

OHIO AUDITOR OF STATE
KEITH FABER



Ross
Local School District

Performance Audit

March, 2023



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To the Ross Local School District community,

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

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

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
Auditor of State
Columbus, Ohio

March 30, 2023

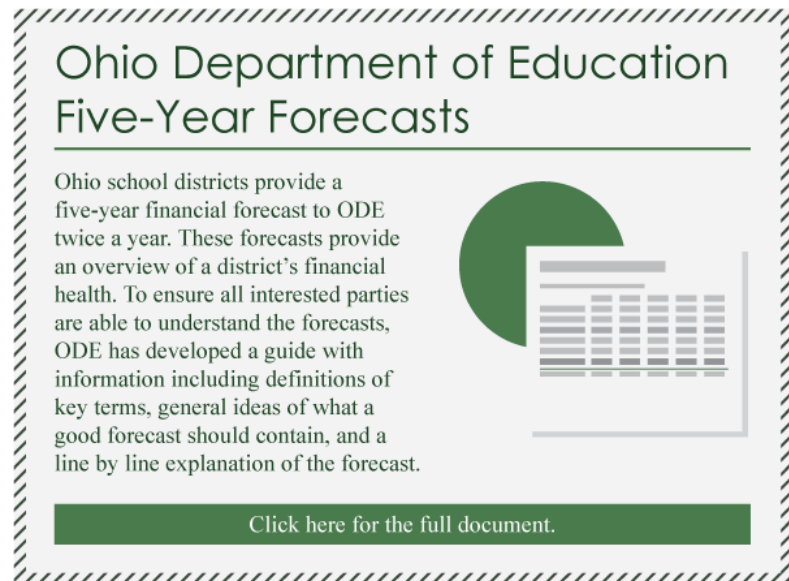
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Introduction

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 (ODE) 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



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.

¹ORC § 5705.391 and OAC 3301-92-04.

²Performance audits are conducted using Generally Accepted Government Auditing Standards guidelines, see [Appendix A](#) for more details.

Ross Local School District

Ross Local School District (RLSD or the District) is located in Butler County and, as of fiscal year (FY) 2022, had 2,556 students enrolled. The District spans approximately 70 square miles and had a median income of \$44,399 in FY 2021. Of the total enrolled students, 13.5 percent are students with disabilities.

RLSD has projected significant deficits in the near future. To address the current budget shortfall, the District has a proposed five-year emergency tax levy on the upcoming May 2023 ballot. If passed, this levy would raise approximately \$4.5 million annually and be used for general operating expenses, and collections would begin immediately with the first payment expected in January 2024. The levy would assess an additional 9.44 mills on residential properties, which is approximately \$330 for every \$100,000 in assessed property value. Based on the most recent five-year forecast, this levy would be sufficient to fully resolve the District's projected ending fund deficit, but would not address continued deficit spending patterns. It should be noted that separate five-year, 7.99-mill emergency operating levies were defeated in August and November of 2022.

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.

Financial Condition

In May 2022, the District released its semi-annual five-year forecast that showed negative year-end fund balances in the forecast period beginning in FY 2025. A summary of this forecast is shown in the table on the following page. Due to the declining fiscal condition of the District, and in consultation with ODE, we chose to conduct a performance audit.³

³ District officials proactively reached out to OPT to inquire about a performance audit. During the regular course of our selection process we determined that the District was eligible for a free performance audit based on its fiscal condition.

Financial Condition Overview (May 2022 Forecast)

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Total Revenue	\$28,747,746	\$28,521,477	\$28,851,882	\$29,174,158	\$29,347,616
Total Expenditures	\$28,020,239	\$29,181,246	\$31,170,350	\$32,564,823	\$33,866,547
Results of Operations	\$727,507	(\$659,769)	(\$2,318,468)	(\$3,390,665)	(\$4,518,931)
Beginning Cash Balance	\$3,419,829	\$4,147,336	\$3,487,567	\$1,169,098	(\$2,221,567)
Ending Cash Balance	\$4,147,336	\$3,487,567	\$1,169,098	(\$2,221,567)	(\$6,740,498)
Encumbrances	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Cumulative Balance of Replacement/Renewal Levies	\$0	\$0	\$0	\$0	\$0
Cumulative Balance of New Levies	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$3,397,336	\$2,737,567	\$419,098	(\$2,971,567)	(\$7,490,498)

Source: ODE

In November 2022, the District released its required annual forecast, which continues to project negative year-end fund balances beginning in FY 2025. This deficit is projected to grow to more than \$13.1 million by the end of the forecast period in FY 2027.

Financial Condition Overview (November 2022 Forecast)

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Total Revenue	\$28,596,514	\$29,098,446	\$29,426,836	\$29,610,384	\$29,933,885
Total Expenditures	\$29,388,134	\$31,559,155	\$32,981,538	\$34,307,890	\$35,692,703
Results of Operations	(\$791,620)	(\$2,460,709)	(\$3,554,702)	(\$4,697,506)	(\$5,758,818)
Beginning Cash Balance	\$4,856,025	\$4,064,405	\$1,603,696	(\$1,951,006)	(\$6,648,512)
Ending Cash Balance	\$4,064,405	\$1,603,696	(\$1,951,006)	(\$6,648,512)	(\$12,407,330)
Encumbrances	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Cumulative Balance of Replacement/Renewal Levies	\$0	\$0	\$0	\$0	\$0
Cumulative Balance of New Levies	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$3,314,405	\$853,696	(\$2,701,006)	(\$7,398,512)	(\$13,157,330)

Source: ODE

It should be noted that while the proposed five-year emergency levy, which will be voted on in May 2023, will likely raise enough revenue to resolve the projected ending fund deficit during the forecast period, it will not raise enough revenue to address continued deficit spending by the District. Specifically, in FY 2026, the District has projected an operational deficit, meaning expenditures will exceed revenues, of nearly \$4.7 million and in FY 2027, the operational deficit is projected to grow to more than \$5.7 million. Even if the emergency levy passes, it is expected to raise only \$4.5 million annually, which will not be enough additional revenue to address the District's continued deficit spending in FY 2026 and FY 2027, resulting in further depletion of existing cash balances.

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 2022, of the approximately \$26.1 billion in reported revenue for public education in Ohio, nearly 80 percent, or \$20.7 billion, came from state and local sources.

State Funding

On June 30, 2021, House Bill 110 of the 134th General Assembly (the biennial budget bill) was signed by the Governor. This bill included changes to the state foundation funding formula, commonly referred to as the Fair School Funding Plan, which replaced the previous state funding allocation model. This new model establishes and implements a cost methodology using student teacher ratios, minimum staffing levels, local property values, and district-level income data. Further, the legislation includes guarantees to ensure no school district receives less funding than it did in FY 2021.

The new model is planned to be phased-in over several years, which will impact the amount of state funding received under the new formula over the period of the phase-in. 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. ODE 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 residents⁴ – that is, individuals who work in a district but do not reside there, would not be assessed an income tax on wages. 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 Constitution⁵ and the Ohio Revised Code (ORC).⁶ These restrictions limit the amount of tax that can be levied without voter approval to 10 mills⁷ 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

⁴ See <https://tax.ohio.gov/wps/portal/gov/tax/individual/school-district-income-tax>

⁵ Ohio Const. Art. XII, Section 2.

⁶ Ohio Rev. Code § 5705.02.

⁷ A mill is defined as one-tenth of one percent or \$1 for every \$1,000 of taxable value.

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. Inside mills for school districts varies. 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, 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 levies⁸ 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.⁹ In subsequent years, with exceptions such as new construction, a district would not receive additional revenue from a levy as property values increased.¹⁰ Instead, the outside mills are subject to reduction factors¹¹ which lower the effective millage rate in order to maintain the preceding year's level of revenue from the same properties.¹²

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.¹³ 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

⁸ Authorized by ORC §5705.194.

⁹ Am.Sub.H.B. No. 920, 136 Ohio Laws, Part II, 3182, 3194.

¹⁰ If property value decreased due to reappraisal, it is possible that a district would receive less revenue than originally intended.

¹¹ ORC § 319.301.

¹² 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.

¹³ 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.

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.

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.

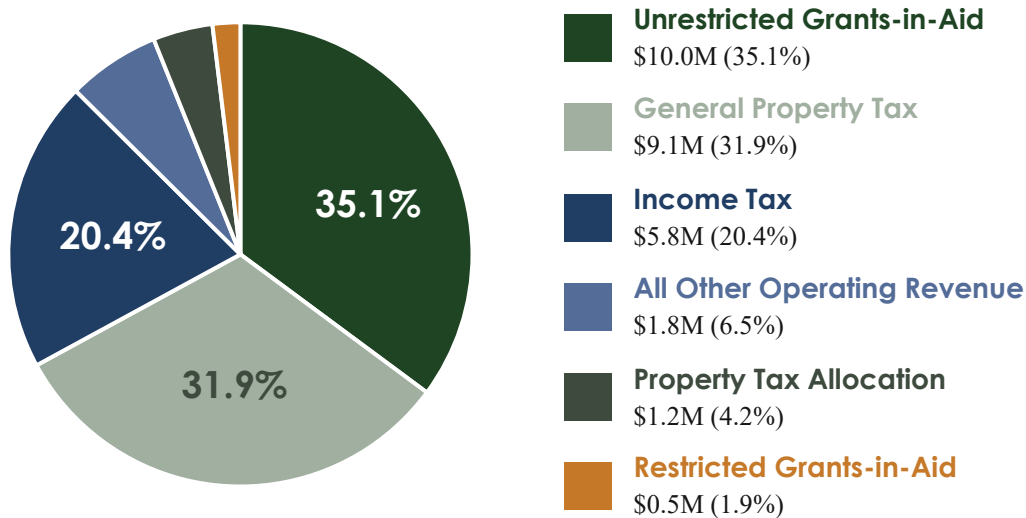
The Ohio Department of Taxation collects income tax through employer withholding, individual quarterly estimated payments, and annual returns. Employers are required to withhold the tax and submit payments to the state under the same rules and guidelines as are currently used for state income taxes. 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.

RLSD Revenues

A school district budget is comprised of revenues and expenditures. In FY 2022, the District's total General Fund revenue was approximately \$28.5 million. The District's primary sources of revenue are general property taxes, state foundation funding, and income tax. The remaining revenue is comprised of a variety of sources as seen in the chart on the following page.

FY 2022 Total General Fund Revenue Composition

Total: \$28.5M



Source: ODE

Note: Unrestricted grants-in-aid is comprised primarily of state foundation funding.

Note: Other Operating Revenue includes tuition, fees, earnings on investments, rentals, and donations.

