

OHIO AUDITOR OF STATE  
KEITH FABER



Morgan  
Local School District

# Performance Audit

December 2025

OHIO AUDITOR OF STATE  
**KEITH FABER**



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# OHIO AUDITOR OF STATE KEITH FABER



## To the Morgan Local School District Community:

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

This performance audit report contains recommendations, supported by detailed analyses, 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 to perform its own assessment of operations and develop alternative management strategies independent of the performance audit report.

It is my hope that the District will use the results of the performance audit as a resource for improving operational efficiency as well as service delivery effectiveness. The analyses contained within are intended to provide management with information, and in some cases, a range of options to consider while making decisions about their operations.

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. Additional resources related to performance audits are also available on the Ohio Auditor of State's website.

Sincerely,

KEITH FABER  
Ohio Auditor of State

A handwritten signature in cursive script that reads 'Tiffany L. Ridenbaugh'.

Tiffany L. Ridenbaugh, CPA, CFE, CGFM  
Chief Deputy Auditor

December 4, 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.<sup>1</sup> These documents provide three years of historical financial data, as well as the projected revenues and expenses for a five-year period.<sup>2</sup>

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.<sup>3</sup>

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<sup>1</sup>ORC § 5705.391 and OAC 3301-92-04.

<sup>2</sup>House Bill 96 of the 136<sup>th</sup> General Assembly (the biennial budget bill) contained changes to the school forecast which included shortening the length of the forecast period and altering the submission dates. These changes went into effect in FY 2026.

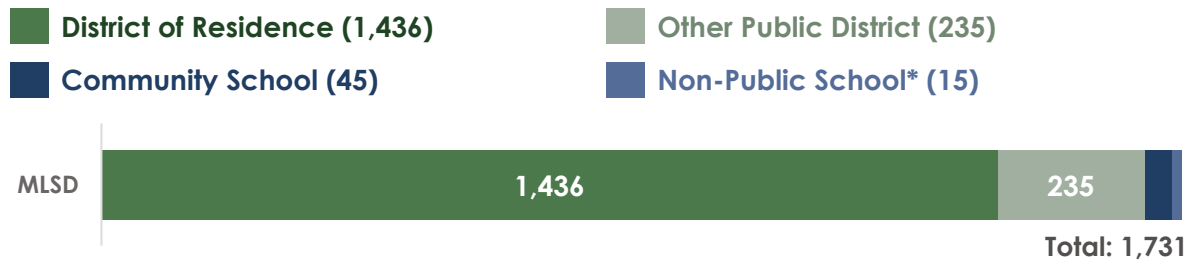
<sup>3</sup>Performance audits are conducted using Generally Accepted Government Auditing Standards guidelines, see [Appendix A](#) for more details.

# Morgan Local School District

Morgan Local School District (MLSD or the District) is located in Morgan County and, as of fiscal year (FY) 2024, had 1,523 students enrolled including students residing in the District and those who attend through open enrollment options. The District spans approximately 387 square miles and has an Ohio median income of \$36,139. Of the total enrolled students, approximately 19 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 MLSD 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 MLSD represented in this chart does not include students attending via open enrollment options and is not reflective of the total enrollment.

## Place of Enrollment, Students Living in MLSD, FY 2024



Source: ODEW School Report Card

\*Includes, if applicable, 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 17 percent of students residing in MLSD have chosen to attend community schools, nonpublic schools, or another public district that accepts students through open enrollment. During FY 2024, MLSD educated 32 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 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. The second, local peers, is comprised of districts in the surrounding area and is used for labor market comparisons, such as salary schedules. See [Appendix A](#) for a list of all districts used in our peer comparisons.

## Financial Condition

In November 2024, the District released its required annual five-year forecast that showed negative year-end fund balances in the forecast period beginning in FY 2028. A summary of this forecast is in the table below. As seen in this table, the District has extensive negative results of operations in each of the five years of the forecast period. Consequentially, based on projected deficit spending, the District projected a negative ending cash balance beginning in FY 2028, which was projected to grow to approximately \$7.5 million by FY 2029, the last year of the forecast. Due to the declining fiscal condition of the District, and in consultation with ODEW, we chose to conduct a performance audit.

### Financial Condition Overview (November 2024 Forecast)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Total Revenue	\$26,337,599	\$26,440,844	\$26,372,989	\$26,665,594	\$26,866,469
Total Expenditures	\$28,290,789	\$27,750,976	\$28,786,985	\$29,966,895	\$31,368,067
<b>Results of Operations</b>	<b>(\$1,953,190)</b>	<b>(\$1,310,132)</b>	<b>(\$2,413,996)</b>	<b>(\$3,301,301)</b>	<b>(\$4,501,598)</b>
Beginning Cash Balance	\$6,185,799	\$4,232,609	\$2,922,477	\$508,481	(\$2,792,820)
<b>Ending Cash Balance</b>	<b>\$4,232,609</b>	<b>\$2,922,477</b>	<b>\$508,481</b>	<b>(\$2,792,820)</b>	<b>(\$7,294,418)</b>
Encumbrances	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Cumulative Balance of Replacement/Renewal Levies	\$0	\$0	\$0	\$0	\$0
Cumulative Balance of New Levies	\$0	\$0	\$0	\$0	\$0
<b>Ending Fund Balance</b>	<b>\$3,932,609</b>	<b>\$2,622,477</b>	<b>\$208,481</b>	<b>(\$3,092,820)</b>	<b>(\$7,594,418)</b>

Source: ODEW

Due to questions regarding the accuracy of the November forecast, the District hired a third-party consulting group to conduct an independent review. The consulting group reported that the forecast was more than 99 percent accurate. In May 2025, the District released its semi-annual forecast, which no longer projected negative ending fund balances, but did still project negative results of operations in all five years of the forecast.

### Financial Condition Overview (May 2025 Forecast)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Total Revenue	\$26,784,516	\$27,310,815	\$27,348,387	\$27,797,607	\$28,073,237
Total Expenditures	\$28,423,114	\$27,572,686	\$27,892,839	\$28,650,389	\$29,442,498
<b>Results of Operations</b>	<b>(\$1,638,598)</b>	<b>(\$261,871)</b>	<b>(\$544,452)</b>	<b>(\$852,782)</b>	<b>(\$1,369,261)</b>
Beginning Cash Balance	\$6,185,800	\$4,547,202	\$4,285,331	\$3,740,879	\$2,888,097
<b>Ending Cash Balance</b>	<b>\$4,547,202</b>	<b>\$4,285,331</b>	<b>\$3,740,879</b>	<b>\$2,888,097</b>	<b>\$1,518,837</b>
Encumbrances	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
Cumulative Balance of Replacement/Renewal Levies	\$0	\$0	\$0	\$0	\$0
Cumulative Balance of New Levies	\$0	\$0	\$0	\$0	\$0
<b>Ending Fund Balance</b>	<b>\$3,947,202</b>	<b>\$3,685,331</b>	<b>\$3,140,879</b>	<b>\$2,288,097</b>	<b>\$918,837</b>

Source: ODEW

The improved financial condition in the May forecast is the result of the District making significant operational changes to reduce expenditures. According to the May 2025 forecast assumptions, the forecast reflects savings mostly associated with staffing reductions that were approved by the Board, effective FY 2026. The reductions included mostly teaching staff, with 11.0 FTEs reduced. Additionally, the forecast reflects the increased property tax revenue resulting from a Morgan County reappraisal in tax year 2024, which increased valuations by more than 27 percent. The increased property valuations resulted in a corresponding increase in general property taxes for the District due to its status of being on the 20-mill floor (see [Property Tax](#) section). In the May 2025 forecast, the District projects negative results of operations in each year of the forecast period. This suggests an imbalance in spending and requires an entity to spend a portion of its reserve funds. In the May forecast, the District’s negative results of operations is consistent and ranges from 6.1 percent of revenue in FY 2025 to 4.9 percent of revenue in FY 2029. Although the District is projecting positive ending fund balances, this deficit spending, if not resolved, is projected to continue to decrease the ending fund balance, thus reducing cash reserves. Continued deficit spending may eventually lead to deficit fund balances.<sup>4</sup>

<sup>4</sup> During the audit, the October 2025 forecast was released. See [Appendix B](#).

## 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 2025, of approximately \$28.5 billion in reported revenue for public education in Ohio, nearly 83 percent, or \$23.8 billion, came from state and local sources.<sup>5</sup>

### State Funding

On July 1, 2025, House Bill 96 of the 136<sup>th</sup> General Assembly (the biennial budget bill) was signed by the Governor. This bill included changes to the state foundation funding formula, which was enacted in 2021, and is commonly referred to as the Fair School Funding Plan. The formula changes will be phased in at 83.33 percent in FY 2026 and 100 percent in FY 2027.<sup>6</sup> During the phase-in period, the amount of state funding received in any given year may have been less than what would have been received if the formula were fully funded.

### 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.<sup>7</sup> Approximately one-third of Ohio school districts currently have an income tax.

#### *Property Tax*

Property taxes levied in Ohio are subject to restrictions in the Ohio Constitution<sup>8</sup> and the Ohio Revised Code (ORC).<sup>9</sup> These restrictions limit the amount of tax that can be levied without voter approval to 10 mills<sup>10</sup> 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.

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<sup>5</sup> Of the remaining 17 percent of revenue, approximately 9 percent came from federal government with the rest coming from a variety of sources including funds raised through tuition, fees, extracurricular activities, grants, and other non-tax sources.

<sup>6</sup> See <https://www.lsc.ohio.gov/assets/legislation/136/hb96/psc/files/hb96-comparison-document-as-pending-in-senate-committee-136th-general-assembly.pdf>

<sup>7</sup> See <https://tax.ohio.gov/wps/portal/gov/tax/individual/school-district-income-tax>

<sup>8</sup> Ohio Const. Art. XII, Section 2.

<sup>9</sup> Ohio Rev. Code § 5705.02.

<sup>10</sup> 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 will realize additional revenues. Current expense levies, used for general operations, and permanent improvement levies are typically fixed-rate. A fixed-sum levy identifies an amount that will be generated from the levy. While there may be an estimated millage rate, the actual rate will vary based on assessed property values. If new construction occurs within the district, there would be no new revenues for a fixed-sum levy. Emergency levies<sup>11</sup> 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.<sup>12</sup> In subsequent years, with exceptions such as new construction, a district would not receive additional revenue from a levy as property values increased.<sup>13</sup> Instead, the outside mills are subject to reduction factors<sup>14</sup> which lower the effective millage rate in order to maintain the preceding year's level of revenue from the same properties.<sup>15</sup>

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.<sup>16</sup> In order to prevent a district from failing to meet this minimum threshold, reduction factors stop being applied once a district reaches an effective rate of 20-mills, colloquially known as the 20-mill floor. Practically speaking, this means that if a district's effective tax rate is reduced to 20 mills for current expenses, the amount of revenue generated from levies will increase with property values unless a new operating levy is approved by voters. It is important to note not all levies count toward the 20-mill floor.

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<sup>11</sup> Authorized by ORC §5705.194.

<sup>12</sup> Am.Sub.H.B. No. 920, 136 Ohio Laws, Part II, 3182, 3194.

<sup>13</sup> If property value decreased due to reappraisal, it is possible that a district would receive less revenue than originally intended.

<sup>14</sup> ORC § 319.301.

<sup>15</sup> 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.

<sup>16</sup> 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.

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.

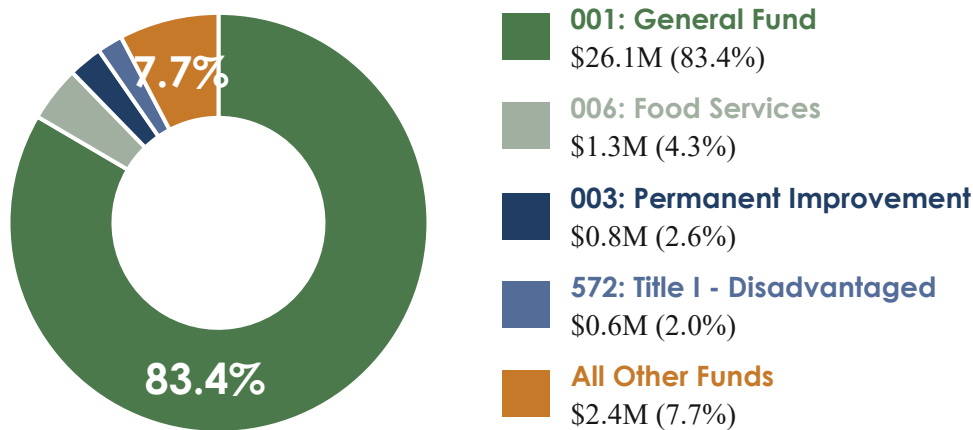
While MLSD does not have an income tax, two of the primary peer districts do collect revenue from an income tax.

## MLSD Revenues

A school district budget is comprised of revenues and expenditures. Revenues are primarily received from local, state, and federal funding sources, and can be placed into general or specific use funds. In FY 2024, MLSD had approximately \$31.3 million in total revenue as seen in the following chart. While the majority of this revenue, or 83.4 percent, was General Fund revenue, the District also received food service funds and permanent improvement funds totaling 4.3 percent and 2.6 percent of all revenue, respectively.

### FY 2024 Total Revenue All Funds

Total: \$31.3M



Source: MLSD

Note: The District has 29 total funds, 28 of which recorded revenue in FY 2024. All other funds are comprised of a variety of sources including IDEA funding, and Extracurricular Activities. For a list of all funds, please see [Appendix B](#).

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

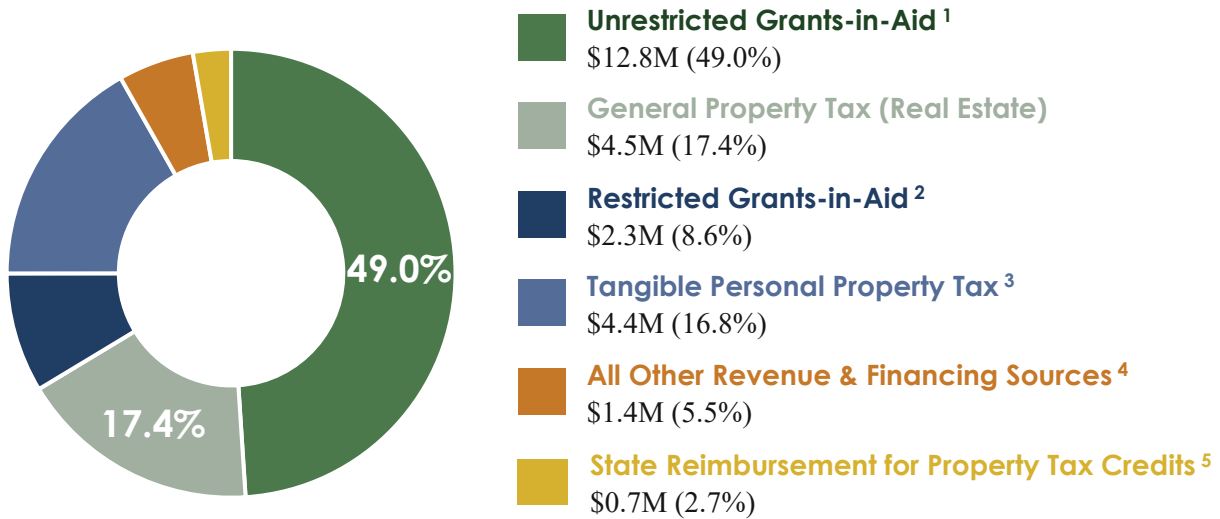
Note: Excludes Advances

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 \$26.1 million.<sup>17</sup>

<sup>17</sup> This total excludes advances to the General Fund. For purposes of comparison, we excluded advances to the General Fund for both MLSD and the peer groups throughout the Revenues section.

