5
Square Footage Cleaned	581,245
NCES Level 3 Cleaning Benchmark [1] - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	19.7
Custodial FTEs Above/(Below) Benchmark	**3.8**

Source: MHCSD, AS&U, and NCES

[1] According to NCES, Level 3 cleaning is the norm for most school facilities. It is acceptable to most stakeholders and does not pose any health issues.

The District's contracted custodial staffing is 3.8 FTEs above the NCES benchmark when considering all square footage cleaned. The District could renegotiate its custodial services contract to include a reduction of 3.5 FTEs. Actual savings would depend on the specific details of the renegotiated contract.

Conclusion

The District's contracted custodial staff exceed the NCES benchmark by 3.8 FTEs. To align with the industry benchmark and achieve potential savings, MHCSD should renegotiate its custodial services contract to include a reduction of 3.5 FTE custodial staff positions.

Issue for Further Study 3: Monitor Facility Utilization

The District provides pre-kindergarten through 12th grade education across five total schools within four buildings.[33] There have been two recent changes to the District's facilities. In FY 2020, the Board approved the building of the Early Learning Center (ELC), which is used for preschool and kindergarten students. In FY 2023, the Board approved the Culinary Arts and Banquet Center, a facility that was added to the Junior/Senior High School that will provide career-technical education to students.

These two facilities were the result of decisions made by the District based on its programmatic preferences. The decisions do not reflect a need for new facilities based on enrollment trends or other issues. Further, the District did not consider the financial implications associated with constructing and operating these new facilities. To finance the ELC, the District took on $10.5 million dollars in debt that is expected to be paid over 19 years. To fund the Culinary Arts facility, the District approved approximately $7.4 million in ESSER funding, which was provided by the federal government to address COVID-19 related learning loss. It should be noted that both these decisions were made and approved during a timeframe when the District was projecting millions of dollars in annual deficit spending.

Our facilities utilization analysis was based on benchmark criteria established in *Defining Capacity* (DeJong & Associates, 1999). In *Defining Capacity*, a capacity rate of 90 percent is suggested as the maximum rate. When capacity exceeds 90 percent, it becomes increasingly difficult to schedule students and spaces. After calculating the total capacity for each building, based on the number of classrooms and a varying number of students per class based on grade level, we determined the utilization rate by dividing the headcount per building by capacity. The results of this analysis are seen below.

FY 2024 Building Capacity & Utilization

Building	Classrooms	Head Count	Capacity	Utilization
Mt Healthy High School (9-12)	39	840	829	101.3%
Mt Healthy Junior High School (7-8)	25	461	531	86.8%
Mt. Healthy North Elementary School (1-6)	41	574	1,025	56.0%
Mt. Healthy South Elementary School (1-6)	42	600	1,050	57.1%
Mt. Healthy Early Learning Center (PreK/K)	20	291	404	72.0%
Total		**2,766**	**3,839**	**72.1%**

Source: MHCSD and ODEW

[33] The Junior/Senior High School is one building that houses the Junior High School (Grades 7-8) in one wing and the High School (Grades 9-12) in a second wing.

Using the building configuration and enrollment from FY 2024, only the High School exceeds the benchmark criteria. The District could cease operations at the ELC and shift those students back to the elementary schools and remain within the benchmark utilization rate. However, due to the expense associated with the building of the ELC, expenses associated with the movement of classes, and the uncertainty of the District's ability to sell or repurpose the building, we did not calculate the potential financial impact of this option, nor have we recommended this to the District. In order to make this option feasible, the District would need to obtain a purchase price for the building that, together with the operational savings from the closure of the building (primarily utilities and administrative overhead expenses), exceeds the obligations of the debt payments that the District took out to finance the building.

Our analysis shows that the District may have opportunities in the future to identify cost savings by reducing the number of buildings it operates. MHCSD is currently operating at 72.1 percent overall capacity. Individually, the High School portion of the Junior/Senior High School building exceeds the 90 percent capacity benchmark, but all other schools operated by the District are below the benchmark.

In making any decision to restructure building utilization, the District must act strategically. In particular, it should closely monitor enrollment trends to determine future facility needs. Additionally, shifting students between buildings can have impacts on teacher staffing needs, custodial needs, and transportation needs. The District should consider the impact of potential cost savings in some areas with the potential increase in expenditures elsewhere.

Further Considerations

During the course of the audit, the Board announced plans to shift students in the FY 2025 school year. Specifically, the Board announced plans to retain the ELC for pre-kindergarten and kindergarten, utilize one elementary school for grades 1-4, utilize the second elementary school for grades 5-8, and use the junior/senior high school for grades 9-12. This move would raise the utilization rates at both elementary schools and reduce the utilization rate at the junior/senior high school. However, at the time of the presentation, the District did not provide details as to how these moves would result in cost savings. Further, the District did not identify any estimated expenditures associated with the movement. It should be noted that the District could stop providing transportation to grades 9-12 under this configuration. However, any cost savings that are realized through this reduction could be offset by lost revenue due to transporting fewer students. Additionally, because the District uses a third-party contractor for transportation services, the ability to eliminate routes may be limited and may be subject to negotiations.

The District did highlight that this move would allow for additional open enrollment. However, as discussed in **Issue for Further Study 1**, open enrollment should be used strategically to fill open spaces within a classroom. It should not be used to create additional classes within a grade level to fill empty space within a building. In addition to failing to provide cost savings information, District officials appear to have not considered the costs associated with building reconfiguration. The District required nearly $11 million in emergency loans from the state to remain solvent in FY 2024 and continues to project significant levels of deficit spending on an annual basis. Reconfiguring buildings will likely require moving expenditures for which the District does not have available financial resources.

Prior to implementing a change in building configuration, the District must understand the implications of these changes. In particular, some key considerations include:

- Identifying target class size by grade level;
- Determine the impact of building reconfiguration on bus routing;
- Understand long-term enrollment trends;
- Understand the one-time costs associated with the reconfiguration.

Maintaining facilities that exceed the demand of the student population can cause excess expense for the District. Because of this, it is important to monitor utilization levels on a regular basis. While we did not find an opportunity to reduce building related expenditures as a result of this audit, the District should monitor its utilization rates and act in a fiscally responsible manner when considering facility needs in the future.

Transportation

Transportation of students is a critical function for school districts. Ensuring that bussing services are provided in a safe and efficient manner is important for both the well-being of students and the fiscal health of the school district. We examined MHCSD's contract management practices and routing efficiency, which included a review of the District's T-1[34] reporting policies and procedures, in comparison to industry standards and best practices to determine whether there were any areas for improvement.

Recommendation 13: Implement Best Practices for Transportation Contract Provisions and Monitoring

MHCSD should implement best practices for contract monitoring outlined by the NSAA.

Impact

While there is no direct financial implication for this recommendation, implementing best practices for transportation contract monitoring ensures that the District is being provided with invoices that align with contract rates and is receiving all agreed upon services.

Internal Controls in Performance Audits

During the course of the audit, it was determined that the District has not established formal policies and procedures for monitoring and managing contracts. As such, this constitutes an internal control deficiency related to the provision of transportation services.

Background

A third-party contractor provides MHCSD with transportation services. These services include a transportation director, who oversees daily transportation operations; bus drivers; bus monitors; additional support staff; 21 total buses; and bus maintenance. The contractor has provided the District with transportation services for approximately 12 years. MHCSD signed its initial contract due to multiple buses being up for replacement at the same time. The District's current contract is in effect through FY 2027.

Methodology

We obtained the District's transportation services contract, as well as invoices for transportation services provided in FY 2023. We compared the invoices to the contract provisions to determine if MHCSD was being charged accordingly. We also interviewed District officials on contract

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[34] T-1 reports are submitted annually to certify to ODEW the actual number of students transported, and the total daily miles traveled. The data is used for calculations of the pupil transportation payment pursuant to ORC § 3317.0212.

management practices in place, then compared these practices to best practices outlined by the NSAA.

Analysis

MHCSD is charged a daily contracted rate by the transportation contractor for its services. The rate varies based upon bus ownership. MHCSD owns 12 active buses and, as stipulated by the current contract amendment, is charged $443.46 daily for Board-owned buses. The contractor owns 17 active buses, and MHCSD is charged $527.41 daily for the operation of contractor-owned buses. The contract establishes additional charges for tasks completed beyond what is included in the daily rate. The additional charges include van routes, field trips, and bus operation exceeding 5.75 hours per day. Notably, the contractor is responsible for determining the number of routes and bus stops while being paid based on the number of buses operating on a daily basis. This results in the District having limited ability to control contract related expenditures.

As part of the daily rate, the District receives 2 daily bus monitors for 5 hours per monitor per day. This means that the District should always receive a billing credit of up to 10 hours per day on days where at least 2 bus monitors are on staff. Bus monitors typically work more than 5 hours per day and the District is billed for these additional services.