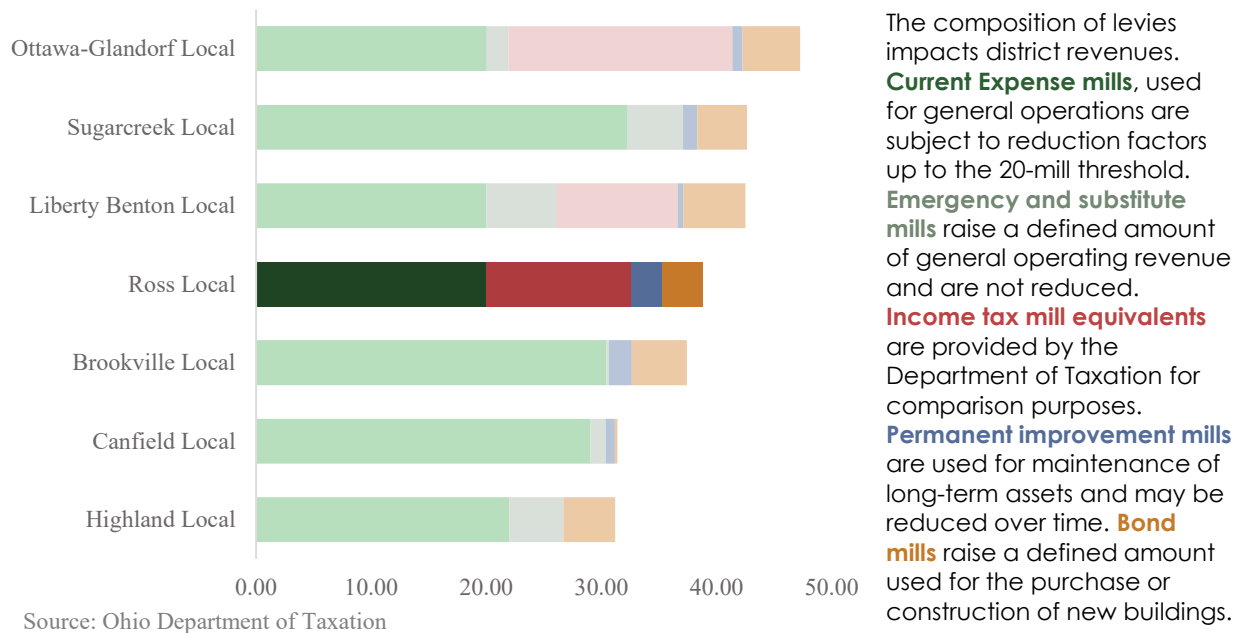
Note: Due to rounding, revenue categories may not sum up to the total listed.

In 2021, RLSD collected revenues on 26.2 mills of property tax for residential properties¹⁴ and an income tax of 1.25 percent, which generated the equivalent of 12.56 mills. The District's property tax millage included 2.66 inside mills and 17.34 outside mills for current expenses. The District's current expense millage rate is at the 20-mill floor and therefore not subject to reduction factors. In addition to the 20 mills collected for current expenses, the District collects additional property tax revenue that does not count toward the 20-mill floor. In 2021, this additional millage totaled 6.2, and was comprised of a bond levy of 3.5 mills and a permanent improvement levy of 2.7 mills.

Because the total millage rate can be rolled back as a result of reduction factors, we compared the total effective millage for RLSD to that of its primary peers. This comparison is found in the chart below. The green portion of the bar represents the current expense millage rate, where two of the peers are also 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. Income tax revenue is converted to an estimated millage equivalent by the Department of Taxation and represented in pink.

¹⁴ 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 2021 was 26.2.

2021 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.

Overall, the District's combined property tax millage rate and income tax millage equivalents are average amongst the primary peers, with half having a higher millage rate and half having a lower millage rate than RLSD. 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 current expense millage and permanent improvement millage also stay 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. RLSD and two of its peers are currently at the 20-mill floor, which means they will see additional revenue if property values increase.

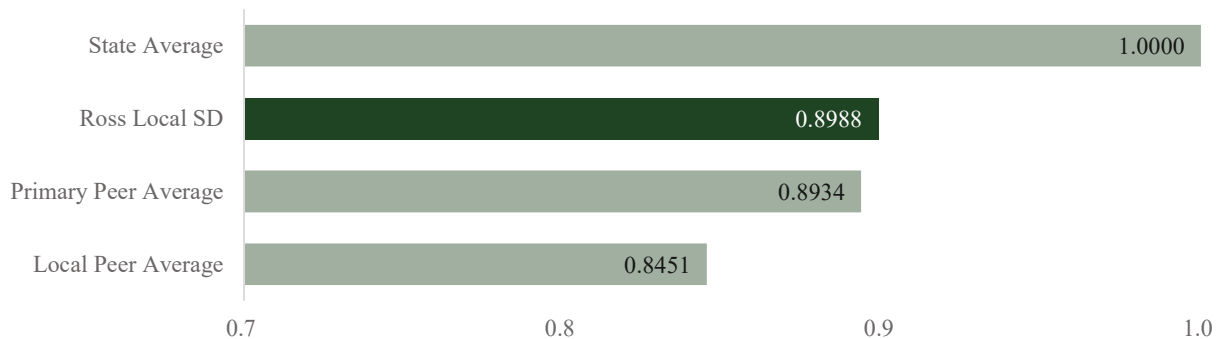
Local Tax Effort

ODE 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 ODE as part of its District Profile Reports, also known as the Cupp Report, to reflect changes in local conditions from year to year.¹⁵

FY 2021 Local Tax Effort Comparison



Source: ODE

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 0.8988. This is the 366th highest local tax effort out of 606 districts in the state, which is approximately the 40th percentile of all districts. By comparison, the local peer average of 0.8451 would rank approximately 405 out of all 606 districts, or the 33rd 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.¹⁶ In FY 2022, the District received approximately \$11,241 per pupil, with 52.3 percent, or approximately \$5,879, coming from local taxes.¹⁷ In FY 2022, the primary peer average was \$11,601 in revenue per

¹⁵ The FY 2022 District Profile Report was not available from ODE as of the completion of this audit.

¹⁶ Forecasted funds include the District's General Fund and funds derived from emergency levies.

¹⁷ The Cupp Report, issued by ODE, 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 FY 2021 data as districts received federal funding for COVID-19 relief through ESSER grants.

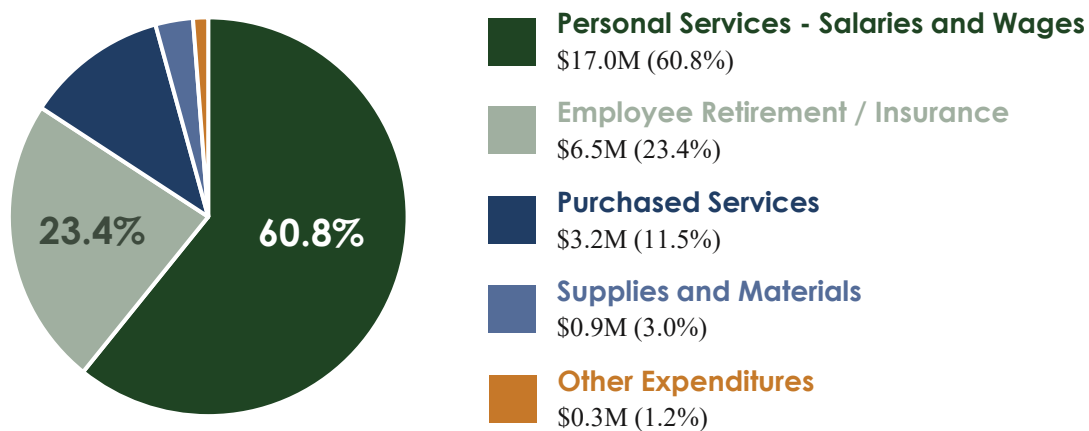
pupil, with 64.2 percent, or approximately \$7,448, coming from local taxes. The District's local revenue was lower than the primary peer average in FY 2022.

RLSD Expenditures

In FY 2022, the District's total expenditures were approximately \$27.9 million. 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.

FY 2022 Total General Fund Expenditure Composition

Total: \$27.9M



Source: ODE

Note: Other Expenditures includes Other Objects, Capital Outlay, and Operating Transfers-Out.

Note: Due to rounding, expenditure categories may not sum up to the total listed.

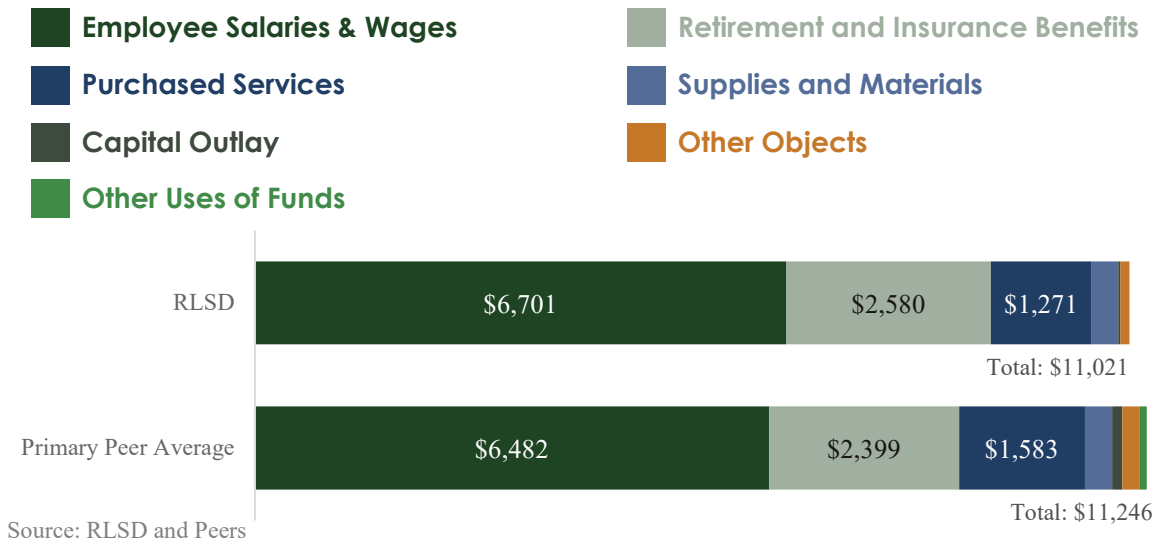
Expenditures per Pupil

In FY 2022, RLSD spent approximately \$11,021, or 2.0 percent less, per pupil when compared to the primary peer average of \$11,246 per pupil. The District spent more than the primary peer average on employee salaries, wages, and benefits. The District spent less than the primary peer average on purchased services, supplies and materials, capital outlay, other objects, and other uses of funds.¹⁸

The chart that follows provides a graphic comparison of expenditures per pupil for RLSD and the primary peer average.

¹⁸ 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, contingencies, and advances within the various accounting dimensions.

FY 2022 Total Expenditures Per Pupil



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, Transportation, and Food Service. We identified nine recommendations which would result in reduced expenses or improve the District's operational management based on industry standards and peer averages. These nine recommendations are referred to as **Tier I** recommendations in the audit. The table below provides a summary of the of the **Tier I** recommendations identified in this report.

Summary of Recommendations

Recommendations from Tier I		Savings
R.1	Develop Formal Strategic & Capital Plans	N/A
R.2	Eliminate Administrative and Administrative Support Positions above the Peer Average	\$271,000
	Eliminate 1.0 FTE Central Office Administrators	\$130,000
	Eliminate 1.0 FTE Building Administrators	\$141,000
R.3	Eliminate Direct Student Education and Support Positions above the Peer Average	\$900,000
	Eliminate 4.0 FTE General Education Teachers	\$367,000
	Eliminate 2.0 FTE K-8 Art Teachers	\$234,000
	Eliminate 1.5 FTE Counselors	\$123,000
	Eliminate 1.0 FTE Curriculum Specialist	\$133,000
	Eliminate 0.5 FTE Library Staff	\$43,000

R.4	Renegotiate Collective Bargaining Agreement Provisions and Reset Classified Benefit Levels	N/A
R.5	Align Classified Salary Schedules	N/A
R.6	Align Employer Insurance Costs with SERB Regional Average	\$763,000
R.7	Bring Facilities Expenditures in Line with the Primary Peers	N/A
R.8	Formalize a Preventative Maintenance Plan	N/A
R.9	Reduce Food Service Staffing by 13.0 Daily Labor Hours	\$81,000

Total Cost Savings from Performance Audit Recommendations	\$2,015,000
Less: Food Service Staffing	\$81,000
Less: Food Service portion of Insurance Costs	\$33,000
Total Cost Savings from Performance Audit Recommendations (General Fund)	\$1,901,000

Note: Numbers in this table are rounded down to provide conservative estimates and for readability purposes.

The financial impact of this audit's **Tier I** recommendations on the November 2022 five-year forecast is shown in the following table. This table reflects the cumulative financial impact of the implementation of these recommendations on the five-year forecast.