## FY 2024 General Fund Revenue Composition

**Total: \$26.1M**



Source: ODEW

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

Note: Excludes Advances

1: Unrestricted Grants-in-Aid is comprised primarily of state foundation funding.

2: Restricted Grants-in-Aid include revenues received as grants from the state which must be used for a categorical or specific purpose.

3: Tangible Personal Property Tax includes revenues related to public utility personal property (telephone, electric, and gas) tax paid by public utilities.

4: All Other Operating Revenue & Financing Sources includes tuition, fees, earnings on investments, rentals, donations, operating transfers, and all other financing sources.

5: State Reimbursement for Property Tax Credits is the money provided by the State as a reimbursement for statutory tax credits and reductions granted to real property taxpayers to include Non-Business Credit, Owner Occupancy Credit, and Homestead Exemptions.

Within the District's General Fund, as seen in the chart above, the primary sources of revenue are unrestricted grants-in-aid, general property tax, and tangible personal property tax. The remaining revenue is comprised of a variety of sources.

### 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.<sup>18</sup> In FY 2024, the District received approximately \$16,060 per pupil, with 34.2 percent, or approximately \$5,495,

<sup>18</sup> Forecasted funds include the District's General Fund and funds derived from emergency levies.

coming from local taxes.<sup>19</sup> In FY 2024, the primary peer average was \$15,535 in revenue per pupil, with 49.0 percent, or approximately \$7,606, coming from local taxes. The District’s local revenue was lower than the primary peer average in FY 2024.

## Millage

In 2024, MLSD collected revenues on 22.65 mills of property tax for residential properties.<sup>20</sup> This included 2.30 inside mills and 17.70 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 totaled 2.65 mills and was comprised of 0.43 bond mills and 2.22 permanent improvement mills.

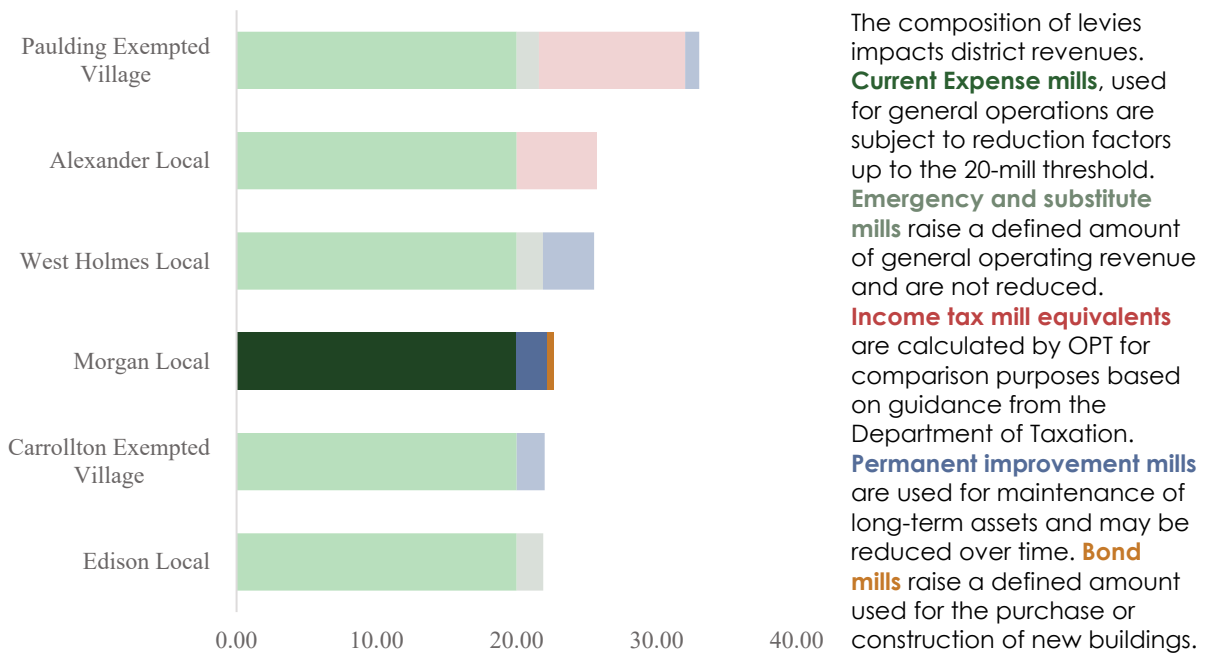
Since the total millage rate can be rolled back as a result of reduction factors, we compared the total effective millage for MLSD to that of its primary peers. This comparison is found in the chart below. The green portion of the bar represents the current expense millage rate, where all of the peers 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. The pink represents income tax revenue. While MLSD does not have a school district income tax, two peers do collect revenue from income tax.

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<sup>19</sup> 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.

<sup>20</sup> 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 22.75.

## 2024 Millage and Millage Equivalents | Primary Peers



Source: Ohio Department of Taxation

The composition of levies impacts district revenues. Current expense mills, used for general operations are subject to reduction factors up to the 20-mill threshold. Emergency and substitute mills raise a defined amount of general operating revenue and 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 subject to reduction factors. Bond mills raise a defined amount used 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 taxes. At that point, a district at the floor would see additional revenues from increases in value to existing properties. The District relies heavily on current expense mills and is at the 20-mill floor. This means that if property values increase within the District, it will see additional revenues based on that growth.

### 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 function 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 values. MLSD's millage rate is among the lowest compared to the

primary peers. In addition, the District has a low property valuation compared to its peers. In Tax Year 2023, one mill of property tax generated approximately \$263 in revenue per pupil, which is below the primary peer average of \$341 per pupil. The combination of lower valuation and lower total millage means that the District would generate less revenue than the primary peers. Due to this, MLSD has lower capacity to raise revenue.

The property tax revenues for the District’s General Fund are generated from several levies. The following table shows the levies currently in effect for the District 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 MLSD, FY 2024

Levy Year	Levy Name	Gross Tax Rate	Class I Effective Tax Rate
	GENERAL FUND (Inside Mills)	0.80	0.80
	GENERAL FUND (Inside Mills)	1.50	1.50
	PERMANENT IMPROVEMENT (Inside Mills)	2.00	2.00
1976	CURRENT EXPENSE	22.40	13.96
1990	CURRENT EXPENSE	5.80	3.74
2006	BOND	0.43	0.43
2006	CLASSROOM FACILITIES	0.50	0.22
<b>Total</b>		<b>33.43</b>	<b>22.65</b>

Source: Ohio Department of Taxation

As seen in the table, the most recent levy for current operating expenses was passed by voters in 1990, or more than 30 years ago. Then in 2006, a bond levy and classroom facilities maintenance levy were passed for permanent improvement, with both levies expiring in 2035. The difference between the Gross Tax Rate and the Effective Tax Rate illustrates the impact that reduction factors have on collection rates. The 2.30 mills that are identified as General Fund millage are considered inside mills and are unvoted by the taxpayers. These mills are not subject to reduction factors. As property values have risen, the District has seen revenue growth since it is at the 20-mill floor for current expenses.

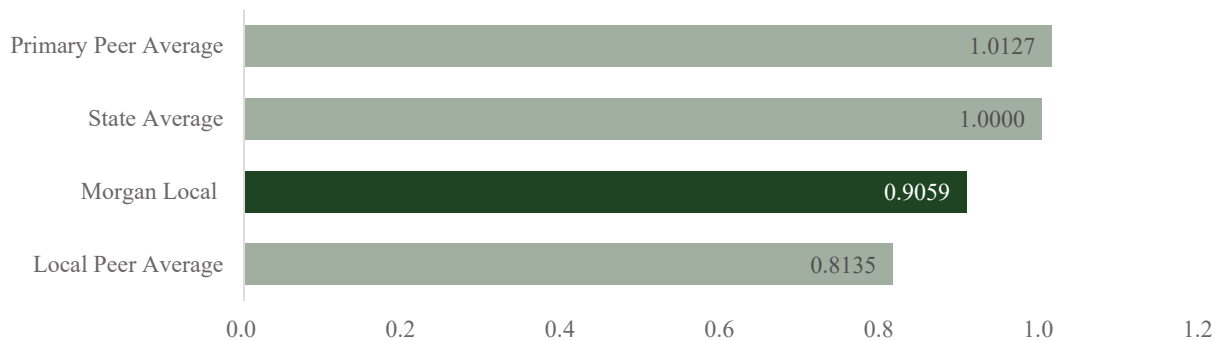
### Local Tax Effort

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

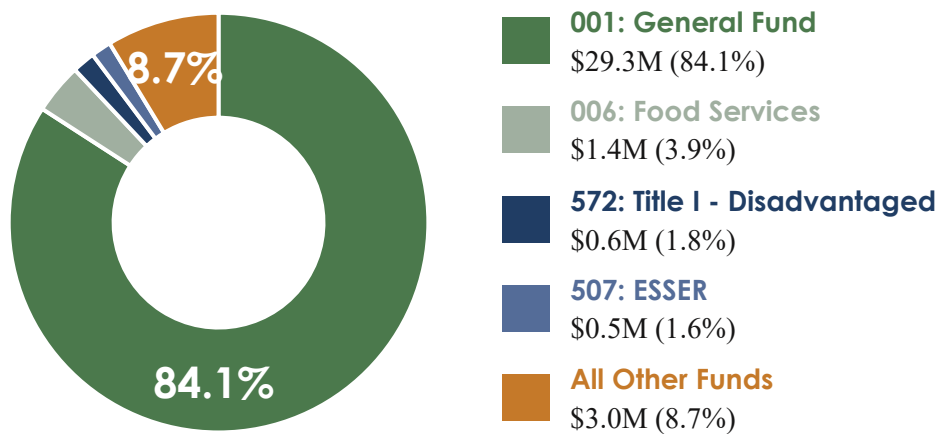
The District’s local tax effort was compared to the local peers, primary peers, and the state average. Districts are ranked from 1 to 606, with 1 being the highest level of effort, or the 99<sup>th</sup> percentile and 606 being the lowest level effort, or the 1<sup>st</sup> percentile. The District has a local tax effort of 0.9059. This is lower than the state average, ranking 354<sup>th</sup> out of 606 districts, which is approximately the 42<sup>nd</sup> percentile of all districts. By comparison, the local peer average of 0.8135 would rank approximately 432<sup>nd</sup> out of all 606 districts, or the 29<sup>th</sup> percentile.

## MLSD Expenditures

Similar to revenue allocation, expenditures are paid from specific funds. For example, most salaries and wages are typically paid from the General Fund. The chart below shows the District’s total expenditures by fund type. In FY 2024, the total expenditures were higher than total revenue. Within funds, expenditures may exceed revenue due to the ability to use available fund balances from previous years. This is noticeable in the variation in General Fund revenues and General Fund expenditures in FY 2024 at the District.

### FY 2024 Total Expenditure Distribution by Fund

Total: \$34.8M



Source: MLSD

Note: The District has 29 total funds, 28 of which recorded expenditures in FY 2024. All other funds are comprised of a variety of sources including IDEA and Extracurricular Activities. For a list of all funds, please see [Appendix B](#).

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

Note: Excludes Advances

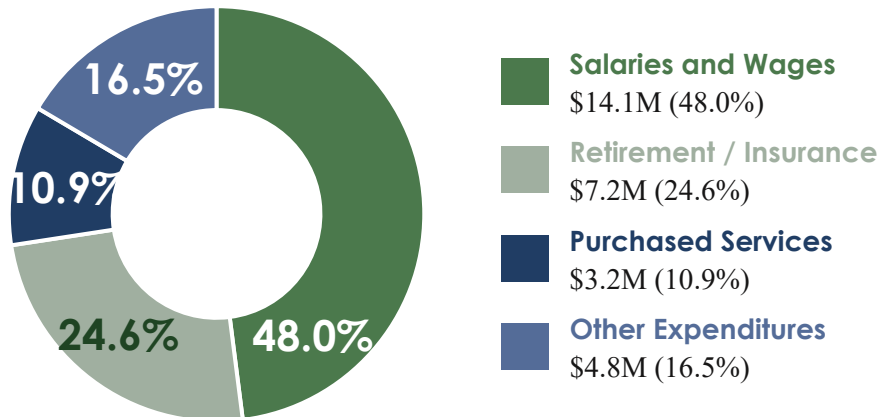
As seen in the visual above, the District’s total General Fund expenditures were approximately \$29.3 million in FY 2024.<sup>21</sup> Of those General Fund expenditures, the largest sources of expenditures were human resources which include salaries, wages, and benefits, followed by purchased services. The chart that follows provides additional detail regarding the District’s General Fund expenditures.

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<sup>21</sup> This total excludes advances from the General Fund. For purposes of comparison, we excluded advances from the General Fund for both MLSD and the peer groups throughout the Expenditures section.

## FY 2024 General Fund Expenditure Composition

Total: \$29.3M



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

As demonstrated in the visual above, purchased services expenditures were approximately \$3.2 million in FY 2024, making up 10.9 percent of the General Fund expenses. Of that total, approximately 93 percent of the expenditures were for technical, property, and utilities services, along with tuition payments. The most notable purchases services within those categories were associated with electricity and repairs and maintenance services for upkeep of grounds, buildings, and equipment.