Using a May 2023 transportation services invoice, we identified discrepancies in how the contractor was applying the monitor billing credit. The District only received the billing credit when two specific bus monitors were working and did not consistently receive the credit when they were not, so the base credit was not applied on all workdays in May 2023. This resulted in additional charges of $594.75.

An analysis of the District's invoices received for the remaining fixed and variable services determined that the District was being charged appropriately relative to the rates outlined in the contract. In *Best Practices on Contracting for Services* (NSAA, 2003), the NSAA provides tools for identifying and evaluating best practices in contracting for services. There are eight categories organizations can use to evaluate practices; however, six are dedicated to organizations that do not have an existing contract agreement. As such, only the Contract Provisions and Monitoring categories were selected for analysis. The District meets or partially meets 11 of the 12 best practices for Contract Provisions.

After comparing MHCSD's contract monitoring practices to the NSAA's best practices, we determined that the District partially meets 4 best practices and does not meet 3 best practices.

Transportation Contract Monitoring Best Practices

Meets Partially Meets Doesn't Meet Non-Applicable

Contract Provisions			Contract Monitoring	
Defined scope of work, contract terms, allowable renewals, and procedures for changes.	Contains performance standards, and incentives and penalties based on performance outcomes, along with a dispute resolution process.	Tie payments to the acceptance of deliverables or the final product, if possible.	Assigned contract manager with the authority, resources, and time.	Withhold payments to vendors until deliverables are received.
Measurable deliverables and reporting requirements, including due dates.	Contain inspection and audit provisions.	Contain all standard or required clauses as published in the RFP.	Contract manager has received training and possesses the skills to manage the contract.	Retain documentation supporting charges against the contract.
Describes payment methods and schedules.	Include provisions for contract termination.	Contain appropriate signatures, approvals, acknowledgements, or witnesses.	Track budgets evaluate invoices based on contract terms.	Conduct and document an evaluation of the contractor's performance against a set of pre-established, standard criteria.
Limits liability for work performed either before or after the contracts scope.	Include provisions for contract renegotiation and/or price escalations if applicable.	As necessary, allow for legal counsel's review of the contracting process and contract terms.	Ensure that deliverables are received on time with documented results.	

Note: The Not Applicable best practice is a result of the District not having an available copy of the original RFP.

Conclusion

MHCSD does not have a formal contract management process that fully monitors the deliverables established in its transportation services contract. Without a formal contract management process, the District may not be able to ensure that all invoices align with contract rates, and all agreed upon services are received.

Recommendation 14: Eliminate Bus Routes

MHCSD should eliminate two bus routes on each tier from its active bus fleet in order to improve routing efficiency and increase ridership per bus.

Impact

Eliminating two bus routes could save an average of approximately $118,000 based on the daily rate for buses identified in the existing contract in each year of implementation over the forecast period.

Background

In FY 2024, MHCSD operated with 29 active buses and 13 spare buses. Since 2012, the District has used a third-party contractor for its transportation operations. In addition to providing bus services, the contractor is also responsible for determining the number of bus stops and daily routes. The current contract was effective beginning FY 2023 and expires at the end of FY 2027. Of the District's 29 active buses, 17 are contractor-owned and 12 are Board-owned. In addition to its regular routes, which transport students to District schools, MHCSD transports to several nonpublic, community, and vocational schools. In FY 2024, MHCSD transports approximately 1,734 students on a total of 78 routes.

The District uses a three-tier system for transportation. This means that the majority of buses run three routes in the morning and in the afternoon based on differing start and end times at schools. Tier I bus routes serve students at the District's junior high and high school. Tier II routes serve students at the Early Learning Center, and Tier III routes serve students at the elementary schools. Once a bus is finished collecting and dropping off students on a Tier I route, it may then be used for transportation of students on Tier II routes. The same applies when transitioning from Tier II to Tier III routes.

ORC § 3327.01 establishes minimum transportation requirements, including an obligation to transport all resident K-8 students living two or more miles from their assigned schools, and an obligation to transport all non-public riders to their destinations if the location is within a 30-minute drive of the otherwise assigned resident school. State law does not cap bus ride times for students. MHCSD does not have a formal Board policy that caps ride times, but the transportation services contract establishes a 60-minute maximum ride time.

Methodology

We conducted interviews with MHCSD officials, and collected bus route sheets, rider count sheets, and the T-1 report. According to the National Highway Traffic Safety Administration, no federal regulation exists for the number of riders placed per seat on a bus, but "generally, they fit three smaller elementary school students or two adult high school students." Capacity on each bus route was calculated using this industry benchmark with two students per seat on Tier I, and three students per seat for Tiers II and III. The target utilization is 90 percent of total capacity to allow flexibility in responding to changes that affect actual daily ridership.

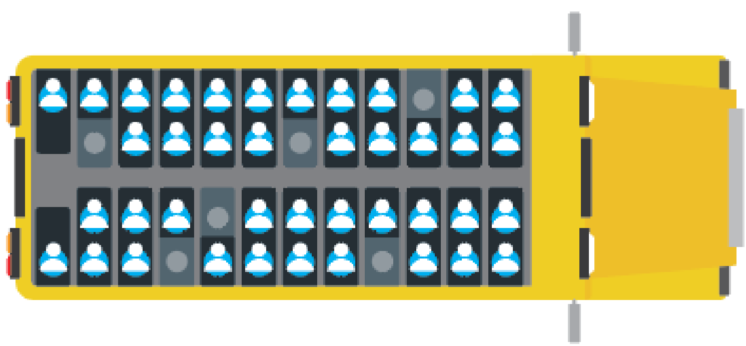
Analysis

When evaluating opportunities for improved efficiency without significant changes to tiers, start times, and bell schedules, it is important to determine whether all routes that are underutilized can be reasonably improved. This determination can be problematic for special purpose routes and for that reason, the District's special education, non-public, community, vocational, and shuttle routes have been excluded from our analysis.

After excluding these routes, we analyzed 20 Tier I, 15 Tier II, and 18 Tier III routes. The District must maintain enough buses to meet the need of the Tier with the highest level of demand. At MHCSD, this is Tier I, which serves the Junior/Senior High School. Due to this, our analysis for reductions focused primarily on the Tier I routes. Of the 20 Tier I routes that we analyzed, we found that 7 were operating at or above the 90 percent threshold. These routes were determined to be efficient and were excluded from further analysis. Using available ridership information, we determined that the District could eliminate 2 of the remaining 13 routes and remain in line with the capacity standard.

The following visual shows the baseline utilization for the regular education routes in Tier I. This visual is based on the ridership and routes in FY 2024 and shows the average number of riders and average possible seats in a bus. Note that this does not reflect the actual bus capacity as the District uses several buses of varying size.

Tier I – Current State
40 Average Riders / 46 Average Possible Seats

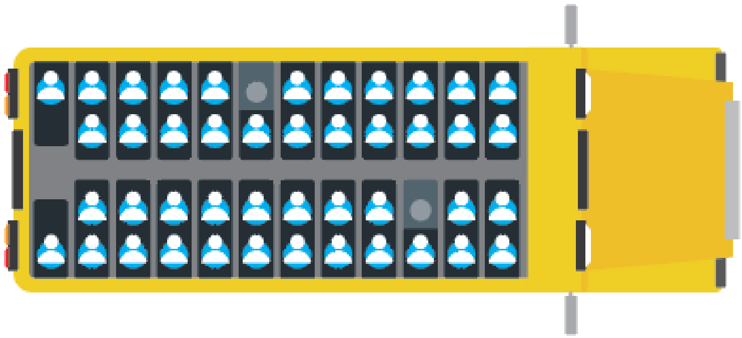


Routes	20
Peak Riders	795
Total Capacity	918
Utilization	**86.6%**

Note: Capacity per bus based on two riders per seat.

After conducting our analysis and determining the District's ability to eliminate two routes, we then calculated the impact on the overall fleet capacity. The following visual shows the projected utilization in Tier 1 based on our recommended elimination. Note that with the elimination of the two routes, the District would exceed the benchmark utilization rate. This is due to the 7 routes already being above 90 percent utilization being were excluded from our reduction analysis.

Tier I – After Reductions
44 Average Riders / 46 Average Possible Seats



Routes	18
Peak Riders	795
Total Capacity	829
Utilization	**95.9%**

Note: Capacity per bus based on two riders per seat.

By eliminating two routes on each tier, the District's overall utilization would be 95.9 percent, 26.7 percent, and 60.3 percent for Tiers I, II, and III respectively (see **Appendix D** for visualization of impact on Tiers II and III). The District should strategically identify the buses chosen for fleet reduction purposes. In addition to the age of the vehicle, District officials should consider maintenance costs and other factors related to the cost of ownership of a bus.