Results of the Audit Recommendations (November 2022 Forecast)

	FY 2024	FY 2025	FY 2026	FY 2027
Original Ending Fund Balance	\$853,696	(\$2,701,006)	(\$7,398,512)	(\$13,157,330)
Cumulative Balance of Tier I Recommendations	\$1,766,145	\$3,624,365	\$5,571,556	\$7,617,277
Revised Ending Fund Balance with Tier I Recommendations	\$2,619,841	\$923,359	(\$1,826,956)	(\$5,540,053)

Source: RLSD

The District's current financial condition is such that implementation of these **Tier I** recommendations would not resolve the projected deficit fund balance in the most recent five-year forecast. Because of this, we identified additional recommendations that the District can consider that go beyond alignment with peer averages and industry standards. In the audit, **Tier II** recommendations are those that have potential for increased savings but do not include additional personnel reductions. **Tier III** recommendations are additional personnel reductions identified on a case-by-case basis in areas where the District was staffed in-line with, or lower than, the respective peer averages. The potential cost savings associated with **Tier II** and **Tier III** recommendations are seen in the table below. These estimated savings reflect the average annual savings that could be achieved in FY 2024 through the remainder of the forecast period.

Additional Recommendations

Recommendations		Savings
Tier II	Eliminate the General Fund Subsidy for Extracurricular Activities	\$673,000
Tier II	Implement a Base and Step Salary Freeze	\$2,558,000
Tier II	Eliminate Tuition Reimbursement	\$42,000
Tier III	Eliminate Additional 5.0 FTE High School Teachers	\$511,000
Tier III	Eliminate 1.0 FTE Additional Building Administrator	\$109,000
Tier III	Eliminate up to 23.5 FTE Additional Classroom Teachers (State Minimum)	\$2,372,000

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

When considering implementation of either **Tier II** or **Tier III** recommendations, the District must consider the impact on overall operations. The recommendations identified in **Tier II** could require contract negotiations and may not be implemented immediately. Reducing the number of general education teachers in the District is something that officials can do without negotiations. However, doing so may result in RLSD operating at levels that would likely impact the level of services provided to the community. District officials may wish to consider implementing any of these additional recommendations, or some combination of them, based on the current financial condition of the District.

Tier I 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 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 RLSD's financial management policies to determine if there were areas for improved management.

Recommendation 1: Develop Formal Strategic and Capital Plans

RLSD should develop formal strategic and capital plans linked to the budget in order to improve program and funding decisions.

Impact

Developing formal long-term strategic and capital plans linked to annual budgets could provide the District with necessary guidance on overall spending and program allocations based on plan-related goals and objectives. The development of these plans could also assist the District in making more efficient and effective long-term decisions.

Methodology

We interviewed District officials and confirmed that the District does not have a strategic plan but does have a 10-year plan for projected capital expenditures. We also compared the District's current strategic and capital planning practices to the Government Finance Officers' Association (GFOA) best practices to identify opportunities for improvement.

Analysis

The 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.

Multi-Year Capital Planning (GFOA, 2006) recommends that public entities create and implement a multi-year capital plan as a component of their comprehensive strategic plan. A properly prepared capital plan is essential to the future of the financial health of an organization and its continued delivery to its constituents and stakeholders. An adequate capital plan should:

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

RLSD does not have a formal comprehensive strategic plan that guides long-term operations and spending decisions and is linked to a formal capital plan. As a result, the District's annual budget is not directly linked to formal goals, objectives, and performance measures.

Conclusion

By not having formal strategic and capital plans linked to the budget, RLSD is not able to effectively address all financial, programmatic, and operational needs of the District. Therefore, it should concurrently develop such plans to improve program and funding decisions. Without a goal and resource-oriented strategic plan based on input from key financial, operational, and instructional participants, the District is at risk of not fully evaluating the relationship between its spending decisions and program outcomes.

Human Resources

Human Resources (HR) expenditures are significant to both the operational and financial conditions within school districts. OPT reviewed RLSD's staffing levels, salaries, and CBA provisions 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 2: Eliminate Administrator Positions above the Peer Average

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

Impact

By reducing central office and building administrators to be in line with the primary peer average, the District could save an average of approximately \$271,000 annually.¹⁹

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 within RLSD, 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.²⁰ Areas where RLSD could reduce central office and building administrators include:

- 1.0 FTE Building Administrator Staff; and
- 1.0 FTE Central Office Administrator Staff.

Building Administrators

RLSD employs 8.0 FTEs as building administrators including five principals, two assistant principals, and one dean of students. This is 1.64 FTEs above the peer average on a per-1,000

¹⁹ Calculated savings are based on the salary and benefits of the lowest tenured employee in each position category.

²⁰ A Full-Time Equivalent (FTE) was used to identify staffing levels, based on ODE reporting guidelines.

student basis and 0.6 FTEs above the peer average on a per-building basis. Eliminating 1.0 FTE building administrator position could save an average of approximately \$141,000 annually.

Central Office Administrators

RLSD employs 8.0 FTEs as central office administrators including six supervisors and managers, one coordinator and one director. This is 1.15 FTEs above the peer average on a per-1,000-student basis. Eliminating 1.0 FTE central office administrator position could save an average of approximately \$130,000 annually.

Conclusion

The District should eliminate 2.0 FTE central office and building administrator positions. Eliminating these positions could save an average of approximately \$271,000 annually and bring its staffing to a level consistent with the primary peer average.

Recommendation 3: Eliminate Direct Student Education and Support Positions above the Peer Average

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

Impact

By reducing direct education and student support staff to be in line with the primary peer average, the District could save an average of approximately \$900,000 annually.²¹

Background

Direct 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, educational support specialists, and counselors. Based on peer comparisons, RLSD could eliminate staffing positions in several 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 RLSD could reduce direct student education and support staffing include:

- 4.0 FTE Teachers;
- 2.0 FTE K-8 Art Teachers;
- 1.5 FTE Counselors;
- 1.0 FTE Curriculum Specialist; and,
- 0.5 FTE Library Staff.

Teachers

RLSD employs 112.5 FTE general education teachers, gifted and talented teachers, and career-technical teachers. The District is 4.19 FTEs above the peer average. Eliminating 4.0 FTEs teaching positions could save an average of approximately \$367,000 annually.

²¹ Calculated savings are based on the salary and benefits of the lowest tenured employee in each position category.

K-8 Art Teachers

RLSD employs 4.0 FTE K-8 art teachers, which is 2.14 FTEs above the peer average. Eliminating 2.0 FTE K-8 art teaching positions could save an average of approximately \$234,000 annually.

Counselors

RLSD employs 7.0 FTE counseling staff members, which is 1.56 FTEs above the peer average. Eliminating 1.5 FTE counseling positions could save an average of approximately \$123,000 annually.

Curriculum Specialist

RLSD employs 1.0 FTE curriculum specialist, which is 1.0 FTE above the peer average.²² Eliminating 1.0 FTE curriculum specialist position could save an average of approximately \$133,000 annually.

Library Staff

RLSD employs 3.0 FTE library staff members, who function as media center facilitators,²³ which is 0.54 FTEs above the peer average. Eliminating 0.5 FTE library staff positions could save an average of approximately \$43,000 annually.

Conclusion

The District should eliminate 9.0 FTE direct student education and support positions. Eliminating these positions could save an average of approximately \$900,000 annually and bring its staffing to a level consistent with the primary peer average.

²² RLSD also employs a Curriculum Director that was included in the Central Office Administrator staff comparison (see [Recommendation 2](#)). None of the peers had both a Curriculum Director and Curriculum Specialist.

²³ The Media Center Facilitator at the high school is considered a technical services employee for the purposes of this analysis based on the given job description and discussions with the District.

Recommendation 4: Renegotiate Collective Bargaining Agreement Provisions and Reset Classified Benefit Levels

RLSD should renegotiate its collective bargaining agreement (CBA) provisions and the benefits that it offers to its classified staff to be in line 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 CBA contains certain provisions that may increase future liabilities. The same is true of the benefits it offers to its classified employees. Aligning some of these provisions with ORC minimums and local peer averages would reduce future expenditures.

Background

RLSD has a certificated CBA with the Ross Education Association, which expires in August 2023. This agreement identifies a variety of benefits such as allowable sick and vacation leave accruals. Although the District's classified staff are non-union, the District provides similar benefits to these employees, which are set after the certificated CBA contract is finalized.

Methodology

The District's certificated CBA was obtained from the State Employment Relations Board (SERB). Since the District's classified employees are non-union, information on their benefits was obtained directly from the District. Certificated CBA provisions and classified staff benefits were then analyzed and compared to ORC requirements and local peer district CBAs to highlight any overly generous provisions or potential opportunities to reduce costs or increase operational efficiency.

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.

At RLSD, both certificated and classified employees may receive up to 58 days in paid severance, which is nearly double the ORC requirement (30 days). Certificated staff severance payouts are 18.8 days under the local peer average and classified staff severance payouts are 19 days under the local peer average.

Furthermore, both certificated and classified employees can accumulate up to 220 days of sick leave, which is 100 days more than the ORC requirement (120 days). District employees accumulate less than the local peer average of 276 days.

Life Insurance: While not required by ORC, the District offers certificated and classified staff Group Term Life Insurance for each employee in the amount equal to two times the individual employee's annual salary. The local peers offer varying levels of life insurance benefits to their employees. For certificated employees, three of the local peers offer a defined death benefit and two offer life insurance coverage based on the employee's salary. For classified employees, four of the peers offer a defined death benefit and one offers life insurance coverage based on the employee's salary.²⁴

Based on the average benefits offered by local peers, RLSD offers \$19,694 more per employee for a first-year teacher in life insurance coverage. For an entry-level classified custodial employee, RLSD offers \$22,959 more per employee than the local peer average.

Certificated Tuition Reimbursement: In FY 2023, the District allocated approximately \$39,000 in tuition reimbursement annually for its certificated staff, which is based on the salary of a first-year teacher. Local peer districts allocate an average of approximately \$64,000; however, the ORC does not specify tuition reimbursement requirements.

Vacation Leave Allowance: The District's classified employees are provided with annual vacation accrual whereby they can earn 515 vacation days over the course of a 30-year career. This exceeds the statutory minimum of 460 days established for full-time employees under ORC § 3319.084, although this is less than the local peer average of 529 vacation days. 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.

Conclusion

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

²⁴ For certificated employees, one peer offers life insurance in the amount of 1.5 times an employee's annual salary and a second peer offers life insurance in the amount of 2.5 times an employee's annual salary. One peer offers classified employees life insurance in the amount of 2.5 times an employee's annual salary.

Recommendation 5: Align Classified Salary Schedules

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

Impact

While cost savings are not calculated for this recommendation, aligning classified salary schedules with the local peer average will allow the District to improve its overall fiscal condition and reduce future expenses.

Background

The District does not have a collective bargaining unit for classified employees but does have salary schedules.

Methodology

We used the District's FY 2023 classified salary schedules to compare to the local peer averages over a 30-year career averages (see [Appendix C](#)). Pay schedules from the peer district CBAs were obtained from the SERB website. When updated contracts were unavailable from SERB, they were obtained directly from the peer districts.

Analysis

We selected a sample of classified position categories to use for our analysis and comparison to local peer districts. The following classified categories were identified for salary comparison between the District and the local peers:

- Food Service Worker;
- Café Manager/Head Cook;
- Clerical;
- Custodian;
- Bus Driver; and,
- Paraprofessional/Teaching Aide

For all of the above classified positions, RLSD has a higher average yearly salary and higher 30-year career compensation than the local peers. The District's career compensation ranges from approximately 6.7 percent to approximately 11.4 percent higher than the local peers, based on FY 2023 data.

Conclusion

The salary schedules for the District's classified employees, for all categories analyzed, have a higher average yearly salary than the local peer average. As a result, the District compensates its classified employees at a higher rate over a 30-year career. To achieve savings, the District

should align classified salaries with the local peer average. Any future savings achieved would affect the forecasted funds as well as the Food Service Fund, as salaries of food service employees are charged to the Food Service Fund.