### 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.

#### FY 2024 Expenditure per Pupil by Object Code

Object	General Fund	Other Funds	All Funds
100: Salaries & Wages	\$8,655	\$847	\$9,502
200: Retirement & Insurance Benefits	\$4,439	\$537	\$4,976
400: Purchased Services	\$1,969	\$467	\$2,436
500: Supplies & Materials	\$1,163	\$998	\$2,160
600: Capital Outlay	\$1,267	\$319	\$1,585
800: Other Objects	\$308	\$238	\$546
900: Other Uses of Funds	\$238	\$0	\$238
<b>Total</b>	<b>\$18,039</b>	<b>\$3,405</b>	<b>\$21,444</b>

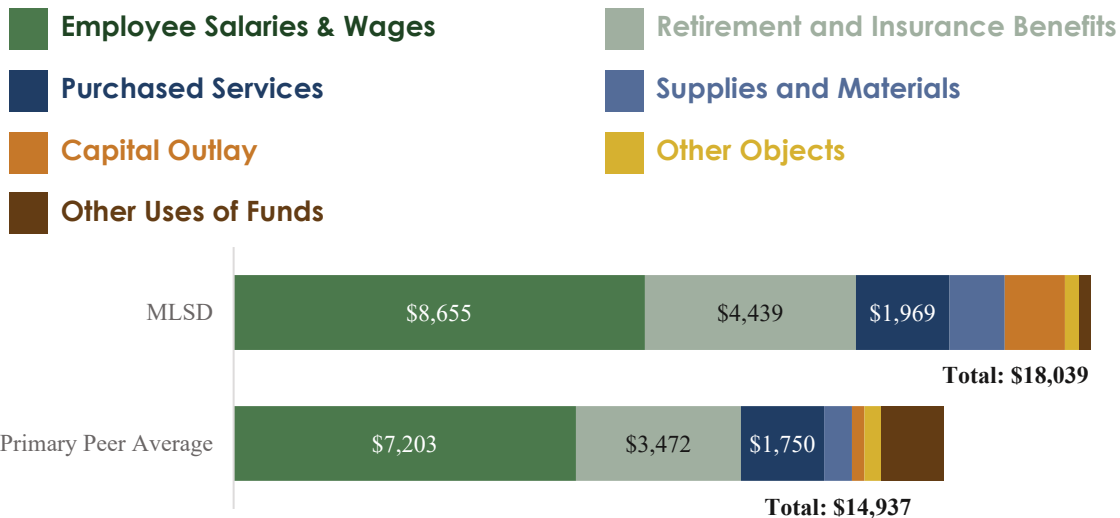
Source: MLSD & ODEW

Efficient • Effective • Transparent

In FY 2024, The District spent a total of \$21,444 per-pupil from all funds. By comparison, the primary peer average expenditure per-pupil from all funds was approximately \$23,832.<sup>22</sup> While the District spending per pupil was lower than the peer average for all funds, MLSD spent approximately \$18,039 per pupil from the General Fund, which is 20.8 percent higher when compared to the primary peer average of \$14,937 per pupil. We analyzed General Fund expenditures since they are tied to the five-year forecast.

The District spent more than the primary peer average on employee salaries and wages, employee benefits, purchased services, supplies and materials, and capital outlay. The District spent less than the primary peer average on other objects, and other uses of funds.<sup>23</sup> The chart that follows provides a comparison of expenditures per pupil for MLSD and the primary peer average.

### FY 2024 Total General Fund Expenditures Per Pupil



Source: MLSD, Peers, and ODEW  
Note: Excludes Advances

The District’s higher salaries and wages may be driven by the District’s staffing levels (see [Recommendation 6](#) and [Recommendation 7](#)).<sup>24</sup> The District’s higher retirement and insurance

<sup>22</sup> MLSD’s total spending per pupil was lower than the peer average because the primary peer districts reported more expenditures to funds outside of the General Fund. Much of these expenditures can be attributed to one time or nonrecurring expenses such as those relating to capital projects.

<sup>23</sup> The category of “Other Objects” includes things such as interest on loans, memberships in professional organizations, County Board of Education contributions, and various types of non-healthcare insurance. “Other Uses of Funds” mainly consists of transfers, and contingencies within the various accounting dimensions.

<sup>24</sup> While the District still exceeds the primary peer average in some staffing categories, the above chart does not include the staffing reductions the District made after FY 2024, and, as a result, may show a greater difference in employee salaries and wages expenditures per pupil than what currently exists.

benefits expenditures may be driven by the District contributing a greater percentage of the medical and dental premiums than the regional peer average (see [Recommendation 8](#)).

# Results of the Audit

Based on an initial analysis of the District’s data as compared to its peer groups, the following scope areas were included for detailed review and further analyses: Financial Management, Human Resources, Facilities, Transportation and Food Service (see [Appendix A](#)). We identified 11 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.

## Summary of Recommendations

<b>Standard Recommendations</b>		<b>Savings</b>
<b>R.1</b>	<b>Improve the Development of the Five-Year Forecast and Utilize this Planning Tool for Operational Decision Making</b>	<b>N/A</b>
<b>R.2</b>	<b>Enhance the Budgeting Process</b>	<b>N/A</b>
<b>R.3</b>	<b>Develop Formal Plans</b>	<b>N/A</b>
<b>R.4</b>	<b>Consider CTE Delivery Options &amp; Ensure Program Compliance</b>	<b>N/A</b>
<b>R.5</b>	<b>Reduce the General Fund Subsidy Percent of Total Expenditures for Extracurricular Activities to the Local Peer Level</b>	<b>\$200,000</b>
<b>R.6</b>	<b>Eliminate Administrative and Administrative Support Positions above the Peer Average</b>	<b>\$21,000</b>
	Eliminate 0.5 FTE Central Office Support Staff	\$21,000
<b>R.7</b>	<b>Eliminate Direct Student Education and Support Positions above the Peer Average</b>	<b>\$432,000</b>
	Eliminate 1.0 FTE General Education Teaching Staff	\$43,000
	Eliminate 4.5 FTE K-8 Teaching Staff	\$277,000
	Eliminate 0.5 FTE Technical Staff	\$62,000
	Eliminate 0.5 FTE Other Support Staff	\$50,000
<b>R.8</b>	<b>Align Employer Insurance Costs with SERB Regional Average</b>	<b>\$249,000</b>
<b>R.9</b>	<b>Reduce Facilities Staffing</b>	<b>\$135,000</b>
<b>R.10</b>	<b>Improve Building Utilization</b>	<b>\$420,000</b>
<b>R.11</b>	<b>Monitor Food Service Operations to Ensure Financial Sustainability</b>	<b>\$56,000</b>
<b>Total Cost Savings from Performance Audit Recommendations (General Fund)</b>		<b>\$1,513,000</b>

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, which are based on industry standards and peer comparisons, are projected to save the District an average of approximately \$1.5 million annually, if fully implemented. The financial impact of these recommendations on the projected results of operations in the May 2025 forecast is shown in the following table. This table shows the impact of the estimated average annual savings of the recommendations on the District’s projected annual spending. As seen in the table, the identified savings would resolve projected deficit spending in three out of four years of the forecast period.

### Results of the Audit Recommendations (May 2025 Forecast - Line 6.010)

	FY 2026	FY 2027	FY 2028	FY 2029
Original Results of Operations (Line 6.010)	(\$261,871)	(\$544,452)	(\$852,782)	(\$1,369,261)
<b>In Year Recommendation Savings</b>	<b>\$0</b>	<b>\$1,656,310</b>	<b>\$2,170,467</b>	<b>\$2,246,243</b>
<b>Revised Results of Operations (Line 6.010)</b>	<b>(\$261,871)</b>	<b>\$1,111,858</b>	<b>\$1,317,685</b>	<b>\$876,982</b>

Source: MLSD, ODEW, and AOS

While the District’s May 2025 forecast did not project an ending fund balance in any year of the forecast period, it did project deficit spending in each year. This deficit spending was projected to deplete the District’s fund balance to approximately \$918,000 in FY 2029 and suggests structural imbalances that could ultimately lead to a negative fund balance in the future. The recommendations contained in this audit, as seen in the table above, would eliminate the operational deficit in three out of the four years of the forecast period.

In addition to showing the impact of the annual savings, the following table shows the impact of the recommendations on the District’s cash and fund balances. As seen in the table below, the estimated savings from implementing the recommendations in the report would allow MLSD to increase its fund balances rather than deplete them over the course of the forecast period.

### Results of the Audit Recommendations (May 2025 Forecast - Line 12.010)

	FY 2026	FY 2027	FY 2028	FY 2029
Revised Starting Cash Balance (Line 7.010)	\$4,547,202	\$4,285,331	\$5,397,189	\$6,714,874
Revised Results of Operations (Line 6.010)	(\$261,871)	\$1,111,858	\$1,317,685	\$876,982
<b>Revised Ending Cash Balance (Line 7.020)</b>	<b>\$4,285,331</b>	<b>\$5,397,189</b>	<b>\$6,714,874</b>	<b>\$7,591,857</b>
Estimated Encumbrances June 30 (Line 8.10)	\$600,000	\$600,000	\$600,000	\$600,000
<b>Revised Ending Fund Balance (Line 12.010)</b>	<b>\$3,685,331</b>	<b>\$4,797,189</b>	<b>\$6,114,874</b>	<b>\$6,991,857</b>

Source: MLSD, ODEW, and AOS

As seen in the table above, if all recommendations were fully implemented, the District’s ending fund balance would grow over the forecast period from \$3.6 million, or 13 percent of total revenues in FY 2026 to \$6.9 million, or 25 percent of total expenditures in FY 2029. Based on

the District's current financial condition, officials should consider how to strategically implement these recommendations to ensure fiscal stability while minimizing reductions in services to the community. It should be noted that some of these recommendations may require contract negotiations and savings may not be realized immediately.

# 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. These planning processes and practices should work together and be taken into account when making management decisions. When developing annual budgets and making spending decisions, the District's administration should consider the information presented in the five-year forecast. Additionally, large purchases and other expenditures should be planned for through long-term strategic planning that is also tied to the forecast and the annual budget. These practices, when properly adhered to, can help a district to avoid financial distress.

We reviewed MLSD's financial management policies to determine if there were areas for improved management.

## Recommendation 1: Improve the Development of the Forecast and Utilize this Planning Tool for Operational Decision Making

Districts are required to submit financial forecasts to ODEW twice annually, and these documents should provide a consistent overview of a district's financial health.<sup>25</sup> The forecast can be used as a tool, along with other fiscal monitoring practices, to ensure district officials proactively manage finances to avoid a state of fiscal distress.

A review of MLSD's recent forecasts showed that the District did not have robust assumptions for Line 6.010 (Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses). This, combined with recent and historical projected negative results of operations, indicated that the District is not addressing all key drivers behind fluctuating deficit spending projections. The Ohio Association of School Business Officials (OASBO), ODEW, and the Government Finance Officers Association (GFOA) each provide guidance regarding forecasting and fiscal management. Key components in these guidelines include:

- Maintain formal, written guidance on how to prepare the forecast;
- Include appropriate information regarding assumptions and provide detailed explanations regarding variances from forecast to forecast and year to year;
- Take corrective action to avoid spending down cash balances when deficit spending is projected in a forecast;
- Compare actual revenues and expenditures to forecasted amounts and budgeted appropriations throughout the school year and adjust operations as needed;
- Create a written cash balance policy to avoid negative fund balances; and,
- Impart long-term perspective on the forecast by integrating formal long-term planning documents such as the strategic, capital improvement, and maintenance plans.

Implementing these best practices can help MLSD address its current financial state in a transparent manner.

### Impact

By implementing forecasting best practices, the District will be better positioned to effectively, transparently, and proactively manage and sufficiently explain its revenues and expenditures. Such management of financials would assist the District in avoiding deficit spending and consequential negative ending fund balances, resulting in an improved financial condition.

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<sup>25</sup> House Bill 96 of the 136<sup>th</sup> General Assembly (the biennial budget bill) contained changes to the school forecast, including shifting to a four-year forecast period from a five-year period.

## Background

School districts in Ohio are required to submit a financial forecast to ODEW twice annually.<sup>26</sup> These forecasts include three years of historic financial data along with five years of projections. In addition, the forecasts include notes to explain any significant changes or assumptions used to develop the reported projections. Due to the nature of projecting financial information, it is likely that actual results will deviate from the forecast in later years. However, the forecast is a management tool that districts can use to identify future financial challenges and proactively manage operations to address those issues.

The financial forecast is meant to be a tool that assists with long range planning and to facilitate discussions between the administration, the local board of education, and the community regarding the fiscal health of a district and the financial issues that it may be facing. In addition, the forecast identifies a district’s ability to maintain personnel and programs. It is also used by ODEW and the Auditor of State to identify districts that may face financial distress.

Due to the District’s decline in financial condition, we reviewed historical forecasts to identify if there were earlier indicators of financial difficulty. In addition, the historical forecasts allowed us to understand what information had been presented and if MLSD officials were making informed management decisions.

Indicators of financial difficulty would include projected deficit spending, where annual expenditures exceed annual revenues. Many school districts have a cash balance in the General Fund, which can allow a district to manage unforeseen expenditures in a given year. However, if deficit spending is projected in a forecast, it could be an indicator of a structural imbalance in the district’s operations that necessitates immediate corrective action by the Board of Education.

## Methodology

We interviewed District officials to understand their forecasting process. We also obtained and reviewed the District’s November 2024 and May 2025 five-year forecasts and assumptions. We specifically analyzed the lines of the forecast that projected significant increases or decreases and then compared those lines to the corresponding assumptions to assess whether these changes were thoroughly documented. We developed a historical review of the District’s forecast trends to determine how prior years’ projections may have impacted their current financial condition.

Once we gained an understanding of MLSD’s forecasting practices, we compared the District’s process to best practices from OASBO, ODEW, and the GFOA to identify opportunities for improved transparency and effectiveness of future forecasts.

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<sup>26</sup> House Bill 96 of the 136<sup>th</sup> General Assembly (the biennial budget bill) contained changes to the school forecast which included shortening the length of the forecast period to four years and altering the submission date.

## Analysis

According to *Five-Year Forecast – Guidance and Best Practices* (OASBO, 2025), the forecast is arguably the most critical financial document at a school district, as it outlines the financial state of the District and helps guide the decision-making process. As a critical financial document and management tool, it is important that a district have formal, written policies in place that clearly outline roles, responsibilities, and expectations. While the Treasurer is responsible for the creation of the forecast, the Board of Education has ultimate governing authority of the financial processes, with their roles and contributions consisting of the following: approve the forecast (ensure alignment with District’s financial state), represent community promoting transparency, and guide financial decisions (use forecast to make informed decisions). As such, it is important for both parties to be actively involved in the creation and monitoring of the forecast. In addition, OASBO indicates the Superintendent, District administrators, the community and other external partners should be involved in the forecasting process. All the stakeholders identified by OASBO have unique expertise and perspectives that can be applied to the forecasting process.

MLSD does not have formal written policies for developing financial forecasts. However, the District monitors the forecast on a monthly basis. As the District creates its forecasting policies, it should incorporate best practices from OASBO, ODEW, and the GFOA. The District should also develop formal plans and a budget process that align with best practices to ensure that the District’s initiatives strategically align with available financial resources and are sustainable (see [Recommendation 2](#) and [Recommendation 3](#)).