Conclusion

The District's bus fleet is not operating as efficiently as possible by operating more routes than necessary. Eliminating two bus routes on each tier could save an average of approximately $118,000 using the daily rate for buses identified in the existing contract in each year of implementation over the forecast period.

Recommendation 15: Develop Formal Internal Policies and Procedures for T-Reporting

To ensure proper funding, as well as compliance with the ORC, OAC, and ODEW guidelines, MHCSD should develop formal internal policies and procedures for T-Reporting.

Impact

Accurate reporting on school district transportation is not only required but is necessary to ensure proper funding. Providing correct ridership and mileage on the T-1 Report allows for an accurate calculation of state pupil transportation payments and funding.

Internal Controls in Performance Audits

During the course of the audit, it was determined that the District has not established formal policies and procedures for T-Reporting. As such, this constitutes an internal control deficiency related to the calculation of state pupil transportation payments.

Background

In accordance with ORC § 3327.012 and OAC § 3301-83-01, school districts in Ohio are required to submit annual T-Reports to ODEW. Districts are required to complete the T-1 Report by recording the average number of pupils transported to school as well as the average daily miles traveled for pupil transportation, excluding non-routine and extracurricular miles, during the first full week of October. If a district experiences a change in transportation services after October, it may submit an amended T-1 Report prior to February 1 of the current school year. The revised report must reflect a new 5-day average of ridership and miles.

According to ODEW, "Students shall only be counted once for AM or PM ridership per day regardless of how many vehicles they ride. You will complete a morning count and an afternoon count and use the greater of the average transported. Students who are *not* present on the bus may not be included in the counts."

Methodology

We obtained and reviewed the District's October and January count sheets, October and January T-1 Reports, bus inventory, and the internal tracking sheet used during count week. We then reviewed the District's practices for conducting count week and reporting the results on the T-1 Report. We met with MHCSD and the transportation services contractor several times to discuss the District's process for reporting ridership and miles. We confirmed how the District accounts for special education, nonpublic, and community riders.

Lastly, we met with ODEW to discuss its T-1 reporting controls. ODEW shared that the T-1 reporting system is reliant on manual inputs by school districts and errors would only be realized if overall ridership or miles changed by 15 percent or more from the previous year. Further, the T-1 Report requires the signature of a Superintendent or Treasurer prior to submission.

Analysis

During October count week, MHCSD provided instructions to all drivers. The transportation supervisor compiled the results, and the Treasurer submitted the results to ODEW via the T-1 Report. During count week, the District also used cameras to confirm ridership on each bus if the count sheets appeared erroneous. The information gathered on the count sheets is then used to complete the T-1 Report prior to submission to ODEW.

Our review and comparison of the October count sheets, prepared by the contractor, and the T-1 report, submitted by the District, found the District underreported ridership by 96 students and the recorded miles were underreported by approximately 360 miles. According to ODEW guidance, districts should "Record the total number of daily routine miles for morning and afternoon public, nonpublic, and community school students, driven from the time the bus leaves storage, completes regular routes, and returns to storage." Daily morning and afternoon mileage is to be averaged, and then a single total daily mileage is submitted in the T-1 report. We found that the District underreported mileage because it reported only the higher of the morning or afternoon miles instead of the daily total. In addition, the following errors were identified:

- Four buses under-reported riders on the T-1 since public riders were not included;
- Four buses over-reported riders on the T-1 since shuttle riders were included and should not have been;
- One vehicle was reported as a bus and should have been reported as a van; and,
- Two buses were absent from the T-1, which resulted in 171 uncounted riders and 55 uncounted miles.

After the errors were identified, the District decided to conduct a recount in January. The District updated its practices for conducting count week, which included adding a space on the count sheets for drivers to make notes and requiring drivers to call in their rider counts at each destination. In addition, the District permitted three contractor employees to assist with count week, which included tasks such as documenting ridership and mileage on the internal tracking sheet. In October, the new treasurer completed the T-1 Report, but the Assistant Superintendent completed the form in January. The Assistant Superintendent updated the bus inventory to include changes in assigned bus numbers, and added vans, but did not delete the prior incorrect data, which resulted in additional assigned and spare buses listed on the January T-1 Report.

A comparison of the January count sheets and January T-1 Report found continued reporting errors. Contributing to this difference was the misreporting of two buses, where ridership on the T-1 Report did not correspond to ridership on the District's internal tracking sheet. Some of the differences identified include:

- There was a reduction of 218 nonpublic riders between October and January;
- There was a reduction of 23 community riders, which resulted in the District reporting 0 community riders in January;
- There were 6 spare buses incorrectly reported with miles and riders;

- There were 5 vans incorrectly reported with miles and riders; and,
- Several buses had different designations, such as being a spare bus in October and assigned bus in January, and vice versa.

MHCSD is aware of the T-1 reporting instructions, but does not utilize additional training and resources provided by ODEW. Further, the District relies on the contractor to conduct internal tracking such as rider count sheets or daily mileage. Our analysis showed that the District does not have formal internal policies or practices in place to reconcile or review the information provided by the contractor prior to submission to ODEW.

Conclusion

MHCSD has reported inaccurate data on both the October 2023 T-1 Report and the revised January 2024 T-1 Report. Through proper adherence to ODEW guidance, training, and utilization of resources, these errors can be mitigated. To ensure that the District is receiving accurate state pupil transportation payments, as well as remaining in compliance with the ORC, OAC, and ODEW guidelines, MHCSD should develop formal internal policies and procedures for T-1 Reporting. Since the transportation services contractor employs the drivers who are responsible for conducting ridership and mileage counts, and also employs the transportation supervisor who summarizes the counts for submission on the T-1 Report, the District should develop formal policies and procedures defining the individual responsibilities of the District and the transportation services contractor during count week.

Additional Recommendations

As discussed in detail throughout the preceding sections of this report, MHCSD could gain efficiencies by aligning its operations with the peer averages and industry standards and implementing the previously identified baseline recommendations. However, the recommendations identified previously in this report, even if fully implemented, would not resolve the projected deficit in the most recent five-year forecast. The following recommendations are additional actions that District leadership may need to consider when addressing the current fiscal situation.

Implementing the following additional actions could have a significant impact on the District's operations and instructional activities, yet still would not resolve the projected deficit in the February 2024 five-year forecast. Without additional revenue, the District will need to consider the implementation of the following recommendations in order to work towards fiscal solvency.

Eliminate the General Fund Subsidy for Extracurricular Activities

In order to reduce expenditures, the District should reduce the General Fund subsidy of extracurricular activities (see **Recommendation 4**). To achieve additional savings, the District could consider fully eliminating the subsidy, which would save an additional $935,000 per year, based on the FY 2023 subsidy level.

To fund extracurricular activities without a General Fund subsidy, the District may consider the following options:

- Implement pay-to-participate fees;
- Increase admissions and sales;
- Increase booster club funding;
- Reduce the supplemental salary schedule; and/or,
- Eliminate programs.

Implement a Base and Step Salary Freeze

The District could consider implementing additional salary-related measures in order to achieve additional savings. While **Recommendation 8** addresses the potential to reduce future liabilities by bringing specific classified salaries in line with the peer average, significant annual savings could be realized by implementing a freeze on all employee salaries.

The District's five-year forecast assumes an annual 1.5 percent increase in salaries from FY 2025 through FY 2028 as well as normal index step increases for staff. If the District froze salaries at the FY 2024 levels for FY 2025 through FY 2028 instead of implementing the increases shown in the forecast, it could realize average annual savings of approximately $1.1 million. These estimated savings reflect the average annual savings that can be achieved in FY 2025 through the remainder of the forecast period.[35] Additionally, since salaries and benefits of food service workers are charged back to the Food Service Fund, there would be corresponding average annual savings of approximately $28,000 to the Food Service Fund beginning in FY 2025.

Eliminate up to 6.0 FTE Building Administrator Positions

Though previous staffing recommendations (see **Recommendation 5**) addressed the District's staffing levels relative to the primary peer average, the District could make additional building administrator staffing reductions in order to regain fiscal solvency. The state minimum requirement for building administrators identified in OAC 3301-35-05 consists only of the duties of a principal. MHCSD could eliminate up to an additional 6.0 FTE building administrators and remain in compliance with state minimum staffing requirements.

MHCSD employs a total of 17.5 FTEs in building administrator positions who serve the District's six buildings: the ELC, the two elementary schools, the junior high school, the senior high school, and the Virtual Academy. After the implementation of staffing reductions in **Recommendation 5**, the District would still maintain 12 building administrator positions. Using state minimum requirements, the District could eliminate up to an additional 6.0 FTE building administrator positions.