Recommendation 6: Align Employer Insurance Costs with SERB Regional Average

The District should align its employer costs for medical, dental, and vision 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 \$760,000 beginning in FY 2024.²⁵ This could be accomplished by seeking out alternative insurance offerings or increasing employee premium contributions.

Background

The District is part of the Butler Health Plan, an organization which provides insurance to participating members. RLSD offers one insurance program for medical and prescription coverage, a Preferred Provider Organization (PPO) plan, with an option for single or family coverage.²⁶ In addition to medical coverage, the District also offers employees dental and vision insurance.

At the time of analysis, RLSD had 160 enrollees in the medical family plan and 94 enrollees in the medical single plan. Prescription coverage is included in the medical plan. The District also had 188 enrollees in the family dental plan and 72 enrollees in the single dental plan. Finally, the District's vision insurance had 185 employees enrolled in the family plan and 77 employees enrolled in the single plan.

Methodology

We compared the District's medical, dental, and vision insurance premiums and costs to the SERB regional peer average for school districts. Peer information was obtained through the FY 2022 SERB survey.²⁷ 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 the potential cost savings over the course of the forecast period.

Analysis

The District offers combined medical and prescription, dental, and vision coverage to its employees. The cost of obtaining insurance is typically identified as a premium payment. These

²⁵ Approximately \$33,000 of these average annual savings would not impact the General Fund as food service employees' benefits are charged to the Food Service Fund (see [Recommendation 9](#)).

²⁶ The District also offers a high deductible health plan (HDHP), but at the time of analysis had no enrollees.

²⁷ Since the District's medical insurance rates had been updated for FY 2023, we inflated the SERB FY 2022 data for use in that analysis. Dental and vision insurance rates were not inflated.

premiums are divided between the employer and employee. RLSD offers the same health insurance plan to its administrative, certificated, and classified employees; however, the share of the premium varies depending on the group which an employee belongs. The District covers different percentages of dental insurance based on employee type and covers 96 percent for all vision insurance.

Medical Insurance

Under the current medical insurance plan, as seen in the following table, the District's monthly premium and its employer share for medical insurance exceed the regional peer average. If the District were to maintain the current insurance plan, it would need an adjustment to shift a greater portion of the premium to employees to reduce its insurance related expenditures. The results of this adjustment are calculated in the tables below and would result in employees paying a higher percentage of the insurance premium compared to the regional peer average. This adjustment would be significant for all employees. Monthly premiums for certificated employees would nearly double, monthly premiums for classified employees would nearly triple, and monthly premiums for administrative employees would be more than six times higher under the adjusted premium split.

2022 Monthly Medical Insurance Costs – PPO

			RLSD		Regional Peer Averages		RLSD Adjustment	
			Costs	% Share	Costs	% Share	Costs	% Share
CERTIFICATED	Single Medical + Rx	District	\$679.40	86.0%	\$591.11	84.3%	\$591.11	74.8%
		Employee	\$110.60	14.0%	\$109.72	15.7%	\$198.89	25.2%
	Family Medical + Rx	District	\$1,750.96	86.0%	\$1,490.87	83.4%	\$1,490.87	73.2%
		Employee	\$285.04	14.0%	\$296.07	16.6%	\$545.13	26.8%
CLASSIFIED	Single Medical + Rx	District	\$718.90	91.0%	\$591.11	84.3%	\$591.11	74.8%
		Employee	\$71.10	9.0%	\$109.72	15.7%	\$198.89	25.2%
	Family Medical + Rx	District	\$1,852.76	91.0%	\$1,490.87	83.4%	\$1,490.87	73.2%
		Employee	\$183.24	9.0%	\$296.07	16.6%	\$545.13	26.8%
ADMIN	Single Medical + Rx	District	\$758.40	96.0%	\$591.11	84.3%	\$591.11	74.8%
		Employee	\$31.60	4.0%	\$109.72	15.7%	\$198.89	25.2%
	Family Medical + Rx	District	\$1,954.56	96.0%	\$1,490.87	83.4%	\$1,490.87	73.2%
		Employee	\$81.44	4.0%	\$296.07	16.6%	\$545.13	26.8%

Source: RLSD and SERB

Because the District's medical plan has benefits that are in-line with, or less generous than, the regional peer average, it is unlikely that it would be able to adjust the plan design to lower costs. For example, the District's out-of-pocket maximum is higher than the regional peer average, as are co-payments and deductibles. As a result, shifting an additional portion of the premium to the employee or seeking out an alternative medical insurance plan are more feasible options to reduce medical insurance related expenditures.

Dental Insurance

Similar to the District's medical insurance, under the current dental insurance plan, as seen in the following table, the District's monthly premium and its employer share for dental insurance exceed the regional peer average. If the District were to maintain the current insurance plan, it would need an adjustment to shift a greater portion of the premium to employees to reduce its insurance related expenditures. The results of this adjustment are calculated in the tables below and would result in employees paying a higher percentage of the insurance premium compared to the regional peer average. This adjustment would be significant for all employees, with the adjusted monthly premium being approximately two to seven times higher than the current amount.

2022 Monthly Medical Insurance Costs – Dental

			RLSD		Regional Peer		RLSD	
			Costs	% Share	Averages	Costs	% Share	Adjustment
								Costs % Share
CERTIFICATED	Single Dental	District	\$41.28	86.0%	\$34.39	84.3%	\$34.39	71.6%
		Employee	\$6.72	14.0%	\$6.40	15.7%	\$13.61	28.4%
	Family Dental	District	\$97.18	86.0%	\$78.82	86.3%	\$78.82	69.8%
		Employee	\$15.82	14.0%	\$12.50	13.7%	\$34.18	30.2%
CLASSIFIED	Single Dental	District	\$43.68	91.0%	\$34.39	84.3%	\$34.39	71.6%
		Employee	\$4.32	9.0%	\$6.40	15.7%	\$13.61	28.4%
	Family Dental	District	\$102.83	91.0%	\$78.82	86.3%	\$78.82	69.8%
		Employee	\$10.17	9.0%	\$12.50	13.7%	\$34.18	30.2%
ADMIN	Single Dental	District	\$46.08	96.0%	\$34.39	84.3%	\$34.39	71.6%
		Employee	\$1.92	4.0%	\$6.40	15.7%	\$13.61	28.4%
	Family Dental	District	\$108.48	96.0%	\$78.82	86.3%	\$78.82	69.8%
		Employee	\$4.52	4.0%	\$12.50	13.7%	\$34.18	30.2%

Source: RLSD and SERB

Vision Insurance

The District's total monthly premium for vision insurance is lower than the regional peer average. However, as seen in the table on the following page, the percent of the premium paid by RLSD is significantly higher than that of the regional peer average. In order to bring costs in-line with the peer average, the District would need to adjust the premium payment and shift a much greater portion to the employee.

2022 Monthly Medical Insurance Costs – Vision

		RLSD		Regional Peer Averages		RLSD Adjustment	
		Costs	% Share	Costs	% Share	Costs	% Share
Single Vision	District	\$5.44	96.1%	\$1.49	18.8%	\$1.49	26.4%
	Employee	\$0.22	3.9%	\$6.44	81.2%	\$4.17	73.6%
Family Vision	District	\$14.96	96.0%	\$5.09	26.3%	\$5.09	32.7%
	Employee	\$0.62	4.0%	\$14.24	73.7%	\$10.49	67.3%

Source: RLSD and SERB

Because the overall premium is lower than the regional peer average, even if the District were to adjust payments, the employee payments would remain lower than the regional peer average.

Using the November 2022 forecast submitted by RLSD, we identified potential cost savings associated with bringing insurance costs in-line with the regional peer average. The District has projected a 12 percent increase in health insurance costs for FY 2024 and six percent increases in the remaining years of the forecast. The District could save an average of \$760,000 annually in FY 2024 through FY 2027 by bringing insurance costs in-line with regional peers.

There are three main elements that could be adjusted in order to reduce insurance related costs: adjust the plan design, shift premium costs, or seek out alternative insurance. The Butler Health Plan dictates the plan design of the insurance policies it offers. Because of this, RLSD is unable to alter the design elements of its existing insurance plans, such as co-payments, deductibles, or out of pocket maximums. Instead, the District would need to consider increasing the monthly premiums paid by employees to reduce insurance expenditures under the current plans. Alternatively, the District could seek out alternative insurance offerings. This could include alternative plans offered by the Butler Health Plan or joining a new insurance consortium.

Conclusion

RLSD should work to bring its insurance premium costs for medical, dental, and vision more in line with the SERB regional average. Doing so could result in average annual savings of approximately \$760,000. These savings can be realized by reducing District contributions toward premium costs or exploring alternative insurance options.

At the time of analysis, the District was undergoing an insurance study with an independent consultant to determine options for reducing insurance costs.

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 RLSD's facilities staffing levels and maintenance practices in comparison to best practices and industry standards to determine if there were any areas for improvement.

Recommendation 7: Align Facilities Expenditures with the Primary Peers

RLSD should align facilities expenditures with the primary peer average in order to reduce future facility-related liabilities.

Impact

The financial impact of this recommendation would be dependent on the extent to which the District can align current expenditures.

Background

RLSD maintains five buildings – one high school, one middle school, one intermediate school, and two elementary schools. The District recently converted part of an older administrative building into an intermediate school for fourth and fifth grade students. Previously the fourth-grade students were housed in the elementary schools and the fifth-grade students were housed in the middle school. The District felt that moving these grade levels into a separate building would improve academic performance. This decision also allowed the District to offer all-day kindergarten.

Facilities expenditures include all expenses related to the maintenance of these buildings. This would include, for example, the salaries and benefits of employees such as custodial or maintenance staff, supplies and materials necessary to keep a building clean, and contracted services such as snow removal or mowing. These expenditures are broken down by category for accounting purposes, and based on a district's operational decisions, categories may vary. For example, a district that chooses to contract for services may have lower salary levels due to fewer staff being necessary.

Methodology

We obtained and confirmed the District's building square footages with data from ODE and the Ohio Facilities Construction Commission (OFCC). We then compared expenditures per square foot to the primary peer average to identify areas the District may be able to reduce expenditures. Due to the new intermediate school, we used a three-year average comparison of expenditures to normalize any impact that may have occurred from the opening of the building. Lastly, we identified best practices that could be implemented by the District to assist in reducing expenditures.

Analysis

Facilities expenditures encompass many different areas, such as personnel, supplies, or utilities. For accounting purposes, these expenditures are recorded in the following primary categories:

- Salaries and Wages;
- Benefits;
- Purchased Services (Excluding Utilities);
- Utilities;
- Supplies and Materials;
- Capital Outlay; and,
- Other Objects.

We compared RLSD's expenditure per square foot to the primary peer average by category and in total. Overall, the District spends nearly one dollar more per square foot on facilities expenditures compared to the primary peers. With more than 475,000 total square feet in the District, this results in significant additional expenditures. As seen in the table below, RLSD is higher than the primary peer average in three areas; supplies and materials, purchased services, and utilities.

Facilities Expenditures per Square Foot

	RLSD	Primary Peer Avg.	Difference
Total Square Feet	476,270	367,156	109,114
Salaries and Wages	\$1.93	\$1.93	\$0.00
Employee Benefits	\$0.86	\$0.90	(\$0.04)
Purchased Services (Excluding Utilities)	\$1.62	\$0.96	\$0.66
Utilities	\$1.59	\$1.32	\$0.27
Water & Sewage	\$0.08	\$0.13	(\$0.05)
Sub-Total Energy	\$1.51	\$1.19	\$0.32
Electric	\$1.33	\$0.91	\$0.42
Gas	\$0.18	\$0.28	(\$0.10)
Other Energy Sources	\$0.00	\$0.00	\$0.00
Supplies & Materials	\$1.08	\$0.44	\$0.64
Capital Outlay	\$0.02	\$0.56	(\$0.54)
Other Objects	\$0.00	\$0.00	\$0.00
Total Expenditures per Square Foot	\$7.10	\$6.11	\$0.99

Source: RLSD and Peers

Had the District been in line with the peer average for total facilities expenditures in FY 2022, the District would have saved approximately \$471,000. To account for the potential of FY 2022 reflecting unusual spending levels, due to the conversion of the administrative building, a three-year average was calculated and used for comparison. From FY 2020 to FY 2022, the District's total facilities expenditures per square foot was \$6.38, which is still \$0.27 higher than the peer

average of \$6.11. Based on the three-year average, the District could save approximately \$127,000 annually in facilities expenditures.