### Forecasting Assumptions

One important accompanying document to the forecast is the forecast assumptions. OASBO says that the forecast, without any accompanying documentation, only tells part of the story and is merely a “piece of the puzzle”. For a forecast to be comprehensively and effectively understood, forecast assumptions are needed to provide context and support. Not only are the assumptions recommended, but they are required by OAC 3301-92-04. Using forecast assumptions, OASBO recommends that Districts sufficiently explain significant variations in revenues and expenditures. Explaining significant fluctuations in revenues and expenditures helps to enhance transparency and helps readers understand the “why” behind the projected financials in the forecasts. Examples of forecast lines in which fluctuations may be explained include the following:

- Property Tax Revenue (Line 1.010): This could increase due to reappraisal within the county or expected new developments within the district;
- Personal Services (Line 3.010): This could increase or decrease due to staffing changes or negotiated salary changes;
- Employee Retirement/Insurance Benefits (Line 3.020): This could change due to changes in insurance costs or staffing levels; and,
- Purchased Services (Line 3.030): This could change due to changes in operations, increased utility rates, or changes to contracts.

Generally, the District’s assumptions and explanations for significant fluctuations in the forecast, such as Line 1.010 (General Property Tax) and Line 3.010 (Personal Services), were explained in detail. In addition, the District’s May 2025 forecast assumptions are more effectively supported than the November 2024 forecast assumptions. This improvement in assumptions aligns with the District’s transition in forecasting solutions, where the District now contracts with a consulting group to create the forecast and corresponding assumptions. However, in reviewing MLSD’s November 2024 and May 2025 forecast assumptions, the District did not sufficiently explain the key drivers causing deficit spending for Line 6.010 (Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses), which is discussed in further detail below.

According to OASBO, when District’s review forecasts, it is important to watch for significant fluctuations within the same line. The forecast assumptions should explain any major increases or decreases in detail to help ensure that trends and significant changes such as growing deficits are understood, addressed, and clearly communicated to stakeholders. While the District has taken steps to improve its forecasting efforts through the use of a third party vendor, it is ultimately the District’s responsibility to take ownership of the forecast and ensure the forecast is reasonable, supported, and thoroughly explained.

### *Projected Deficit Spending*

According to OASBO, the forecast assumptions should explain Line 6.010 (Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses), most notably if there is deficit spending. Deficit spending may be sustained for short periods due to a district’s cash balance; however, districts should not do so precipitously, or below an established threshold, without taking action. As OASBO notes, if deficit spending is significant in the current fiscal year or first few years of the forecast period, it may indicate that a district is operating outside of its means. In any scenario, OASBO indicates that a financial plan is likely necessary to reverse deficit spending and avoid drawing down the cash balance. Further, OASBO notes that early interventions are key to avoiding more disruptive actions in the future.

Beginning in the November 2022 forecast, the District consistently projected deficit spending in all years of the forecast period, with this trend continuing for all forecasts analyzed below. From the November 2022 forecast to the May 2024 forecast, the projected deficit in the final year of the forecast remained consistently high, before dropping significantly in the May 2025 forecast. Based on conversation with the District, MLSD is unsure of the historical key drivers behind some of the significant fluctuations in the results of operations where there are significant increases and decreases. MLSD further indicated it is more interested in the present and path moving forward to an improved financial condition.

The table below shows the forecasted annual results of operations for each forecast beginning in FY 2022. Each row in the table shows the projections for an individual forecast. The District stated it takes an ultra-conservative approach in forecasting, which may be a contributing factor to the increasing deficits seen across most of the individual forecast rows.<sup>27</sup> The columns in the table show the comparison of projections for a single fiscal year across multiple forecasts. It is reasonable to expect that the information in an individual column will change across forecasts as the District would be able to more precisely identify and project revenues and expenditures. However, the District’s conservative approach may create challenges when using this data for informational purposes as it may not accurately reflect the District’s financial condition and consequentially, may misinform long-term plans and the overall budget.

Historical Projected Results of Operations (Forecast Line 6.010)<sup>28</sup>

Forecast	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
May '22	\$1.01M	(\$2.53M)	(\$1.24M)	(\$2.30M)	(\$2.38M)			
Nov '22		(\$2.93M)	(\$1.69M)	(\$2.72M)	(\$3.93M)	(\$5.20M)		
May '23		(\$3.18M)	(\$0.93M)	(\$2.20M)	(\$3.42M)	(\$4.74M)		
Nov '23			(\$2.65M)	(\$2.31M)	(\$2.95M)	(\$4.29M)	(\$5.36M)	
May '24			(\$2.74M)	(\$2.58M)	(\$3.28M)	(\$4.66M)	(\$5.88M)	
Nov '24				(\$1.95M)	(\$1.31M)	(\$2.41M)	(\$3.30M)	(\$4.50M)
May '25				(\$1.64M)	(\$0.26M)	(\$0.54M)	(\$0.85M)	(\$1.37M)

Source: ODEW

Looking at the table, the projected deficits from May 2022 continue to grow, both in frequency and severity until the May 2025 forecast, at which point final year projections significantly improved, though still projecting a deficit. The improved financial condition in the May forecast is the result of the District taking action to reduce expenditures along with increased property tax revenues. According to the May 2025 forecast assumptions, the forecast reflects savings mostly associated with staffing reductions that were approved by the Board, effective FY 2026. The reductions included mostly teaching staff, with 11.0 FTEs reduced. Additionally, the forecast reflects the positive impact on property tax revenue resulting from a Morgan County reappraisal in tax year 2024, which increased valuations, and subsequently property tax revenues, by more than 27 percent.

According to OASBO, if a forecast is demonstrating deficit spending, then corrective action should also be explained in the assumptions. Although MLSD fully explains significant increases or decrease in expenditures and revenues, the forecasts do not sufficiently explain the projected deficits in Line 6.010 (Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses) and plans for solvency. Despite the District taking steps to reduce current expenditures and improve the forecast outlook, the District is still projecting

<sup>27</sup> The District stated its ultra-conservative approach is meant to avoid overestimating revenue and underestimating expenditures.

<sup>28</sup> The table only contains forecasted 5-year results of operations and excludes actuals.

negative results of operations. The GFOA states that forecasting should play a key role in budgeting and financial decisions. Based on available information, it appears the District has not historically made financial decisions that would most effectively reduce actual and projected deficit spending.

### *Forecast Monitoring*

OASBO also calls for districts to proactively manage revenues and expenditures to avoid deficit spending and ultimately, negative ending fund balances. The optimal method for proactive management is comparing monthly and year-to-date actuals to budgeted appropriations and the forecast. Regular comparison can reveal significant deviations and, if so, allows districts time to engage in corrective action. If there is a significant variance, districts should do the following:

- Identify the cause;
- Evaluate the impact;
- Adjust appropriations if necessary;
- Adjust estimated revenues if necessary;
- Communicate with stakeholders; and,
- Adopt a revised forecast.

Similarly, ODEW recommends that districts report and discuss expenditures compared to revenues on a monthly basis. Although there is monthly monitoring of actuals, deficit spending has consistently been forecasted, along with actual deficit spending reported in FY 2023 and FY 2024.

### *Cash Balance Policy*

Maintaining a minimum cash balance helps a district to avoid financial difficulties that may arise from unforeseen expenses or reduced revenues. The District does not have a cash balance policy in place, which helped to contribute to the current financial condition. Both OASBO and ODEW recommend minimum cash balances. OASBO recommends that a district maintain a cash balance equivalent to 90 days or 25 percent of operating expenditures while ODEW recommends a district maintain a balance of 30 to 60 days of operating expenditures. Although the OASBO and ODEW recommended cash balance amount differs, both ultimately recommend there be a policy outlining the District’s requirement to maintain a strategic cash balance. As the District develops financial plans, it should create a formal, written cash balance policy to help prevent future continued fiscal distress and emergency.

## **Conclusion**

The District does not comply with all best practices related to forecasting as identified by OASBO, ODEW, or the GFOA. Further, the District has not effectively and proactively managed its finances to avoid deficit spending and negative ending fund balances in its forecasts. By implementing forecasting best practices outlined by OASBO, ODEW, and the GFOA, the District will have the ability to create forecasts that are reliable and provide an accurate

representation of the District's true financial state, which is essential information for the governing body to have in order to make sound financial decisions regarding the operations of the District. In addition, the District's forecasting assumptions will be reasonably supported, which will add to the accuracy of the forecast.

## Recommendation 2: Enhance the 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 budget plan and process that addresses each of the steps and sub-steps outlined in the GFOA best practices.

### Impact

By understanding its expected revenues and the resource needs of students and staff – and creating a plan in which received dollars will be allocated to meet those needs – MSLD can ensure that each dollar the District receives is spent thoughtfully to achieve maximum impact. Fully adhering to *Best Practices in School Budgeting* (GFOA, 2017) 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 annual budgeting process. Once we gained an adequate understanding of MSLD’s budgeting process, we compared the District’s process to *Best Practices in School Budgeting* (GFOA, 2017), which is a formal guidance for school district financial administrators to adopt when creating their annual budget.

### Analysis

MSLD’s current budgeting process is a collaborative effort that involves internal stakeholders discussing the budget and how resources align with the District’s goals. However, the District does not have a strategy for communicating the budgeting process and resource allocation to the community. Historical forecasting has demonstrated deficit spending, and most recently, the May 2025 forecast projected deficit spending through FY 2029, the last year of the forecast (see [Recommendation 1](#)). Given the District’s financial condition, the budget is currently not guided by best practices and strategic goals.

After comparing MSLD’s budgeting process to the GFOA’s best practices, we determined that MSLD adheres to 5 of the 15 budgeting sub-steps, partially adheres to 9 of the sub-steps, and does not adhere to 1 of the sub-steps recommended by the GFOA.

## GFOA School Budgeting Best Practices

Meets
  Partially Meets
  Does Not Meet

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	

Source: GFOA and MLSD

The sub-steps labeled as “Partially Meets” and “Doesn’t Meet” were marked as such due to various reasons. First, the District lacks formal long-term planning such as a strategic plan for District-wide operations (see [Recommendation 3](#)), and an accompanying strategic financial plan, which can be used as a communications device, that shows how the District plans to pay for things such as instructional priorities, as well as support and central services. Although the District lacks these formal plans, MLSD does have a plan that outlines instructional priorities,

known as the One Plan<sup>29</sup>. The One Plan allows the District to partially meet some of the GFOA best practices.

Second, although the District indicated that principals guide their budgeting decisions, with a focus on educational needs, there is a lack of technically detailed board policies recommended by the GFOA best practices. Examples of these policies include cash balance, asset maintenance, and replacement policies, which outline important budgeting elements such as acceptable and unacceptable financial behavior, along with standards in which to judge the District’s fiscal performance. Although the District has Board policies relating to budgeting and general financial management, they do not satisfy GFOA’s best practice for demonstrating technical details in how financials will be managed.

Lastly, although MLSD’s budget process is collaborative in that it involves numerous internal stakeholders, it does not fully meet GFOA’s best practices for communication strategies. The District does not use formal communication tools outlined by GFOA best practices to effectively describe inputs and considerations of the budget process. Further, MLSD indicated that although information is provided to Board members, it is not thoroughly discussed during Board meetings, which are meetings open to the public.

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, MLSD 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.

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<sup>29</sup> According to ODEW, a One Plan “is a systemic consolidated planning tool strategically aligned to funding, resources, and focused on improving outcomes for all students.”

## Recommendation 3: Develop Formal Plans

MLSD should develop formal written strategic, capital improvement, facilities preventive maintenance, fleet preventive 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 preventive maintenance plan, fleet preventive 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 has components of a strategic plan, fleet preventive maintenance plan, and bus replacement plan, but does not have formal capital improvement or facilities preventive maintenance 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 MLSD 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, while the District has elements of a strategic plan, fleet preventive maintenance plan and bus replacement plan, the District does not have formal capital improvement and facilities preventive maintenance plans. The lack of a capital 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 GFOA provides guidance to governmental entities in the development and maintenance of effective long-term planning. *Strategic Planning* (GFOA, 2023) defines strategic planning as the “act of articulating where or what an organization wants to be in the future and includes the design of a vision and identification of goals and objectives. It relates to long-term financial planning, developing financial policies, capital improvement planning, and budgeting, but it is inherently different. Each process fulfills a different combination of planning purposes.”

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Key steps in the strategic planning process include:

- Conduct strategic planning under the organization’s chief executive;
- Analyze internal and external environments;
- Identify the most critical problems facing the organization;
- Develop a vision/goal to address each problem;
- Develop strategies to realize your visions;
- Develop tactics to implement strategies;
- Obtain approval of the plan;
- Execute and monitor tactics and strategies; and,
- Continually evaluate and reassess the vision and strategies.

While the District doesn’t have a formal strategic plan, some best practices are adhered to within the District’s One Plan, which establishes instructional priorities, strategies, and goals.

### *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, established project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs.”

### *Facilities Preventive 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 the foundation of preventive 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 preventive maintenance. Once the items that should receive preventive maintenance are identified, planners must decide on the frequency and type of inspections. Manufacturers’ manuals are a good place to start when developing this schedule; they usually provide guidelines about the frequency of preventive service, as well as a complete list of items that must be maintained. Finally, this information must be formatted so that preventive 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 Preventive Maintenance Plan*

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

While the District does not have a formal fleet preventive maintenance plan, the District's current processes meet some of the elements of a fleet preventive maintenance plan. However, MLSD has not established fleet life cycles and does not track parts and supplies, nor does it evaluate the effectiveness of the preventive maintenance program to understand program effectiveness and efficiency.

## *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 emissions requirements;
- 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 20 assigned spare buses and 9 spare buses, which were all purchased between 2010 and 2024.

## **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 4: Ensure CTE Programming is Fiscally Responsible and in Compliance with State Requirements

MLSD is statutorily required to provide career-technical education (CTE) to students enrolled in grades 7 through 12, with several delivery options available to the District to fulfill this requirement. MLSD provides its own comprehensive CTE programming to students, which has been more costly than that of surrounding Career-Technical Planning Districts (CTPDs). Further, a recent program redesign put the District at risk of noncompliance with program requirements.

MLSD should ensure its CTE program maximizes efficiency and effectiveness within the District's priorities, ensures compliance, and also considers financial components, such as General Fund subsidies, as well as enrollment and operational components.

### Impact

Ensuring that CTE programming is fiscally responsible and in compliance with statutory requirements will allow MLSD to provide students with a sustainable CTE program and the training needed to be prepared for the workforce.

### Background

Career-Technical Education is an education option available for students enrolled in grades 7 through 12 in Ohio. The purpose of CTE is to prepare students for the workforce and/or prepare students to transition into college degree programs. Common areas of study include automotive services, cosmetology, information technology, and nursing.