If this level of reduction becomes necessary, the District should work with ODEW to ensure compliance with the state minimum requirement in OAC 3301-35-05 before reducing building administrator staff. In addition to the previous staffing recommendations cited above, this reduction could save the District an average of approximately $883,000 annually. While this option would provide additional savings each year, it would drastically change service levels within the District.

Eliminate up to 53.0 FTE Additional Teacher Positions

Though previous staffing recommendations (see **Recommendation 6**) addressed the District's staffing levels relative to the primary peer average, the District could make additional classroom teacher staffing reductions in order to regain fiscal solvency. State law requires that for every 25 students, districts employ at least one classroom teacher, for a student-to-teacher ratio of 25 to 1. In FY 2024, the District has a regular student-to-teacher ratio of 11.83 to 1.[36] MHCSD could eliminate up to an additional 53.0 FTE classroom teachers and remain in compliance with state minimum staffing requirements.

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[35] The savings identified in this recommendation do not take into account recommended staffing reductions. If the District were to reduce staffing, actual savings would be reduced.
[36] Calculation made using FY 2024 staffing levels and FY 2023 enrollment data.

If this level of reduction becomes necessary, the District should work with ODEW to ensure compliance with the state minimum requirement in OAC 3301-35-05 before reducing classroom teaching levels. In addition to the previous staffing recommendations cited above, this reduction could save the District an average of approximately $4,765,000 annually. While this option would provide additional savings each year, it would drastically change service levels within the District.

Client Response Letter

Audit standards and AOS policy allow clients to provide a written response to an audit. The letter on the following page is the District's official statement in regard to this 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.

Pride and Progress

MT. HEALTHY CITY SCHOOLS

Dr. Valerie Hawkins
Superintendent
Kimberly Hughes
Treasurer

7615 Harrison Avenue, Cincinnati, Ohio 45231
(513) 729-0077 Fax: (513) 728-4692
www.mthcs.org

Keith Faber
65 East State Street
Columbus, Ohio 43215

Dear Auditor Faber,
On behalf of Mt. Healthy City School District, we would like to thank the entire Performance Audit Team for their time and effort in preparing the audit report for our District. We appreciate your team's dedication to evaluating our operations and providing valuable insights. We have reviewed the recommendations and would like to express our gratitude for highlighting areas where we can improve our performance and efficiency. Your recommendations will serve as a guide as we navigate the road to recovery.

Below, the leadership of the district addresses each of the recommendations outlined in the audit:

Recommendation 1: Reduce general fund subsidy percent of total expenditures for extracurricular activities to the local peer level
- The district is discussing pay-to-play
  - Each athlete will pay $50 for the first sport and $25 for each additional sport.
  - The athletic director will look at possibly raising the admission price.

Recommendation 2: Develop Formal Plans
- The district currently follows a strategic plan, Education Destination 2.0. The treasurer's office will look at how a financial element can be linked to each objective..
- The district will develop a budget that aligns district resources with the district's strategic plan.

Recommendation 3: Develop a Formal Budgeting Process
- The district is developing a formal budget process that will align and allocate district resources to the district's strategic plan, Education Destination 2.0
- Once the budget is developed the treasurer's office will hold informational meetings with administrators, and secretaries, and speak at the opening day event to make sure that all stakeholders understand the vision related to budgeting and how items should be processed.

Recommendation 4: Implement Forecasting Best Practices
- The district is in the process of developing and implementing the forecast process according to the Government Finance Officers Association's best practices.

Recommendation 5: Eliminate Administrative Positions Above Peer Average
- The recommendation was to eliminate 11 central office and administrative positions (5.5 central office and 5.5 administrative positions
- An additional suggestion was to reduce administrators by 6
  - In the summer of 2023, we did not replace the following central office/administrative positions: Director of Equity, Two Grant Coordinators, an Assistant Athletic Director, an Assistant Principal at the Jr High, and an Assistant Principal at the Senior High
  - During the 2024 reduction in force, 14 additional administrative positions have been eliminated

Recommendation 6: Eliminate Direct Student Education and Support Positions above the Peer Average

- The recommendation to reduce the following positions
  - 45 Teachers
  - 1.0 Counselors
  - 3.5 Tutor/small group
  - 12 Full time substitutes
  - 1.0 Diet/Nutritionist
  - 9.5 Monitoring staff
  - 1.5 Community Liaison
  - 1.0 Nursing
- An additional suggestion to reduce our teaching staff by 53
  - Through a reduction in force/resignation and retirement 71 teachers/counselors, 10 building substitutes, 2 community liaisons, and 4 other exempt positions.

Recommendation 7: Renegotiate Collective Bargaining Agreement Provisions

- The certified collective bargaining agreement will be negotiated during the 24/25 school year; we will consider the areas that were highlighted in your report

Recommendation 8: Align Classified Salary Schedules

- The classified contract will be negotiated during the 24/25 school year; we will consider the areas that were highlighted in your report

Recommendation 9: Enforce Negotiated Certificated Employee Dental Premium Contribution

- The district will develop a plan to enforce the dental premium contributions outlined and negotiated in the collective bargaining agreement for certificated employees.

Recommendation 10: Align Employee Share of Insurance Costs with SERB Regional Average

- This will be considered during contract negotiations

Recommendation 11: Implement Best Practices for Custodial Contract Provisions and Monitoring

- We will take the best practices into consideration utilizing the information in the provided rubric.

Recommendation 12: Renegotiate Contracted Custodial Services

- We are in the process of renegotiation with our custodial services

Recommendation 13: Implement Best Practices for Transportation Contract Provisions and Monitoring

- We will take the best practices into consideration utilizing the information in the provided rubric.

Recommendation 14: Eliminate Bus Routes

- The district is currently working with the transportation vendor to reduce transportation costs

Recommendation 15: Develop Formal Internal Policies and Procedures for T-Reporting

- The district will develop an internal process for submitting the bi-annual transportation reports.

Thank you once again for conducting the performance audit and for your dedication to ensuring accountability and efficiency in public services.

Dr. Valerie Hawkins

Dr. Valerie Hawkins
Superintendent

Kimberly A. Hughes

Kimberly A. Hughes
Treasurer

Appendix A: Purpose, Methodology, Scope, and Objectives of the Audit

Performance Audit Purpose and 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.

Generally accepted government auditing standards (GAGAS) 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.

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

Audit Scope and Objectives

In order to provide the District with appropriate, data-driven recommendations, the following questions were assessed within each of the agreed upon scope areas:

Summary of Objectives and Conclusions

Objective	Recommendation
Financial Management	
Are the District's forecasting practices consistent with leading practices and is the five-year forecast reasonable and supported?	**R.4**
Are the District's budgeting practices in line with leading practices?	**R.3**
Are the District's planning practices consistent with leading practices?	**R.2**

Is the District's General Fund subsidy of extracurricular activities appropriate in comparison to local peers and the District's financial condition?	**R.1, Additional Recommendation**
Human Resources	
Are the District's staffing levels appropriate in comparison to primary peers, state minimum standards, demand for services, and the District's financial condition?	**R.5, R.6, Additional Recommendations**
Are the District's salaries and wages appropriate in comparison to local peers and the District's financial condition?	**R.8, Additional Recommendation**
Are the District's collective bargaining agreement provisions appropriate in comparison to local peers, minimum requirements, and the District's financial condition?	**R.7**
Are the District's insurance costs appropriate in comparison to other governmental entities within the local market and the District's financial condition?	**R.9, R.10**
Facilities	
Are the District's facilities staffing levels appropriate in comparison to leading practices, industry standards, and the District's financial condition?	**R.12**
Is the District's building utilization appropriate in comparison to leading practices, industry standards, and the District's financial condition?	**No Recommendation:** The District should monitor enrollment trends and assess building needs as appropriate.
Are the District's custodial contract management practices effective in comparison to leading practices and do they result in appropriate and efficient service levels?	**R.11**
Transportation	
Is the District's fleet sized appropriately and routed efficiently in comparison to leading practices, industry standards, and the District's financial condition?	**R.14, R.15**
Are the District's transportation contract management practices effective in comparison to leading practices and do they result in appropriate and efficient service levels?	**R.13**

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. The following internal control components and underlying principles were relevant to our audit objectives:[37]

- Control environment
    - We considered the District's control of its EMIS and payroll systems.
- Risk Assessment
    - We considered the District's activities to assess fraud risks.
- Information and Communication
    - We considered the District's use of quality information in relation to transportation data.
- Control Activities
    - We considered the District's compliance with applicable laws and contracts.

We identified instances of poorly designed controls relating to financial management, contract management, and T-Reporting in **Recommendations 3, 4, 9, 11, 13**, **and 15**, which represent opportunities for significant improvement.

Audit Methodology

To complete this performance audit, auditors gathered data, conducted interviews with numerous individuals associated with the areas of District's 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;
- Statues; and,
- Policies and Procedures.