Because the District is higher in three cost categories, we reviewed those specifically to provide options that may help to reduce expenditures.

Supplies and Materials

In FY 2022, the District spent \$0.64, or 145.5 percent, more than the peer average in this category. Our review of financial transaction data did not identify a cause for the higher expenditures. Further, the District was unable to identify a cause. According to *School District Purchasing Practices* (Missouri State Auditor, 2006), the following procurement procedure improvements could enhance accountability and reduce expenditures:

- Take full advantage of cooperative purchasing opportunities;
- Coordinate school supply orders across the district to maximize purchasing power; and,
- Consider state purchasing resources.

Although RLSD bids common use items such as soap and paper towels, it does not use cooperative purchasing. The District could potentially reduce costs associated with supplies and materials through improved purchasing practices. One way RLSD could implement these best practices is through the Ohio Schools Council (OSC). The OSC provides statewide purchasing programs for electric, gas, and a consortium for supplies and materials. RLSD is not a part of the OSC or any other consortium for purchasing power advantages. While the District does have a clear and concise procurement process as part of their Board policies, the District should consider joining a consortium to reduce expenditures.

Purchased Services

RLSD contracts out mowing services and snow removal, which may be a contributing factor to higher expenditures. The District also outsources repairs for HVAC systems and other expensive repairs. In FY 2022, the District spent \$0.66, or 68.8 percent, more than the peer average in this category. *A Guide to Contracting Out School Support Services: Good for the School? Good for the Community?* (March, 2008) offers guidance on best practices for purchased services. This guidance includes using independently developed requests for proposals and considering if there are enough qualified potential bidders to provide effective competition and cost reductions. Additionally, careful consideration on the total cost of contracting compared to using regular employees should be conducted prior to engaging in contracted activities.

Utilities

In FY 2019, at the request of District officials, Duke Energy conducted an audit on all of the District's buildings. The District hired an independent consultant to review the District's HVAC systems, lighting, windows and doors, plumbing, computers, and boilers. As a result, the District replaced several computers, installed LED lighting, and upgraded multiple energy elements. RLSD is complying with the recommendations from the audit, but District officials feel they

have yet to see the savings from it. In FY 2022, the District spent, \$0.27, or 20.5 percent, more than the peer average in this category. For electric specifically, the District spent \$0.42, or 46.2 percent, more than the peer average.

The District could take further actions to improve energy efficiency and reduce utility expenditures. *School Operations and Maintenance: Best Practices for Controlling Energy Costs: A Guidebook for K-12 School System Business Officers and Facilities Managers* (August, 2004), identifies many ways a school district can increase energy efficiency. These recommendations and best practices include regular maintenance and proactive inspection of major systems such as HVAC, and specific activities such as regular inspection of windows and doors for air leaks, which would increase heating and cooling expenses.

Conclusion

The District's facilities expenditures were higher than the primary peer average both in FY 2022 and using a three-year average basis for comparison. RLSD should work to align facilities expenditures with the primary peer average through the implementation of several best practices including considering using cooperative purchasing, improved contracting procedures, and proactive measures to reduce utility expenditures.

Recommendation 8: Formalize a Preventative Maintenance Plan

RLSD should formalize a preventative maintenance plan as recommended by the National Center for Education Statistics (NCES) to help ensure that preventative maintenance of its facilities is conducted at optimal intervals, which could help mitigate otherwise unneeded costly repairs.

Impact

There is no direct financial implication of this recommendation; however, a formal preventative maintenance plan can assist the District in forecasting costs and reducing the impact of emergency repairs or replacements. It is generally more efficient to regularly maintain facilities as repairs and replacements are needed rather than attempt to conduct all repairs and replacements simultaneously.

Methodology

We conducted interviews with District officials on their preventative maintenance practices. Their practices were then compared to industry standards and best practices from NCES.

Analysis

RLSD does not have a formal preventative maintenance plan or work order tracking system. The District is planning to implement a program for tracking work order submissions and completion dates; however, the program is currently only being tested at Ross Middle School. The District has five buildings and maintenance is performed on one building per day on a rotational basis. The rotation is only paused for emergency or reactionary maintenance requests.

According to *Planning Guide for Maintaining School Facilities* (NCES, 2003), preventative maintenance is the cornerstone of any effective maintenance initiative. It begins with an audit of the buildings, grounds, and equipment. Once facilities' data has been assembled, structural items and pieces of equipment can be selected for preventative maintenance. Once the items that receive preventative maintenance have been identified, planners can decide on the frequency and type of inspection. Manufacturer's 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.

Conclusion

A lack of a formal preventative maintenance plan can make it difficult to forecast and accurately plan for expenditures related to maintenance and repairs. The establishment of a formal preventative maintenance plan as recommended by the NCES could assist the District in planning for repairs, ensuring the maximum useful life of assets and effective allocation of resources, increased energy efficiency, and reducing the possibility of unnecessary costs.

Food Service

Providing meals to students is a critical component of any school district's operations. The way districts choose to provide and fund food services can have a significant impact on the annual budget and the overall fiscal health of the district.

Recommendation 9: Reduce Food Service Staffing by 13.0 Daily Labor Hours

RLSD should reduce food service staffing by 13.0 daily labor hours and consider additional measures to improve operational efficiency.

Impact

The District's food service program operates using a separate fund that should be self-sustaining. If the fund has a deficit balance, it will require a transfer from the General Fund, which could impact the District's overall fiscal condition. Reducing the total food service daily labor hours by 13.0 hours could save the District an average of approximately \$81,000 in each year of implementation throughout the forecast period and contribute to a self-sustaining Food Service Fund.

Background

At the end of FY 2022, the District's Food Service Fund had a balance of approximately \$473,000. Since then, that balance has been spent down to cover personnel and supply expenses. The Food Service Fund last required a General Fund subsidy in FY 2020, but the District expressed concern a future subsidy may be necessary.

The Food Service Fund is used to pay for the salaries and benefits of food service staff as well as purchasing food and supplies needed to prepare and serve meals. In FY 2023, the District has been serving meals at its five buildings using a hybrid system of convenience and conventional food service to provide meals to students.

Methodology

We conducted interviews with food service staff to understand how the District provides meals to students. Using data from the Ohio Department of Education's Claims Reimbursement and Reporting System (CRRS), we identified the number of meals served from August to December 2022 in order to calculate a meals per labor hour (MPLH) metric to identify the efficiency of food service staffing and operations at the District for the current year. We then compared the District's food service labor efficiency to industry benchmarks.

Using District revenue and expenditure data, we assessed Food Service Fund trends and cash balances from FY 2020 through FY 2022. We then determined how much it costs for the District to prepare one meal when considering all costs, including salaries and benefits. We also

reviewed RLSD's five-year financial forecast to assess the extent to which General Fund subsidies were used to support food service operations. Finally, we assessed food service meal pricing, student participation, and commodity entitlement usage.

Analysis

Food service operates using an enterprise fund, which is like a business account. A well-run program will generate enough revenue to cover the expenditures, or costs, associated with the provision of meals. When a district's Food Service Fund does not generate enough revenue to cover expenditures, the district must transfer revenue from the General Fund to cover any excess expense. When a district, like RLSD, is projecting General Fund deficits, it is important to ensure it minimizes any transfers out of the General Fund.

The RLSD food service program experienced an operating deficit in FY 2020 and FY 2021. Contributing to the District's Food Service Fund deficit is the fact that the salaries and benefits of food service staff are charged to the Food Service Fund, not the General Fund.

As seen in the following table, FY 2020 had a deficit of \$76,280 and FY 2021 had a deficit of \$85,065. While the District ended FY 2022 with a positive fund balance, this was mainly the result of the federal government providing universal reimbursement for the free breakfast and lunch programs in response to the COVID-19 pandemic.

Food Service Net Gain/(Loss) History

	FY 2020	FY 2021	FY 2022
Revenue	\$914,033.93	\$1,052,790.28	\$2,101,640.82
Expenditures	\$990,314.80	\$1,137,855.85	\$1,545,705.56
Net Gain/(Loss)	(\$76,280.87)	(\$85,065.57)	\$555,935.26

Source: RLSD

Note: Transfers/advances were removed to display net gain/loss of food service operations

In FY 2020, the RLSD Food Service Fund required a transfer due to a negative fund balance. From FY 2017 through FY 2022, the District had an average daily participation rate of 43 percent. This is a lower average participation level than that of the peer groupings, which means that fewer students historically have been purchasing meals from the school. Additionally, the District's meal prices are higher than that of the primary peer, local peer, and statewide averages, meaning that the cost to students who purchase meals is higher than that of the peers. Because of this, increasing prices is likely not a viable option to raise additional revenues. Further, increasing participation may be difficult if it is not an economically viable option for students and their families. As a result, the District will likely need to address expenditure levels in order to ensure the Food Service Fund remains self-sustaining.

School Food and Nutrition Service Management for the 21st Century (Pannell-Martin and Boettger, 2014) establishes a MPLH benchmark based on the number of meals served and the type of system used for food service. As of December 2022, RLSD produced an average of approximately 1,655 meal equivalents per day and was staffed with 114.5 labor hours per day.

Based on the MPLH benchmark, the District requires 100.6 total daily labor hours, indicating that RLSD operates with approximately 13.9 excess daily labor hours. Eliminating a total of 13.0 labor hours from food service operations would reduce salaries and benefits expenditures by approximately \$81,000 annually throughout the forecast period.

In addition to staffing, there are other factors that can contribute to operational deficits. The District should consider other options to prevent the need for a future General Fund subsidy and increase operational efficiency. The Florida Office of Program Policy Analysis & Government Accountability outlines many steps that can be taken including:

- Establish expectations and measures for program performance and cost;
- Develop effective annual budgets and long-term program plans;
- Identify and reduce participation barriers;
- Promote the food service program;
- Maximize the use of USDA commodities;
- Join purchasing cooperatives to receive quantity discounts; and/or,
- Revise meal prices, but only after ensuring the food service program is efficient and effective.²⁸

While the District should not maintain excessive fund balances for food services, it should be mindful in its spending and maximize available assistance. The USDA provides funds to the District to offset the cost of food purchases, known as commodity dollars. The District can use these dollars to purchase foods such as meat, fish, poultry, fruits, cheese, and grains. Based on our analysis, RLSD used the majority of its available USDA funding between FY 2018 and FY 2022.

Making any of these changes would help to prevent operational deficits and help the Food Service Fund remain self-sufficient, which would allow for more resources to be dedicated to student instruction.

Further, because salaries and benefits of food service employees are paid using the Food Service Fund, if the District makes changes to classified salary schedules as identified in [Recommendation 5](#) or insurance as identified in [Recommendation 6](#), the cost associated with food service labor will be reduced.

Conclusion

Due to the historical trend of operating deficits, the District should align its food service staffing more closely with industry standards. Eliminating 13.0 daily labor hours from food service operations would reduce expenditures by approximately \$81,000 annually throughout the forecast period. In addition, the District should consider taking additional measures to increase operational efficiency such as increasing participation, continuing to maximize commodity dollars, and developing an annual budget.

²⁸ *Best Practices Could Help School Districts Reduce Their Food Service Program Costs*, Florida Office of Program Policy Analysis & Government Accountability, 2009.