In Ohio, CTE programming is delivered through Career-Technical Planning Districts (CTPDs). CTPDs must meet State requirements and standards to operate CTE programs and to qualify for funding.<sup>30</sup> There are three structures for CTPDs:

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<sup>30</sup> Ohio's CTE funding is based on a weighted formula that assigns funding based on program categories. Programs are grouped into five categories, with Category 1 receiving the highest funding due to Category 1 programs correlating to high-priority fields. CTPDs offering more programs in Categories 1 and 2 receive more CTE funding per student. This structure reflects the State's focus on workforce-aligned; high-demand careers and creates a financial incentive to offer programs in specific areas.

## Delivery Options

### Comprehensive

Deliver CTE programs in-house

### Joint Vocational School District (JVSD)

Independent school districts with separate governing boards that exist to provide CTE programming to traditional school districts

### Compact

Deliver CTE programs via a contractual partnership between multiple school districts

Source: Ohio Revised Code

Across the state, Ohio has 25 comprehensive CTPDs, 15 compact CTPDs, and 49 JVSD CTPDs.<sup>31</sup> MLSD is a comprehensive CTPD. Surrounding MLSD are only comprehensives and JVSDs.

CTE program requirements are established by OAC 3301-61-03. Generally, CTPDs that provide CTE must offer 12 programs, also known as pathways, across at least 8 career fields. However, CTPDs such as MLSD, that have less than 2,250 students enrolled in grades 7 through 12, must offer 10 programs across 8 career fields (commonly referred to as the 10/8 Rule). According to ODEW, a program must have at least one student known as a concentrator,<sup>32</sup> who is enrolled for the program or career field to be applied to the 10/8 Rule. According to ORC §3317.161, ODEW, along with the lead district of each CTPD, conducts annual reviews of CTE programs to ensure compliance with program requirements and alignment with workforce needs. Compliance is determined in the fall for the prior fiscal year. If a CTPD's CTE programming is determined to be noncompliant, rather than adjusting funding, ODEW works with the CTPD to regain compliance.

In FY 2026, the District restructured its program offerings in an effort to reduce expenditures. Prior to restructuring, MLSD offered 11 pathways across 9 career fields, which was compliant with the 10/8 Rule. According to information provided by the District, as of the FY 2026 school year, the District is offering 6 pathways across 6 career fields. The pathways are: Agribusiness and Production Systems, Allied Health and Nursing, Cosmetology, Engineering and Science Technologies, Industrial Technologies (a hybrid program that includes Manufacturing and Construction Technology), and Natural Resources Management.<sup>33</sup>

<sup>31</sup> Career-Technical Education is also offered by the State at two correctional facilities.

<sup>32</sup> According to ODEW, a CTE concentrator is a student who has completed at least two courses in a single approved CTE program or program of study.

<sup>33</sup> The District has a seventh pathway and career field (Teaching Professions) that is not being offered during the FY 2026 school year due to low enrollment.

While the District’s participation rate in CTE is similar to that of nearby programs, the size of the District results in a low number of students enrolled in programs. Specifically, the District’s participation rate was 5.6 percent in FY 2024, compared to an average of 5.3 percent at the two closest CPTD programs. However, 5.6 percent at MLSD was equal to approximately 85 students and 5.3 percent at the neighboring CPTDs was equal to approximately 203 students. This means that although the District has a participation rate that is in-line with other local programs, it has less than half number of students enrolled in CTE programs. As noted, MLSD’s low enrollment in its CTE program has been an influence on how many pathways the District is offering for FY 2026. The District’s current program does not meet the 10/8 rule specified by the OAC, but will not be assessed by ODEW until FY 2027.<sup>34</sup>

## Methodology

To understand the District’s historical and current CTE programming, we analyzed CTE expenditures, enrollment, and staffing<sup>35</sup>. We compared these metrics to surrounding CTPDs which were identified based on geographic location. The selected surrounding CTPDs include:

- Lancaster City School District (Comprehensive CTPD);
- Mid-East Career and Technology JVSD (Includes 17 school districts);
- Switzerland of Ohio Local School District (Comprehensive CTPD);
- Tri-County JVSD (Includes 9 school districts); and,
- Washington County JVSD (Includes 7 school districts).

Lastly, we interviewed District officials, confirming CTE programmatic elements and compared the District’s CTE programming and delivery to ODEW best practices.

## Analysis

In FY 2024, MLSD spent approximately \$1.5 million on CTE, with the majority of the funds, or \$1.4 million, being General Fund dollars. Personnel expenditures were the largest category of expenditures, followed by supplies and materials and capital outlay expenditures. In FY 2024, CTE expenditures per CTE pupil totaled approximately \$17,500, with the majority of the expenditures, or approximately \$17,400, being General Fund dollars, as seen in the table below.

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<sup>34</sup> Per ORC §3317.161, ODEW shall review CTE programs annually and approve or disapprove no later than the fifteenth of May prior to the start of the fiscal year for which a district is seeking funding. Further, ODEW confirmed a program is reviewed for compliance for the prior fiscal year, rather than the current fiscal year at the time of the review.

<sup>35</sup> CTE staffing levels for the District were identified and compared to the surrounding CTPD averages on a per-100 student basis.

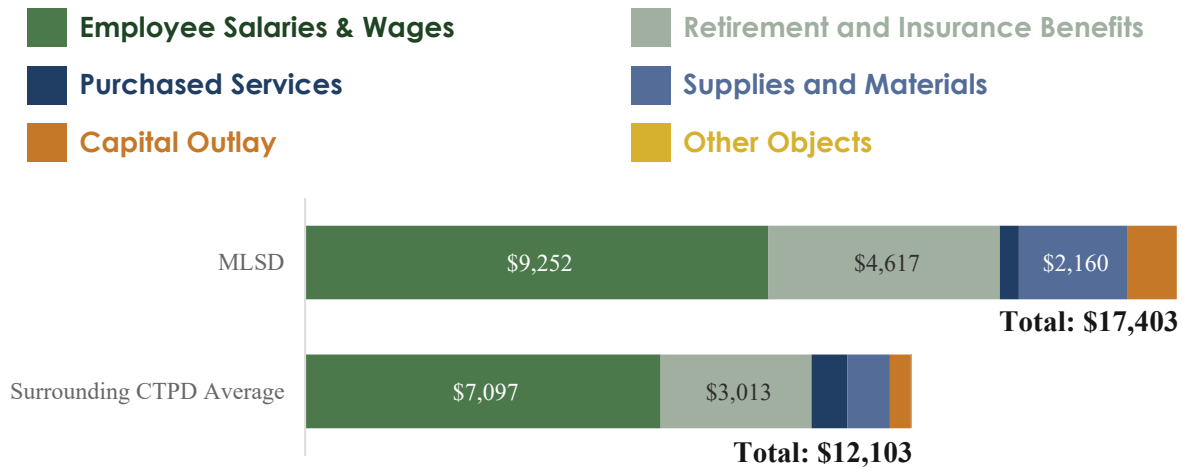
### FY 2024 CTE Expenditures per CTE Pupil by Object Code<sup>36</sup>

<b>Object</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>All Funds</b>
100: Salaries & Wages	\$9,252.11	\$50.82	\$9,302.94
200: Retirement & Insurance Benefits	\$4,616.78	\$7.85	\$4,624.63
400: Purchased Services	\$380.30	\$0	\$380.30
500: Supplies & Materials	\$2,159.55	\$122.68	\$2,282.23
600: Capital Outlay	\$994.69	\$0	\$994.69
800: Other Objects	\$0	\$0	\$0
<b>Total</b>	<b>\$17,403.44</b>	<b>\$181.36</b>	<b>\$17,584.80</b>

Source: MLSD & ODEW

In FY 2024, the District received only about \$3,300 per pupil in State funding, which left the District with a large net expenditure per pupil. MLSD’s CTE expenditures are also significantly higher than that of surrounding CTPDs in nearly all major spending categories. In FY 2024, MLSD exceeded surrounding CTPD General Fund CTE expenditures per CTE pupil by approximately \$5,000, as seen in the chart below.<sup>37</sup>

### FY 2024 Total General Fund Expenditures Per CTE Pupil



Source: MLSD, Surrounding CTPDs, and ODEW

Note: Excludes Advances

<sup>36</sup> This table includes only CTE enrollment and expenditures that are reported to a Function Code in the 1300s, which is used by districts to report vocational instruction related expenditures. A Function Code is an accounting code that describes the activity or purpose for which an expenditure is made.

<sup>37</sup> It is important to note that the surrounding CTPDs have higher enrollment than MLSD’s CTE program, which allows for a greater per pupil distribution of CTE expenditures.

Due to the level of expenditures and General Fund subsidy for CTE programming, the Board decided to reduce 5.0 FTE CTE teaching staff positions for FY 2026. A comparison of MLSD’s FY 2025 CTE staffing found that MLSD had 11.0 FTE CTE teaching staff, which exceeded the surrounding CTPD average by 5.86 FTEs. After the District reduced 5.0 FTE CTE teaching staff for FY 2026, the District only slightly exceeded the surrounding CTPD average by 0.86 FTEs, as seen in the following table.

### CTE Teaching Staff Comparison

2025 Comparison				District Action	
MLSD CTE FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark		MLSD Reductions	FTEs Above/(Below) Benchmark
11.00	5.14	5.86		(5.00)	0.86

Source: MLSD and ODEW

The District’s FY 2025 student-to-teacher ratio for CTE programs was 7.78, which was significantly lower than the surrounding CTPD average ratio of 19.41. This indicated that MLSD had smaller class sizes or more staff relative to CTE students. With the reduction of 5.0 FTE CTE teaching staff, the student-to-teacher ratio should move closer to surrounding CTPD average. While the District’s action to improve staffing supports ongoing efforts to reduce expenditures and ensure spending is in better alignment with enrollment numbers and expected funding, the action impacted CTE programming and the District’s compliance with the 10/8 rule. Higher staffing levels may have also contributed to the District’s higher personnel expenditures per pupil in FY 2024.

### CTE Best Practices

In *Ohio’s Quality Program Standards for Career-Technical Education Programs* (ODEW, 2023), and in *Expanding Career-Technical Education in Ohio* (ODEW, 2022), ODEW outlines many best practices for CTPDs to implement for CTE programming. Of the model CTE program characteristics analyzed that related to the CTE objective, MLSD met all of ODEW’s best practices for a model program. However, there were four ODEW best practices for which MLSD partially met and did not meet associated with expanding CTE programming. The practices considered partially met or not met are attributed to MLSD not offering an innovative pathway program and nontraditional scheduling, as well as a lack of formal and strategic partnerships with external entities such as institutions of higher education to share spaces and resources (see [Appendix B](#)).

## *CTE Delivery Methods*

Given the condition of MLSD’s current CTE program, the District may have to make changes to ensure compliance with the 10/8 Rule. The District should work with ODEW to determine the most optimal path forward. While there are multiple options to consider, selecting the most efficient and effective CTE delivery method is essential to ensuring compliance, fiscal responsibility, and high-quality programming for students.

### *Option 1: Remain a Comprehensive CTPD*

Choosing this option will allow the District to retain minimal transportation costs and the ability to tailor programs to meet local workforce needs. This option, however, means the District is responsible for all supplies, materials, facilities, and staffing for the program, and the full financial impact. The District must also consider its ability to stay compliant with the 10/8 Rule.

### *Option 2: Dissolve as a Comprehensive CTPD and Join a JVSD*

Choosing this option will eliminate the District’s financial and operational responsibility of supplies, materials, facilities and staffing. Students could also gain access to more robust and specialized programs. This option, however, will also increase transportation costs and require residents to not only pay MLSD millage, but also the millage of the JVSD.

### *Option 3: Dissolve as a Comprehensive CTPD and Join a Compact CTPD*

Choosing this option may allow MLSD students to still access some CTE programming at their resident district, and will allow for sharing of resources with partner districts. This option, however, may result in less centralized resources, possible scheduling conflicts between partner districts, and increased transportation costs for students attending programs outside of MLSD.

### *Option 4: Remain a Comprehensive CTPD and Supplement via Compact or JVSD*

Choosing this option will allow MLSD to retain CTE programs at its schools while expanding student opportunities through other CTPDs. This option, however, may result in increased transportation costs while still leaving MLSD fully responsible for most supplies, materials, facilities, and staffing expenditures.

Each option presents different benefits and challenges. The optimal path forward will depend on the District’s priorities, whether that is maintaining local control, ensuring financial sustainability, expanding student access, or a combination of all three. Selecting the right model will be key to creating a high-quality, compliant, and sustainable CTE program for MLSD students. When making CTE program decisions, the District should also consider its financial condition, enrollment, and operational components such as staffing.

## Conclusion

MLSD should consider its options for CTE program delivery and work with ODEW to ensure compliance with program requirements. When making a decision on CTE program delivery, the District should also consider financial components, such as General Fund subsidies, and operational components, such as staffing and especially transportation, given the large geographic size of the District.

## Recommendation 5: Reduce the General Fund Subsidy as a Percent of Total Expenditures to the Local Peer Level

### Impact

Reducing expenditures and increasing revenue to bring the General Fund subsidy as a percent of total expenditures for extracurricular activities in line with the local peer average would save MLSD an average of approximately \$200,000 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 of motivation, enjoyment, and skill improvement. In practice, participation is usually not required, and credit is usually 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 were compared to the local peer average.

### Analysis

In FY 2024, the District spent approximately \$1.1 million 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 approximately \$923,000 from the General Fund to subsidize these activities. Additionally, approximately \$103,000 in revenue was generated through ticket sales for admissions and other sources. The District does not charge pay-to-participate fees for extracurricular activities.

## FY 2024 General Fund Subsidy as a Percent of Actual Expenditures



Source: MLSD and Local Peers

The District's General Fund subsidy as a percent of extracurricular expenditures is 82.2 percent compared to the local peer average of 53.2 percent. Aligning the District's General Fund subsidy as a percent of extracurricular expenditures with the local peer average would save approximately \$200,000 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;
- Increases booster club funding;
- Reduce the supplemental salary schedule; and/or,
- Eliminate programs.