In consultation with the District, two 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 similar academic performance. A "Local Peers" set was selected for a comparison of the general fund subsidy of extracurricular activities, compensation, benefits, and collective bargaining agreements, where applicable. This peer set was selected

[37] We relied upon standards for internal controls obtained from *Standards for Internal Control in the Federal Government* (2014), the U.S. Government Accountability Office, report GAO-14-704G.

specifically to provide context for local labor market conditions. The table below shows the Ohio school districts included in these peer groups.

Peer Group Districts

Primary Peers

- Alliance City School District (Stark County)
- Maple Heights City School District (Cuyahoga County)
- Painesville City Local School District (Lake County)
- Sandusky City School District (Erie County)
- Whitehall City School District (Franklin County)
- Zanesville City School District (Muskingum County)

Local Peers

- Cincinnati City School District (Hamilton County)
- Finneytown Local School District (Hamilton County)
- North College Hill City School District (Hamilton County)
- Northwest Local School District (Hamilton County)
- Winton Woods City School District (Hamilton County)

Where reasonable and appropriate, peer districts were used for comparison. However, industry standards or leading practices were used in some operational areas for primary comparison. 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. Each recommendation in this report describes the specific methodology and criteria used to reach our conclusions.

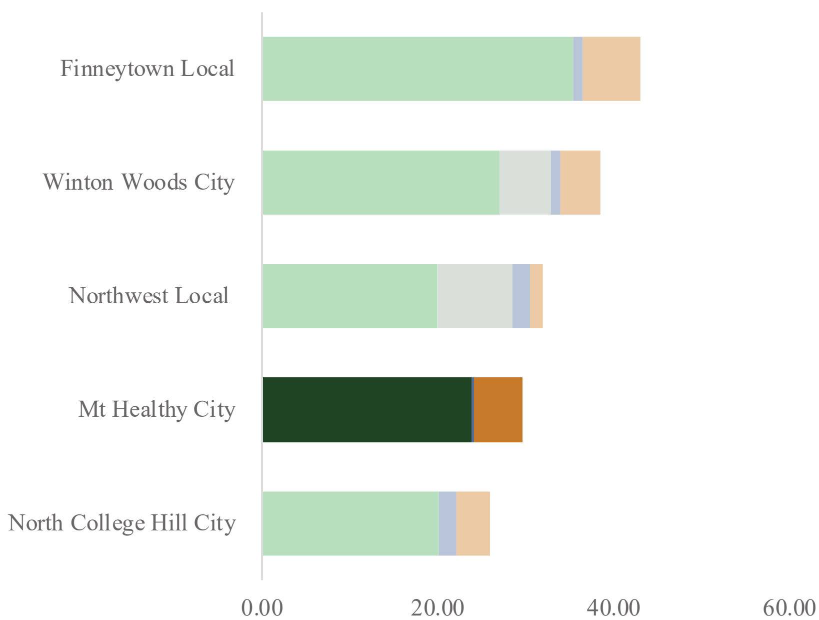
Appendix B: Financial Systems

In addition to the financial analyses previously presented throughout the report, we conducted additional reviews of the District's finances compared to peers. This information is provided to give a deeper understanding of the current financial condition of the District.

Local Revenue Comparisons

The following chart shows the General Fund millage for local peers. The green portion of the bar represents the current expense millage rate, where two of the local peers are at the 20-mill floor. Overall, the District's effective millage rate is lower than most of the local peers. Because the District is not at the 20-mill floor, it will not see continued growth from current expense mills as property value increases.

2023 Millage and Millage Equivalents | Local Peers



Source: Ohio Department of Taxation

The composition of levies impacts district revenues. **Current Expense mills**, used for general operations are subject to reduction factors up to the 20-mill threshold. **Emergency and substitute mills** raise a defined amount of general operating revenue and are not reduced. **Income tax mill equivalents** are provided by the Department of Taxation for comparison purposes. **Permanent improvement mills** are used for maintenance of long-term assets and may be reduced over time. **Bond mills** raise a defined amount used for the purchase or construction of new buildings.

The following tables show the local tax effort (LTE) comparison between MHCSD and the primary peer districts and the local peer districts. The District's LTE is above the statewide average and is amongst the highest of the primary and local peer groups.

2023 Local Tax Effort Comparison | Primary Peers

District	LTE	Rank	Percentile
Maple Heights City	1.7377	27	95.5%
Sandusky City	1.5943	53	91.3%
Mt Healthy City	1.0948	239	60.6%
Painesville City Local	1.0387	282	53.5%
Whitehall City	0.9820	317	47.7%
Alliance City	0.9524	336	44.6%
Zanesville City	0.9105	368	39.3%
Primary Peer Average	**1.2026**	**184**	**69.6%**

Source: ODEW

2023 Local Tax Effort Comparison | Local Peers

District	LTE	Rank	Percentile
Winton Woods City	1.2514	154	74.6%
Finneytown Local	1.1134	229	62.2%
Mt Healthy City	1.0948	239	60.6%
North College Hill City	0.9016	372	38.6%
Northwest Local	0.8135	444	26.7%
Local Peer Average	**1.0200**	**296**	**51.2%**

Source: ODEW

Purchased Services Expenditures

As previously discussed, the District's purchased services expenditures comprise a significant portion of overall expenditures. In FY 2023 the District spent $15.1 million from the General Fund on Object Level 1 400: Purchased Services. The following table shows total General Fund expenditures for Purchased Services by Object Level 2, which provides more insight into how those monies were spent.

FY 2023 General Fund Purchased Services by Object Level 2

Object	General Fund	% of Total
410: Professional & Technical Services	$3,874,955	25.7%
420: Property Services (Other than Utilities)	$2,452,947	16.2%
430: Travel Mileage/Meeting Expense	$131,874	0.9%
440: Communications	$208,148	1.4%
450: Utilities Services	$671,546	4.4%
460: Contracted Craft or Trade Services	$1,974	0.0%
470: Tuition & Other Similar Payments	$3,540,195	23.4%
480: Pupil Transportation	$4,223,657	28.0%
490: Other Purchased Services	$1,420	0.0%
Total Purchased Services	**$15,106,716**	**100.0%**

Source: MHCSD

In particular, the District's purchased services were driven by four areas: Pupil Transportation, Tuition & Other Similar Payments, Property Services, and Professional & Technical Services. These categories can cover a variety of expenditures. Using detailed data contained in the District's financial information, these are examples of the types of expenditures from each area:

Pupil Transportation: The District's contracts for bus services for both regular and special education transportation. Also included are extra costs associated with field trips, athletics, and extracurricular activities.

Tuition & Other Payments: The District coded expenditures related to special education and an alternative to expulsion program to this area. Note, these expenditures are not related to open enrollment transfers.

Property Services: The District's contract for custodial services as well as expenditures for repair & maintenance services.

Professional & Technical Services: The District coded expenditures related to skilled professionals, such as occupational therapists, psychologists, and speech pathologists to this area.

ESSER Funding

The ESSER Fund is a federal funding program that was created by the U.S. Congress to provide emergency relief formula grants to school districts in response to the COVID-19 pandemic. In total, over $190.5 billion in grants was awarded to states by the federal government through this federal funding program.

The federal government distributed funds to states based on the same proportion of funding that the state received under the Elementary and Secondary Education Act (ESEA) Title-IA. States then were required to distribute at least 90 percent of funds to local education agencies (LEAs), or school districts, based on the districts' proportional share of ESEA Title I-A funds. Ohio school districts were required to apply to ODEW to receive their share. States were given the option to reserve 10 percent of the allocation for emergency needs as determined by the state to address issues responding to the COVID-19 pandemic. ESSER funding was distributed in three separate stimulus bills throughout 2020 and 2021.

According to guidance given to districts, the ESSER ARP funds are one-time investments that should be managed carefully. These funds generally should not be used to provide ongoing services, as services may be terminated abruptly when federal funds expire. Rather, funds should be used for one-time or short-duration intensive supports that address the impacts of education disruption due to the coronavirus pandemic or that build the capacity of the education system to operate effectively.

In general, when determining strategies to spend the ESSER I, ESSER II and ESSER ARP funds, Districts should consider the following five questions:

- Will the proposed use of funds prevent, prepare for and respond to the impacts of the coronavirus pandemic?
- Is the proposed use of funds allowable under the Coronavirus Aid, Resources and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and/or the ARP? Click here for a broad list of ESSER ARP allowable uses.
- Is this program reasonable and necessary?
- Does this program promote equity?
- Does this program support returning students to the classroom?