Tier II and Tier III Recommendations

As discussed in detail throughout the preceding sections of this report, RLSD could gain efficiencies by aligning its operations with the peer averages and industry standards and implementing the previously identified baseline, or Tier I, recommendations. However, the recommendations identified previously in this report 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 Tier II and Tier III actions could have a significant impact on the District's operations and instructional activities. However, without additional revenue, the District will likely need to consider the following recommendations in order to remain fiscally solvent.

Tier II Recommendations

Eliminate the General Fund Subsidy for Extracurricular Activities

In FY 2022, RLSD spent more than \$1.2 million on student extracurricular activities, which included the salaries and benefits of directors and coaches, supplies and materials, transportation services, and other miscellaneous expenditures. A portion of these expenditures were offset by generating revenue of \$692,200 for admissions and other extracurricular activity sources. The remaining expenditures relating to student activities were subsidized by the General Fund.

The District's percent of extracurricular activities expenditures subsidized by the General Fund was lower than the local peer average. However, since a significant General Fund deficit is projected, RLSD should consider eliminating the entire General Fund subsidy of approximately \$673,622 by considering implementation of one or more of the following options:

- Increase admissions and sales;
- Increase booster club funding;
- Reduce the supplemental salary schedule; and/or,
- Eliminate programs

Effective with FY 2023, the District substantially increased pay-to-participate fees for extracurricular activities, which would have a direct impact on the financial savings identified above. The District should monitor its final General Fund subsidy of extracurricular activities in FY 2023 to determine the potential savings that might be realized as a result of that increase.

Implement a Base and Step Salary Freeze

The District could consider implementing additional salary-related measures in order to achieve additional savings. [Recommendation 5](#) addresses the potential to reduce future liabilities by bringing classified salaries in line with the peer average. While its certificated career compensation and administrative salaries are lower than the local peer average, significant annual savings could be realized by implementing a freeze on all employee salaries.

The District's five-year forecast assumes a 2.5 percent increase in base salaries from FY 2024 through FY 2025 and a 2.0 percent increase from FY 2026 through FY 2027, as well as an average annual step increase of 4.5 percent in the last four years of the forecast. If the District froze salaries at the FY 2023 forecast levels for FY 2024 through FY 2027 instead of implementing the increases shown in its forecast, it could realize average annual savings of approximately \$2,558,000.²⁹ These estimated savings reflect the average annual savings that can be achieved in FY 2024 through the remainder of the forecast period.³⁰

Eliminate Tuition Reimbursement

The District provides tuition reimbursement to certificated employees in accordance with the terms of the CBA. In FY 2023, the District allocated approximately \$39,000 for tuition reimbursement, which is based on the salary of a first-year teacher. While the District's maximum tuition reimbursement is lower than the peer average, the benefit is not required by the ORC or OAC and can be eliminated.

Due to the District's financial condition, the District could consider eliminating tuition reimbursement for its certificated staff. Based on historical increases to salaries, if the District eliminated the tuition reimbursement benefit, it could save an average of up to \$42,000 annually from FY 2024 through FY 2027.

Tier III Recommendations

If the District is unable to return to fiscal solvency through the implementation of other recommendations within this report, it could consider making additional changes to reduce expenditures. While some additional staffing reductions may be made based on peer comparisons, the District may need to consider significant reductions in general education staffing based on statewide minimum standards. Potential areas for reduction are identified on the following page.

Building Administrators

[Recommendation 2](#) includes the reduction of one building administrator to bring RLSD in line with primary peers on a per 1,000-student basis and on a per-building level basis. After this reduction, the District would still have 0.6 more administrator positions compared to primary peers on a per 1,000-student basis. Eliminating an additional 1.0 FTE building administrator position could save the District approximately \$109,000 annually.

²⁹ This includes salaries and benefits of food service employees paid from the Food Service Fund, and would not impact the five-year forecast. By freezing food service salaries at FY 2023 forecast levels from FY 2024 through FY 2027, the District would realize average annual savings of approximately \$20,000 to the Food Service Fund.

³⁰ 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.

High School Teachers

[Recommendation 3](#) includes the reduction of teachers to be in-line with the primary peer average on a per 1,000-student basis districtwide. However, due to the District's use of block scheduling at the high school, we further analyzed and compared education staffing on a building level basis for the high school level.

Our building-level analysis found that RLSD has a lower student to teacher ratio at the high school compared to the primary peers. This means that on a per 1,000-student basis, the District employs more high school teachers than the peer average. We found that, in total, Ross High School has 8.7 more FTE general education teachers on a per 1,000-student basis than the primary peer average. After taking into account the general education reductions made in [Recommendation 3](#), the district would still have 4.7 more FTE general education teachers at the high school than the primary peer average. Because of this, RLSD could consider eliminating an additional 5.0 FTE high school teachers. This reduction would more closely align the District's high school staffing with the peer average and could save the District approximately \$511,000 annually.

Classroom Teachers

Though previous staffing recommendations (see [Recommendation 2](#), [Recommendation 3](#), and the above [Tier III Recommendation](#)) 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. For FY 2023, the District has a student-to-teacher ratio of 18 to 1.

RLSD could eliminate up to an additional 23.5 FTE classroom teachers and remain in compliance with state minimum staffing requirements. If this level of reduction becomes necessary, the District should work with ODE to ensure compliance with the state minimum requirement in OAC 3301-35-05 before reducing classroom teaching levels.

Combined with the previous staffing recommendations cited above, this reduction would represent the elimination of 27.9 percent of the District's classroom teachers and save the District an average of approximately \$2,372,000 annually. While this option would provide additional savings each year, it would drastically change service levels within the District.

Block Scheduling

In a traditional scheduling model, students will take core courses that meet once a day throughout the entire school year. Under block scheduling, students attend fewer courses each day for a longer period. Using block scheduling, the amount of time needed to cover material is typically cut in half, so a traditional year-long course takes one semester. RLSD uses block scheduling at the High School level; students take four classes each semester. Under this model, high school teachers in RLSD provide instruction during three blocks each day.

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 regarding 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.

Ross Local School District

SUPERINTENDENT (513) 863-1253
TREASURER (513) 863-1250
3371 Hamilton-Cleves Road • Hamilton, OH 45013

ROSS HIGH SCHOOL 3601 Hamilton-Cleves Rd. Hamilton, Ohio 45013 (513) 863-1252	ROSS MIDDLE SCHOOL 3425 Hamilton-Cleves Rd. Hamilton, Ohio 45013 (513) 863-1251	ROSS INTERMEDIATE SCHOOL 3371 Hamilton-Cleves Rd. Hamilton, Ohio 45013 (513) 868-4550	ELDA ELEMENTARY 3980 Hamilton-Cleves Rd. Hamilton, Ohio 45013 (513) 738-1972	MORGAN ELEMENTARY 3427 Chapel Rd. Hamilton, Ohio 45013 (513) 738-1986
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March 9, 2023

The Honorable Keith Faber
Auditor of State
89 East Broad Street, 5th Floor
Columbus, Ohio 43215

Dear Auditor of State Faber,

The Ross Local School District appreciates the work of the Auditor's office during the State Performance Audit of our school district. We value the dialogue and the collaborative structure of this endeavor in support of our ongoing efforts to provide a quality education for our students in the most fiscally responsible way possible. We commend Mr. Scott Smith and his team and welcome the recommendations that are presented to our district in an effort to remain transparent with our community as we work to balance our budget.

The Ross Local School District is committed to improving our performance, reducing costs, and prioritizing needs. The audit will provide us with a template for future decisions that impact our school district and community. This process is providing our district with a third party, objective perspective of our operations and finances. It will guide our decisions as we prepare for an upcoming levy in May 2023.

We would like to acknowledge the professionalism of the audit team and the simplicity with which we were able to work together. The insights gained through this process will drive operational and staffing decisions by the district administration.

Sincerely,



Chad Konkle
Superintendent



Jenni Logan
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 strategic and capital planning efforts consistent with leading practices?	R.1
Is the District's General Fund subsidy of extracurricular activities appropriate in comparison to local peers and the District's financial condition?	Tier II
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.2, R.3, and Tier III

Are the District's salaries and wages appropriate in comparison to local peers and the District's financial condition?	R.5, Tier II
Are the District's collective bargaining agreement provisions appropriate in comparison to local peers, minimum requirements, and the District's financial condition?	R.4, Tier II
Are the District's insurance costs appropriate in comparison to other governmental entities within the local market and the District's financial condition?	R.6
Facilities	
Are the District's facilities staffing levels appropriate in comparison to leading practices, industry standards, and the District's financial condition?	No Recommendation: The District's facilities staffing is lower than the industry standard.
Are the District's facilities non-regular labor expenditures appropriate in comparison to peers, leading practices, industry standards, and the District's financial condition?	No Recommendation: Due to the minor nature of variance from expected performance.
Are the District's facilities expenditures appropriate in comparison to primary peers, leading practices, industry standards, and the District's financial condition?	R.7
Are the District's facilities preventative maintenance practices consistent with leading practices and industry standards?	R.8
Transportation	
Is the revenue generated from transporting high school students greater than the cost?	No Recommendation: The District breaks even on the cost of transporting high school students.
Is the District's T-Report accurate, and did it result in the appropriate level of State transportation funding.	No Recommendation: Due to minor variances identified in the T-1 Report and driver count sheets, as well as in meeting all ODE T-Reporting requirements.
Food Service	
Is the District's food service program operated in a manner that is consistent with leading practices and industry standards and appropriate based on the District's financial condition?	R.9

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:³¹

- Control environment
 - We considered the District’s control of its EMIS system.
- 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.

Internal control deficiencies were not identified during the course of this audit.

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 several sources, including:

- Peer Districts;
- Industry Standards;
- Leading Practices;
- Statutes; and
- Policies and Procedures.

In consultation with the District, three sets of peer groups were selected for comparisons contained in this report. A “Primary Peers” set was selected for general, District-wide comparisons. This peer set was selected from a pool of demographically similar districts with relatively lower per-pupil spending and similar or better 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 specifically to provide context for local labor market conditions. Finally, a “Transportation Peers” set was selected for operational comparisons related to the bus fleet. This peer set was selected from a pool that most closely reflected the geographic, rider density, and other factors affecting transportation operations in RLSD. The lists below show the Ohio school districts included in these peer groups.