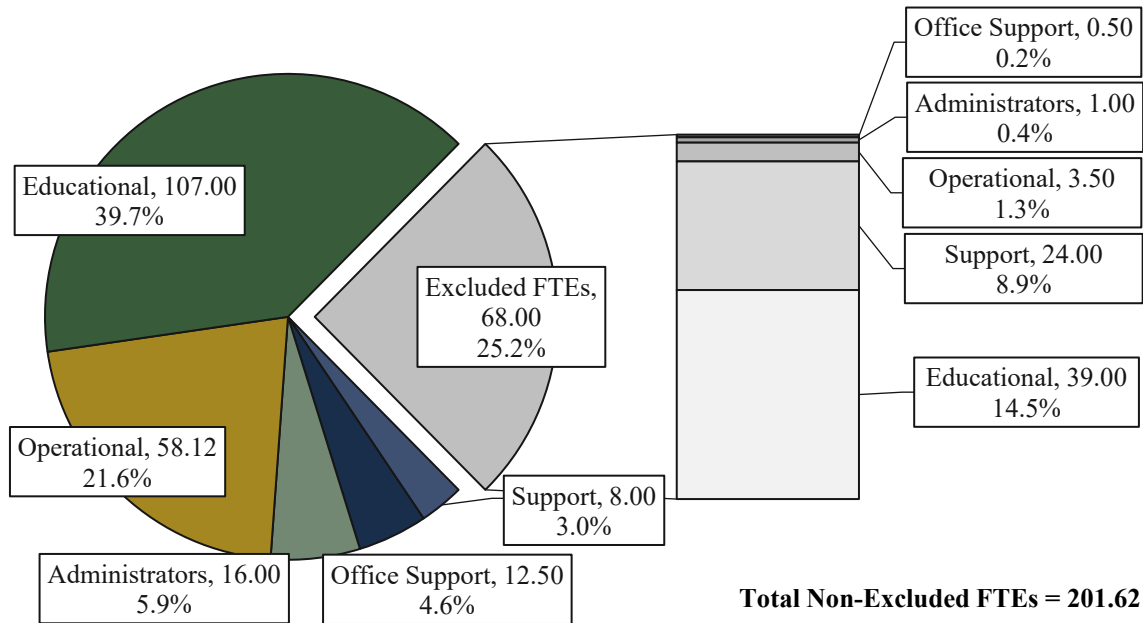
### Conclusion

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 \$200,000 in each year of implementation.

# Human Resources

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

Personnel costs represent over 72 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 68 excluded staff FTEs, which include individuals associated with special education, Title I, and preschool programming.



Source: MLSD

## Recommendation 6: Eliminate Administrative Support Positions above the Peer Average

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

### Impact

By reducing administrative support positions to be in line with the primary peer average, the District could save an average of approximately \$21,000 annually.<sup>38</sup>

### 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 MLSD, 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 basis.<sup>39</sup> MLSD could reduce 0.5 FTE central office support staff positions.

#### *Central Office Support Staff*

MLSD employs 5.5 FTE central office support staff, which is 0.6 FTEs above the peer average. Eliminating 0.5 FTE central office support staff positions could save an average of approximately \$21,000 annually.

### Conclusion

The District should consider eliminating 0.5 FTE central office support staff positions. Eliminating these positions could save an average of approximately \$21,000 annually and bring staffing to a level consistent with the primary peer average.

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<sup>38</sup> Calculated savings are based on the salary and benefits of the lowest tenured employee in each category.

<sup>39</sup> A Full-Time Equivalent (FTE) was used to identify staffing levels, based on ODEW reporting guidelines.

## Recommendation 7: Eliminate Direct Student Education and Support Positions above the Peer Average

MLSD 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 \$432,000 annually.<sup>40</sup>

### 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, MLSD could eliminate 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 MLSD could reduce direct student education and support positions include:

- 1.0 FTE Teaching Staff;
- 4.5 FTE K-8 Teaching Staff;
- 0.5 FTE Technical Staff; and,
- 0.5 FTE Other Support Staff.

#### *Teaching Staff*

At the time of analysis, MLSD employed 91.0 FTE teaching staff, which exceeded the peer average by 12.2 FTEs. During the course of the audit, the District eliminated 11.0 FTE teaching staff positions. MLSD could eliminate an additional 1.0 FTE in this category, for a total reduction of 12.0 FTEs, and bring staffing more in line with the primary peer average. Eliminating an additional 1.0 FTE teaching staff position could save an average of approximately \$43,000 annually.

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<sup>40</sup> Calculated savings are based on the salary and benefits of the lowest tenured employee in each category.

### *K-8 Art, Music, and Physical Education Teaching Staff*

MLSD employs 4.0 FTE K-8 art teachers, 4.0 FTE K-8 music teachers, and 4.0 K-8 physical education teachers. This exceeds the primary peer averages by 1.97 FTEs, 1.52 FTEs, and 1.81 FTEs, respectively. Eliminating 1.5 FTE from each category would result in a total reduction of 4.5 FTEs and could save an average of approximately \$277,000 annually.

### *Technical Staff*

MLSD employs 2.0 FTE technical staff, which is 0.89 FTEs above the primary peer average. Eliminating 0.5 FTE technical staff positions could save an average of approximately \$62,000 annually.

### *Other Support Staff*

MLSD employs 1.0 FTE other support staff, which is 0.57 FTEs above the primary peer average. Eliminating 0.5 FTE other support staff positions could save an average of approximately \$50,000 annually.

## **Conclusion**

The District should consider eliminating 6.5 FTEs from its direct student education and support positions. Eliminating these positions could save an average of approximately \$432,000 annually and bring staffing to a level consistent with the primary peer average.

*Note: At the time of analysis, the District exceeded the primary peer average for staffing in other position categories. However, during the course of the audit, the District took actions to reduce staff. This recommendation accounts for those staffing reductions and reflects remaining staffing areas where the District employs more staff than the peers (see [Appendix C](#)).*

## Recommendation 8: Align Employee Share of Insurance Costs with SERB Regional Average

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

### Impact

Aligning employee contribution rates with the SERB regional average for school districts would reduce expenditures and result in average annual savings of approximately \$249,000 beginning in FY 2028. This alignment could be accomplished by increasing employee premium contributions and exploring alternative insurance options.

### Background

The District is part of the Ohio School Benefits Cooperative, an organization which provides insurance to participating members. MLSD offers three Preferred Provider Organization (PPO) plans (Premium, Mid, and Base) for medical and prescription coverage. For each plan, the District contributes the same dollar amount, with employee contributions varying by plan. Each of the medical insurance plans has an option for single or family coverage.

In addition, the District offers two plans for dental coverage, with an option for single or family coverage. One dental plan is for certificated staff, and one plan is for classified staff, however, the District contributes 100 percent of the premium, which is the same, for both plans. The District also has one plan for vision coverage, with an option for single or family coverage. The District contributes the same dollar amount for both single and family plans, which equals the amount of the single plan monthly premium. Therefore, MLSD pays 100 percent of the premium for the single plan, with the employee paying the difference for the family plan.

At the time of analysis, MLSD had 156 enrollees in a family medical plan and 65 enrollees in a single medical plan. Prescription coverage is included in each medical plan. The District had 184 enrollees in a family dental plan and 46 enrollees in a single dental plan. Lastly, the District had 146 enrollees in the family vision plan and 97 enrollees in the single vision plan.

### Methodology

We compared the District's medical, dental, and vision insurance provisions and costs to the SERB regional peer average for school districts. Peer information was obtained from the 2024 SERB survey.<sup>41</sup> The District's medical plans were compared to 43 regional peers, the dental plans were compared to 41 regional peers, and the vision plan was compared to 33 regional

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<sup>41</sup> Since the District's medical insurance rates had been updated for FY 2025, we inflated the 2024 SERB data for use in that analysis. Dental insurance rates were not inflated.

peers.<sup>42</sup> 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 employees. These insurance benefits are specified in the District’s certificated and classified collective bargaining agreements (CBAs), which state that the Board reserves the right and responsibility to select the carrier for the health, dental, and vision insurance benefits provided. The insurance premium, or cost of obtaining insurance, is split between the District and the employee on a percentage basis.

For each of the District’s three medical plans, the District contributes \$1,071.00 for single coverage and \$2,354.50 for family coverage. The employee contribution varies by plan with employees contributing 15 percent, 10.5 percent, and 5.6 percent of the monthly premium based on the PPO plan they are enrolled in.

The District covers 100 percent of the dental insurance premium for all employees. For vision insurance, the District only covers up to the total cost for the single premium, which is \$9.27. If an employee enrolls in the family vision plan, the employee is responsible for the remainder, or majority, of the premium.

### *Medical Insurance*

Our review of the District’s insurance plans found that copayments and coinsurance rates are the same for each plan. Deductibles and out-of-pocket maximums, however, vary based on which PPO plan an employee is enrolled in. Employees who contribute a larger portion of the premium have lower deductibles and out-of-pocket maximums.

Under the current medical insurance plans, as seen in the following table, the District contributes a greater portion of the monthly premium than the regional peer group for the PPO-Mid and PPO- Base plans. If the District were to maintain the current 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.

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<sup>42</sup> Of the 43 regional peers, 13 participate in the Ohio School Benefits Cooperative.

## 2025 Monthly Medical Insurance Costs

		MLSD		Regional Peer Averages		MLSD Adjustment		
		Costs	% Share	Costs	% Share	Costs	% Share	
PREMIUM	Single Medical + Rx	District	\$1,071.00	85.0%	\$980.48	86.9%	\$980.48	77.8%
		Employee	\$189.00	15.0%	\$147.57	13.1%	\$279.52	22.2%
	Family Medical + Rx	District	\$2,354.50	85.0%	\$2,353.31	84.1%	\$2,353.31	85.0%
		Employee	\$415.50	15.0%	\$443.63	15.9%	\$416.69	15.0%
MID	Single Medical + Rx	District	\$1,071.00	89.5%	\$980.48	86.9%	\$1,040.41	86.9%
		Employee	\$126.00	10.5%	\$147.57	13.1%	\$156.59	13.1%
	Family Medical + Rx	District	\$2,354.50	89.5%	\$2,353.31	84.1%	\$2,214.11	84.1%
		Employee	\$277.00	10.5%	\$443.63	15.9%	\$417.39	15.9%
BASE	Single Medical + Rx	District	\$1,071.00	94.4%	\$980.48	86.9%	\$985.65	86.9%
		Employee	\$63.00	5.6%	\$147.57	13.1%	\$148.35	13.1%
	Family Medical + Rx	District	\$2,354.50	94.4%	\$2,353.31	84.1%	\$2,097.58	84.1%
		Employee	\$138.50	5.6%	\$443.63	15.9%	\$395.42	15.9%

Source: MLSD and SERB

To align itself with the SERB regional average for employer share, the District would need to shift a greater portion of the medical premium to its employees. As seen in the table above, employees enrolled in the single PPO-Mid plan would need to pay 13.1 percent, or \$156.59, of the monthly premium, and employees enrolled in the family PPO-Mid plan would need to pay 15.9 percent, or \$417.39, of the monthly premium. Employees enrolled in the PPO-Base plan would need to pay 13.1 percent, or \$148.35, of the monthly premium, and employees enrolled in the family PPO-Base plan would need to pay 15.9 percent, or \$395.42, of the monthly premium.

## Dental Insurance

Under the current dental insurance plans, the District contributes 100 percent of the total monthly premium, which is a greater portion than the regional peer group. Since the District's employees do not contribute to the monthly premium, the District would need an adjustment to shift a 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.

## 2024 Monthly Medical Insurance Costs - Dental

		MLSD		Regional Peer Averages		MLSD Adjustment	
		Costs	% Share	Costs	% Share	Costs	% Share
Single Dental	District	\$52.00	100.0%	\$39.35	90.0%	\$46.78	90.0%
	Employee	\$0.00	0.0%	\$4.39	10.0%	\$5.22	10.0%
Family Dental	District	\$52.00	100.0%	\$66.86	75.7%	\$39.38	75.7%
	Employee	\$0.00	0.0%	\$21.42	24.3%	\$12.62	24.3%

Source: MLSD and SERB

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To align itself with the SERB regional average for employer and employee contribution rates, the District would need to shift a portion of the dental premium to its employees. As seen in the table above, employees enrolled in the single plan would need to pay 10 percent, or \$5.22, of the monthly premium, and employees enrolled in the family plan would need to pay 24.3 percent, or \$12.62, of the monthly premium. We identified potential cost savings associated with aligning the employee contribution rates to the regional peer average. The District has projected an eight percent increase for FY 2026 throughout the remainder of the forecast period. The District could save approximately \$249,000 annually, beginning in FY 2028, by aligning contribution rates with the regional peer group. The District could pursue additional insurance cost reductions by adjusting plan designs, shifting premium costs, or seeking out alternative insurance options.<sup>43</sup>

## Conclusion

MLSD should work to bring its medical and dental insurance contribution rates more in line with the SERB regional average. Doing so could result in average annual savings of approximately \$249,000 to the General Fund. These savings can be realized by adjusting the plan designs, shifting premiums costs, or seeking out alternative insurance options.

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43 The vision plan was not selected for further analysis as savings would be immaterial. The District's spends \$1.00 per month more than the SERB regional average for the single vision plan, but spends \$6.00 per month less than the SERB regional average for the family vision plan.

# Facilities

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

## Recommendation 9: Improve Building Utilization

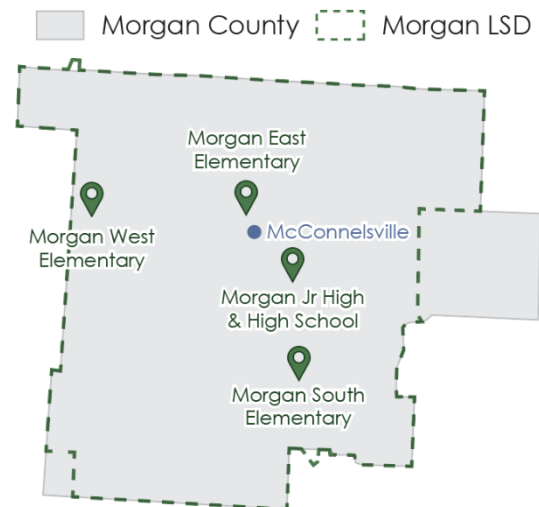
MLSD has experienced declining enrollment in recent years and is not projecting enrollment to increase. The District should take this opportunity to consolidate buildings and improve overall building utilization. Based on our analysis, MLSD could close one academic building.

### Impact

Improving building utilization through the consolidation of academic buildings would result in average annual savings of approximately \$420,000. Included in these savings are reductions to administrative and administrative support staff and facilities staff of 3.5 FTEs, which coincides with one less building to manage.<sup>44</sup>

### Background

MLSD has five academic buildings: Morgan High School (grades 9-12), Morgan Junior High School (grades 6-8), and South, East, and West Elementary Schools (grades PK-5).<sup>45</sup> At the start of the FY 2026 school year, the District moved 6<sup>th</sup> grade students from the elementary schools to the junior high school. MLSD spans approximately 387 square miles, which is nearly all of Morgan County.



### Methodology

We interviewed District officials to obtain an understanding of facility-related projects, such as

<sup>44</sup> Our analysis of facilities staffing, which includes all employees dedicated to the maintenance and upkeep of buildings and grounds, indicated that the District exceeded industry standards by 3.0 FTEs (see [Recommendation 10](#)). A building closure would cause the District to further exceed benchmarks, creating the opportunity to reduce 1.5 additional FTEs.

<sup>45</sup> In 2002, the District constructed the 3 elementary school buildings and the 1 junior high school building. Following the building construction, 7 old buildings were closed and sold.

