



Portsmouth
City School District

Performance Audit

May 2025



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To the Portsmouth City School District community,

The Auditor of State's Office recently completed a performance audit for the Portsmouth City School District (the District). The District was selected for a performance audit based on its projected financial condition. This review was conducted by the Ohio Performance Team and provides an independent assessment of operations within select functional areas. The performance audit has been provided a 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,

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

May 22, 2025

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Introduction

The public expects and deserves government entities to be good stewards of taxpayer dollars. School officials have a responsibility to maximize program outcomes and success while minimizing costs. Transparent management of taxpayer dollars promotes a good relationship with the constituents served by a school district. School districts in Ohio are required to submit budget forecasts to the Ohio Department of Education and Workforce (ODEW) annually in the fall, with updates to the forecast submitted in the spring.¹ These documents provide three years of historical financial data, as well as the projected revenues and expenses for a five-year period.²

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.³

¹ORC § 5705.391 and OAC 3301-92-04.

²Due 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, which may, for a short time, impact the five-year forecasts. Funds had to be liquidated no later than September 30, 2024.

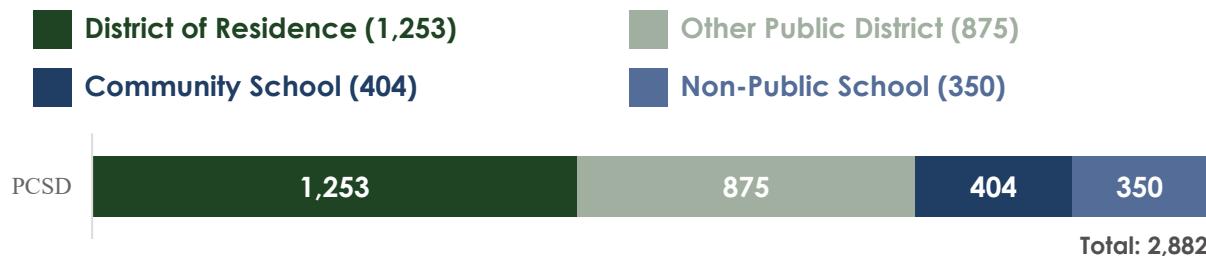
³Performance audits are conducted using Generally Accepted Government Auditing Standards guidelines, see **Appendix A** for more details.

Portsmouth City School District

Portsmouth City School District (PCSD or the District) is located in Scioto County and, as of fiscal year (FY) 2024, had 1,494 students enrolled including students residing in the District and those who attend through open enrollment options. The District spans approximately 16 square miles and has a median income of \$29,872. Of the total enrolled students, approximately 25 percent were students with disabilities.

Students and their families have choices regarding where to attend school. Because of this, not all resident students attend the district where they live. Based on available data from ODEW, which tracks state funding on a per-student basis, the visual below shows where students living in PCSD are attending schools. It should be noted that this visual does not include students who choose to attend private schools and do not receive state assistance or students who are home schooled. Additionally, the number of students attending PCSD represented in this chart does not include students attending via open enrollment options from other districts and is not reflective of the total enrollment.

Place of Enrollment, Students Living in PCSD, FY 2024



Source: ODEW School Report Card

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

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

As seen in the visual above, approximately 57 percent of students residing in PCSD have chosen to attend community schools, nonpublic schools, or another public district that accepts students through open enrollment. During FY 2024, PCSD educated 118 students who open enrolled into the District.

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. During the audit, we relied primarily on FY 2024 data to complete our analyses, which was the most recent year of available data at the time. When applicable, we supplemented our analyses with current data supplied by the District.

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 and similar demographic makeup 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 2024, the District released its semi-annual five-year forecast that showed positive year-end fund balances throughout the forecast period. A summary of this forecast is in the table below. As seen in this table, the District projected negative results of operations in FY 2025 and FY 2026 but a positive ending fund balance in each year. After the release of the May 2024 forecast, the District did not have a treasurer for the remainder of May and June. The District's current treasurer was hired as an interim treasurer in July 2024 and as treasurer in October 2024. In addition to a new treasurer, the District also hired a new superintendent in August 2024, and experienced turnover of four Board members.

During his first several months as interim treasurer, the current treasurer discovered inaccurate accounting which consisted of 54 different funds with negative balances. These funds totaled approximately \$6.3 million and should have required General Fund transfers which would have significantly altered the May 2024 forecast. Due to this discovery, the District consulted with the Auditor of State's Local Government Services (LGS) on their financial condition. LGS serves as a consulting and fiscal advisory group to all government agencies, school systems, and political subdivisions. Due to the District's turnover, accounting errors, and involvement with LGS, and in consultation with ODEW, we chose to conduct a performance audit.

Financial Condition Overview (May 2024 Forecast)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Total Revenue	\$21,919,639	\$22,063,774	\$22,332,366	\$23,081,847	\$23,404,897
Total Expenditures	\$21,914,620	\$22,095,041	\$22,453,711	\$23,069,863	\$23,284,835
Results of Operations	\$5,019	(\$31,267)	(\$121,345)	\$11,984	\$120,062
Beginning Cash Balance	\$1,000,086	\$1,005,105	\$973,838	\$852,493	\$864,477
Ending Cash Balance	\$1,005,105	\$973,838	\$852,493	\$864,477	\$984,539
Encumbrances	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Cumulative Balance of Replacement/Renewal Levies	\$0	\$0	\$0	\$0	\$0
Cumulative Balance of New Levies	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$985,105	\$953,838	\$832,493	\$844,477	\$964,539

Source: ODEW

In addition to the 54 funds with negative balances, the treasurer also discovered a bank account for a \$6.5 million loan that was secured by the Board to build an auditorium. Instead of the loan, the District used ESSER funds, which could have been used for General Fund expenditures, to build the auditorium. Due to this, the auditorium project negatively impacted the General Fund and resulted in the District using the loan to cover payroll expenditures. The loan improved the District's financial condition and assisted the District in avoiding a negative ending fund balance in FY 2024.

The treasurer worked with LGS and ODEW to create a Capital Project Fund, and redesignate ESSER expenditures in prior fiscal years, as well as to resolve other accounting discrepancies. The District also had to begin paying back the auditorium loan, with the first payment of approximately \$500,000 paid in December 2024. Additional payments of approximately \$850,000 are to be paid every year for the next nine years and will come from the General Fund. The \$6.5 million loan will require approximately \$8.5 million in principal and interest to repay. Due to the treasurer working to reconcile the District's accounting errors and the projected loan payments, the November 2024 forecast was significantly different than the May 2024 forecast.

In November 2024, the District released its required annual forecast, which projected negative year-end fund balances beginning in FY 2026, the second year of the forecast. This deficit is projected to grow to more than \$22 million by the end of the forecast period in FY 2029.

Financial Condition Overview (November 2024 Forecast)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Total Revenue	\$23,162,125	\$22,205,675	\$22,438,916	\$22,494,168	\$22,871,138
Total Expenditures	\$24,209,741	\$27,022,256	\$27,926,431	\$28,888,507	\$29,833,411
Results of Operations	(\$1,047,616)	(\$4,816,581)	(\$5,487,515)	(\$6,394,339)	(\$6,962,273)
Beginning Cash Balance	\$1,788,554	\$740,938	(\$4,075,643)	(\$9,563,158)	(\$15,957,497)
Ending Cash Balance	\$740,938	(\$4,075,643)	(\$9,563,158)	(\$15,957,497)	(\$22,919,770)
Encumbrances	\$0	\$0	\$0	\$0	\$0
Cumulative Balance of Replacement/Renewal Levies	\$0	\$0	\$0	\$0	\$0
Cumulative Balance of New Levies	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$740,938	(\$4,075,643)	(\$9,563,158)	(\$15,957,497)	(\$22,919,770)

Source: ODEW

ODEW Required Recovery Plan and Forecast Revision

PCSD was notified by ODEW that the projected deficit in the November forecast required the District to submit a Board-approved written financial recovery plan to eliminate the projected deficit. During the course of the audit, the Board approved the proposed recovery plan at its February 20, 2025 meeting.

In addition to the recovery plan, PCSD submitted a revised November 2024 forecast to ODEW (see **Appendix B**). The Board approved the revised forecast at its March 20, 2025 meeting. This forecast shows the impact of changes outlined in the recovery plan that was also approved in March.

In April 2025, the Board approved staffing realignments and reductions consistent with the recovery plan. PCSD is projecting these actions to significantly improve its financial condition, reducing the projected negative year end fund balance in FY 2029 from approximately \$22.9 million to less than \$1 million.

Because our analyses were completed prior to the date of those actions, we based our recommendations on the November 2024 forecast. Although the District has approved the actions outlined in the recovery plan, PCSD should consider the recommendations outlined in this report. In the District's revised forecast, it continued to project deficit spending in four of the five years of the forecast period. Several of the recommendations contained in this report provide options for cost savings that were not addressed in the recovery plan. In addition, the report contains planning and budgeting recommendations that will assist the District as it continues to make decisions to address ongoing financial concerns.

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 2024, of the approximately \$28.7 billion in reported revenue for public education in Ohio, nearly 80 percent, or \$22.7 billion, came from state and local sources.

State Funding

On July 4, 2023, House Bill 33 of the 135th General Assembly (the biennial budget bill) was signed by the Governor. This bill included changes to the state foundation funding formula, which was enacted in 2021,⁴ and is commonly referred to as the Fair School Funding Plan and is expected to increase funding for most public schools. The funding increases were phased-in at 50 percent in FY 2024 and 66.67 percent in FY 2025.⁵ During the phase-in period, the amount of state funding received in any given year may be less than what would have been received if the formula were fully funded. A new biennial budget will determine state funding for FY 2026 and FY 2027.

Local Funding

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

Property Tax

Property taxes levied in Ohio are subject to restrictions in the Ohio Constitution⁷ and the Ohio Revised Code (ORC).⁸ These restrictions limit the amount of tax that can be levied without voter approval to 10 mills⁹ or 1 percent of property value. While the Constitutional limitation is based on fair market value, the ORC sets a more restrictive limit based on taxable value, which is defined as 35 percent of fair market value. These taxes are distributed between the various taxing districts that operate where a property is located.

⁴ ODEW transitioned to the new funding model in January of 2022.

⁵ See <https://www.legislature.ohio.gov/download?key=21197&format=pdf>

⁶ See <https://tax.ohio.gov/wps/portal/gov/tax/individual/school-district-income-tax>

⁷ Ohio Const. Art. XII, Section 2.

⁸ Ohio Rev. Code § 5705.02.

⁹ A mill is defined as one-tenth of one percent or \$1 for every \$1,000 of taxable value.

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

School districts can obtain additional property tax revenue through voter approved bonds and levies. These taxes can have a variety of purposes that are defined in the authorizing language 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 levies¹⁰ for general operations, and bond levies for the financing of new buildings, are typically fixed-sum levies.

Ohio has historically had laws which limit the impact rising property values can have on property taxes. The most recent version of these limitations was enacted in 1976 and requires that the amount collected on fixed-rate millage is frozen at the dollar value collected in its first year.¹¹ In subsequent years, with exceptions such as new construction, a district would not receive additional revenue from a levy as property values increased.¹² Instead, the outside mills are subject to reduction factors¹³ which lower the effective millage rate in order to maintain the preceding year's level of revenue from the same properties.¹⁴

However, under state law, in order to receive state foundation funding, a district must collect a minimum of 20 mills in property taxes for general purposes, or current expenses.¹⁵ In order to prevent a district from failing to meet this minimum threshold, reduction factors stop being applied once a district reaches an effective rate of 20-mills, colloquially known as the 20-mill floor. Practically speaking, this means that if a district's effective tax rate is reduced to 20 mills for current expenses, the amount of revenue generated from levies will increase with property

¹⁰ Authorized by ORC §5705.194.

¹¹ Am.Sub.H.B. No. 920, 136 Ohio Laws, Part II, 3182, 3194.

¹² If property value decreased due to reappraisal, it is possible that a district would receive less revenue than originally intended.

¹³ ORC § 319.301.

¹⁴ We are providing this information for historical purposes only. The law which regulates collection of on outside millage has been amended since enacted in 1976. The District should consult with the most current version of the law for a clear understanding of how this process works today.

¹⁵ The term 'current expense' refers to revenue generated from levies that are not restricted in their use. It does not include bonds or levies that generate revenues for restricted funds, such as Permanent Improvement levies.

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.

PCSD does not have an income tax, nor do any of the primary peer districts.

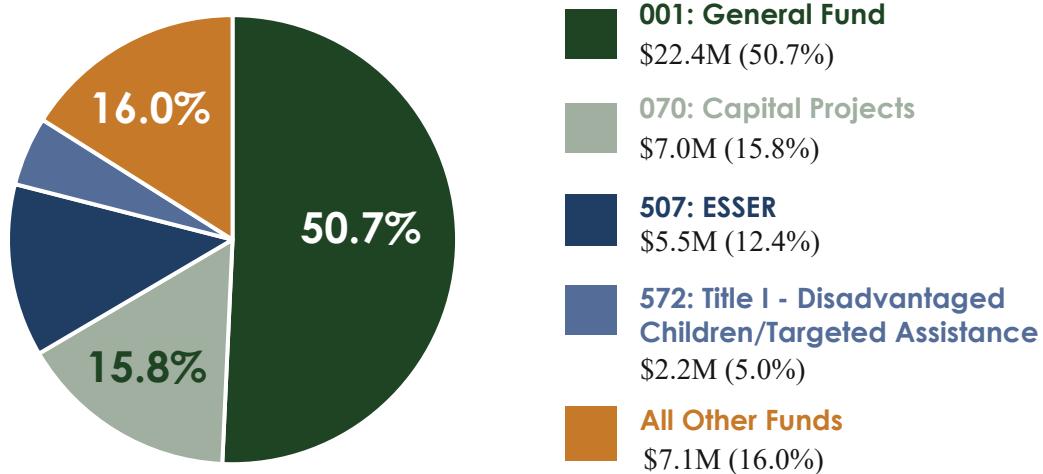
PCSD Revenues

A school district budget is comprised of revenues and expenditures. Revenues are primarily received from federal, state, and local funding sources, and can be placed into general or specific use funds. In FY 2024, PCSD had approximately \$44.1 million in total revenue. Approximately half of this revenue, or 50.7 percent, was General Fund revenue. The District also directed

approximately \$7 million, or 15.8 percent, to the Capital Projects Fund, and received approximately \$7.1 million, or 16 percent, in All Other funds, which includes bond retirement, food service, and permanent improvement funds.