MHCSD received a total of approximately $25.2 million in ESSER funding. At the end of FY 2023, the District had liquidated approximately $13.9 million, or 55 percent, of its ESSER funding. Of this amount, approximately $6.8 million, or nearly half of total ESSER funding as of FY 2023, was on employee salaries and benefits. This reflects, in part, the teachers that were hired by the District in response to the COVID-19 pandemic. Notably, while COVID-19 funding expires in September 2024, the District did not make advance plans to reduce the workforce or identify alternative funding streams to maintain staffing levels. Due to this, the District announced a reduction in force of 96 FTEs at its March 2024 Board meeting, which will be effective in the FY 2025 school year.

The following table provides details on the District's ESSER funds as of April 2024. Note that the amount of funding that has been liquidated is larger than the figures discussed above. This is due to the expenditures that were paid for using ESSER funding in FY 2024.

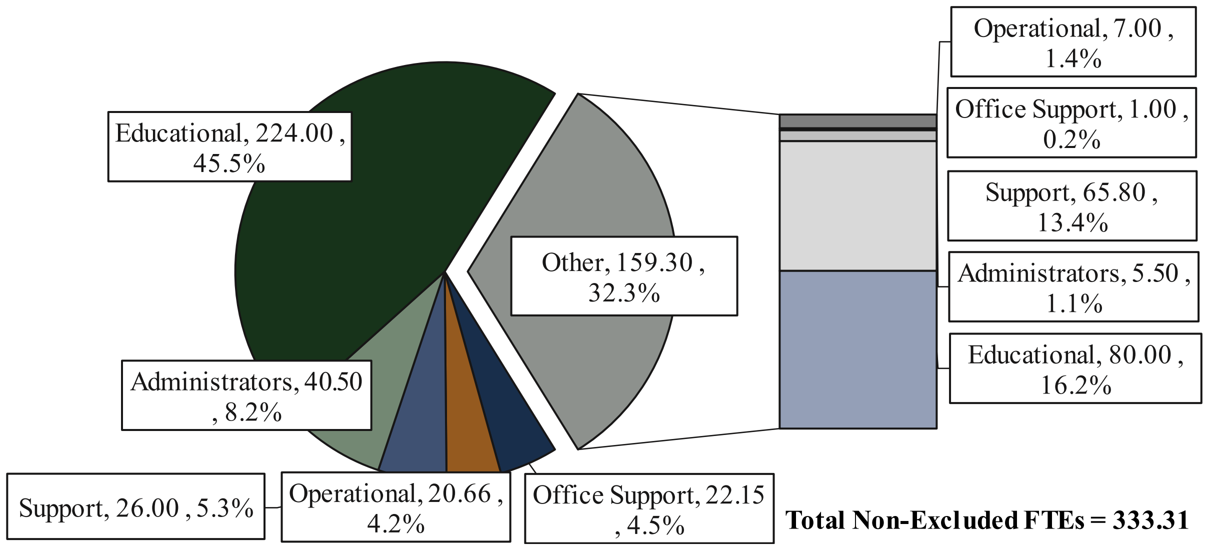
MHCSD ESSER Awards

Award	Liquidation Deadline	Awarded	Liquidated	Expired	Available
ESSER I	9/30/2022	$1,832,768.35	$1,832,768.35	$0.00	$0.00
ESSER II	9/30/2023	$7,214,249.06	$6,261,332.09	$952,916.97	$0.00
ESSER III	9/30/2024	$16,213,686.66	$12,865,986.08	$0.00	$3,347,700.58
Total		**$25,260,704.07**	**$20,960,086.52**	**$952,916.97**	**$3,347,700.58**
% of Awarded		100%	83%	4%	13%

Source: ODEW

Appendix C: Human Resources

Personnel costs represent over 64.7 percent of the District's spending. Due to this, we conduct several analyses relating to the expense associated with maintaining existing staffing levels. During the course of our analysis, we routinely exclude staff that are designated as Title 1 or Special Education as a result of specific rules relating to the funding of these employees.



In the chart above, there are approximately 159.3 excluded staff FTEs, which includes individuals that are associated with Special Education or Title 1 programming. These programs have certain legal and contractual requirements that would make reductions difficult.

Staffing Comparison Tables

The following tables illustrate the District's employee FTEs compared to the primary peer average. In order to allow for more precise comparison, employees were compared on an FTE per-1,000-student basis. These variances are then converted to FTEs for the client district. This calculation (shown below) allows for a more accurate comparison between districts when student counts differ.

$$\left[\frac{Client\ FTE}{\left(\frac{Client\ Enrollment}{1{,}000}\right)}\right] - \left[\frac{Peer\ Avg\ FTE}{\left(\frac{Peer\ Avg\ Enrollment}{1{,}000}\right)}\right] * \left(\frac{Client\ Enrollment}{1{,}000}\right)$$

Central Office Administrator Staff Comparison

Students		Mount Healthy City SD	Primary Peer Avg.	Difference	
Students Educated		2,743	2,826	(83)	
Students Educated (Thousands)		2.743	2.826	(0.083)	
Position	**FTEs**	**FTEs per 1,000 Students**	**FTEs per 1,000 Students**	**Difference per 1,000 Students**	**Adjusted Difference in FTEs**
Assistant, Associate Superintendent	3.00	1.09	0.46	0.63	1.73
Supervisor/Manager	4.00	1.46	0.60	0.86	2.36
Coordinator	7.00	2.55	2.93	(0.38)	(1.04)
Education Administrative Specialist	0.00	0.00	0.11	(0.11)	(0.30)
Director	6.00	2.19	1.08	1.11	3.04
Community School Administrator	0.00	0.00	0.06	(0.06)	(0.16)
Other Official/Administrative	1.00	0.36	0.37	(0.01)	(0.03)
Total	**21.00**	**7.65**	**5.61**	**2.04**	**5.60**

Source: MHCSD and ODEW

Building Administrator Staff Comparison

		Mount Healthy City SD	Primary Peer Avg.	Difference	
Students Educated		2,743	2,826	(83)	
Students Educated (Thousands)		2.743	2.826	(0.083)	
Buildings		6.0	5.2	0.8	
Position	**FTEs**	**FTEs per 1,000 Students**	**FTEs per 1,000 Students**	**Difference per 1,000 Students**	**Adjusted Difference in FTEs**
Assistant Principal	10.00	3.65	2.06	1.59	4.36
Principal	6.00	2.19	2.01	0.18	0.49
Dean of Students	1.50	0.55	0.29	0.26	0.71
Total	**17.50**	**6.39**	**4.36**	**2.03**	**5.57**
Position	**FTEs**	**FTEs per Building**	**FTEs per Building**	**Difference in FTE per Building**	**Adjusted Difference in FTEs**
Assistant Principal	10.00	1.67	1.13	0.54	3.24
Principal	6.00	1.00	1.10	(0.10)	(0.60)
Dean of Students	1.50	0.25	0.16	0.09	0.54
Total	**17.50**	**2.92**	**2.39**	**0.53**	**3.18**

Source: MHCSD and ODEW

Teaching Staff Comparison

Students		Mount Healthy City SD	Primary Peer Avg.	Difference	
Students Educated		2,743	2,826	(83)	
Students Educated (thousands)		2.743	2.826	(0.083)	
Position	**FTEs**	**FTEs per 1,000 Students**	**FTEs per 1,000 Students**	**Difference per 1,000 Students**	**Adjusted Difference in FTEs**
General Education	174.50	63.62	43.98	19.64	53.87
Gifted and Talented	0.00	0.00	0.96	(0.96)	(2.63)
Career-Technical Programs	0.00	0.00	1.95	(1.95)	(5.35)
LEP Instructional Program	1.34	0.49	0.80	(0.31)	(0.85)
Total	**175.84**	**64.11**	**47.69**	**16.42**	**45.04**

Source: MHCSD and ODEW

K-8 Teaching Staff Comparison

Students		Mount Healthy City SD	Primary Peer Avg.	Difference	
Students Educated		1,934	1,984	(50)	
Students Educated (thousands)		1.934	1.984	(0.050)	
Position	**FTEs**	**FTEs per 1,000 Students**	**FTEs per 1,000 Students**	**Difference per 1,000 Students**	**Adjusted Difference in FTEs**
Art Education K-8	2.00	1.03	1.86	(0.83)	(1.60)
Music Education K-8	5.00	2.59	2.55	0.04	0.07
Physical Education K-8	4.00	2.07	1.76	0.31	0.60
Total	**11.00**	**5.69**	**6.17**	**(0.48)**	**(0.93)**

Source: MHCSD and ODEW

Non-Teaching Educational Staff Comparison

Students		Mount Healthy City SD	Primary Peer Avg.	Difference	
Students Educated		2,743	2,826	(83)	
Students Educated (thousands)		2.743	2.826	(0.083)	
Position	**FTEs**	**FTEs per 1,000 Students**	**FTEs per 1,000 Students**	**Difference per 1,000 Students**	**Adjusted Difference in FTEs**
Curriculum Specialist	0.00	0.00	0.65	(0.65)	(1.78)
Counseling	8.00	2.92	2.48	0.44	1.21
Remedial Specialist	0.00	0.00	1.36	(1.36)	(3.73)
Tutor/Small Group Instructor	11.16	4.07	2.71	1.36	3.73
Full-time Substitute Teacher	14.50	5.29	0.88	4.41	12.10
Teacher Mentor/Evaluator	0.00	0.00	0.18	(0.18)	(0.49)
Other Educational	0.00	0.00	1.30	(1.30)	(3.57)