³¹ 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

Peer Group Districts

Primary Peers

- Brookville Local School District (Montgomery County)
- Canfield Local School District (Mahoning County)
- Highland Local School District (Medina County)
- Liberty-Benton Local School District (Hancock County)
- Ottawa-Glandorf Local School District (Putnam County)
- Sugarcreek Local School District (Greene County)

Local Peers

- Fairfield City School District (Butler County)
- Hamilton City School District (Butler County)
- Northwest Local School District (Hamilton County)
- Southwest Local School District (Hamilton County)
- Talawanda City School District (Butler County)

Transportation Peers

- Ashland City School District (Ashland County)
- Elida Local School District (Allen County)
- Midview Local School District (Lorain County)
- New Philadelphia City School District (Tuscarawas County)

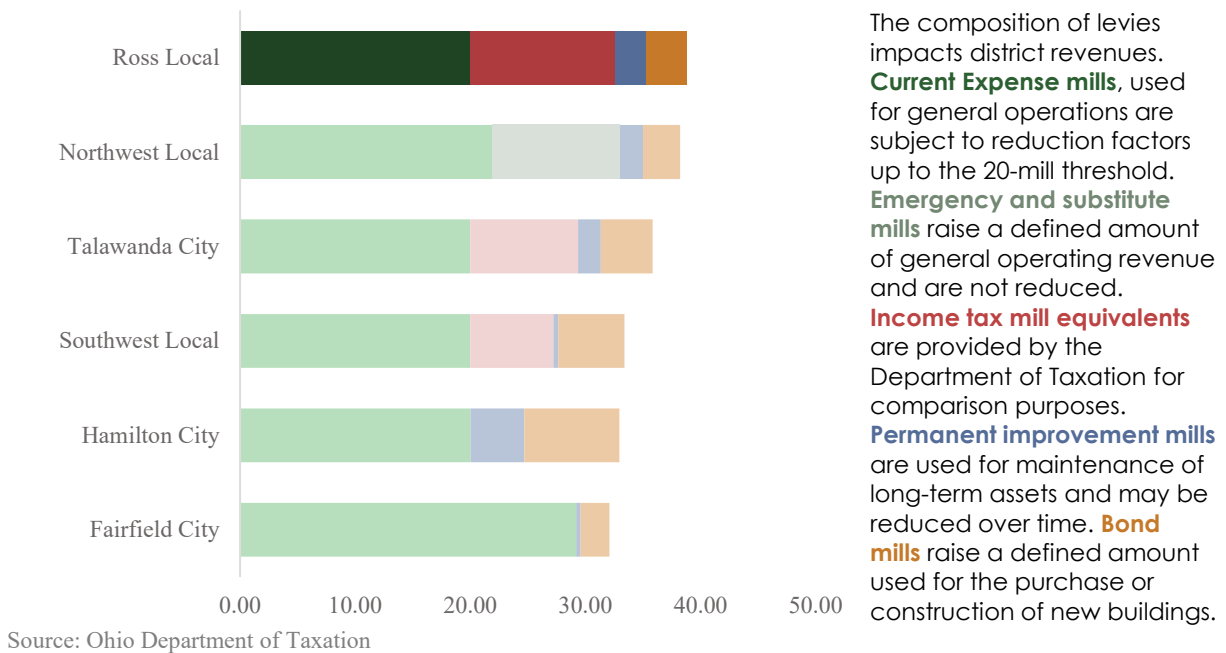
Where reasonable and appropriate, peer districts were used for comparison. However, industry standards or leading practices were used in some operational areas for primary comparison. District policies and procedures as well as pertinent laws and regulations contained in the Ohio Administrative Code (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

The following chart shows the General Fund millage for local peers. The green portion of the bar represents the current expense millage rate, where three of the peers are at the 20-mill floor. The pink portion represents income tax mill equivalents, which RLSD and two local peers have.

Overall, the District's effective millage rate is higher than the local peers. Because the District is at the 20-mill floor, it will see continued growth from current expense mills as property value increases.

2021 Millage and Millage Equivalents | Local Peers



The following tables show the income tax revenue for primary peer districts and local peer districts. Compared to the two primary peer districts with an income tax, RLSD generates more revenue. Compared to the two local peer districts with an income tax, RLSD generates more than one, but less than the other.

2021 Income Tax Revenue and Millage Equivalents | Primary Peers

District	Tax Rate	Income Tax Revenue	Estimated Millage Equivalents
Liberty Benton Local	0.75%	\$2,440,936	10.50
Ross Local	1.25%	\$5,892,008	12.56
Ottawa-Glandorf Local	1.50%	\$5,087,175	19.46
Brookville Local	0.00%	-	-
Canfield Local	0.00%	-	-
Highland Local	0.00%	-	-
Sugarcreek Local	0.00%	-	-

Source: Ohio Department of Taxation

2021 Income Tax Revenue and Millage Equivalents | Local Peers

District	Tax Rate	Income Tax Revenue	Estimated Millage Equivalents
Southwest Local	0.75%	\$5,814,758	7.20
Talawanda City	1.00%	\$7,923,408	9.34
Ross Local	1.25%	\$5,892,008	12.56
Fairfield City	0.00%	-	-
Hamilton City	0.00%	-	-
Northwest Local	0.00%	-	-

Source: Ohio Department of Taxation

The following tables show the local tax effort (LTE) comparison between RLSD and the primary peer districts and the local peer districts. The District's LTE, while below the statewide average, is amongst the highest of the local peer group. The District's LTE represents the median value of the primary peer set.

2021 Local Tax Effort Comparison | Primary Peers

District	LTE	Rank	Percentile
Ottawa-Glandorf Local SD	1.2533	148	75.6%
Brookville Local SD	1.2203	166	72.6%
Liberty Benton Local SD	1.0011	297	51.0%
Ross Local SD	0.8988	366	39.6%
Canfield Local SD	0.7016	518	14.5%
Sugarcreek Local SD	0.5997	567	6.4%
Highland Local SD	0.5846	572	5.6%
Peer Average	0.8934	370	39%

Source: ODE

2021 Local Tax Effort Comparison | Local Peers

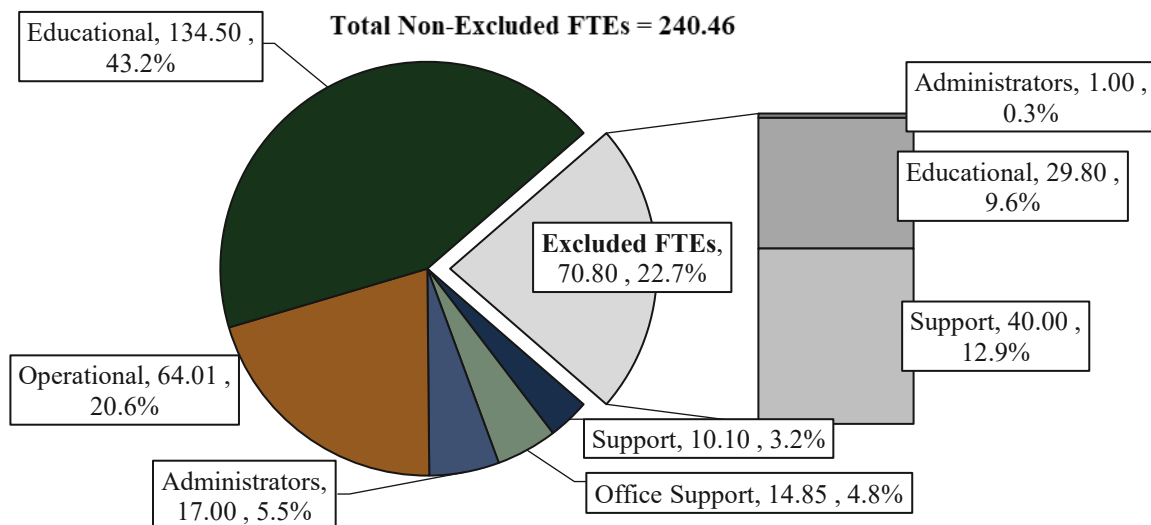
District	LTE	Rank	Percentile
Talawanda City SD	1.1656	191	68.5%
Ross Local SD	0.8988	366	39.6%
Southwest Local SD	0.8349	410	32.3%
Northwest Local SD	0.8345	411	32.2%
Fairfield City SD	0.7745	457	24.6%
Hamilton City SD	0.6160	561	7.4%
Peer Average	0.8451	405	33%

Source: ODE

Appendix C: Human Resources

Personnel costs represent over 80 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.

RLSD Staffing FTEs



Sources: RLSD

In the chart above, there are 70.8 excluded staff FTEs, which includes individuals that are associated with Special Education or Title I programming. These programs have certain legal and contractual requirements that would make reductions difficult. Of these excluded staff, 65.5 are Special Education employees. While a portion of Special Education funding is provided directly from federal grants, the District is still responsible for a large portion of expenditures. We found that 70 percent of Special Education staff were paid using the general fund and impact forecasted expenditures. At the District's request, we reviewed the impact of Special Education staffing requirements and made comparisons to primary peer districts.

The percent of students with disabilities in RLSD during FY 2021 was 13.5 percent, slightly higher than the primary peer average of 11.2 percent. While school districts receive funding to provide special education to students with disabilities, primarily in the form of federal grants, this funding is not intended to cover the full cost of education for these students. The District's special education revenue covered approximately 23.1 percent of the cost dedicated special education, compared to the primary peer average of 13.1 percent. To gauge the impact that special education services have on the District's forecast, we examined the percent of special education expenditures supported by forecasted funds compared to the peer average. The result showed RLSD paid 80.1 percent of its special education expenses from forecasted funds, compared to the primary peer average of 85.9 percent.

In addition to reviewing the percentage of Special Education expenditures that require forecasted funds, we reviewed what portion of total expenditures are Special Education. As shown in the table below, special education expenditures in Ross LSD make up a smaller percentage of total expenditures than the peer average, whether all funds are considered or just forecasted funds.

Special Education Expenditure Comparison to Peers – FY 2022

FORECASTED FUNDS	Ross	Peer Average
Special Education Expenditures	\$2,810,794	\$3,415,392
Total Expenditures	\$27,993,626	\$23,655,327
Special Education % of Total	10.0%	14.4%
ALL FUNDS	Ross	Peer Average
Special Education Expenditures	\$3,509,686	\$3,934,087
Total Expenditures	\$39,291,183	\$35,726,693
Special Education % of Total	8.9%	11.0%

Source: RLSD and Peers

Based on our high-level review, it appears that Special Education expenditures at RLSD represent a smaller portion of overall expenditures compared to the primary peer districts. Further, the District spends fewer total dollars on Special Education than primary peers while having higher overall total expenditures.

All non-excluded staff were compared on a district-wide level to primary peer staffing levels. Staffing was analyzed using the District and peer district Education Management Information System (EMIS) reports. Data reliability testing for the District's EMIS data was performed by comparing the EMIS report to payroll reports corresponding to the time of the report. Variances between EMIS and payroll were discussed with the District, with adjustments made as necessary. Adjustments were also made to the peer EMIS data in order to account for coding variations among RLSD and the peers. Following testing, the EMIS data was considered reliable to use.

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 a more accurate comparison between districts when student counts differ.

Adjusted Difference in FTEs Equation

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

Central Office Administrator Staff Comparison

Students	Ross Local SD	Primary Peer Avg.	Difference	
Students Educated	2,556	2,251	305	
Students Educated (Thousands)	2.556	2.251	0.305	
Position	FTEs	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Supervisor/Manager	6.00	2.35	1.80	1.41
Coordinator	1.00	0.39	0.44	(0.13)
Education Administrative Specialist	0.00	0.00	0.09	(0.23)
Director	1.00	0.39	0.44	(0.13)
Total	8.00	3.13	2.77	0.92

Source: RLSD and ODE

Building Administrator Staff Comparison

			Primary		
	Ross Local	SD	Peer Avg.	Difference	
Students Educated		2,556	2,251	305	
Students Educated (Thousands)		2.556	2.251	0.305	
Buildings		5.0	3.8	1.2	
		FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Position	FTEs				
Assistant Principal	2.00	0.78	0.76	0.02	0.05
Principal	5.00	1.96	1.69	0.27	0.69
Dean of Students	1.00	0.39	0.04	0.35	0.89
Total	8.00	3.13	2.49	0.64	1.64

Position	FTEs	FTEs per Building	FTEs per Building	Difference in FTE per Building	Adjusted Difference in FTEs
Assistant Principal	2.00	0.40	0.45	(0.05)	(0.25)
Principal	5.00	1.00	1.00	0.00	0.00
Dean of Students	1.00	0.20	0.03	0.17	0.85
Total	8.00	1.60	1.48	0.12	0.60

Source: RLSD and ODE

Teaching Staff Comparison

Students	Ross Local SD	Primary Peer Avg.	Difference		
Students Educated	2,556	2,251	305		
Students Educated (thousands)	2.556	2.251	0.305		
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
General Education	112.50	44.01	41.84	2.17	5.55
Gifted and Talented	0.00	0.00	0.32	(0.32)	(0.82)
Career-Technical Programs/Career Pathways	0.00	0.00	0.21	(0.21)	(0.54)
Total	112.50	44.01	42.37	1.64	4.19

Source: RLSD and ODE

K-8 Teaching Staff Comparison

Students	Ross Local SD	Primary Peer Avg.	Difference		
Students Educated	1,827	1,535	292		
Students Educated (thousands)	1.827	1.535	0.292		
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	4.00	2.19	1.02	1.17	2.14
Music Education K-8	4.00	2.19	2.33	(0.14)	(0.26)
Physical Education K-8	3.00	1.64	1.88	(0.24)	(0.43)