FY 2024 Total Revenue All Funds

Total: \$44.1M



Source: PCSD

Note: All other funds are comprised of a variety of sources including IDEA funding, Title I, and Extracurricular Activities.

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

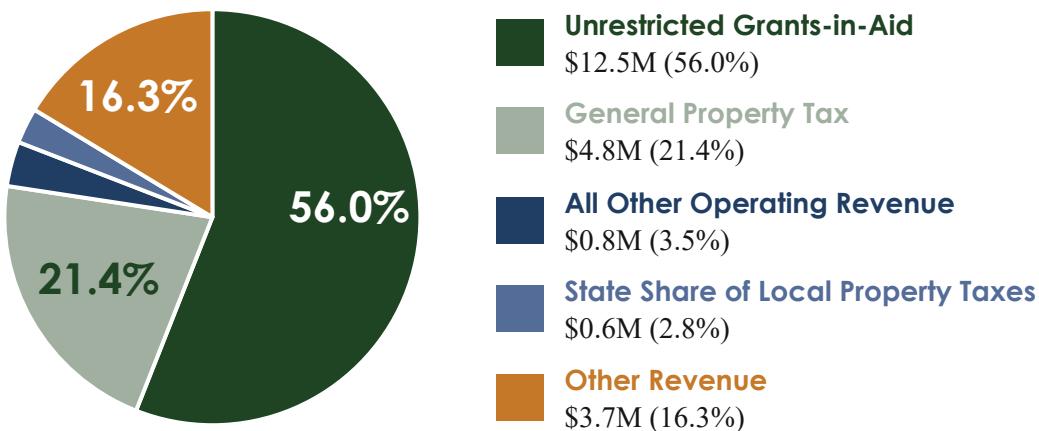
Note: Excludes Advances-In.

As noted above, the majority of the District's revenue is directed to the General Fund, which is used for general operations. In FY 2024, the District's total General Fund revenue was approximately \$22.4 million.¹⁶ Within the District's General Fund, the primary sources of revenue are unrestricted grants-in-aid and general property tax. The remaining revenue is comprised of a variety of sources as seen below.

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

FY 2024 Total General Fund Revenue Composition

Total: \$22.4M



Source: ODEW

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

Note: Other Revenue may include Tangible Personal Property Tax, Income Tax, Restricted Grants-in-Aid, Operating Transfers-In, and All Other Financing Sources.

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

Note: State Share of Local Property Taxes consists of reimbursements from the state for local taxpayer credits or reductions.

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

Note: Excludes Advances-In

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.¹⁷ In FY 2024, the District received approximately \$14,518 per pupil in General Fund revenue, with 28.6 percent, or approximately \$4,148, coming from local taxes.¹⁸ In FY 2024, the primary peer average was \$14,598 in revenue per pupil, with 30.8 percent, or approximately \$4,493, coming from local taxes. The District's local revenue was lower than the primary peer average in FY 2024.

¹⁷ Forecasted funds include the District's General Fund and funds derived from emergency levies.

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

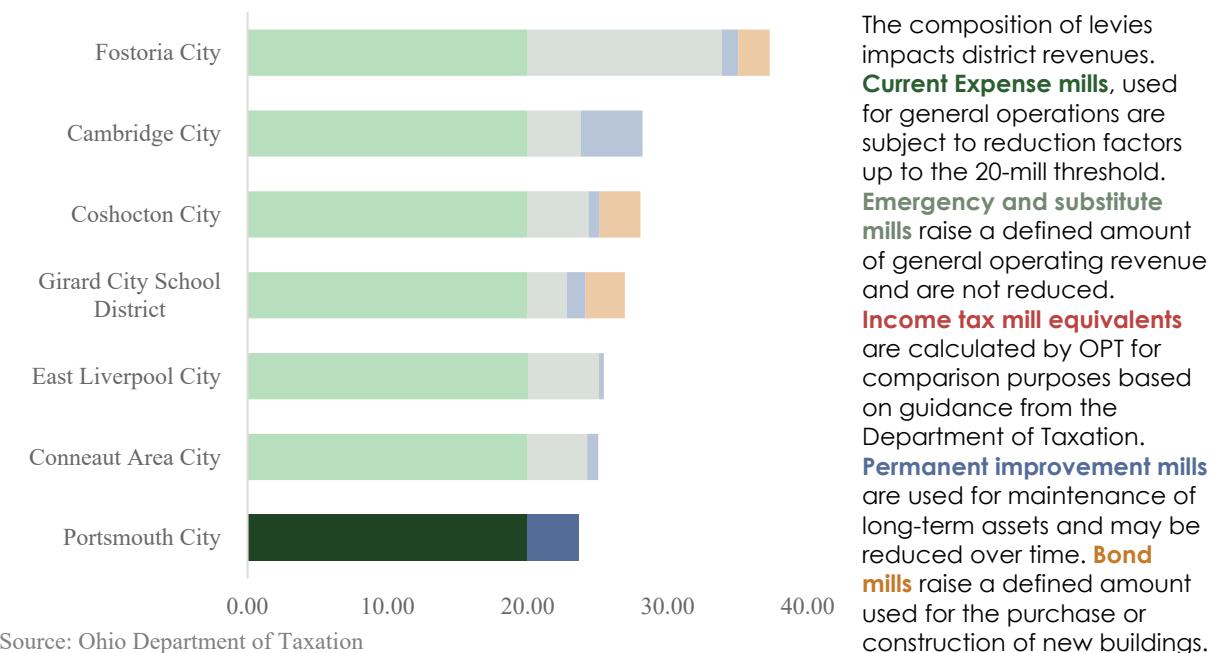
Millage

In 2024, PCSD collected revenues on 23.66 mills of property tax for residential properties.¹⁹ This included 20.00 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 2024, this additional millage included 3.66 inside mills dedicated to permanent improvement.

Since the total millage rate can be rolled back as a result of reduction factors, we compared the total effective millage for PCSD 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 all but one of the peers are also at 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. PCSD and the primary peers do not have a school district income tax. For comparison purposes, OPT calculated an estimated millage for the revenue generated from income taxes based on guidance from the Department of Taxation, which is represented by the pink portion of the bars in the chart below.

¹⁹ 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 2024 was 23.76.

2024 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 cannot be reduced. Income tax mill equivalents are calculated by OPT based on guidance provided by the Department of Taxation for comparison purposes. Permanent improvement mills are used for maintenance of long-term assets and may be reduced over time. Bond mills raise a defined amount used to repay the principal and interest generated from a bond for the purchase or construction of new buildings. It is important to understand that *revenue* generated from bond and emergency levies remains the same regardless of changes to property values as they are voted as fixed-sum levies. The *revenue* generated from current expense millage and permanent improvement millage also stays the same until the 20-mill floor is hit for current expense mills. At that point, a district at the floor would see additional revenues from increases in value to existing properties. This means that PCSD and its peers at the 20-mill floor will see additional revenue if property values increase.

Property Valuation

Millage is one component of how districts generate revenue. The millage is assessed on property value, so the total revenue collected from property levies is a combination of millage and total valuation. A district with high property value may see more total revenue from fewer mills than a district with low property value. Overall, the District's total effective millage rate of 23.66 is the lowest compared to the primary peers. However, the total property valuation for PCSD is higher

than the primary peer average. In Tax Year 2023, one mill of property tax generated approximately \$207 for PCSD per pupil in 2023 compared to the primary peer average of \$151 per pupil. While the District's millage rate is the lowest of the primary peer group, the higher property valuation results in more revenue on a per-pupil basis.

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

Current Levies Collected by Portsmouth CSD 2023

Levy Year	Levy Name	Gross Tax Rate	Class I Effective Tax Rate
1976	Current Expense	18.07	11.35
1979	Current Expense	6.40	4.11
1988	Current Expense	6.40	4.54
Total		30.87	20.00

Source: Ohio Department of Taxation

As seen in the table, the most recent levy for current operating expenses was passed by voters in 1988, or more than 35 years ago. The difference between the Gross Tax Rate and the Effective Tax Rate illustrates the impact that reduction factors have on collection rates. As property values have risen, the District has seen revenue growth since it is at the 20-mill floor for current expenses. In addition to these current expense levies, the District also collected revenue from 3.66 inside, or unvoted, mills dedicated to permanent improvement in FY 2024.

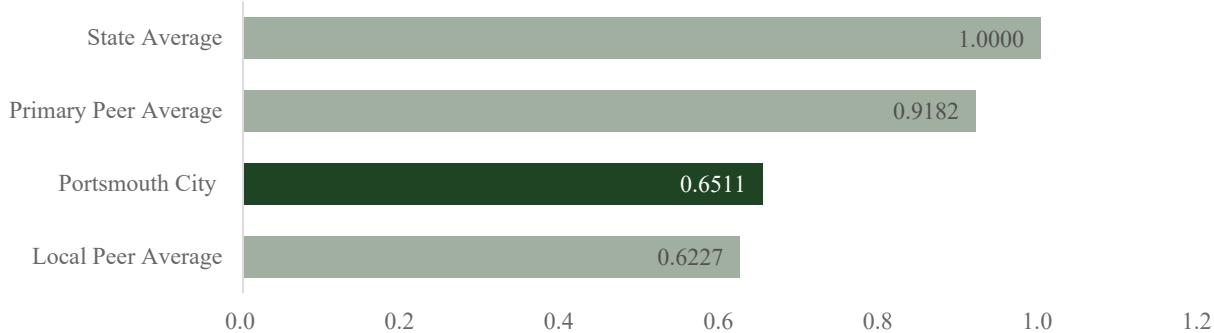
Local Tax Effort

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

On this sliding scale, a value of 1.0 indicates the state average, a baseline against which all districts in the state are weighed. If a district has a local tax effort below 1.0, residents provide a smaller portion of their available income to public education whereas a value above 1.0 indicates the community pays a larger portion of their available income to public education compared to

the state average. The index is updated annually by ODEW as part of its District Profile Reports, also known as the Cupp Report, to reflect changes in local conditions from year to year.

FY 2024 Local Tax Effort Comparison



Source: ODEW

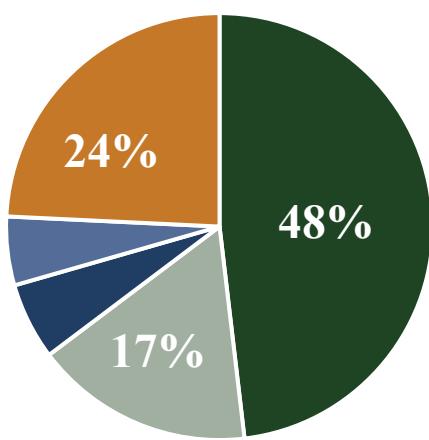
The District's local tax effort was compared to the local peers, primary peers, and the state average. The District has a local tax effort of 0.6511. This is the 542nd highest local tax effort out of 606 districts in the state, which is approximately the 10th percentile of all districts. By comparison, the local peer average of 0.6227 would rank approximately 559th out of all 606 districts, or the 7th percentile.

PCSD Expenditures

Similar to revenue allocation, expenditures are paid from specific funds. For example, most salaries and wages for a district are typically paid from the General Fund. The chart on the following page shows the District's total expenditures by fund type. Approximately 48 percent, or \$20.2 million of the District's expenditures were from the General Fund in FY 2024. The level of spending from the General Fund in FY 2024 was lower than the previous two-year average of 59 percent. This was largely due to shifting of expenditures between funds resulting from the accounting issues previously discussed in relation to the five-year forecast.

FY 2024 Total Expenditure Distribution by Fund

Total: \$42.0M



- 001: General Fund**
\$20.2M (48.1%)
- 070: Capital Projects**
\$7.0M (16.6%)
- 507: ESSER**
\$2.4M (5.8%)
- 572: Title I - Disadvantaged Children/Targeted Assistance**
\$2.2M (5.2%)
- All Other Funds**
\$10.2M (24.2%)

Source: PCSD

Note: All other funds are comprised of a variety of sources including Food Service, IDEA, and Extracurricular Activities.

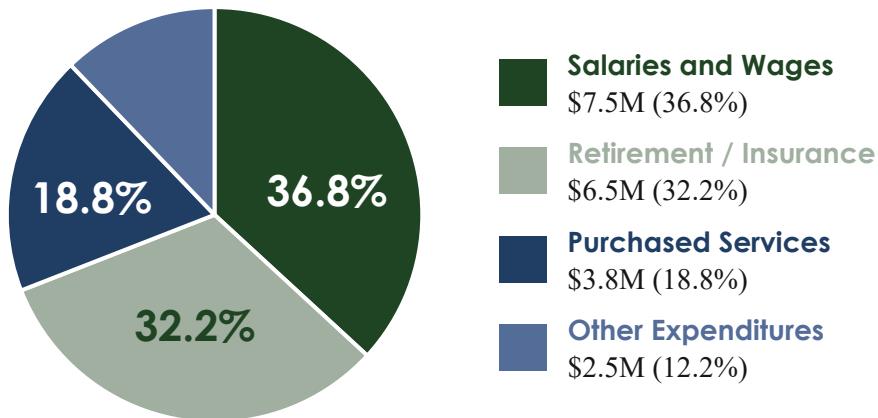
Note: Due to rounding, expenditure categories may not sum up to the total listed.

Note: Excludes Advances-Out

As seen in the visual above, the District's total General Fund expenditures were approximately \$20.2 million in FY 2024.²⁰ The largest source of expenditures was human resources which includes salaries, wages, and benefits, followed by purchased services. The chart that follows provides additional detail regarding District expenditures.

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

FY 2024 Total General Fund Expenditure Composition
Total: \$20.2M



Source: ODEW

Note: Other Expenditures may include Supplies and Materials, Capital Outlay, Principal on Loans, Interest & Fiscal Charges, Other Objects, Operating Transfers-Out, and All Other Financing Uses.

Note: Excludes Advances-Out

Expenditures per Pupil

Several of our comparisons are made on a per-pupil basis. This is done to normalize the variation in size between peer districts. The table below shows the District's spending on a per-pupil basis in several key areas. It also shows the differences between the types of funds from which expenditures are made. For example, the majority of salaries and wages are paid from non-General Fund dollars, whereas the majority of retirement and insurance benefits are paid from the General Fund. In FY 2024, PCSD worked with ODEW to charge allowable salaries and wages expenditures to ESSER funds. Since ESSER funds have expired, these salaries and wages will have to return to the General Fund or other allowable funds in future years.