Source: MHCSD and ODEW

Professional Staff Comparison

Students		Mount Healthy City SD	Primary Peer Avg.	Difference	
Students Educated		2,743	2,826	(83)	
Students Educated (thousands)		2.743	2.826	(0.083)	
Position	**FTEs**	**FTEs per 1,000 Students**	**FTEs per 1,000 Students**	**Difference per 1,000 Students**	**Adjusted Difference in FTEs**
Dietitian/Nutritionist	1.00	0.36	0.00	0.36	0.99
Psychologist	0.00	0.00	0.91	(0.91)	(2.50)
Publicity Relations	0.00	0.00	0.06	(0.06)	(0.16)
Social Work	2.00	0.73	0.06	0.67	1.84

Source: MHCSD and ODEW

Technical Staff Comparison

Students		Mount Healthy City SD	Primary Peer Avg.	Difference	
Students Educated		2,743	2,826	(83)	
Students Educated (thousands)		2.743	2.826	(0.083)	

Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Computer Operating	0.00	0.00	0.50	(0.50)	(1.37)
Computer Programming	0.00	0.00	0.12	(0.12)	(0.33)
Other Technical	0.00	0.00	0.29	(0.29)	(0.80)

Source: MHCSD and ODEW

Central Office Support Staff Comparison

Students and Buildings		Mount Healthy City SD	Primary Peer Avg.	Difference	
Students Educated		2,743	2,826	(83)	
Students Educated (thousands)		2.743	2.826	(0.083)	

Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Administrative Assistant	0.00	0.00	0.83	(0.83)	(2.28)
Accounting	1.00	0.36	0.23	0.13	0.36
Bookkeeping	3.00	1.09	0.41	0.68	1.87
Central Office Clerical	4.00	1.46	2.54	(1.08)	(2.96)
Records Managing	1.00	0.36	0.00	0.36	0.99
Telephone Operator	0.00	0.00	0.06	(0.06)	(0.16)
Other Office/Clerical	0.00	0.00	0.12	(0.12)	(0.33)
Total	**9.00**	**3.27**	**4.19**	**(0.92)**	**(2.52)**

Source: MHCSD and ODEW

Building Office Support Staff Comparison

Students and Buildings	Mount Healthy City SD	Primary Peer Avg.	Difference
Students Educated	2,743	2,826	(83)
Students Educated (thousands)	2.743	2.826	(0.083)
Buildings	6.000	5.167	0.833

Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
School Building Clerical	10.00	3.65	4.23	(0.58)	(1.59)
Bookkeeping	1.00	0.36	0.00	0.36	0.99
Other Office/Clerical	0.00	0.00	0.12	(0.12)	(0.33)
Total	**11.00**	**4.01**	**4.35**	**(0.34)**	**(0.93)**

Position	FTEs	FTEs per Building	FTEs per Building	Difference in FTE per Building	Adjusted Difference in FTEs
School Building Clerical	10.00	1.67	2.32	(0.65)	(3.90)
Bookkeeping	1.00	0.17	0.00	0.17	1.02
Other Office/Clerical	0.00	0.00	0.06	(0.06)	(0.36)
Total	**11.00**	**1.84**	**2.38**	**(0.54)**	**(3.24)**

Source: MHCSD and ODEW

Library Staff Comparison

Students	Mount Healthy City SD	Primary Peer Avg.	Difference
Students Educated	2,743	2,826	(83)
Students Educated (thousands)	2.743	2.826	(0.083)

Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Librarian/Media	0.50	0.18	0.29	(0.11)	(0.30)
Library Aide	3.00	1.09	0.96	0.13	0.36
Total	**3.50**	**1.27**	**1.25**	**0.02**	**0.05**

Source: MHCSD and ODEW

Nursing Staff Comparison

Students		Mount Healthy City SD	Primary Peer Avg.	Difference	
Students Educated		2,743	2,853	(110)	
Students Educated (thousands)		2.743	2.853	(0.110)	
Position	**FTEs**	**FTEs per 1,000 Students**	**FTEs per 1,000 Students**	**Difference per 1,000 Students**	**Adjusted Difference in FTEs**
Registered Nursing	1.00	0.36	0.79	(0.43)	(1.18)
Practical Nursing	3.00	1.09	0.27	0.82	2.25
Total	**4.00**	**1.45**	**1.06**	**0.39**	**1.07**

Source: MHCSD and ODEW

Note: Because of the variation in how staff is obtained and coded by Maple Heights and Painesville, these districts were excluded from our peer analysis

Classroom Support Staff Comparison

Students		Mount Healthy City SD	Primary Peer Avg.	Difference	
Students Educated		2,743	2,826	(83)	
Students Educated (thousands)		2.743	2.826	(0.083)	
Position	**FTEs**	**FTEs per 1,000 Students**	**FTEs per 1,000 Students**	**Difference per 1,000 Students**	**Adjusted Difference in FTEs**
Instructional Paraprofessional	2.00	0.73	4.39	(3.66)	(10.04)
Teaching Aide	2.00	0.73	7.19	(6.46)	(17.72)
Total	**4.00**	**1.46**	**11.58**	**(10.12)**	**(27.76)**

Source: MHCSD and ODEW

Other Support Staff Comparison

Students		Mount Healthy City SD	Primary Peer Avg.	Difference	
Students Educated		2,743	2,826	(83)	
Students Educated (thousands)		2.743	2.826	(0.083)	
Position	**FTEs**	**FTEs per 1,000 Students**	**FTEs per 1,000 Students**	**Difference per 1,000 Students**	**Adjusted Difference in FTEs**
Attendance Officer	0.00	0.00	0.29	(0.29)	(0.80)
Monitoring	15.00	5.47	1.88	3.59	9.85

Source: MHCSD and ODEW

Other Clerical Staff Comparison

Students		Mount Healthy City SD	Primary Peer Avg.	Difference	
Students Educated		2,743	2,826	(83)	
Students Educated (thousands)		2.743	2.826	(0.083)	
Position	**FTEs**	**FTEs per 1,000 Students**	**FTEs per 1,000 Students**	**Difference per 1,000 Students**	**Adjusted Difference in FTEs**
Messenger	0.15	0.05	0.00	0.05	0.14
Family and Community Liaison	2.00	0.73	0.17	0.56	1.54

Source: MHCSD and ODEW

Extra-Curricular/Intra Curricular Staff Comparison

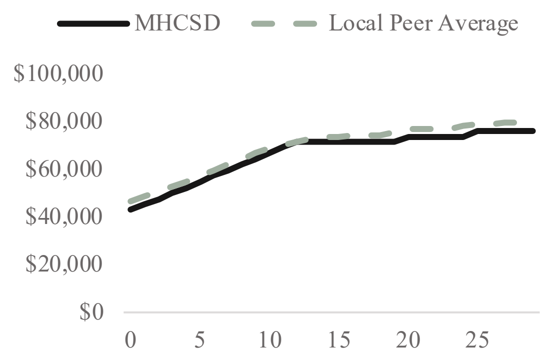
Students		Mount Healthy City SD	Primary Peer Avg.	Difference	
Students Educated		2,743	2,826	(83)	
Students Educated (thousands)		2.743	2.826	(0.083)	
Position	**FTEs**	**FTEs per 1,000 Students**	**FTEs per 1,000 Students**	**Difference per 1,000 Students**	**Adjusted Difference in FTEs**
Advisor	0.00	0.00	0.07	(0.07)	(0.19)
Coaching	0.00	0.00	0.41	(0.41)	(1.12)

Source: MHCSD and ODEW

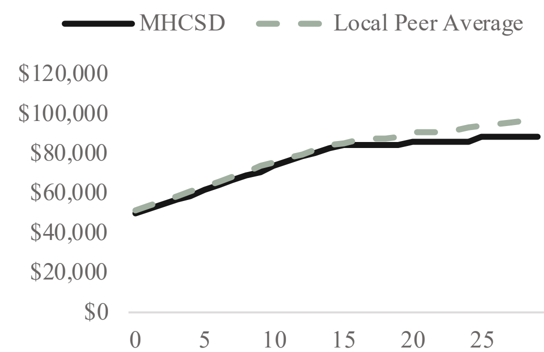
We also looked at annual salaries for all certificated employees and the hourly wage rates for various classified employee positions over the course of a career, as seen in the following charts.