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 and maximum capacity of each building and compared the District’s building utilization to best practices and industry benchmarks, while considering enrollment trends and projections.<sup>46</sup>

## Analysis

Benchmark criteria for DeJong & Associates (*Defining Capacity*, 1999) was used to calculate the functional and maximum capacity of each of the District’s five academic buildings.<sup>47</sup> The functional capacity is based on how the District is using each building and classroom during FY 2026 whereas the maximum capacity is based on all classrooms being used for instruction instead of other uses. In both scenarios, after calculating the total capacity for each building, based on the number of classrooms and a varying number of students per class, 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 both the functional and maximum capacity on a building-by-building basis. School districts should not plan for 100 percent utilization within academic buildings. *Defining Capacity* notes when utilization 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 both functional and maximum capacity metrics. The District’s overall utilization rate using functional capacity is 77.1 percent and is 62.7 percent using maximum capacity.

### Building Capacity & Utilization – FY 2026

Building	Grades	Head Count	FUNCTIONAL			MAXIMUM		
			Class-Rooms	Capacity	Util. Percent	Class-Rooms	Capacity	Util. Percent
East Elementary School	PreK-5	292	13	313	93.3%	18	438	66.7%
South Elementary School	PreK-5	233	14	326	71.5%	19	451	51.7%
West Elementary School	PreK-5	223	15	351	63.5%	18	426	52.3%
Morgan Junior High School	6-8	347	17	361	96.1%	21	446	77.8%
Morgan High School	9-12	498	35	716	69.6%	38	780	63.8%
<b>Districtwide</b>		<b>1,593</b>	<b>94</b>	<b>2,067</b>	<b>77.1%</b>	<b>114</b>	<b>2,541</b>	<b>62.7%</b>

Source: MLSD and ODEW

Based on our initial analysis, the District has an opportunity to reconfigure and consolidate buildings to reduce facilities expenditures and improve operational efficiency. We analyzed

<sup>46</sup> Spaces within each building dedicated to special education were excluded from our analysis.

<sup>47</sup> The Ohio Department of Job and Family Services (ODJFS) Child Care Manual was used to calculate capacity for the District’s preschool classrooms.

scenarios under both functional and maximum capacity to demonstrate the feasibility of closing, reconfiguring, and consolidating from a capacity utilization standpoint.

We projected utilization associated with the closure of East Elementary School since this building has the lowest projected capacity by FY 2027, which is the earliest the District could consolidate buildings. Although when considering consolidation, the District may choose to close a different elementary school.<sup>48</sup>

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. In this scenario, students would be shifted between buildings to increase enrollment on a building basis and improve utilization levels. However, with the closure of one elementary school building, the District’s functional capacity utilization across the two remaining elementary school buildings would be approximately 109.0 percent, exceeding the 90 percent benchmark. Therefore, closing a building using functional capacity is not the most feasible option.

With maximum capacity, the District would utilize every space in a building that is suitable for general education. In addition to shifting students between buildings, this approach would likely result in some teachers needing to move from room to room rather than having a dedicated space. The table below shows with the closure of one elementary school building, the District’s overall utilization would improve to 73.2 percent in FY 2027.

### FY 2027 Capacity & Utilization | East Closure

Building	Grades	Head Count	FUNCTIONAL		MAXIMUM	
			Capacity	Util. Percent	Capacity	Util. Percent
Morgan High School	9-12	464	716	64.8%	780	59.5%
Morgan Junior High School	6-8	338	361	93.6%	446	75.8%
East Elementary School	<b>CLOSED</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
West and South Elementary Schools	PreK-5	738	677	109.0%	877	84.2%
<b>Districtwide</b>		<b>1,540</b>	<b>1,754</b>	<b>87.8%</b>	<b>2,103</b>	<b>73.2%</b>

Source: MLSD and ODEW

Under maximum capacity, not only would the District’s capacity utilization improve, but it would also improve for the remaining two elementary schools, with projected capacity utilization of 84.2 percent. This scenario is presented for illustrative purposes only. Shifting to a building plan that utilizes maximum capacity may change District operations, and MLSD officials should consider the implications of this shift prior to making a final decision.

<sup>48</sup> Only the 3 elementary schools were factored into the building closure scenarios because there is only 1 junior high school and 1 high school.

Closing one building would result in average annual savings of approximately \$420,000.<sup>49</sup> The cost savings would include a staffing reduction of 1.0 FTE principal, 1.0 FTE building office support staff, and 1.5 FTE facilities staff. The cost savings would also include reduced utilities and supplies and materials expenditures. These savings may be offset to some extent by one-time costs with moving and potentially higher transportation costs.<sup>50</sup>

## Conclusion

MLSD is operating with excess building capacity and its enrollment, which has declined in recent years, is projected to continue declining. The District should consider consolidating its five academic buildings through the closure of one academic building, thus relocating students throughout the two remaining elementary schools and increasing overall utilization across the District.

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<sup>49</sup> There may potentially be one-time costs associated with the building closures such as for moving furniture, packing and unpacking, etc.

<sup>50</sup> The impact of this decision on transportation arrangements is variable and dependent on specific transportation routes chosen.

## Recommendation 10: Reduce Facilities Staffing

To achieve cost savings and align with industry benchmarks, MLSD could reduce its facilities staff by 3.0 FTEs.

### Impact

Reducing facilities staffing by 3.0 FTEs could save an average of approximately \$135,000 annually.

### Background

At the time of the analysis, MLSD employed 24.0 FTE facilities employees. Of that total, there are 17.0 FTE custodial staff, 6.0 FTE maintenance staff, and 1.0 FTE grounds staff. These employees are responsible for cleaning and maintaining approximately 400,000 square feet of the District's property, which includes five academic buildings, along with approximately 87 acres. Custodial and maintenance staff are also responsible for groundskeeping.

### Methodology

Facilities employees generally take on a variety of tasks related to custodial, grounds, and maintenance activities. Typically, individuals are assigned to a primary functional area, however, there is often a crossover of duties between areas, and it may be possible to move between roles rather than hire new employees. Due to this, we combined all facilities staffing for this analysis. Then, using industry benchmarks, we reviewed the District's facilities staffing levels.

### Analysis

The National Center for Education Statistics (NCES) identifies levels of cleaning benchmarks that can be used to guide facilities staffing. According to the *Planning Guide for Maintaining School Facilities* (NCES, 2003), Level 3 cleaning is the standard for most school facilities. When adhering to a Level 3 standard of cleaning, a custodian can clean approximately 28,000 to 31,000 square feet in 8 hours. Using this standard, MLSD exceeds the custodial staffing benchmark by 3.4 FTEs.

American School & University Magazine (AS&U) identifies square footage and acreage maintenance benchmarks for maintenance and grounds staffing. According to AS&U, each 1.0 FTE maintenance employee should be responsible for maintaining approximately 95,000 square feet. Using this standard, MLSD exceeds the maintenance staffing benchmark by 1.8 FTEs.

The following table provides a comparison of the District's facilities staffing to industry benchmarks.

## Buildings & Grounds Staffing Comparison

<b>Grounds Staffing</b>	
Grounds FTEs	1.0
Acreage Maintained	87.6
AS&U Benchmark - Acres per FTE	40.2
Benchmarked Staffing Need	2.2
<b>Grounds FTEs Above/(Below) Benchmark</b>	<b>(1.2)</b>
<b>Custodial Staffing</b>	
Custodial FTEs	17.0
Square Footage Cleaned	400,628
NCES Level 3 Cleaning Benchmark <sup>1</sup> - Median Square Footage per FTE	29,500
Benchmarked Staffing Need	13.6
<b>Custodial FTEs Above/(Below) Benchmark</b>	<b>3.4</b>
<b>Maintenance Staffing</b>	
Maintenance FTEs	6.0
Square Footage Maintained	400,628
AS&U Benchmark - Square Footage per FTE	94,872
Benchmarked Staffing Need	4.2
<b>Maintenance FTEs Above/(Below) Benchmark</b>	<b>1.8</b>
<b>Total Buildings &amp; Grounds Staffing</b>	
Total FTEs Employed	24.0
Total Benchmarked Staffing Need	20.0
<b>Total FTEs Above/(Below) Benchmark</b>	<b>4.0</b>

Source: MLSD, AS&U, and NCES

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

During the course of the audit, the District eliminated 1.0 FTE grounds staff position. Accounting for this reduction, the District could reduce an additional 3.0 FTEs, bringing staffing more in line with industry benchmarks. Eliminating an additional 3.0 FTE facilities staff positions could save an average of approximately \$135,000 annually.

If the District were to close a building, facilities staffing would further exceed the benchmark, which would allow for further staffing reductions (see [Recommendation 9](#)).

### Conclusion

The District's total facilities staffing exceeds industry benchmarks by 3.0 FTEs when considering all square footage maintained. To achieve savings, the District could reduce 3.0 FTEs which would result in average annual savings of approximately \$135,000.

# Food Service

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

## Recommendation 11: Address the Sustainability of the Food Service Fund

MLSD should make changes to their food service operations in order to prevent future operational deficits and the need for General Fund subsidies. Continuous monitoring and evaluation of operations can also assist the District in implementing actions for increasing overall efficiency and effectiveness of food service operations. As part of increasing efficiency within the food service program, the District should also reduce food service staffing by 16.0 daily labor hours.

### Impact

The District’s food service program operates using a separate fund that should be self-sustaining. If the fund has a deficit balance, it will require a transfer from the General Fund, which could impact the District’s overall fiscal condition. Careful monitoring and evaluation of food service operations can help ensure that expenditures are appropriate. In addition, reducing the total food service daily labor hours by 16.0 hours could save the District an average of approximately \$56,000 annually and contribute to a self-sustaining Food Service Fund.

### Background

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

The Food Service Fund is used to pay for the salaries and benefits of food service staff as well as purchasing food and supplies needed to prepare and serve meals. In FY 2025, the District prepared and served meals at its five buildings using a hybrid system of convenience and conventional food service.

### Methodology

We conducted interviews with food service staff to understand how the District provides meals to students. Using data from ODEW, we identified the number of meals served from August to

January in the FY 2025 school year in order to calculate a meals per labor hours (MPLH) metric to identify the efficiency of food service staffing and operations at the District for FY 2025. We then compared the District’s food service labor efficiency to industry standards.

Using District revenue and expenditure data, we assessed Food Service Fund trends and cash balances from FY 2022 to FY 2024. We also assessed meal pricing, student participation, and commodity entitlement usage.

## Analysis

The District’s food service program experienced an operating deficit in FY 2023, FY 2024, and FY 2025. As seen in the following table, the District had an operating deficit of approximately \$416,000 in FY 2023, and an operating deficit of approximately \$351,000 in FY 2024. These operating deficits resulted in overall fund deficits, which required transfers from the General Fund, as seen in the table below. Transfers from the General Fund put additional stress on the District’s overall financial condition. It is important to limit deficit spending in areas such as food service, particularly when the District is in poor overall financial health.

### Food Service Fund Net Gain/(Loss) History

<b>Total, No Supplements</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>
Revenue	\$1,231,846	\$942,825	\$998,863
Expenditures	\$1,228,618	\$1,359,027	\$1,350,035
<b>Net Gain/(Loss)</b>	<b>\$3,228</b>	<b>(\$416,202)</b>	<b>(\$351,172)</b>

Source: MLSD

The decrease in revenue from FY 2022 to FY 2023 was due to lower federal reimbursement receipts, while the increase in expenditures was attributed to personnel expenditures. Most recently in FY 2025, the continued operating deficits required another transfer of approximately \$220,000.

*School Food and Nutrition Service Management for the 21<sup>st</sup> Century* (Pannell-Martin and Boettger, 2014) establishes a MPLH benchmark based on the number of meals served and the type of system used for food service. As of January 2025, MLSD produced an average of 1,573 meal equivalents per day and was staffed with 113.0 labor hours per day.

Based on the MPLH benchmark, the District requires 96.45 total daily labor hours, indicating that MLSD operates with approximately 16.5 excess daily labor hours. Eliminating a total of 16.0 daily labor hours from food service operations would reduce salaries and benefits expenditures by approximately \$56,000 annually throughout the forecast period.<sup>51</sup>

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<sup>51</sup> Recommended reduction of 16.0 labor hours, as the savings associated with the remaining .5 labor hours in which MLSD exceeded the industry benchmark is insignificant.

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

- Establish expectations and measures for program performance and cost;
- Develop effective annual budgets and long-term program plans;
- Identify and reduce participation barriers;
- Promote the food service program;
- Maximize the use of USDA commodities; and/or,
- Join purchasing cooperatives to receive quantity discounts.<sup>52</sup>

While the District should not maintain excessive fund balances for food services, it should be mindful in its spending and maximize available assistance. The USDA provides funds to the District to offset the cost of food purchases, known as commodity dollars. The District can use these dollars to purchase food such as meat, fish, poultry, fruits, cheese, and grains. Based on our analysis, MLSD used an average of approximately 76 percent of its available USDA funding from FY 2020 to FY 2024. The District had an average of about \$21,000 annually in unused commodity dollars from FY 2021 to FY 2024. In FY 2024 and FY 2025, the District used all of its commodity dollars. As food prices rise, it will be important for the District to continue to utilize this available funding.

From FY 2020 to FY 2024, the District had an average daily participation rate of 55 percent. This is a higher average participation level than that of statewide average, but a lower level than that of ODEW similar districts.

MLSD has a higher average cost per meal than that of the statewide average and ODEW similar districts. The District's cost per meal has consistently exceeded these averages since FY 2020. From FY 2020 to FY 2024, the District's average cost per meal was \$4.89. In FY 2024, the cost per meal was \$5.33, which exceeded the District's federal reimbursement rate of \$4.54 per meal. This has been driven by the District's higher staffing levels relative to the benchmark, higher insurance costs for two of its three PPO plans (see [Recommendation 8](#)), and an increase in purchased services expenditures in recent years. Due to increasing costs, the District may need to address expenditure levels to ensure the Food Service Fund becomes self-sustaining.

## Conclusion

Due to the historical trend of operating deficits, the District should align its food service staffing more closely with industry standards. Eliminating 16.0 daily labor hours from food service operations would reduce expenditures by approximately \$56,000 annually throughout the

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<sup>52</sup> *Best Practices Could Help School Districts Reduce Their Food Service Program Costs*, Florida Office of Program Policy Analysis & Government Accountability, 2009.

forecast period. The District also has a higher cost per meal compared to ODEW similar districts and the statewide average. The District also required General Fund transfers in FY 2023 and FY 2024, and has had low Food Service Fund balances in recent years. The District should make adjustments to its operations and adjust as necessary to ensure the food service program operates efficiently. In doing so, it should seek to maximize available resources such as commodity funding, and continue to monitor cost per meal.