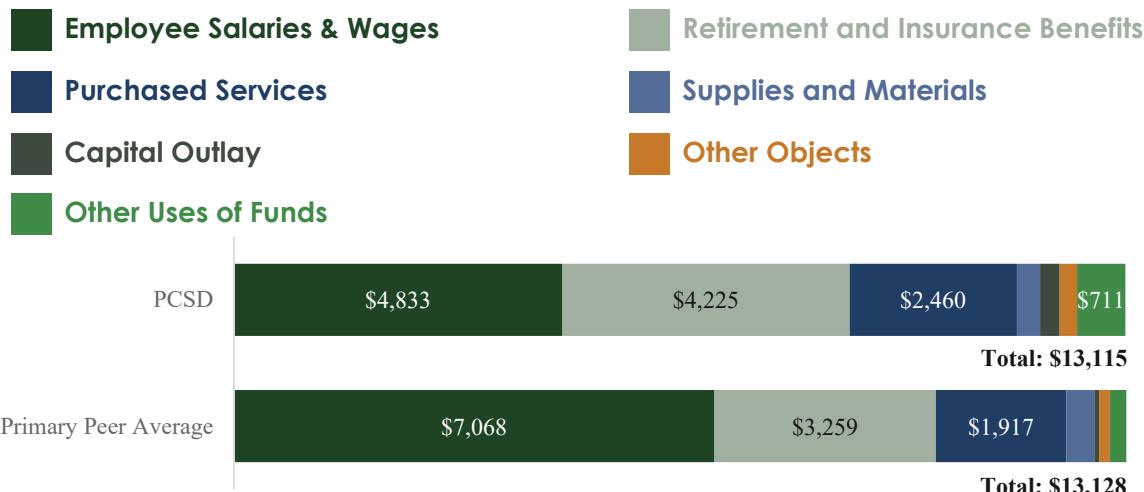
FY 2024 Expenditure per Pupil by Object Code

Object	General Fund	Other Funds	All Funds
100: Salaries & Wages	\$4,833	\$5,548	\$10,381
200: Retirement & Insurance Benefits	\$4,225	\$1,067	\$5,292
400: Purchased Services	\$2,460	(\$46)	\$2,413
500: Supplies & Materials	\$341	\$741	\$1,082
600: Capital Outlay	\$288	\$4,803	\$5,091
800: Other Objects	\$257	\$1,194	\$1,451
900: Other Uses of Funds	\$711	\$827	\$1,538
Total	\$13,115	\$14,133	\$27,248

Source: ODEW

Typically, we compare General Fund expenditures as these tie to the five-year forecast. The chart that follows provides a comparison of General Fund expenditures per pupil for PCSD and the primary peer average. The relatively low salaries and wages expense per pupil for PCSD is due to the District's use of ESSER funds in FY 2024. It is likely that this will increase in future years as ESSER funds have been fully expended.

FY 2024 Total General Fund Expenditures Per Pupil



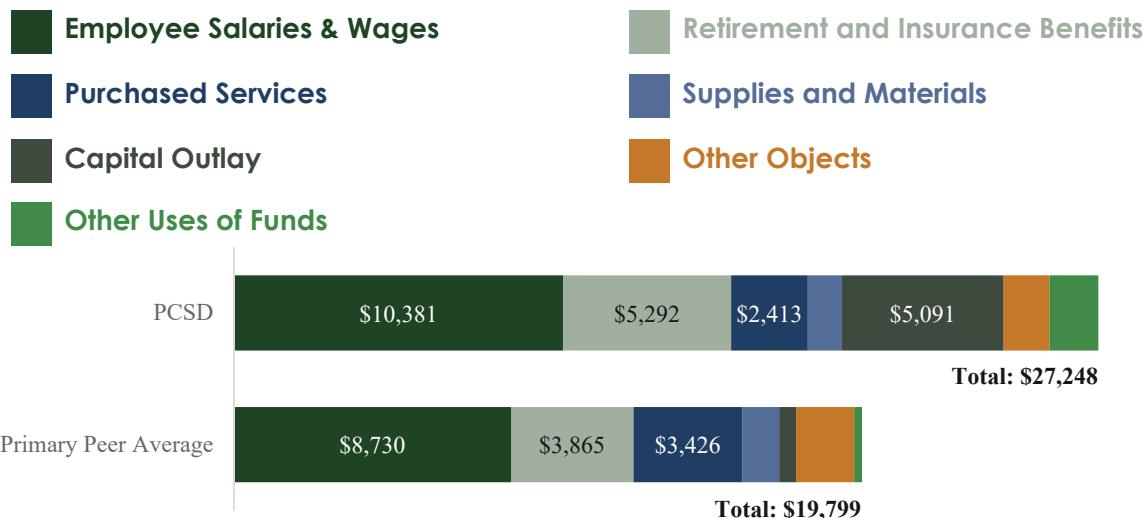
Source: PCSD and Primary Peers

Note: Excludes Advances

In FY 2024, PCSD spent approximately \$13,115, or 0.1 percent less, per pupil when compared to the primary peer average of \$13,128 per pupil from the General Fund. However, the District's use of ESSER funding for employee salaries and wages significantly lowered the General Fund expenditures in this area. Because of this, we also compared the District's expenditures per pupil compared to the primary peer average for all funds.

The following chart compares total expenditures per pupil at PCSD compared to the peer averages. When compared to all funds, in FY 2024 PCSD spent \$27,248 per pupil, which was 37.6 percent more than the primary peer average of \$19,799 per pupil. In particular, as seen in the chart, the salaries and wages expense for the District increased by more than \$5,500 when moving from General Fund to All Funds. By comparison, the peer average expenditures for salaries and wages increased approximately \$1,700 with the inclusion of all funds. As ESSER funds expire, some of the expense related to salaries and expenditures will likely shift back to the General Fund in future years for PCSD.

FY 2024 Total All Funds Expenditures Per Pupil



Source: EPP Workbook

Note: Excludes Advances

When comparing expenditures from all funds, the District spent more on employee salaries and wages and retirement and insurance compared to the peer average. In addition, PCSD had higher capital expenditures compared to the peer average, which was related to a building project.²¹ The District's higher retirement and insurance expenditures per pupil may potentially be driven by the District offering more generous insurance plans than the SERB regional average, which has resulted in higher monthly contributions (see **Recommendation 8**, **Recommendation 9**, and **Recommendation 10**). The District also offers more generous CBA provisions than the local peers, which may also contribute to higher expenditures per pupil (see **Recommendation 6** and **Recommendation 7**).

²¹ The use of capital funds is generally tied to large projects and is based on the timing of when funds are received and expended. This should not be considered a regularly occurring expense for the District.

Results of the Audit

Based on an initial analysis of the District's data as compared to its peer groups, the following scope areas were included for detailed review and further analyses: Financial Management, Human Resources, Facilities, and Transportation (see **Appendix A**). We identified 14 recommendations within these scope areas which would result in reduced expenses or improve the District's operational management based on industry standards and peer averages.

Standard Recommendations	Savings
R.1 Reduce the General Fund Subsidy Percent of Total Expenditures for Extracurricular Activities to the Local Peer Level	\$107,000
R.2 Develop Formal Plans	\$0
R.3 Develop a Formal Budgeting Process	\$0
R.4 Eliminate Administrative and Administrative Support Positions above the Peer Average	\$22,000
Eliminate 0.5 FTE Building Office Support Staff	\$22,000
R.5 Eliminate Direct Student Education and Support Positions above the Peer Average	\$480,000
Eliminate 1.5 FTE Counseling Staff	\$149,000
Eliminate 0.5 FTE Tutor/Small Group Instructor Staff	\$69,000
Eliminate 1.0 FTE Technical Staff	\$77,000
Eliminate 0.5 FTE Library Staff	\$54,000
Eliminate 1.0 FTE Nursing Staff	\$73,000
Eliminate 1.5 FTE Classroom Support Staff	\$58,000
R.6 Renegotiate Collective Bargaining Agreement Provisions	\$0
R.7 Renegotiate the Tax-Sheltered Annuity Contribution Provision	\$17,000
R.8 Align Employer Insurance Costs with SERB Regional Average	\$592,000
R.9 Renegotiate the Deductible, and Out-of-Pocket Maximum Provisions	\$213,000
R.10 Renegotiate the Rx Reimbursement Provision	\$30,000
R.11 Align Facilities Expenditures for Utilities with the Primary Peer Average	\$0
R.12 Improve Building Utilization	\$385,000
R.13 Develop Formal Internal Policies and Procedures for T-Reporting	\$0
R.14 Improve Fleet Security Practices	\$0
Total Cost Savings from Performance Audit Recommendations	\$1,846,000
Less: Food Service portion of Insurance Costs	\$33,000
Total Cost Savings from Performance Audit Recommendations (General Fund)	\$1,813,000

Note: These numbers reflect the average annual savings of each recommendation over the forecast period. Some recommendations may not be implemented in all years of the period and have lower average annual savings compared to what is presented in the recommendation itself. Where appropriate, the timing of implementation is discussed in the recommendation language in the report.

Our recommendations that are based on industry standards and peer comparisons are projected to save the District an average of approximately \$1.8 million annually, if fully implemented. The financial impact of these recommendations on the November 2024 five-year forecast is shown in the table on the following page. This table reflects the actual annual financial impact along with the cumulative financial impact of the implementation of these recommendations on the five-year forecast and the associated reduction in the projected deficit. It should be noted that some of these recommendations may require contract negotiations and savings may not be realized immediately.

Results of the Audit Recommendations (November 2024 Forecast)

	FY 2026	FY 2027	FY 2028	FY 2029
Original Ending Fund Balance	(\$4,075,643)	(\$9,563,158)	(\$15,957,497)	(\$22,919,770)
Cumulative Balance of Standard Recommendations	\$1,213,807	\$2,458,979	\$4,857,900	\$7,343,327
Revised Ending Fund Balance with Standard Recommendations	(\$2,861,836)	(\$7,104,179)	(\$11,099,597)	(\$15,576,443)

Source: PCSD

Note: Numbers in table were rounded down for readability purposes.

The District's current financial condition is such that implementation of the recommendations identified using industry standards and peer comparisons would not fully address the projected deficit. Because of this, PCSD officials will need to consider additional cost savings measures. Our audit identified areas where the District could further reduce expenditures by going beyond alignment with peer averages and industry standards. In some cases, these cost saving measures may include reducing services to state minimum levels.

The additional cost saving measures are identified in the table below. The implementation of these measures could change the type or level of services offered by the District. It is important for PCSD officials to carefully consider the needs of the students and families served by the District when implementing any of these additional cost saving measures. The potential cost savings associated with the additional recommendations are seen in the table below. These estimated savings reflect the average annual savings that could be achieved in FY 2026 through the remainder of the forecast period.

Additional Recommendations	Savings
R.15 Eliminate the General Fund Subsidy for Extracurricular Activities	\$376,000
R.16 Implement a Base and Step Salary Freeze	\$2,746,000
R.17 Eliminate 1.0 FTE Building Administrator Staff (per ORC minimum requirement)	\$111,000
R.18 Eliminate up to 31.0 FTE Classroom Teachers Staff (per ORC minimum requirement)	\$2,734,000

The amount of savings realized from staffing reductions identified in **Recommendation 18** would be dependent on a variety of factors including the number of positions that are eliminated along with the impact of the implementation of other cost saving measures identified in this report or by the District itself. Our estimated savings of up to \$2.7 million identified for this recommendation are based on reductions to state minimum teaching levels and represent the maximum savings possible. The District could identify a smaller amount of cost savings through strategic staffing reductions if necessary.

When considering implementation of recommendations that may take services below industry standards, the District must consider the impact on overall operations. 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.

Standard Recommendations

Financial Management

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

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

Impact

Reducing expenditures and increasing revenue to bring the General Fund subsidy percent of total expenditures for extracurricular activities in line with the local peer average would save PCSD an average of approximately \$107,000 in each year of implementation.

Background

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

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

Methodology

The District's FY 2024 General Fund subsidy as a percent of total extracurricular activities expenditures was compared to the local peer average.

Analysis

In FY 2024, the District spent approximately \$463,000 on student extracurricular activities, which included the salaries and benefits of directors, coaches, and advisors; supplies and materials; transportation services; awards and prizes; and other miscellaneous expenditures. The District transferred \$376,000 from the General Fund to subsidize these activities. Additionally, approximately \$149,000 in revenue was generated through ticket sales for admissions and other sources. Notably, the District does not charge pay-to-participate fees for extracurricular activities, nor do any of the local peer districts. The amount of funding used to subsidize extracurricular activities has increased by approximately 31.9 percent since FY 2022.

The District's General Fund subsidy as a percent of extracurricular expenditures is 81.4 percent compared to the local peer average of 52.8 percent. Aligning the District's General Fund subsidy as a percent of extracurricular expenditures with the local peer average would save approximately \$107,000 annually. While it is common for Ohio school districts to subsidize extracurricular activities from the General Fund, doing so at a rate that exceeds the local peer average may represent an undue burden on the District's General Fund.

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

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

Conclusion

The District's General Fund subsidy of extracurricular activities as a percent of total expenditures is above the local peer average. To close the gap between revenue and expenditures, and in turn alleviate the amount of General Fund support needed, the District should reduce the General Fund subsidy as a percent of total expenditures for extracurricular activities to the local peer average. Doing so would save the District approximately \$107,000 in each year of implementation.

Recommendation 2: Develop Formal Plans

PCSD should develop formal strategic, capital improvement, facilities preventative maintenance, fleet preventative maintenance, and bus replacement plans in order to meet financial, programmatic, and operational needs.

Impact

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

Methodology

We interviewed District officials and confirmed that the District does not have formal strategic, capital improvement, facilities preventative maintenance, fleet preventative maintenance, and bus replacement plans. We then compared the District's current planning practices to industry standards and best practices to identify opportunities for improvement.

Analysis

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

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

Strategic Plan

The Government Finance Officers Association (GFOA) provides guidance to governmental entities in the development and maintenance of effective long-term planning. *Establishment of Strategic Plans* (GFOA, 2023) 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.

Capital Plan

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

Facilities Preventative Maintenance Plan

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

After facilities data has been assembled, structural items and pieces of equipment can be selected for preventative maintenance. Once the items that should receive preventative maintenance are identified, planners must decide on the frequency and type of inspections. 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. Finally, this information must be formatted so that preventative maintenance tasks can be scheduled easily. Ideally, scheduling should be handled by a computerized maintenance management program; however, tasks can be efficiently managed using a manual system as well.