Certificated Career Compensation

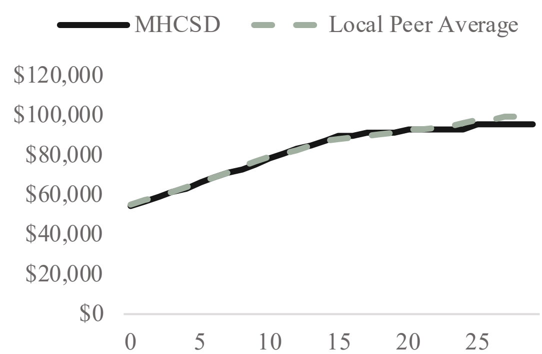
Bachelors



Masters



MA+30

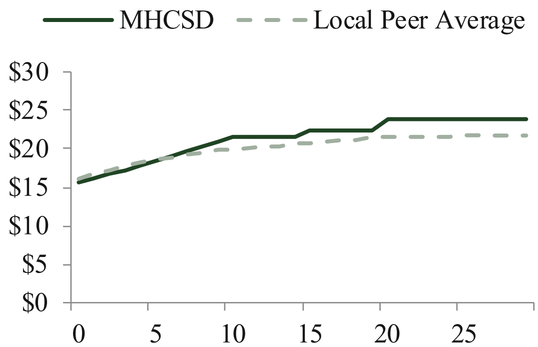


Certificated Career Compensation Comparison

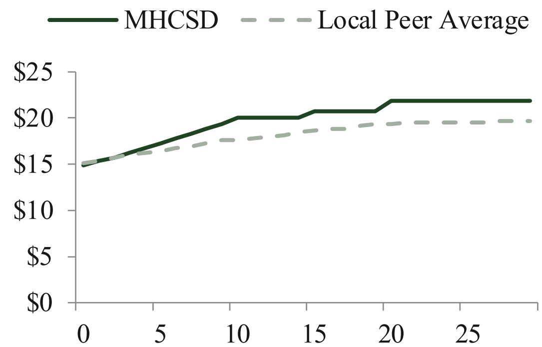
	Mount Healthy City	Local Peer Average	Difference	% Difference
Bachelors	$1,996,905	$2,078,354	($81,449)	(3.92%)
Masters	$2,289,452	$2,391,084	($101,632)	(4.25%)
Masters +30	$2,459,159	$2,483,630	($24,471)	(0.99%)

Classified Career Compensation

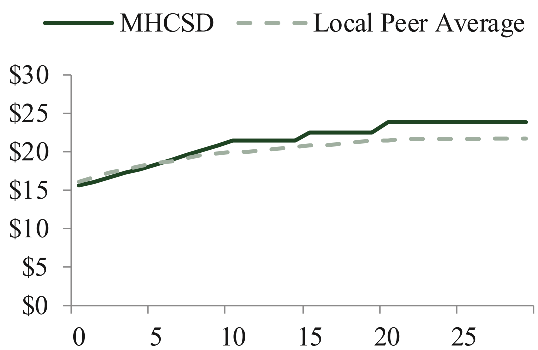
Aides



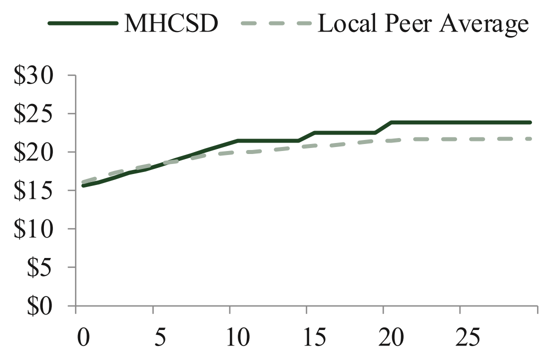
Cook



Maintenance



Secretary



Classified Career Compensation Comparison

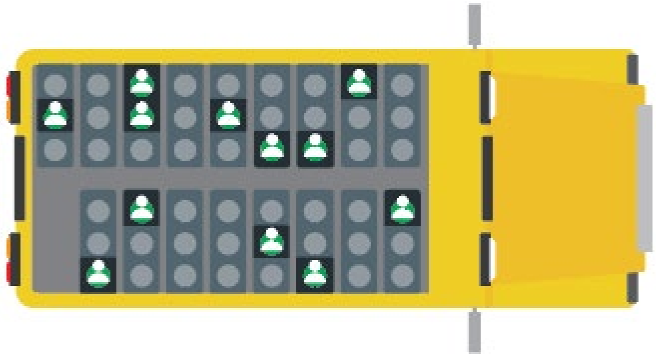
	Mount Healthy City	Local Peer Average	Difference	% Difference
Aides	$820,877	$776,154	$44,723	5.8%
Cook	$680,798	$624,637	$56,162	9.0%
Maintenance	$1,609,733	$1,606,402	$3,331	0.2%
Secretaries	$1,445,518	$1,429,115	$16,403	1.1%

Appendix D: Transportation

The impact of eliminating two routes, as discussed in **Recommendation 14**, on Tier II and Tier III can be seen in the graphics below. While the District could eliminate additional routes on both Tiers, this would not result in additional cost savings due to the transportation needs on Tier I.

Tier II – Current State

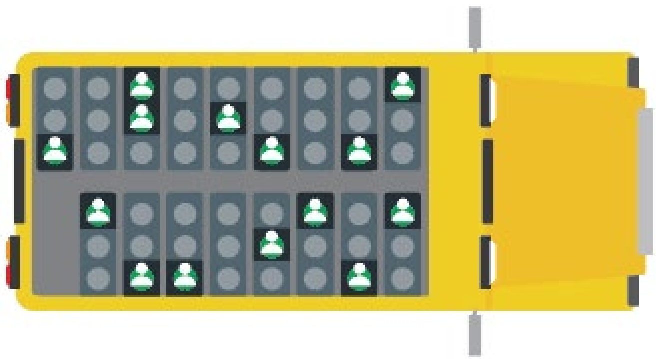
12 Average Riders / 51 Average Possible Seats



Routes	15
Peak Riders	178
Total Capacity	766
Utilization	**23.2%**

Tier II – After Reductions

14 Average Riders / 51 Average Possible Seats

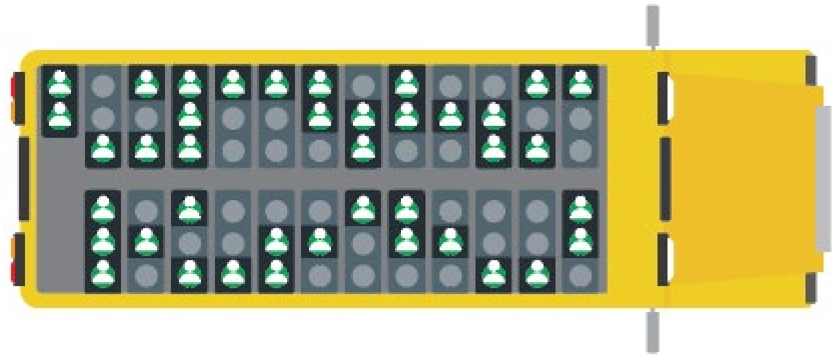


Routes	13
Peak Riders	178
Total Capacity	668
Utilization	**26.7%**

Note: Capacity per bus based on three riders per seat.

Tier III – Current State

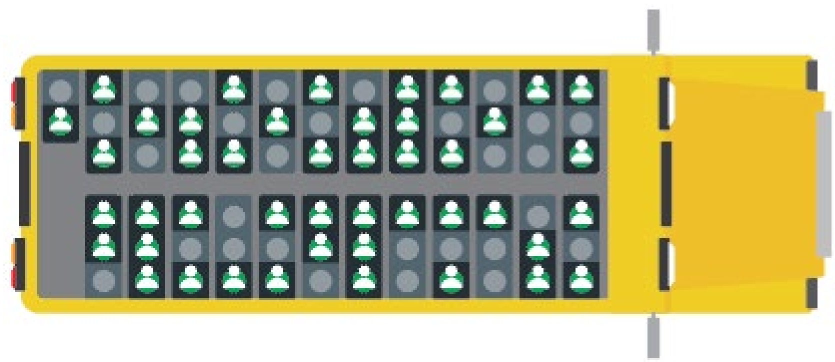
40 Average Riders / 74 Average Possible Seats



Routes	18
Peak Riders	716
Total Capacity	1,336
Utilization	**53.6%**

Tier III – After Reductions

45 Average Riders / 74 Average Possible Seats



Routes	16
Peak Riders	716
Total Capacity	1,187
Utilization	**60.3%**

Note: Capacity per bus based on three riders per seat.

OHIO AUDITOR OF STATE
KEITH FABER

MT. HEALTHY CITY SCHOOL DISTRICT

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 5/16/2024

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370