Source: RLSD and ODE

Non-Teaching Educational Staff Comparison

Students	Ross Local SD	Primary Peer Avg.	Difference		
Students Educated	2,556	2,251	305		
Students Educated (thousands)	2.556	2.251	0.305		
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Curriculum Specialist	1.00	0.39	0.00	0.39	1.00
Counseling	7.00	2.74	2.13	0.61	1.56
Remedial Specialist	0.00	0.00	0.09	(0.09)	(0.23)
Tutor/Small Group Instructor	0.00	0.00	0.61	(0.61)	(1.56)
Other Educational	0.00	0.00	0.09	(0.09)	(0.23)

Source: RLSD and ODE

Professional Staff Comparison

Students	Ross Local SD	Primary Peer Avg.	Difference		
Students Educated	2,556	2,251	305		
Students Educated (thousands)	2.556	2.251	0.305		
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Psychologist	0.00	0.00	0.18	(0.18)	(0.46)
Publicity Relations	0.00	0.00	0.09	(0.09)	(0.23)
Other Professional - Other	0.60	0.23	0.07	0.16	0.41

Source: RLSD and ODE

Technical Staff Comparison

Students	Ross Local SD	Primary Peer Avg.	Difference		
Students Educated	2,556	2,251	305		
Students Educated (thousands)	2.556	2.251	0.305		
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	0.36	(0.36)	(0.92)
Other Technical	3.00	1.17	0.27	0.90	2.30
Totals	3.00	1.17	0.63	0.54	1.38

Source: RLSD and ODE

Central Office Support Staff Comparison

Students and Buildings			Ross Local SD	Primary Peer Avg.	Difference	
Students Educated			2,556	2,251	305	
Students Educated (thousands)			2.556	2.251	0.305	
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	0.09	(0.09)	(0.23)	
Bookkeeping	3.00	1.17	0.37	0.80	2.04	
Central Office Clerical	2.00	0.78	1.50	(0.72)	(1.84)	
Other Office/Clerical	0.00	0.00	0.06	(0.06)	(0.15)	
Total	5.00	1.95	2.02	(0.07)	(0.18)	

Source: RLSD and ODE

Building Office Support Staff Comparison

Students and Buildings			Ross Local SD	Primary Peer Avg.	Difference	
Students Educated			2,556	2,251	305	
Students Educated (thousands)			2.556	2.251	0.305	
Buildings			5.000	3.800	1.200	
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs	
School Building Clerical	9.85	3.85	3.22	0.63	1.61	
Other Office/Clerical	0.00	0.00	0.24	(0.24)	(0.61)	
Total	9.85	3.85	3.46	0.39	1.00	
Position	FTEs	FTEs per Building	FTEs per Building	Difference in FTE per Building	Adjusted Difference in FTEs	
School Building Clerical	9.85	1.97	1.90	0.07	0.35	
Other Office/Clerical	0.00	0.00	0.14	(0.14)	(0.70)	
Total	9.85	1.97	2.04	(0.07)	(0.35)	

Source: RLSD and ODE

Library Staff Comparison

Students	Ross Local SD	Primary Peer Avg.	Difference		
Students Educated	2,556	2,251	305		
Students Educated (thousands)	2.556	2.251	0.305		
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Librarian/Media	3.00	1.17	0.00	1.17	2.99
Library Aide	0.00	0.00	0.96	(0.96)	(2.45)
Total	3.00	1.17	0.96	0.21	0.54

Source: RLSD and ODE

Nursing Staff Comparison

Students	Ross Local SD	Primary Peer Avg.	Difference		
Students Educated	2,556	2,251	305		
Students Educated (thousands)	2.556	2.251	0.305		
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	0.39	0.70	(0.31)	(0.79)
Practical Nursing	0.00	0.00	0.36	(0.36)	(0.92)
Total	1.00	0.39	1.06	(0.67)	(1.71)

Source: RLSD and ODE

Classroom Support Staff Comparison

Students	Ross Local SD	Primary Peer Avg.	Difference		
Students Educated	2,556	2,251	305		
Students Educated (thousands)	2.556	2.251	0.305		
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Instructional Paraprofessional	0.00	0.00	0.27	(0.27)	(0.69)
Teaching Aide	4.00	1.56	2.13	(0.57)	(1.46)
Total	4.00	1.56	2.40	(0.84)	(2.15)

Source: RLSD and ODE

Other Support Staff Comparison

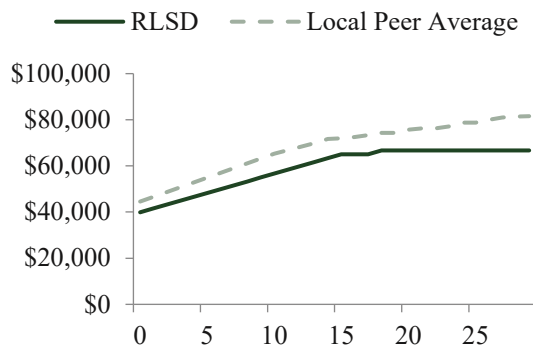
Students	Ross Local SD	Primary Peer Avg.	Difference		
Students Educated	2,556	2,251	305		
Students Educated (thousands)	2.556	2.251	0.305		
	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Position	FTEs	FTEs per 1,000 Students	FTEs per 1,000 Students	Difference per 1,000 Students	Adjusted Difference in FTEs
Attendance Officer	0.00	0.00	0.11	(0.11)	(0.28)
Guard/Watchman	4.00	1.56	0.00	1.56	3.99
Monitoring	1.50	0.59	1.04	(0.45)	(1.15)
School Resource Officer	0.00	0.00	0.09	(0.09)	(0.23)

Source: RLSD and ODE

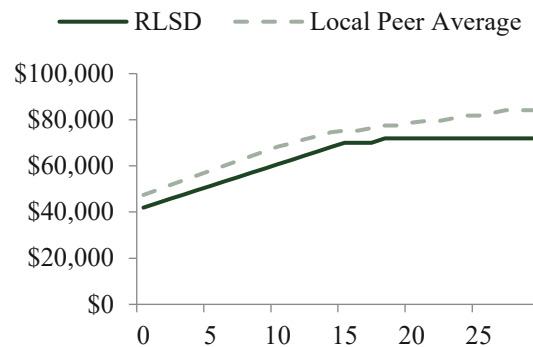
We also looked at annual salaries for all certificated employees and the hourly wage rates for various classified employee positions over the course of a career, as seen in the following charts.

Certificated Career Compensation

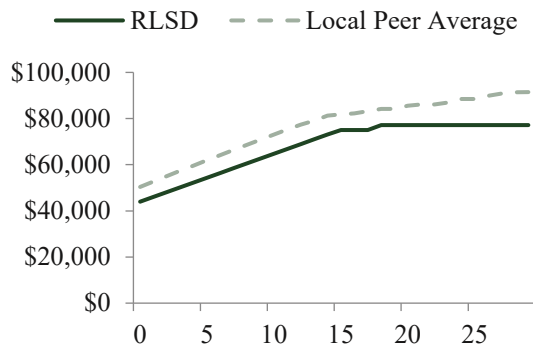
Bachelors



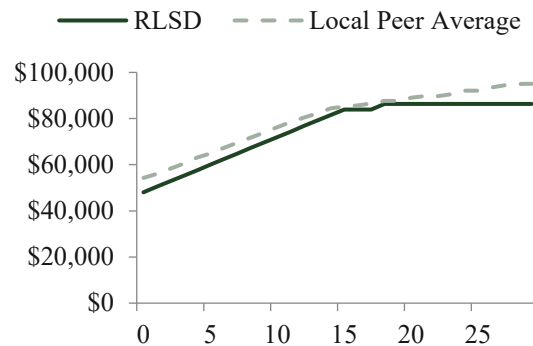
BA + 150



Master's

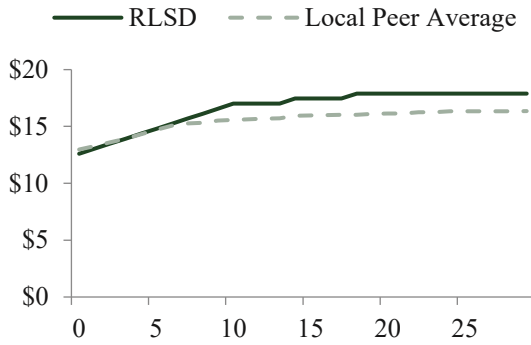


MA+30

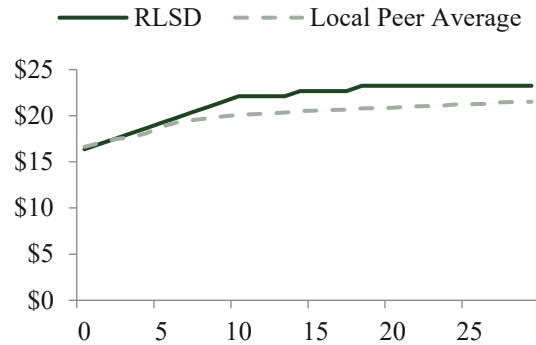


Classified Career Compensation

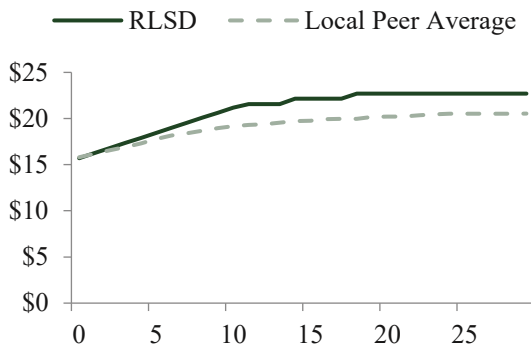
Food Service Worker



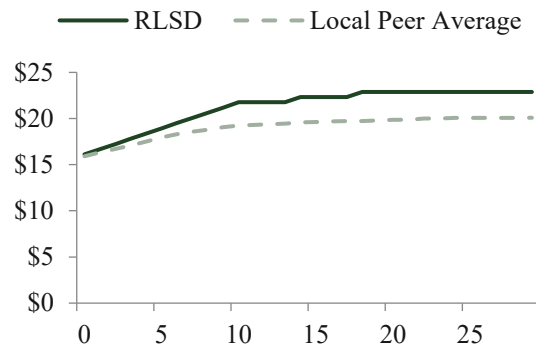
Café Manager – Head Cook



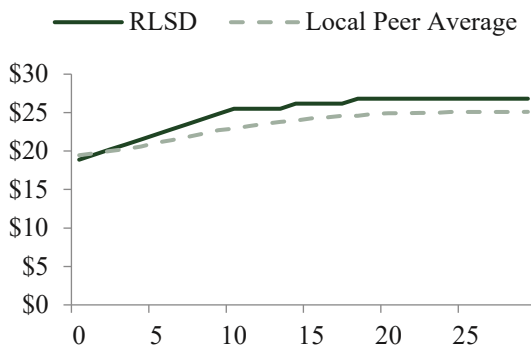
Clerical



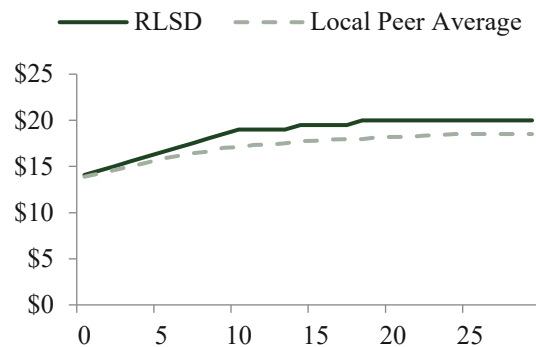
Custodian



Bus Driver



Parapro – Teacher Aide



OHIO AUDITOR OF STATE KEITH FABER



ROSS LOCAL SCHOOL DISTRICT

BUTLER 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 3/30/2023

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

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