Fleet Preventative Maintenance Plan

According to the *Public Works Management Practices Manual* (American Public Works Association, 2014), a preventative maintenance program should be developed for all equipment and includes preventative maintenance, recording performance, and monitoring the preventative maintenance program. A fleet preventative maintenance program should call for the scheduled maintenance and the program should be evaluated to ensure its efficacy.

Bus Replacement Plan

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

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

While the rule of thumb for bus replacement is between 12 and 15 years of age, reviewing maintenance costs for each bus may identify buses that should be replaced sooner or kept in service longer. With accurate and thorough records on the operating and maintenance costs of all school buses in a fleet, a District will have the data necessary to understand when to make replacement decisions. The District currently has six assigned buses and five spare buses, which were all purchased between 2001 and 2022.

Conclusion

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

Recommendation 3: Develop a Formal Budgeting Process

In order to ensure the District is making the most informed decisions with their resources, and is as prepared as possible for future needs, the District should develop a formal written budgeting process that addresses each of the steps and sub-steps outlined in the GFOA best practices.

Impact

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

Background

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

Methodology

We interviewed District officials to understand their planned budgeting process. We also reviewed the District's Board policies regarding fiscal management and budgeting. We obtained *Best Practices in School Budgeting* (GFOA, 2017), which is a formal guidance for PCSD administrators to utilize when developing their budgeting process and creating their annual budget.

Analysis

PCSD does not have a formal written budgeting process. In addition, the District has not updated its Board policies regarding fiscal management and budgeting for several years. The District has shared plans to begin developing a budgeting process this spring for FY 2026.

Since PCSD has a new treasurer and has shared plans to develop a budgeting process, but has not yet completed a budgeting cycle, we did not conduct a formal comparison to GFOA best practices. However, we are providing the steps and sub-steps within the GFOA budgeting criteria for the District to reference when developing their budgeting process for the next fiscal year. The GFOA best practices are included in the following visual:

GFOA School Budgeting Best Practices

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

PCSD should develop a formal written budgeting process which encompasses all of the above steps and sub-steps of the GFOA budgeting best practices. In addition to the absence of a formal budgeting process, the District also does not have a formal strategic financial plan, which provides a comprehensive allocation of dollars to objects. According to the GFOA, a school budgeting framework “begins with guidelines for district-wide communication and collaboration, including setting baseline expectations for what the budget process will achieve. The focus then shifts to developing robust goals and integrating the process with the district’s strategic plan, including developing a comprehensive package for implementing a district’s goals or instructional priorities.”

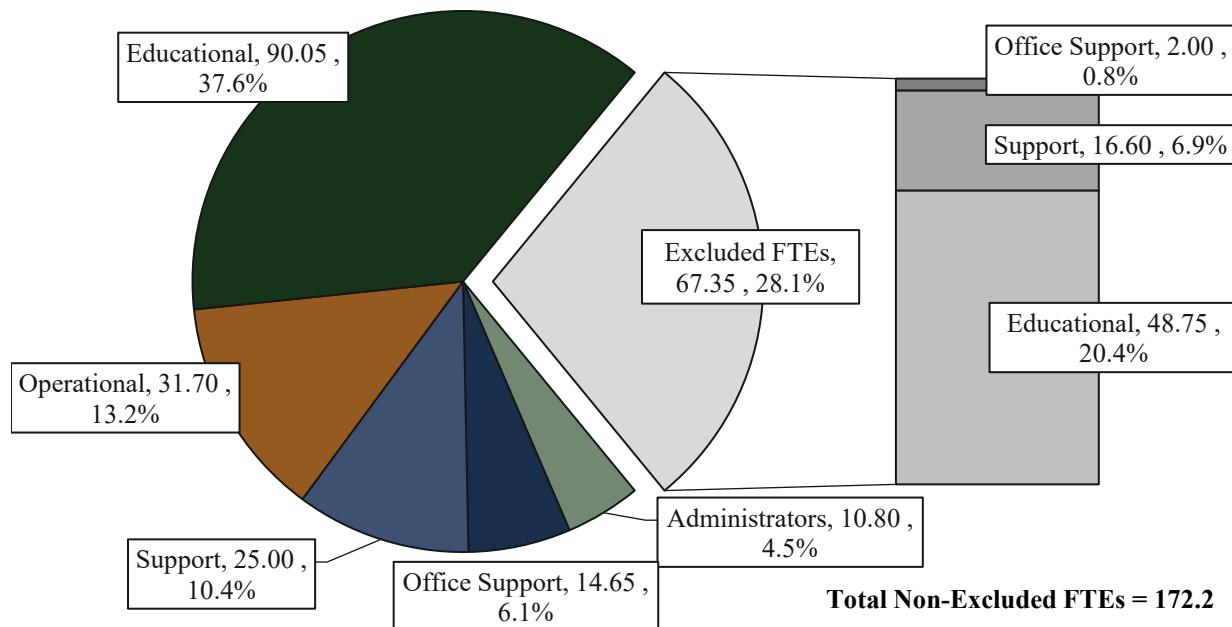
Conclusion

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

Human Resources

Human Resources (HR) expenditures are significant to both the operational and financial conditions within school districts. OPT reviewed PCSD's staffing levels, CBA provisions, and insurance offerings and compared them to peer districts.

Personnel costs represent approximately 80 percent of the District's spending. Due to this, we conduct several analyses relating to the expense associated with maintaining the existing staffing levels. Certain staff were excluded from our analyses due to various legal and contractual requirements that would make reductions difficult. In the chart below there are approximately 67 excluded staff FTEs, which includes individuals associated with Special Education, Title I, and preschool programming. Of these excluded staff, roughly 5 FTEs are dedicated to preschool programming. The remaining approximate 62 FTEs are for K-12 special education and Title I, which exceeds the FY 2024 primary peer average of approximately 45 FTEs and may potentially be attributed to a larger special education student population.



Recommendation 4: Eliminate Administrative Support Positions above the Peer Average

PCSD should consider eliminating administrative support positions above the primary peer average.

Impact

By reducing administrative support positions to be line with the primary peer average, the District could save an average of approximately \$22,000 annually.²²

Background

The District employs individuals in administrative support positions who are responsible for activities related to the daily operations of the District. While these positions provide support to students and educators at PCSD, 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.²³ PCSD could reduce 0.5 FTE building office support staff positions.

Building Office Support Staff

PCSD employs 9.0 FTE building office support staff, which is 1.08 FTEs above the peer average on a per-1,000 students basis and 1.62 FTEs above the peer average on a per-building basis. Eliminating 0.5 FTE building office support staff could save an average of approximately \$22,000 annually. An additional 1.0 FTE building office support staff position will be reduced if the District implements **Recommendation 12**.

Conclusion

The District should consider eliminating 0.5 FTE building office support staff positions. Eliminating these positions could save an average of approximately \$22,000 annually and bring staffing to a level consistent with the primary peer average. PCSD should reconcile this recommendation with reductions outlined in its written financial recovery plan.

²² Calculated savings are based on the salary and benefits of the lowest tenured employee in each category.

²³ A Full-Time Equivalent (FTE) was used to identify staffing levels, based on ODEW reporting guidelines.

Recommendation 5: Eliminate Direct Student Education and Support Positions above the Peer Average

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

Impact

By reducing direct student education and support positions to be in line with the primary peer average, the District could save an average of approximately \$480,000 annually.²⁴

Background

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

Methodology/Analysis

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

- 1.5 FTE Counselors;
- 0.5 FTE Tutor/Small Group Instructors;
- 1.0 FTE Technical Staff;
- 0.5 FTE Library Staff;
- 1.0 FTE Nursing Staff; and,
- 1.5 FTE Classroom Support Staff.

Counselors

PCSD employs 5.0 FTE counselors, which is 1.92 FTEs above the peer average. Eliminating 1.5 FTE counselor positions could save an average of approximately \$149,000 annually.

²⁴ Calculated savings are based on the salary and benefits of the lowest tenured employee in each category.

Tutor/Small Group Instructors

PCSD employs 2.0 FTE tutor/small group instructors, which is 0.77 FTEs above the peer average. Eliminating 0.5 FTE tutor/small group instructor positions could save an average of approximately \$69,000 annually.

Technical Staff

PCSD employs 2.0 FTE technical staff, which is 1.19 FTEs above the peer average. Eliminating 1.0 FTE technical staff positions could save an average of approximately \$77,000 annually.

Library Staff

PCSD employs 2.0 FTE library staff, which is 0.64 FTEs above the peer average. Eliminating 0.5 FTE library staff positions could save an average of approximately \$54,000 annually.

Nursing Staff

PCSD employs 3.0 FTE nursing staff, which is 1.01 FTEs above the peer average. Eliminating 1.0 FTE nursing staff positions could save an average of approximately \$73,000 annually.

Classroom Support Staff

PCSD employs 17.0 FTE classroom support staff, which is 1.92 FTEs above the peer average. Eliminating 1.5 FTE classroom support staff positions could save an average of approximately \$58,000 annually.

Conclusion

The District should consider eliminating 6.0 FTEs from its direct student education and support staff positions. Eliminating these positions could save an average of approximately \$480,000 annually and bring staffing to a level consistent with the primary peer average. PCSD should reconcile this recommendation with reductions outlined in its written financial recovery plan.

Recommendation 6: Renegotiate Collective Bargaining Agreement Provisions

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

Impact

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

Background

PCSD maintains two collective bargaining agreements:

- Portsmouth City Teachers' Association, representing certificated staff, effective through June 30, 2025; and,
- Portsmouth City School Employees Local 2684 and Ohio Council 8 American Federation of State, County, and Municipal Employees (AFSCME) AFL-CIO, representing classified staff, effective through August 31, 2026.

Methodology

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

Analysis

Sick Leave Accumulation and Severance Payout: ORC § 3319.141 requires that public employees must be paid one quarter of accrued sick leave at retirement, based on a maximum accrual of 120 days. Based on this requirement, employees are eligible for up to 30 days of severance pay. However, public entities may choose to provide severance pay in excess of ORC requirements. According to the District's certificated CBA, employees may accrue up to 270 days of sick leave, which exceeds the local peer average of 265 days and the ORC requirement, and may receive up to 62 days of paid severance, which exceeds the local peer average of 57 days and the ORC requirement. According to the District's classified CBA, employees may accrue up to 240 days of sick leave, which is below the local peer average of 247 days but exceeds the ORC requirement, and may receive up to 60 days of paid severance, which is below the local peer average of 62 days but exceeds the ORC requirement.

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

Attendance Incentive: The District's certificated and classified CBAs offer employees an attendance incentive opportunity of up to \$1,000, which exceeds the local peer averages of \$566 and \$450, respectively. This provision is not required by the ORC.

Vacation Leave: Under the District's classified CBA, employees are entitled to 555 vacation leave days over the course of a 30-year career. This is higher than the local peer average of 492 days and also higher than the requirement of 460 days in ORC § 3319.084. Providing employees with more vacation days could increase substitute and overtime costs and increase future liabilities. Direct savings from reducing the vacation schedule could not be quantified; however, this would serve to increase the number of available work hours, at no additional cost to the District.

Calamity Day Pay: PCSD offers calamity day pay for classified employees who are considered essential. Employees who report to work on calamity days receive their contractual rate of pay for all hours worked in addition to one personal day for each day worked during the first five calamity days of the year. Classified employees are allotted three personal days per year, and essential employees may earn up to an additional five personal days per year by working on calamity days. The personal leave accrued on calamity days must be used during the summer. None of the local peer districts offer this provision.

Conclusion

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

Recommendation 7: Renegotiate the Tax-Sheltered Annuity Contribution Provision

PCSD should renegotiate the tax-sheltered annuity contribution provision in its certificated CBA to reduce the risk of future liabilities and align with the local peer CBAs.

Impact

Renegotiating the tax-sheltered annuity contribution provision could save PCSD approximately \$17,000 annually, which were the District's total contributions for FY 2024.

Background

The Portsmouth City Teachers' Association represents the District's certificated staff. The certificated CBA is effective through June 30, 2025.

The District offers certificated employees a 403(b) retirement plan, or a tax-sheltered annuity plan, which is offered by public schools. According to the Internal Revenue Service, a 403(b) plan operates similarly to a 401(k) plan and allows employees to defer some of their salary into individual accounts. The deferred salary is generally not subject to federal or state income tax until it's distributed. Any 403(b) contributions are separate from and in addition to STRS contributions.

Methodology

We reviewed the District's tax-sheltered annuity provision and calculated the District's total contributions for FY 2024.

Analysis

According to the certificated CBA, employees can contribute as minimal as \$5.00 per month to a 403(b). The Board will match a minimum \$200 employee contribution on a dollar-for-dollar basis up to \$400 annually. Board payments are made twice per year as employees meet the matching requirements. None of the local peer districts offer this contribution.

Conclusion

PCSD offers matching 403(b) contributions for its certificated employees. While a 403(b) retirement is common, it is not common for school districts to match employee contributions. If the District had not matched employee contributions in FY 2024, it would have saved approximately \$17,000. Renegotiating this provision to reduce the risk of future liabilities and align with local peer districts will result in cost savings.

Recommendation 8: Align Employer Insurance Costs and Employee Share of Insurance Costs with the SERB Regional Average

The District should align its employer costs for medical insurance and align its employee contribution rates for dental insurance and vision insurance with the SERB regional average for school districts. This alignment could be accomplished by adjusting plan designs, increasing employee premium contributions, or seeking out alternative insurance options, such as joining a consortium.

Impact

Aligning employer costs and employee contribution rates with the SERB regional average for school districts would reduce expenditures and result in average annual savings of approximately \$1.1 million beginning in FY 2028.²⁵ Due to union contracts which stipulate the employee cost share, these savings could not be implemented until FY 2028.

Background

The District offers a Preferred Provider Organization (PPO) medical insurance plan for certificated and classified staff, with an option for single or family coverage. In addition, the District offers separate dental and vision insurance plans for certificated and classified staff, with options for single or family coverage. The union representing the District's classified employees, however, offers dental insurance bundled with vision insurance, life insurance, and Rx reimbursement (see **Recommendation 10**).²⁶

At the time of analysis, PCSD had 104 enrollees in a family medical plan and 75 enrollees in a single medical plan. Prescription coverage is included in each medical plan. The District had 96 enrollees in the certificated family dental plan and 49 enrollees in the certificated single dental plan. The District had 94 enrollees in the certificated family vision plan and 49 enrollees in the certificated single vision plan. The classified dental, vision, life insurance, and Rx reimbursement bundled plan had 27 enrollees in the family plan and 56 enrollees in the single plan.

Methodology

We compared the District's medical, dental, and vision insurance provisions and costs to the SERB regional average for school districts. Peer information was obtained from the 2024 SERB survey. The District's medical plans were compared to 81 regional peers, its dental plan was

²⁵ In addition, \$33,700 in average annual savings, beginning in FY 2028, would be applied to the Food Service Fund.

²⁶ We did not analyze life insurance as part of this analysis, so all associated costs were excluded.

compared to 79 regional peers, and its vision plan was compared to 63 regional peers. The peer average excluded outlier districts whose plans were more than two standard deviations outside the mean. Using the District's assumptions for increases to annual insurance costs, we then projected potential cost savings over the course of the forecast period.

Analysis

The District offers medical, combined with prescription, as well as dental and vision coverage to both full-time and part-time employees. These insurance benefits are specified in the District's certificated and classified CBAs, which state that the Board reserves the right and responsibility to select the carrier for the insurance benefits provided. The insurance premium, or cost of obtaining insurance, is split between the District and the employee on a percentage basis. For full-time employees, the District covers 84 percent of the medical premium for certificated employees and 92.5 percent of the medical premium for classified employees. The District covers 95 percent of the dental and vision premiums for certificated employees and 100 percent of the dental, vision, life insurance and Rx reimbursement bundle for classified employees.²⁷

Medical Insurance

Our review of the District's insurance plan found that the coverage and provisions, such as deductibles and copayments, are higher than the regional peer group, and as a result, less generous to employees. Under the current medical insurance plans, as seen in the following table, the District pays more for the total medical insurance premiums on a monthly basis than the regional peer group and contributes a greater percentage of the premium for the classified PPO plan. 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 bring itself in line with the peer average employer cost and reduce insurance related expenditures. The results of this adjustment are calculated in the following table.

²⁷ According to the District's certificated CBA, "Vision and dental plans are not part of the managed health care program and will continue to be paid 100 percent by the Board for employees hired before July 1, 1994. Employees hired on or after July 1, 1994 will continue to contribute 5 percent of the premium toward vision and dental plans." There are 10 employees who do not contribute to dental or vision insurance premiums since they were hired prior to July 1, 1994.

2023 Monthly Medical Insurance Costs – PPO

		PCSD		Regional Peer Averages		PCSD Adjustment	
		Costs	% Share	Costs	% Share	Costs	% Share
Certificated Single	District	\$1,087.03	84.0%	\$904.46	84.1%	\$904.46	69.9%
	Employee	\$207.05	16.0%	\$170.45	15.9%	\$389.62	30.1%
Certificated Family	District	\$2,843.68	84.0%	\$2,285.57	82.7%	\$2,285.57	67.5%
	Employee	\$541.65	16.0%	\$478.05	17.3%	\$1,099.76	32.5%
Classified Single	District	\$1,190.55	92.5%	\$904.46	84.1%	\$904.46	69.9%
	Employee	\$103.53	8.0%	\$170.45	15.9%	\$389.62	30.1%
Classified Family	District	\$3,114.50	92.5%	\$2,285.57	82.7%	\$2,285.57	67.5%
	Employee	\$270.83	8.0%	\$478.05	17.3%	\$1,099.76	32.5%

Source: PCSD and SERB

To align itself with the SERB regional average for employer cost, the District would need to shift a portion of the medical premium to its employees. As seen in the table above, employees enrolled in the single medical plans would need to pay 30.1 percent, or \$389.62, of the monthly payment and employees enrolled in the family medical plans would need to pay 32.5 percent, or \$1,099.76, of the monthly payment.

Dental Insurance – Certificated

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

2023 Monthly Medical Insurance Costs – Dental

		PCSD		Regional Peer Averages		PCSD Adjustment	
		Costs	% Share	Costs	% Share	Costs	% Share
Single Dental	District	\$34.97	95.0%	\$43.22	81.3%	\$29.93	81.3%
	Employee	\$1.85	5.0%	\$9.94	18.7%	\$6.89	18.7%
Family Dental	District	\$111.47	95.0%	\$85.54	78.5%	\$92.07	78.5%
	Employee	\$5.87	5.0%	\$23.48	21.5%	\$25.27	21.5%

Source: PCSD and SERB

To align itself with the SERB regional average for employer and employee contribution rates, the District would need to shift a greater portion of the dental premium to its employees. As seen in the table above, employees enrolled in the single certificated dental plan would need to pay

18.7 percent, \$6.89, of the monthly premium and employees enrolled in the family certificated dental plan would need to pay 21.5 percent, or \$25.27, of the monthly premium.

Vision Insurance – Certificated

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

2023 Monthly Medical Insurance Costs – Vision

	PCSD		Regional Peer Averages		PCSD Adjustment		
	Costs	% Share	Costs	% Share	Costs	% Share	
Single Vision	District	\$5.47	95.0%	\$5.71	54.9%	\$3.16	54.9%
	Employee	\$0.29	5.0%	\$4.68	45.1%	\$2.60	45.1%
Family Vision	District	\$13.71	95.0%	\$14.54	58.5%	\$8.45	58.5%
	Employee	\$0.72	5.0%	\$10.30	41.5%	\$5.98	41.5%

Source: PCSD and SERB

To align itself with the SERB regional average for employer and employee contribution rates, the District would need to shift a greater portion of the vision premium to its employees. As seen in the table above, employees enrolled in the single certificated vision plan would need to pay 45.1 percent, or \$2.60, of the monthly premium and employees enrolled in the family certificated vision plan would need to pay 41.5 percent, or \$5.98, of the monthly premium.

Dental and Vision Insurance – Classified

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

2023 Monthly AFSCME Insurance Costs – Dental & Vision

				Regional Peer Averages		Adjustment	
		Costs	% Share	Costs	% Share	Costs	% Share
Single Dental + Vision	District	\$66.25	100.0%	\$48.92	77.0%	\$51.01	77.0%
	Employee	\$0.00	0.0%	\$14.62	23.0%	\$15.24	23.0%
Family Dental + Vision	District	\$66.25	100.0%	\$100.08	74.8%	\$49.53	74.8%
	Employee	\$0.00	0.0%	\$33.79	25.2%	\$16.72	25.2%

To align itself with the SERB regional average for employer and employee contribution rates, the District would need to shift a greater portion of the bundled premium to its employees. As seen in the table above, employees enrolled in the single classified plan would need to pay 23 percent, or \$15.24, of the monthly premium and employees enrolled in the family classified plan would need to pay 25.2 percent, or \$16.72, of the monthly premium.

We identified potential cost savings associated with bringing the employer costs and employee share of costs in line with the regional peer average. The District has projected a five percent increase in health insurance costs for FY 2026 through the remainder of the forecast period. The District could save an average of approximately \$1.1 million, beginning in FY 2028, by aligning insurance costs and contribution rates with the regional peer average. The District could pursue insurance cost reductions by adjusting the plan designs, shifting premium costs, or seeking out alternative insurance options, such as joining a consortium.

Conclusion

PCSD should work to bring its insurance premium costs for medical insurance, and contribution rates for dental, and vision insurance more in line with the SERB regional average. Doing so could result in average annual savings of approximately \$1.1 million to the General Fund. These savings can be realized by adjusting the plan designs, shifting premiums costs, or seeking out alternative insurance options, such as joining a consortium.

Recommendation 9: Renegotiate the Deductible and Out-of-Pocket Maximum Reimbursement Provisions

PCSD has negotiated costly provisions in its certificated CBA for deductible and out-of-pocket maximum reimbursements. The District should renegotiate these provisions to reduce the risk of future liabilities and align with the local peer CBAs.

Impact

Renegotiating the deductible and out-of-pocket maximum reimbursement provisions could save PCSD approximately \$213,000 annually, which is a three-year average of the District's reimbursements from FY 2022 to FY 2024.

Background

The District's certificated CBA outlines the insurance benefits PCSD provides to eligible employees. According to the CBA, as of FY 2022, the Board was reimbursing up to 45 percent of the single or family plan deductibles and up to 45 percent of the single or family plan out-of-pocket maximums. The Board makes these reimbursements to offset the high deductible and out-of-pocket maximum costs. The District has an internal fund set aside for these healthcare reimbursements. The fund operates similarly to a health reimbursement arrangement (HRA), but employees do not have individual accounts. The current CBA does not provide further specifications on this provision beyond FY 2022 and expires June 30, 2025.

In May 2024, the Board approved a recommendation to renew its health insurance coverage at a 4.8 percent increase. As part of the coverage renewal, the Board agreed to new rates regarding the District's deductible and out-of-pocket maximum reimbursements. The District's certificated CBA was not updated to reflect the rate change. As such, the current CBA does not reflect how the District is currently operating in regard to this provision. Further, rather than the percentage-based reimbursement specified by the CBA, the District now reimburses based on a dollar amount.

Methodology

We reviewed the District's deductible and out-of-pocket maximum reimbursement provisions and calculated the District's total reimbursement cost for FY 2024 as well as a three-year average of reimbursements.

Analysis

As mentioned, the average reimbursement for FY 2022 through FY 2024 was approximately \$213,000. The reimbursement for FY 2024 was \$298,000. Based on historical rate increases and projected rate increases, the District may incur even higher costs in the future if this provision

remains in the certificated CBA, particularly if insurance plans require higher deductibles and out-of-pocket maximums. None of the local peer districts offer a similar provision.

The following table shows the District's potential maximum liability for deductibles and out-of-pocket maximums with the District's new practice of reimbursing based on a dollar amount. PCSD should renegotiate these provisions to reduce the risk of future liabilities. The District should consider renegotiating this provision in conjunction with aligning insurance costs to the SERB regional average (see **Recommendation 8**).

FY 2025 Deductible and Out-of-Pocket Maximum Rates

	Type	Costs	Employee Maximum	PCSD Maximum Liability
Deductible	Single	\$4,000	\$350	\$3,650
	Family	\$8,000	\$650	\$7,350
Out-of-Pocket Maximum	Single	\$5,500	\$750	\$4,750
	Family	\$11,000	\$1,450	\$9,550

Source: PCSD

Conclusion

PCSD has negotiated costly provisions in its certificated CBA for deductible and out-of-pocket maximum reimbursements. The District recently approved a rate change, but the rate change is not reflected in the current CBA. The District should renegotiate this provision to reduce the risk of future liabilities and align with the local peer CBAs, as well as ensure that the certificated CBA, which expires June 30, 2025, accurately reflects all current practices. Doing so could save the District approximately \$213,000 annually.

Recommendation 10: Renegotiate the Prescription Reimbursement Provision

PCSD should renegotiate the prescription (Rx) reimbursement provision for its administrative, certificated, and classified staff to reduce the risk of future liabilities and align with the local peer CBAs.

Impact

Renegotiating the administrative and certificated Rx reimbursements could save PCSD approximately \$30,000 annually, which is a three-year average of the District's reimbursements from FY 2022 to FY 2024. We were unable to calculate cost savings for this provision for classified staff since it is part of an insurance bundle.

Background

PCSD offers prescription drug reimbursement plans to administrative, certificated, and classified staff. The plan provisions are specified in the respective CBAs. This reimbursement plan is offered in addition to the District's PPO medical plan that also includes prescription coverage. The medical/Rx plan design also indicates that the District has lower prescription costs than the SERB regional average.

Methodology

We reviewed the District's Rx reimbursement provisions for administrative, certificated, and classified staff. We then calculated the District's total and average annual expenditures on this provision for FY 2022 through FY 2024.

Analysis

PCSD provides a supplemental Board-paid ASFCME prescription drug reimbursement plan to all administrative and certificated employees. Under this plan, PCSD pays \$15 per month for each eligible administrative and certificated employee, or \$180 annually. The plan provides a maximum reimbursement of up to \$600 annually. Over the last three fiscal years, this benefit has cost PCSD an average of approximately \$30,000 annually.

PCSD provides the same benefit to classified employees, but the Rx reimbursement is included in a combined AFSCME plan that also includes the employees' dental, vision, and life insurance. Under this plan, PCSD pays \$72.75 per month for each eligible classified employee, which is the entire premium. According to the District, the cost of the Rx reimbursement portion of the plan, even if eliminated, would not reduce the total cost of the insurance bundle. Therefore, no specific cost savings could be calculated for classified staff. However, since it is offered as part of the combined plan, in addition to a separate medical/Rx insurance plan, it does increase the Board's insurance costs.

None of the local peer districts or SERB regional peers offer this benefit in addition to a medical/Rx insurance plan to administrative, certificated, or classified staff.

Conclusion

PCSD offers employees a Rx reimbursement in addition to medical/Rx insurance plans. The administrative and certificated plan has cost the District an average of approximately \$30,000 over the last three years. Although the financial impact of the classified reimbursement cannot be calculated, PCSD should renegotiate the Rx reimbursement provision for its administrative, certificated, and classified staff to reduce the risk of future liabilities and align with the local peer CBAs.

As seen in **Recommendation 8**, PCSD has higher insurance costs than the regional peers. As seen in **Recommendation 9** and **Recommendation 10**, the District offers generous reimbursements that are not offered by local peer districts. When considering these recommendations in total, PCSD spends significantly more on insurance benefits than the peer groups.

Facilities

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

Recommendation 11: Align Facilities Expenditures for Utilities with the Primary Peer Average

While the District's overall facilities spending per square foot is below the primary peer average, the District is spending more per square foot on utilities, particularly for electric and gas. To bring its utility expenditures in line with the peer average, the District should implement best practices for energy efficiency from the U.S. Department of Energy in conjunction with best practices for collective purchasing, such as joining a consortium for utilities, from the Missouri State Auditor.

Impact

The financial impact of this recommendation would be dependent on the extent to which the District can align utilities expenditures with the primary peer average.

Background

PCSD maintains a junior/senior high school and two elementary schools. The District also maintains an administrative office building, as well as other smaller structures.

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 the 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 PCSD, ODEW, the Ohio Facilities Construction Commission (OFCC), and the Scioto County Auditor. We then compared expenditures per square foot to the primary peer average to identify areas the District may be able to reduce expenditures. Lastly, we identified best practices that could be implemented by the District to assist in reducing expenditures.

Analysis

We compared PCSD's expenditure per square foot to the primary peer average by category and total. As seen in the table below, PCSD is higher than the primary peers in employee benefits and utilities. The higher cost of employee benefits was not due to the District's facilities staffing exceeding industry benchmarks, but due to costly insurance provisions (see **Recommendations 8, 9, 10**) and generous CBA provisions (see **Recommendations 6 and 7**). Overall, the District spends \$1.34 less per square foot on facilities expenditures compared to the primary peers but more per square foot on utilities. With more than 452,000 total square feet in the District, this results in significant additional utilities expenditures.

Facilities Expenditures per Square Foot Comparison

	Client	Peer Average	Difference	% Difference
Salaries and Wages	\$2.19	\$2.49	(\$0.30)	(12.0%)
Employee Benefits	\$1.47	\$1.30	\$0.17	13.1%
Purchased Services (Excluding Utilities)	\$2.14	\$2.17	(\$0.03)	(1.4%)
Utilities	\$2.09	\$1.60	\$0.49	30.6%
Water & Sewage	\$0.09	\$0.17	(\$0.08)	(47.1%)
Sub-Total Energy	\$2.00	\$1.43	\$0.57	39.9%
Electric	\$1.60	\$1.21	\$0.39	32.2%
Gas	\$0.37	\$0.22	\$0.15	68.2%
Other Energy Sources	\$0.03	\$0.00	\$0.03	0.0%
Supplies & Materials	\$0.55	\$0.93	(\$0.38)	(40.9%)
Capital Outlay	\$0.01	\$1.30	(\$1.29)	(99.2%)
Other Objects	\$0.00	\$0.00	\$0.00	0.0%
Total Expenditures per Square Foot	\$8.45	\$9.79	(\$1.34)	(13.7%)

Source: PCSD and Peers

Had the District been in line with the peer average for utilities expenditures in FY 2024, the District would have saved approximately \$221,000. In addition to comparing the District's expenditures to the peer average in FY 2024, we reviewed the District's historical expenditures. Since FY 2023, overall facilities expenditures have increased by 7 percent, with utilities expenditures increasing by 16.1 percent. Between FY 2022 and FY 2024, the District's average annual increase in utilities expenditures was 5.9 percent.

In FY 2024, the District spent \$0.49, or 30.6 percent more, than the peer average in this category. Specifically, the District spent more than the peers on electric and gas by 68.2 percent and 32.2 percent, respectively. The District purchases electric through IGS Energy, which is provided through AEP. PCSD is not part of a consortium for purchasing utilities.

There are several possible factors that have led to the District's higher utility costs. These include the opening of the new performing arts center, the inefficient duct system at East Portsmouth Elementary School, outdated HVAC systems throughout the District's buildings, the absence of LED lighting in many buildings, the absence of timers on water heaters, and allowing staff to set

their room temperature to their preference within 68 and 72 degrees. The District also used higher quality but more costly air filters during the COVID-19 pandemic and is in the process of switching back to the pre-pandemic filters that do not require as much forced air.

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, 2024), 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 decrease heating and cooling expenses.

The District may also consider joining a consortium for utilities, such as the Ohio Schools Council (OSC). More than 180 school districts around Ohio participate in the OSC. 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.

Conclusion

The District's utilities expenditures were higher than the primary peer average in FY 2024. PCSD should work to align facilities expenditures with the primary peer average by implementing best practices.

Recommendation 12: Improve Building Utilization

PCSD has experienced declining enrollment in recent years and is not projecting enrollment to increase. The District should take this opportunity to consolidate buildings and improve overall building utilization. Based on our analysis, PCSD could close one academic building.

Impact

Improving building utilization through the consolidation of academic buildings would result in average annual savings of approximately \$385,000. Included in these savings are reductions to administrative and administrative support staff of 2.0 FTEs which coincides with one less building to manage.

Background

PCSD has three academic buildings: Portsmouth High School/Junior High School (grades 7-12), Portsmouth Elementary School (grades preschool-6), and East Portsmouth Elementary School (grades preschool-6).

Methodology

We interviewed District officials to obtain an understanding of facility-related projects, such as building renovations, and how each building is used, such as grade levels, headcounts, and floor plans. We also toured each academic building to understand how each room is used. We then calculated the functional capacity of each building and compared the District's building utilization to best practices and industry benchmarks, while considering enrollment trends and projections.²⁸

Analysis

Benchmark criteria from DeJong & Associates (*Defining Capacity*, 1999) was used to calculate the functional capacity of each of the District's three academic buildings.²⁹ The functional capacity is based on how the District is using each building and classroom during FY 2025. After calculating the total capacity for each building, based on the number of classrooms and a varying number of students per class based on grade level, we determined the utilization rate by dividing the headcount per building by capacity.

Using this information, we compared the District's current building configuration and utilization to the functional capacity on a building by building basis. School districts should not plan for 100 percent utilization within academic buildings. *Defining Capacity* notes when utilization

²⁸ Spaces within each building dedicated to special education were excluded from our analysis.

²⁹ The Ohio Department of Job and Family Services (ODJFS) Child Care Manual was used to calculate capacity for the District's preschool classrooms.

exceeds 90 percent, it becomes increasingly difficult to schedule students and spaces. As seen in the table below, the District's current utilization falls below the benchmark standard when using functional capacity metrics. The District's overall utilization rate using functional capacity is 62.9 percent.

Building Capacity and Utilization – FY 2025

Building	Grades	Head Count	Class-Rooms	Capacity	Util. Percent
East Portsmouth Elementary	Pre-6	135	11	263	51.3%
Portsmouth Elementary	Pre-6	790	51	1,227	64.4%
Portsmouth Junior High/Portsmouth High	7-12	640	47	999	64.1%
Districtwide		1,565	109	2,489	62.9%

Based on our analysis, the District has an opportunity to reconfigure and consolidate buildings to reduce facilities expenditures and improve operational efficiency. Under functional capacity, the District would not need to convert rooms being used for purposes other than general education, such as dedicated art or music classrooms. Grades would be shifted between buildings to increase enrollment on a per-building basis and improve utilization levels.

The table below shows the impact of one elementary school building closure. The District would shift all students at East Portsmouth Elementary School to Portsmouth Elementary School. This would result in an overall utilization rate of 69.1 percent in FY 2026.

Functional Capacity Building Configuration Scenario

	Grades	Head Count	Capacity	Utilization
East Portsmouth Elementary	CLOSED	0	0	-
Portsmouth Elementary	Pre-6	925	1,227	75.4%
Portsmouth Junior High/Portsmouth High	7-12	640	999	64.1%
Districtwide		1,539	2,226	69.1%

Due to declining enrollment, the District's projected overall utilization by FY 2030 is 64.8 percent. The District is maintaining academic facilities in excess of what is needed for the current and projected student population. In doing so, the District is incurring additional facilities costs to continue operating the underutilized space. The District also has a Board policy directing District officials to monitor utilization and retire buildings when there is no longer a need.

PCSD can consider additional options to improve building utilization such as leasing excess space to others. The District already leases space at East Portsmouth Elementary School to the South Central Ohio ESC. However, it is possible for PCSD to close one building and remain below the benchmark utilization standard for building capacity. Closing one building would

result in average savings of approximately \$385,000 annually throughout the forecast period.³⁰ The cost savings would include reduction in administrative and administrative support staff of 2.0 FTEs along with reduced utilities expenditures and supplies and materials. These savings may be offset to some extent by one-time costs associated with moving and potentially higher transportation costs due to transporting students from East Portsmouth Elementary to Portsmouth Elementary.³¹

Conclusion

PCSD is operating with excess building capacity and its enrollment, which has declined in recent years, is projected to continue to decline. The District should consider consolidating its three academic buildings through the closure of one elementary school, thus relocating students to the remaining elementary school and increasing overall utilization across the District. PCSD may also consider exploring other options to generate revenue such as leasing underutilized space.

³⁰ There may potentially be one-time costs associated with the building closures such as for moving furniture, packing and unpacking, etc. The District may also experience increased transportation costs as a result of transporting students, who may have walked to East Portsmouth Elementary, to Portsmouth Elementary.

³¹ The impact of this decision on transportation arrangements is variable and dependent on specific transportation routes chosen.

Transportation

Transportation of students is a critical function for school districts. Ensuring that busing services are provided in a safe and efficient manner is important for both the well-being of students and the fiscal health of the school district. We examined PCSD's T-1³² reporting policies and procedures and transportation security practices in comparison to industry standards and best practices to determine whether there were any areas for improvement.

Recommendation 13: Develop Formal Internal Policies and Procedures for T-Reporting

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

Impact

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

Background

In accordance with ORC § 3317.0212 and OAC § 3301-83-01, school districts in Ohio are required to submit annual T-Reports to ODEW. Districts are required to complete the T-1 Report by recording the average number of pupils transported to school as well as the average daily miles traveled for pupil transportation, excluding non-routine and extracurricular miles, during the first full week of October.

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

Methodology

We obtained and reviewed the District's October 2024 count sheets and compared them to the T-1 Report. We met with PCSD officials to discuss the District's transportation practices for conducting count week and reporting the results of the T-1 Report.

³² T-1 reports are submitted annually to certify to ODEW the actual number of students transported, and the total daily miles traveled. The data is used for calculations of the pupil transportation payment pursuant to ORC § 3317.0212.

Analysis

During the October 2024 count week, the District's bus drivers completed count sheets. The transportation supervisor then compiled the results, verified the accuracy of the data, and submitted the results to ODEW via the T-1 Report.

Our review and comparison of the October count sheets, and the T-1 Report, submitted by the District, found that the District overreported riders by 60 students, or 13.5 percent more, and underreported miles by 86 miles, or approximately 29.2 percent less.

We noticed that the District had separately reported regular and special education riders for five of its six active buses. Due to this, we contacted ODEW to confirm reporting requirements for special education riders and mileage. According to ODEW, if special education riders comprise less than 50 percent of the students riding on a bus, they should be reported as regular riders and regular miles. PCSD confirmed that the special education ridership and mileage is below 50 percent but mistakenly reported special education riders and mileage separately rather than as regular riders and miles.

In addition, the District reported all AM riders for all buses instead of reporting the higher of the AM or PM ridership. PCSD is funded on a per-rider basis. Correcting the passenger counts may have resulted in an increase in transportation funding.

Conclusion

PCSD has reported inaccurate data on the October 2024 T-1 Report. Through proper adherence to ODEW guidance, training, and utilization of resources, these errors can be mitigated. To ensure that the District is receiving accurate state pupil transportation payments, as well as remaining in compliance with ORC, OAC, and ODEW guidelines, PCSD should develop formal policies and procedures for T-1 Reporting.

Recommendation 14: Improve Fleet Security Practices

As financially able, PCSD should improve its fleet security practices and establish safeguards to more effectively protect its transportation assets and ensure more comprehensive security at the District. PCSD should adhere to best practices from the National Association of State Directors of Pupil Transportation Services (NASDPTS) when improving fleet security.

Impact

While there is no identified financial implication for this recommendation, improving fleet security practices may help prevent potential costly vehicle repairs associated with vandalism and prevent disruptions to student transportation services.

Background

The District has six assigned buses and five spare buses but does not house them in a bus garage or fenced area. While the District has several measures in place which prioritize the security of its buildings and grounds, it does not have significant security measures in place to protect its fleet assets.

Methodology

We conducted an interview with PCSD officials to understand the fleet security measures and policies and procedures that the District currently has. We visited the District to tour their buses and to view where buses are held. We then compared the District's transportation security practices to best practices established by NASDPTS.

Analysis

Bus drivers are required to conduct daily pre-inspections and post-inspections of their buses, which include checking for suspicious objects inside and outside of the bus. Any suspicious findings are required to be reported immediately to the Superintendent and local authorities, with detailed documentation and pictures, if possible. Drivers are required to secure their unattended buses during trips and then perform inspections upon return.

As mentioned, the District does not have a secure area where buses are held. The buses are parked in an open lot on District property which is not monitored by a security guard. There are individual cameras in four of the six active buses, but the transportation supervisor does not have access to the recordings. Only two school resource officers and two information technology employees have access to the cameras, but they rarely review the footage. Buses also have GPS tracking systems, but none are currently functioning.

The District requires all buses to be locked when at the parking lot but some of the older buses cannot be locked. This has led to instances of unauthorized entry by individuals who are not associated with the District. Due to this, theft and vandalism are ongoing concerns. Past occurrences have included broken brake lines and stolen batteries. The absence of a fence and additional security has made it difficult to prevent this from occurring.

We compared the District's transportation security practices to best practices established by NASDPTS. Of the six best practices established by NASDPTS, the District fully meets one, partially meets three, and does not meet two.

NASDPTS School Transportation Security Best Practices

 Meets  Partially Meets  Does Not Meet

Facility Security	Vehicle Security
Limit facility access by controlling entry points, issuing employee badges, securing restricted areas, and ensuring vendors and visitors follow escorted access procedures.	Implement vehicle security with lockable vehicles, key control, secured parking, and enhanced features like GPS, cameras, and panic buttons.
Implement physical security measures such as fencing, video monitoring, intrusion alarms, security guards, controlled delivery areas, locks, lighting, and key control to protect critical assets and prevent unauthorized access or attacks.	Develop a passenger security program with policies to protect passenger/cargo areas, secure vehicles when unattended, and consider additional on-board personnel for safety.
	Establish a policy for drivers to conduct security inspections alongside safety inspections, including after unattended stops, with passenger ticket verification or count for school buses and motor coaches.
	Establish scheduling policies with pre-planned ETAs for pick-ups and drop-offs, requiring school buses and motor coaches to confirm and report arrival at their final destination or trip of the day.

The best practices that were not met or were partially met were marked as such primarily due to the absence of a transportation facility or fenced area, as well as inadequate locks and tracking systems for the buses. The District should implement these best practices established by NASDPTS to improve their overall transportation security and minimize the risk of future costly incidents.

Conclusion

With the District's current practices, the District's fleet assets are at an increased risk of theft or damage, which can lead to costly repairs and disrupted student transportation. When financially able, PCSD should improve its fleet security practices and establish safeguards to more effectively protect its transportation assets and ensure more comprehensive security at the District. Doing so will enhance the overall security presence and protect the District's transportation assets.

Additional Recommendations

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

Implementing the following additional actions could have a significant impact on the District's operations and instructional activities. However, without additional revenue, the District will likely need to consider the implementation of at least one or more of the following recommendations in order to remain fiscally solvent.

In March 2025, PCSD released a revised November forecast as part of its written financial recovery plan required by ODEW. The March forecast projected a significantly improved financial condition (see **Appendix B**). The District should reconcile the following staffing recommendations to any reductions outlined in its recovery plan.

Eliminate the General Fund Subsidy for Extracurricular Activities

In order to reduce expenditures, the District could reduce the General Fund subsidy of extracurricular activities (see **Recommendation 1**). To achieve additional savings, the District could consider fully eliminating the subsidy, which would save an additional \$376,000 per year, based on the FY 2024 subsidy level.

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

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

Implement a Base and Step Salary Freeze

We compared the District's certificated and classified salaries to the local peer averages. The results of this analysis indicated that the District is generally below or in line with the local peer salaries for nearly all positions. However, in order to achieve additional savings, the District

could consider implementing a base and step salary freeze, which would result in significant annual savings.

The District's November 2024 five-year forecast assumes a 1 percent base increase and 1 percent step increase throughout the forecast period. Due to the expiration of the District's CBAs, the earliest a salary freeze could be implemented is FY 2026.³³ If the District froze salaries at the FY 2025 forecast levels for FY 2026 through FY 2029, it could realize average annual savings of approximately \$2.75 million. These estimated savings reflect the average annual savings that can be achieved beginning in FY 2026 through the remainder of the forecast period.³⁴

Eliminate 1.0 FTE Building Administrator Positions

PCSD employs a total of 6.0 FTEs in building administrator positions, which include principals and assistant principals. When adjusted for students served and buildings, PCSD has 3.93 FTEs per-1,000 students and 1.81 FTEs per-building.

The District exceeds the primary peer average on a per-1,000 student basis by 0.15 FTEs and on a per-building basis by 0.57 FTEs.

The state minimum requirement for building administrators identified in OAC 3301-35-05 consists only of the duties of a principal. Since PCSD only has three academic buildings, this means PCSD is exceeding the state minimum requirement by 3.0 FTEs. Taking into account **Recommendation 12**, where an administrator reduction of 1.0 FTE is factored into building closure savings, the District could eliminate up to 1.0 FTE additional building administrator positions for average annual savings of approximately \$111,000. This reduction would leave the District with 4.0 FTE building administrators.³⁵

Eliminate Teacher Positions

If the District successfully implements all of the standard recommendations along with all of the previously identified additional recommendations, it will not be able to fully resolve the projected deficit in the November forecast. In addition, some of the previously identified standard and additional recommendations are subject to contract negotiations and may be difficult for the District to achieve. To fully resolve the projected deficit in the November forecast, the District would need to consider eliminating teaching positions.

³³ The District's CBAs do not specify salary schedules beyond FY 2025 but do include wage reopeners clauses that may decide salaries in successive years.

³⁴ 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.

³⁵ In addition to this recommendation, PCSD could consider eliminating an additional 1.0 FTE building administrator position. This would reduce building administrator positions to 3.0 FTEs and allow the District to remain within the state minimum requirement.

State law requires that for every 25 students, districts employ at least one classroom teacher, for a student-to-teacher ratio of 25 to 1. In FY 2024, the District had a student-to-teacher ratio of 14.98 to 1.³⁶ While the District is below the primary peer average for classroom teachers by approximately 7.2 FTEs, it could eliminate up to 31.0 FTE teaching positions and remain within state minimum standards. This level of reduction would result in approximately \$2.7 million in annual savings but would represent a 41 percent reduction in teaching staff and substantively impact District operations.

PCSD should choose to strategically implement teacher reductions to maximize savings while minimizing the impact on District operations. Ultimately, the total cost savings realized from teacher reductions would be dependent on a variety of factors including the number of positions eliminated, the tenure of the individuals, and the impact of other potential cost savings measures.

If the District decides to pursue reductions to state minimum teacher reductions, it should work with ODEW to ensure compliance with the state minimum requirement in OAC 3301-35-05 before reducing classroom teaching levels.

³⁶ The student number used in this ratio represents a regular student population – a formula driven number that reflects students enrolled and educated within the District, excluding categories two through six of special education students. Classroom teachers include K-12 general education teachers as well as art, music, physical education, English language instructional program, and gifted and talented teachers. Preschool teachers, special education teachers, and career-technical teachers are excluded from the ratio (*Source, ODEW*).

Client Response Letter

Audit standards and AOS policy allow clients to provide a written response to an audit. The letter on the following page is the District's official statement in regards to this performance audit. Throughout the audit process, staff met with District officials to ensure substantial agreement on the factual information presented in the report. When the District disagreed with information contained in the report, and provided supporting documentation, revisions were made to the audit report.



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May 9, 2025

Auditor of State Keith Faber
Ohio Auditor of State's Office
88 East Broad Street, 5th Floor
Columbus, Ohio 43215

Dear Auditor Faber:

On behalf of Portsmouth City School District, I am writing to express our sincere appreciation for the recently completed State Performance Audit of our district. This letter serves as Portsmouth City Schools' official written response to the audit report, in accordance with Auditor of State policy. We greatly value the thorough work and professionalism demonstrated by your audit team throughout this process. District officials met with the audit staff throughout the process to review preliminary findings and ensure factual agreement on the information. The collaborative approach taken by your office helped confirm the accuracy of the data and findings in the report.

We acknowledge that the performance audit's recommendations closely align with our ongoing financial recovery planning efforts. Many of the audit's insights reinforce the strategies outlined in our Financial Recovery Plan, which Portsmouth City Schools recently submitted to the Ohio Department of Education and Workforce. It is encouraging to see this alignment, as it validates that our recovery initiatives are on the right track and supported by an independent analysis.

The audit report presents 18 recommendations for improvement. We are pleased to note that 12 of those recommendations offer significant cost-savings opportunities for the district—crucial steps toward closing our budget gap and restoring fiscal stability. The remaining 6 recommendations are foundational in nature, focusing on strengthening key operational areas such as strategic planning, transportation, and collective bargaining. While these six may not yield immediate monetary savings, they establish an important framework for long-term efficiency and effectiveness.

Importantly, the district has already begun implementing several of the audit's recommended cost-saving actions. In recent months, we have taken proactive steps to reduce expenditures. These actions have included difficult but necessary adjustments to staffing levels and other operational efficiencies — always with a focus on minimizing the impact on students. Throughout these changes, we have prioritized protecting core academic programs and student services, ensuring that our students' learning and well-being remain at the forefront as we make financial adjustments.

These efforts reflect our unwavering commitment to student-centered, fiscally responsible decision-making. Even as we make budgetary changes, every decision is weighed carefully against its effect on student learning and opportunities. Our Board of Education and administration remain dedicated to maintaining this balance of fiscal prudence and educational quality as we move forward with implementing the audit's recommendations.

We also want to reassure our community that the findings of this performance audit will be shared openly and transparently. Portsmouth City Schools will publish the audit report and our response on the district's website, and we will discuss the results in upcoming public Board meetings. We will use the audit's recommendations as a guide for future operational and staffing decisions, ensuring that any changes are communicated clearly to our stakeholders and grounded in the objective analysis provided by the Auditor's Office.

Auditor of State Keith Faber
Ohio Auditor of State's Office
May 9, 2025
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In closing, I want to again thank the Auditor of State's Office for the constructive collaboration and transparency shown throughout this audit process. Your team's professionalism and open communication made the process both productive and respectful. We are grateful for the thorough analysis and guidance provided in the performance audit. Portsmouth City School District will continue to work diligently, using this audit report alongside our Financial Recovery Plan as a roadmap to fiscal health, while keeping the needs of our students at the center of every decision. Thank you for your partnership and support as we strive to strengthen our district for the benefit of our students and community.

Sincerely,



Matthew McCorkle
Superintendent, Portsmouth City School District



Andy Riehl
Treasurer/CFO, Portsmouth City School District

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 forecast practices consistent with leading practices and is the five-year forecast reasonable and supported?	No Recommendation: The District's forecasting practices are consistent with leading practices.
Are the District's budgeting practices in line with leading practices?	R.3
Are the District's planning practices consistent with leading practices?	R.2

Is the District's General Fund subsidy of extracurricular activities appropriate in comparison to local peers and the District's financial condition?	R.1, Additional Recommendation
Human Resources	
Are the District's staffing levels appropriate in comparison to primary peers, state minimum standards, demand for services, and the District's financial condition?	R.4, R.5, Additional Recommendations
Are the District's salaries and wages appropriate in comparison to local peers and the District's financial condition?	Additional Recommendation
Are the District's collective bargaining agreement provisions appropriate in comparison to local peers, minimum requirements, and the District's financial condition?	R.6, R.7
Are the District's insurance costs appropriate in comparison to other governmental entities within the local market and the District's financial condition?	R.8, R.9, R.10
Facilities	
Are the District's facilities staffing levels appropriate in comparison to leading practices, industry standards, and the District's financial condition?	No Recommendation: The District's facilities staffing is appropriate compared to leading practices and industry standards.
Is the District's building utilization appropriate in comparison to leading practices, industry standards, and the District's financial condition?	R.12
Are the District's facilities expenditures appropriate in comparison to primary peers, leading practices, industry standards, and the District's financial condition?	R.11
Transportation	
Is the District's T-1 Report accurate, and did it result in the appropriate level of State transportation funding?	R.13
Are the District's transportation security practices consistent with leading practices and industry standards and appropriate based on the District's financial condition?	R.14

Although assessment of internal controls was not specifically an objective of this performance audit, internal controls were considered and evaluated when applicable to scope areas and

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

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

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 a number of sources, including:

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

In consultation with the District, two sets of peer groups were selected for comparisons contained in this report. A “Primary Peers” set was selected for general, District-wide comparisons. This peer set was selected from a pool of demographically similar districts with relatively lower per-pupil spending and similar academic performance. A “Local Peers” set was selected for a comparison of the general fund subsidy of extracurricular activities, compensation, benefits, and collective bargaining agreements, where applicable. This peer set was selected specifically to provide context for local labor market conditions. The table below shows the Ohio school districts included in these peer groups.

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

Peer Group Districts

Primary Peers

- Coshocton City School District (Coshocton County)
- East Liverpool City School District (Columbiana County)
- Cambridge City School District (Guernsey County)
- Conneaut Area City School District (Ashtabula County)
- Fostoria City School District (Seneca County)
- Girard City School District (Trumbull County)

Local Peers

- Bloom-Vernon Local School District (Scioto County)
- Clay Local School District (Scioto County)
- Minford Local School District (Scioto County)
- New Boston Local School District (Scioto County)
- Northwest Local School District (Scioto County)
- Washington-Nile Local School District (Scioto County)
- Wheelersburg Local School District (Scioto County)

Where reasonable and appropriate, peer districts were used for comparison. However, industry standards or leading practices were used in some operational areas for primary comparison. District policies and procedures as well as pertinent laws and regulations contained in the Ohio Administrative Code (OAC) and the Ohio Revised Code (ORC) were also assessed. Each recommendation in this report describes the specific methodology and criteria used to reach our conclusions.

Appendix B: Financial Systems

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

Financial Condition

In March 2025, PCSD submitted a revised November 2024 five-year forecast to ODEW as part of its Board-approved written financial recovery plan. A summary of this forecast is in the table below. As seen in this table, the District projected negative results of operations beginning in FY 2026 and continuing throughout the forecast period but projected a positive ending fund balance in all years except FY 2029, the last year of the forecast. The significantly improved financial condition from November 2024 to March 2025 is a result of the District factoring in expected changes from the recovery plan.

Financial Condition Overview (March 2025 Re-Submission Reduction Plan)

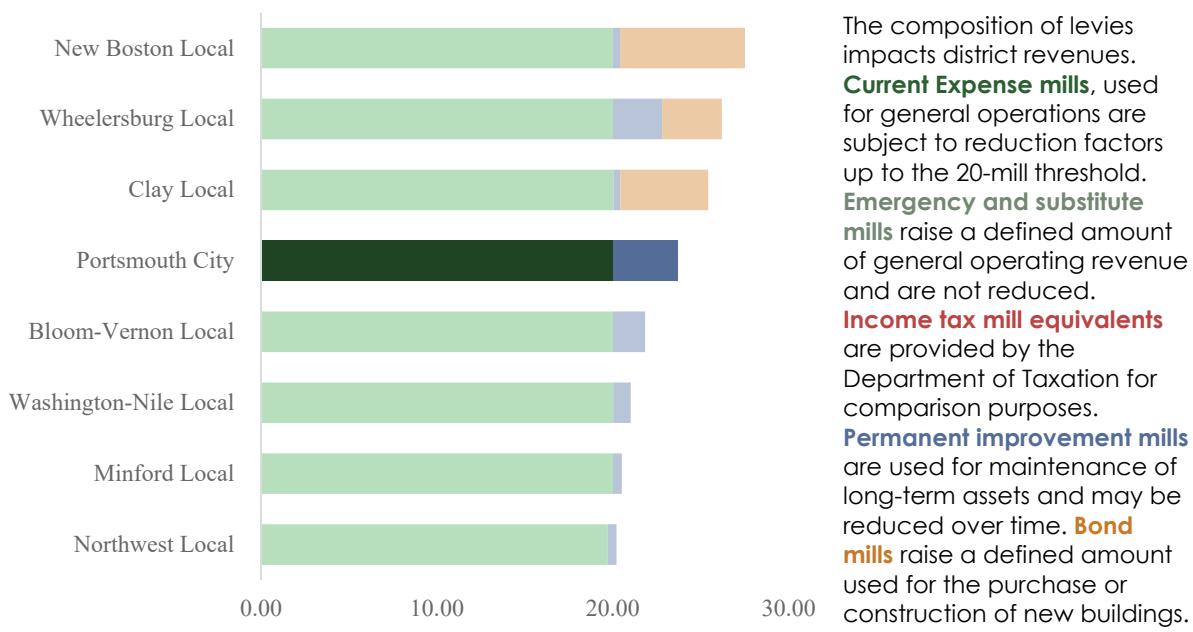
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Total Revenue	\$23,277,626	\$22,371,176	\$22,604,417	\$22,659,668	\$23,036,638
Total Expenditures	\$23,213,968	\$22,643,804	\$22,661,547	\$23,518,800	\$24,356,080
Results of Operations	\$63,658	(\$272,628)	(\$57,130)	(\$859,132)	(\$1,319,442)
Beginning Cash Balance	\$1,788,554	\$1,852,212	\$1,579,584	\$1,522,453	\$663,321
Ending Cash Balance	\$1,852,212	\$1,579,584	\$1,522,453	\$663,321	(\$656,120)
Encumbrances	\$0	\$0	\$0	\$0	\$0
Cumulative Balance of Replacement/Renewal Levies	\$0	\$0	\$0	\$0	\$0
Cumulative Balance of New Levies	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$1,852,212	\$1,579,584	\$1,522,453	\$663,321	(\$656,120)

Source: ODEW

Local Revenue Comparisons

Since the total millage rate can be rolled back as a result of reduction factors, we compared the total effective millage for PCSD to that of its local peers. This comparison is found in the chart below. The green portion of the bar represents the current expense millage rate, where four of the local peers are at the 20-mill floor. Overall, the District's effective millage rate is in line with 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.

2024 Millage and Millage Equivalents | Local Peers



Source: Ohio Department of Taxation

The District's effective tax rate is among the highest in comparison to the local peer districts. In Tax Year 2024, one mill of property tax generated approximately \$207 in revenue per pupil, falling above the local peer average of \$133 by approximately \$74, or 55.9%.

The following tables show the local tax effort (LTE) comparison between PCSD and the primary peer districts and the local peer districts. The District's LTE is below the statewide average, is the lowest of the primary peers, and among the highest of the local peers.

2024 Local Tax Effort Comparison | Primary Peers

District	LTE	Rank	Percentile
Fostoria City	1.1762	194	68.0%
Conneaut Area City	1.1040	236	61.1%
Cambridge City	0.8649	383	36.8%
Coshocton City	0.8042	436	28.1%
East Liverpool City	0.7917	448	26.1%
Girard City School District	0.7683	466	23.1%
Portsmouth City	0.6511	542	10.6%
Primary Peer Average	0.9182	349	42.4%

Source: ODEW

Efficient



Effective



Transparent

2024 Local Tax Effort Comparison | Local Peers

District	LTE	Rank	Percentile
Bloom-Vernon Local	0.6798	526	13.2%
Northwest Local	0.6776	530	12.5%
Washington-Nile Local	0.6637	536	11.6%
Portsmouth City	0.6511	542	10.6%
Minford Local	0.6291	553	8.7%
New Boston Local	0.6261	557	8.1%
Clay Local	0.5914	567	6.4%
Wheelersburg Local	0.4913	589	2.8%
Local Peer Average	0.6227	559	7.8%

Source: ODEW

Appendix C: Human Resources

Staffing Comparison Tables

The following tables illustrate the District's employee FTEs compared to calculated benchmark FTEs.

The enrollment benchmark FTEs represents the FTEs the District would need to align with the *primary peer average FTEs per-1,000 student ratio*. Normalizing data on a per-1,000 student basis, as seen in the calculation below, allows for a more precise comparison between districts when student counts differ. This primary comparison is shown in each of the following staffing comparison tables.

$$\text{Enrollment Benchmark FTEs} = \left[\frac{\text{Peer Average FTE}}{\left(\frac{\text{Peer Avg Enrollment}}{1,000} \right)} \right] * \left(\frac{\text{Client Enrollment}}{1,000} \right)$$

The building benchmark FTEs represents the FTEs the District would need to align with the *primary peer average FTEs per building ratio*. Normalizing data on a per-building basis, as seen in the calculation below, allows for a more precise comparison between districts when building counts differ. This secondary comparison is shown in select staffing comparison tables.

$$\text{Building Benchmark FTEs} = \left(\frac{\text{Peer Average FTE}}{\text{Peer Average Building Count}} \right) * \text{District Building Count}$$

Central Office Administrator Staff Comparison

Position	PCSD FTEs	Benchmark FTEs	FTEs Above/(Below) Benchmark
Assistant, Deputy/Associate Superintendent	0.00	0.15	(0.15)
Supervisor/Manager	0.00	2.45	(2.45)
Coordinator	2.80	1.16	1.64
Director	0.00	2.45	(2.45)
Other Official/Administrative	0.00	0.61	(0.61)
Total	2.80	6.82	(4.02)

Source: PCSD and ODEW

Building Administrator Staff Comparison

Position	PCSD FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark
Assistant Principal	1.00	2.15	(1.15)
Principal	5.00	3.22	1.78
Dean of Students	0.00	0.46	(0.46)
Total	6.00	5.83	0.17

Position	PCSD FTEs	Building Benchmark FTEs	FTEs Above/(Below) Benchmark
Assistant Principal	1.00	2.01	(1.01)
Principal	5.00	3.00	2.00
Dean of Students	0.00	0.42	(0.42)
Total	6.00	5.43	0.57

Source: PCSD and ODEW

Teaching Staff Comparison

Position	PCSD FTEs	Benchmark FTEs	FTEs Above/(Below) Benchmark
General Education	71.25	79.81	(8.56)
Gifted and Talented	0.80	0.36	0.44
Career-Technical Programs/Career Pathways	1.00	2.15	(1.15)
LEP Instructional Program	2.00	0.00	2.00
Total	75.05	82.32	(7.27)

Source: PCSD and ODEW

K-8 Teaching Staff Comparison

Position	PCSD FTEs	Benchmark FTEs	FTEs Above/(Below) Benchmark
Art Education K-8	0.00	1.72	(1.72)
Music Education K-8	2.00	1.69	0.31
Physical Education K-8	2.00	1.80	0.20

Source: PCSD and ODEW

Non-Teaching Educational Staff Comparison

Position	PCSD FTEs	Benchmark FTEs	FTEs Above/(Below) Benchmark
Curriculum Specialist	0.00	0.09	(0.09)
Counseling	5.00	3.08	1.92
Remedial Specialist	2.00	4.22	(2.22)
Tutor/Small Group Instructor	2.00	1.23	0.77
Full-time (Permanent) Substitute Teacher	0.00	1.53	(1.53)
Other Educational	0.00	1.52	(1.52)

Source: PCSD and ODEW

Professional Staff Comparison

Position	PCSD FTEs	Benchmark FTEs	FTEs Above/(Below) Benchmark
Psychologist	3.00	0.88	2.12
Social Work	0.00	0.31	(0.31)
Planning/Research/Development/Evaluation/Analysis	0.00	0.31	(0.31)
Other Professional - Other	0.00	0.15	(0.15)

Source: PCSD and ODEW

Technical Staff Comparison

Position	PCSD FTEs	Benchmark FTEs	FTEs Above/(Below) Benchmark
Other Technical	2.00	0.82	1.18
Total	2.00	0.82	1.18

Source: PCSD and ODEW

Central Office Support Staff Comparison

Position	PCSD FTEs	Benchmark FTEs	FTEs Above/(Below) Benchmark
Bookkeeping	0.00	2.17	(2.17)
Central Office Clerical	4.65	2.65	2.00
Records Managing	0.00	0.07	(0.07)
Other Office/Clerical	0.00	0.46	(0.46)
Total	4.65	5.35	(0.70)

Source: PCSD and ODEW

Building Office Support Staff Comparison

Position	PCSD FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark
School Building Clerical	9.00	7.92	1.08
Total	9.00	7.92	1.08

Position	PCSD FTEs	Building Benchmark FTEs	FTEs Above/(Below) Benchmark
School Building Clerical	9.00	7.38	1.62
Total	9.00	7.38	1.62

Source: PCSD and ODEW

Library Staff Comparison

Position	PCSD FTEs	Benchmark FTEs	FTEs Above/(Below) Benchmark
Librarian/Media	2.00	0.61	1.39
Library Aide	0.00	0.76	(0.76)
Total	2.00	1.37	0.63

Source: PCSD and ODEW

Nursing Staff Comparison

Position	PCSD FTEs	Benchmark FTEs	FTEs Above/(Below) Benchmark
Registered Nursing	1.00	1.10	(0.10)
Practical Nursing	2.00	0.89	1.11
Total	3.00	1.99	1.01

Source: PCSD and ODEW

Efficient



Effective



Transparent

Classroom Support Staff Comparison

Position	PCSD FTEs	Benchmark FTEs	FTEs Above/(Below) Benchmark
Instructional Paraprofessional	17.00	7.09	9.91
Teaching Aide	0.00	7.99	(7.99)
Total	17.00	15.08	1.92

Source: PCSD and ODEW

Other Support Staff Comparison

Position	PCSD FTEs	Benchmark FTEs	FTEs Above/(Below) Benchmark
Attendance Officer	0.00	0.46	(0.46)
Monitoring	0.00	4.58	(4.58)

Source: PCSD and ODEW

Other Clerical Staff Comparison

Position	PCSD FTEs	Benchmark FTEs	FTEs Above/(Below) Benchmark
Parent Mentor	0.00	0.15	(0.15)
Family and Community Liaison	0.00	0.15	(0.15)

Source: PCSD and ODEW

Extra Curricular/Intra Curricular Staff Comparison

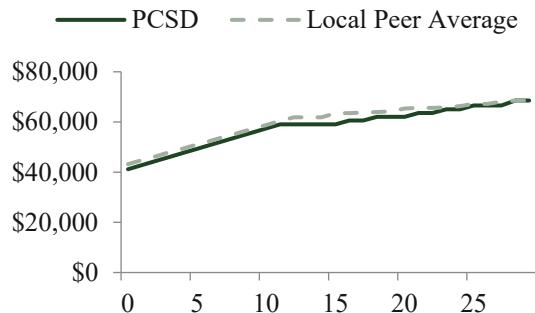
Position	PCSD FTEs	Benchmark FTEs	FTEs Above/(Below) Benchmark
Advisor	0.00	0.15	(0.15)
Athletic Trainer	0.00	0.15	(0.15)

Source: PCSD and ODEW

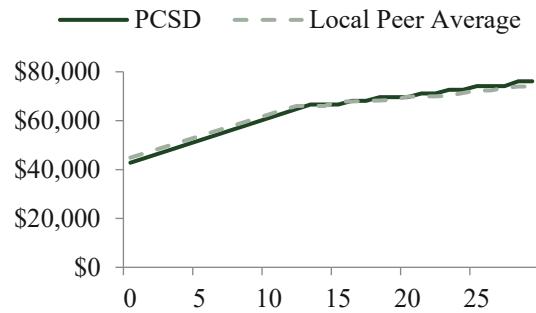
We also looked at annual salaries for all certificated employees and the hourly wage rates for various classified employee positions over the course of a career, as seen in the following charts.

Certificated Career Compensation

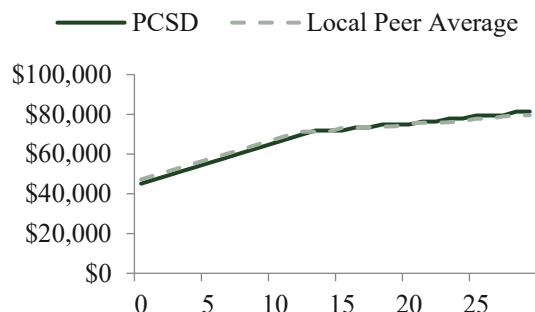
Bachelors



BA+150

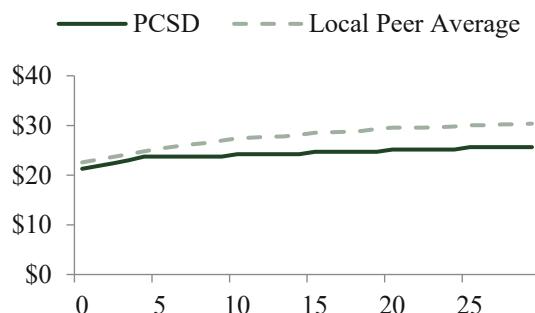


Masters

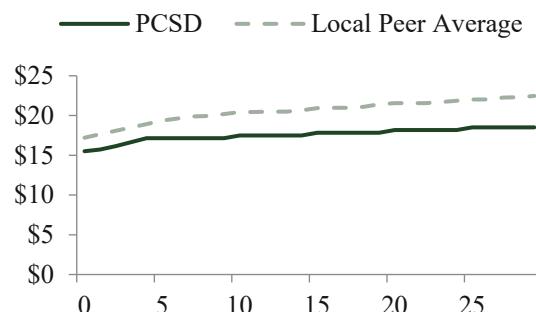


Classified Career Compensation

Bus Driver



Cook I



Efficient

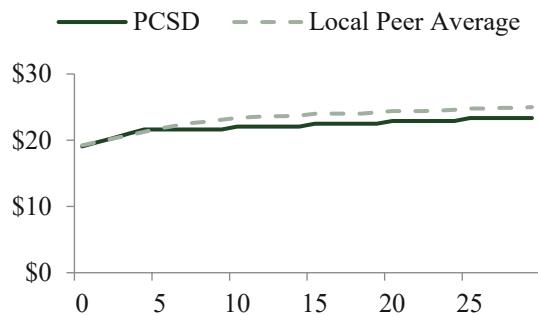


Effective

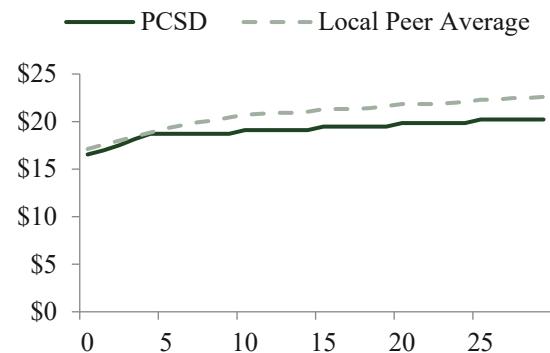


Transparent

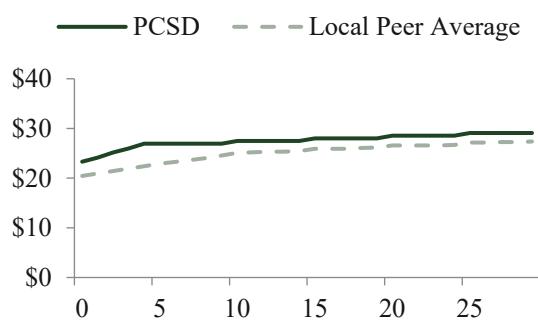
Building Secretary



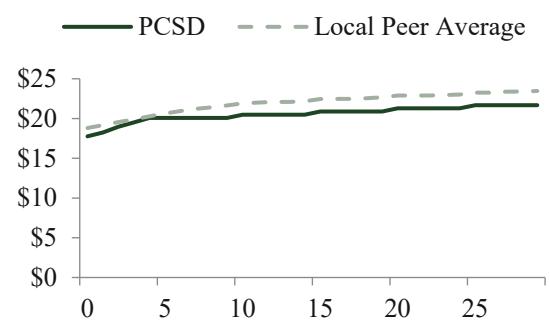
Paraprofessional Aide



Maintenance



Custodian I – Nighttime



Efficient



Effective



Transparent

OHIO AUDITOR OF STATE KEITH FABER



PORSCMOUTH CITY SCHOOL DISTRICT

SCIOTO COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/22/2025

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

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www.ohioauditor.gov