# 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.

# MORGAN LOCAL SCHOOLS

ANITA ELDRIDGE-METZ  
CURRICULUM DIRECTOR



JOEL FOX  
DIR. OF SPECIAL EDUCATION

ADAM COPELAND  
ASST. SUPERINTENDENT

GREG GIFFORD  
SUPERINTENDENT

CODY PALMER  
TREASURER

November 25, 2025

Keith Faber  
65 East State Street  
Columbus, Ohio 43215

Dear Auditor Faber,

Thank you for the professionalism, cooperation, and respect shown by all parties throughout this audit process. Morgan Local Schools deeply appreciates the time and expertise devoted to this review. During the course of the audit, the district remained committed to strengthening its financial position and acted proactively to reduce expenditures. Since late winter and early spring of 2025, the district has reduced 23 positions for the 2025–2026 school year, including 1 classified position, 17 teaching positions, 4 administrative positions, and 1 district office support staff position. These reductions occurred through retirements, resignations, not filling vacant positions, and a limited reduction in force, ensuring that all decisions were made thoughtfully and strategically.

## **Recommendation 1: Improve the Development of the Forecast and Utilize This Planning Tool for Operational Decision Making**

- A cash balance policy was approved during the November 10th Board meeting to provide more structure and transparency in our financial planning.
- Monthly expenditure, cash, and true days' cash trackers have been added to our financial reports to the Board, which will offer better insights and allow us to compare actuals with proposed budgets. Additionally, we will conduct semi-annual 5-year forecast presentations that will be open to the public.
- We are also incorporating assumptions into our 5-year forecasts for greater clarity and planning accuracy.
- In response to recent challenges, we've taken corrective actions, including 23 reduced staff positions over the past 6 months.
- We are in the process of developing a long-term maintenance and capital improvement plan, which we aim to complete by Spring 2026. Following

**PROUD OF OUR PAST, FOCUSED ON OUR FUTURE**

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# MORGAN LOCAL SCHOOLS

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this, we will begin work on a strategic plan, expected to take 12-18 months to finalize.

## **Recommendation 2: Enhance the Budgeting Process**

· We plan to implement formal guidelines for our budgeting process, in line with the best practices recommended by the Government Finance Officers Association (GFOA).

## **Recommendation 3: Develop Formal Plans**

· We are committed to creating and implementing the following 5 plans, as recommended by best practices in school budgeting:

1. Strategic Plan
2. Capital Plan
3. Facilities Preventative Maintenance Plan
4. Fleet Preventative Maintenance Plan
5. Bus Replacement Plan

## **Recommendation 4: Consider CTE Delivery Options and Ensure Program Compliance**

· By the 2026/2027 school year, we intend to be compliant with the 10/8 rule, which requires 10 pathways and 8 career fields. This will involve adding one additional position within our CTE program.

· Currently, we operate with 9 pathways, including Agribusiness and Production Systems, Natural Resource Management, Allied Health and Nursing, Cosmetology, Engineering, Construction, Manufacturing, Interactive Media, and Programming and Software Development.

· The 8 Career fields include Agricultural and Environmental Systems, Construction Technologies, Engineering and Science Tech, Health Science, Human Services, Information Technology, Manufacturing Technologies, and Education and Training (with no interested students for the 25/26 school year).

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# MORGAN LOCAL SCHOOLS

ANITA ELDRIDGE-METZ  
CURRICULUM DIRECTOR



JOEL FOX  
DIR. OF SPECIAL EDUCATION

ADAM COPELAND  
ASST. SUPERINTENDENT

GREG GIFFORD  
SUPERINTENDENT

CODY PALMER  
TREASURER

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## **Recommendation 5: Reduce the General Fund Subsidy as a Percent of Total Expenditures to the Local Peer Level**

- We are not replacing our Assistant Athletic Director position.
- We believe our athletic facilities and related projects are currently up to date, and there are no immediate plans for further developments.
- We are working closely with our boosters to supplement costs for equipment and clothing moving forward.
- We do not support the implementation of a "pay-to-participate" program at this time, as we believe it would negatively impact student participation and harm our students' extracurricular opportunities.

## **Recommendation 6: Eliminate Administrative Support Positions above the Peer Average**

- We believe we are currently at 5 FTE not 5.5 FTE as we have no part time positions in Administrative support for the 2025/2026 school year. However, we did eliminate the attendance officer position and redistributed those duties back to administrative support roles

## **Recommendation 7: Eliminate Direct Student Education and Support Positions above the Peer Average**

- **Teaching Staff:** We believe that the issue of 1 FTE has been resolved through internal movement, and we did not replace a gifted teacher.
- **Art, Music, and PE:** We will continue to monitor these positions moving forward.
- **Other Technical:** Due to the distance between our buildings, we do not believe it would be prudent to eliminate any technical support positions at this time.
- **Other Staff Support:** The attendance officer position was eliminated in June and will not be replaced at this time.

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## **Recommendation 8: Align Employee Share of Insurance Costs with SERB Regional Average**

- Insurance costs are governed by a negotiated agreement with our two unions. Any changes would need to be addressed through the collective bargaining process.

## **Recommendation 9: Improve Building Utilization**

- Given the size of our district, if we were to close an elementary school then the two remaining would be above max capacity so it is not an option at this time.

## **Recommendation 10: Reduce Facilities Staffing**

- At this time, reducing facilities staffing is not a practical option. We will, however, continue to review this area as conditions evolve.

## **Recommendation 11: Monitor Food Service Operations to Ensure Financial Sustainability**

- In 2025 we changed food service providers' with a focus to increase participation in all buildings and reduce the subsidy from the general fund.

As we conclude this audit, it is important to acknowledge the magnitude of the work that has already taken place across Morgan Local Schools to stabilize district finances. Since late winter and early spring of 2025, the district has reduced 23 positions for the 2025–2026 school year, including 1 classified position, 17 teaching positions, 4 administrative positions, and 1 district office support staff. These reductions occurred through retirements, resignations, not filling vacancies, and reductions in force. This level of adjustment reflects significant effort and sacrifice across all departments.

While the audit identifies several staffing areas where FTE counts are above comparison benchmarks, the district is committed to reviewing these areas thoughtfully and strategically:

- District Office Administration
  - Currently 1.3 FTE below expectations due to resignations and not filling vacancies.
  - The Special Education Coordinator is spending half-time at the middle school, further reducing central office capacity.
- Building Administration

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- Principals are spread across five buildings, creating broader responsibilities than peer districts.
- Administrative staffing is estimated to be 2.42 FTE below average, even with supplemental middle school support from the Special Education Coordinator.
- K-12 Teaching Staff
  - The district reduced 17 teaching positions, bringing K-12 staffing more closely in line with FTE expectations.
  - K-8 art, physical education, and music staffing remains 4.5 FTE above peer benchmarks, an area for continued monitoring.
- Career-Technical Education (Grades 7-12)
  - The district currently staffs 7.5 CTE FTE.
  - Due to being a career technical planning district our CTE FTE will be higher than peers because we are held to the 10/8 rule.
- Classified Staff
  - FTE levels are currently higher than peer districts in custodial, maintenance, and food service staffing.

Given the extensive reductions already completed, additional immediate cuts would risk compromising student services and operational stability. However, if future financial pressures arise, deeper analysis will be unavoidable. Moving forward, the district will prioritize reducing staffing through attrition and retirements, preferably eliminating positions when they naturally become vacant whenever possible.

Morgan Local Schools remains committed to responsible financial stewardship and thoughtful long-term planning as we continue strengthening the district's financial foundation.

Sincerely,

Greg Gifford

Superintendent, Morgan Local Schools

Sincerely,

Cody Palmer

Treasurer, MLS D

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# 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
<b>Financial Management</b>	
Are the District’s forecasting practices consistent with leading practices and is the five-year forecast reasonable and supported?	<b>R.1</b>
Are the District’s budgeting practices in line with leading practices?	<b>R.2</b>
Are the District’s planning practices consistent with leading practices?	<b>R.3</b>
How does the District’ career-technical education programming impact its operations and financial	<b>R.4</b>

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condition and are its planning practices consistent with leading practices?	
Is the District's General Fund subsidy of extracurricular activities appropriate in comparison to local peers and the District's financial condition?	<b>R.5</b>
<b>Human Resources</b>	
Are the District's staffing levels appropriate in comparison to primary peers, state minimum standards, demand for services, and the District's financial condition?	<b>R.6, R.7</b>
Are the District's salaries and wages appropriate in comparison to local peers and the District's financial condition?	<b>No Recommendation:</b> The District's salaries and wages are appropriate in comparison to local peers.
Are the District's collective bargaining agreement provisions appropriate in comparison to local peers, minimum requirements, and the District's financial condition?	<b>No Recommendation:</b> The District's CBA provisions are appropriate compared to local peers and minimum requirements.
Are the District's insurance costs appropriate in comparison to other governmental entities within the local market and the District's financial condition?	<b>R.8</b>
<b>Facilities</b>	
Is the District's building utilization appropriate in comparison to leading practices, industry standards, and the District's financial condition?	<b>R.9</b>
Are the District's facilities staffing levels appropriate in comparison to leading practices, industry standards, and the District's financial condition?	<b>R.10</b>
Are the District's facilities expenditures appropriate in comparison to primary peers, leading practices, industry standards, and the District's financial condition?	<b>No Recommendation:</b> The District's facilities expenditures are appropriate compared to primary peers, leading practices, and industry standards.
<b>Transportation</b>	
Is the District's T-1 Report accurate, and did it result in the appropriate level of State transportation funding?	<b>No Recommendation:</b> The District's T-Report resulted in the appropriate level of State transportation funding.
<b>Food Service</b>	
Is the District's food service program operated in a manner that is consistent with leading practices and industry standards and appropriate based on the District's financial condition?	<b>R.11</b>

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:<sup>53</sup>

- 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.

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<sup>53</sup> 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

- Alexander Local School District (Athens County)
- Carrollton Exempted Village School District (Carroll County)
- Edison Local School District (Jefferson County)
- Paulding Exempted Village School District (Paulding County)
- West Holmes Local School District (Holmes County)

### Local Peers

- Caldwell Exempted Village School District (Noble County)
- Crooksville Exempted Village School District (Perry County)
- Federal Hocking Local School District (Athens County)
- Fort Frye Local School District (Washington County)
- Franklin Local School District (Muskingum County)
- New Lexington City School District (Perry County)
- Southern Local School District (Perry County)
- Warren Local School District (Washington County)
- Wolf Creek Local School District (Washington 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 review of the District’s finances compared to peers. This information is provided to give a deeper understanding of the current financial condition of the District.

## October 2025 Forecast

During the course of the audit, the District approved its October 2025 financial forecast. The forecast, as summarized in the table below, projects a slightly improved outlook driven primarily by increased revenue expectations.

### Financial Condition Overview (October 2025 Forecast)

	FY 2026	FY 2027	FY 2028	FY 2029
Total Revenue	\$27,291,267	\$27,883,286	\$28,264,648	\$28,542,911
Total Expenditures	\$27,572,566	\$27,869,447	\$28,946,111	\$30,067,018
<b>Results of Operations</b>	<b>(\$281,299)</b>	<b>\$13,839</b>	<b>(\$681,463)</b>	<b>(\$1,524,107)</b>
Beginning Cash Balance	\$4,258,766	\$3,977,467	\$3,991,306	\$3,309,844
<b>Ending Cash Balance</b>	<b>\$3,977,467</b>	<b>\$3,991,306</b>	<b>\$3,309,844</b>	<b>\$1,785,736</b>
Encumbrances	\$525,000	\$525,000	\$525,000	\$525,000
Cumulative Balance of Replacement/Renewal Levies	\$0	\$0	\$0	\$0
Cumulative Balance of New Levies	\$0	\$0	\$0	\$0
<b>Ending Fund Balance</b>	<b>\$3,452,467</b>	<b>\$3,466,306</b>	<b>\$2,784,844</b>	<b>\$1,260,736</b>

Source: ODEW

While the October 2025 forecast does not show a deficit fund balance, the District continues to project deficit spending in three out of the four years of the forecast period. While deficit spending may be acceptable over short periods of time, sustained deficit spending indicates the need for operational changes.

## District FY 2024 Financial Accounts

The following table shows the Districts FY 2024 financial activities by fund. The District operated with 29 funds in FY 2024. Within this table, recorded receipts, or revenues, and expenditures are identified. In any given year, a particular fund may operate at a deficit or surplus. Further, operating at a deficit may not result in an actual fund deficit due to existing fund balances. By reviewing revenues and expenditures at the fund level, a district can have a more comprehensive understanding of its financial condition.

## FY 2024 All Funds Activity

Fund	Fund Name	Receipts	Expenditures
001	General	\$26,097,096.01	\$29,313,773.03
002	Debt Retirement	\$217,647.43	\$205,435.47
003	Permanent Improvement	\$819,640.41	\$358,055.28
006	Food Services	\$1,338,863.28	\$1,350,035.13
007	Special Trust	\$2,025.00	\$3,500.00
008	Endowment	\$5,036.56	\$2,000.00
009	Uniform Schools Supplies	\$684.91	\$453.91
011	Rotary Fund - Special Services	\$1,250.00	\$0.00
014	Other Services Rotary (FY 25)	\$0.00	\$3,510.00
018	Public School Support	\$35,021.49	\$36,681.60
019	Other Grants	\$178,527.38	\$188,471.86
024	Employee Benefits Self-Insurance	\$206,181.61	\$248,005.77
029	Education Foundation	\$11,379.82	\$1,000.00
034	Classroom Facilities Maintenance	\$149,476.34	\$469,321.37
200	Student Managed Student Activity	\$95,591.72	\$87,000.77
300	District Managed Student Activity	\$137,342.09	\$160,046.53
439	Public School Preschool	\$168,409.32	\$169,336.70
451	Data Communications for School Buildings	\$9,987.65	\$9,987.65
461	Career-Technical Education Enhancement	\$5,020.92	\$6,781.92
499	Miscellaneous State Grants	\$7,431.75	\$27,587.17
507	Elementary and Secondary School Emergency Relief (ESSER)	\$536,835.65	\$541,632.78
509	21st Century Learning Centers	\$7,062.12	\$4,545.96
516	IDEA, Part B Special Education, Assistance for All Children with Disabilities Ages 3-21	\$445,467.32	\$449,614.17
524	Career-Technical Education: Carl D. Perkins Career-Technical Education	\$3,325.13	\$15,860.47
572	Title I - Disadvantaged Children/Targeted Assistance	\$614,037.46	\$614,207.30
584	Student Support and Academic Enrichment Programs	\$46,070.42	\$58,099.24
587	Student Support and Academic Enrichment Programs	\$18,451.86	\$18,370.69
590	Improving Teacher Quality	\$67,156.01	\$70,465.05
599	Miscellaneous Federal Grants	\$49,892.92	\$433,004.88
<b>29</b>	<b>Total Funds</b>	<b>\$31,274,912.58</b>	<b>\$34,846,784.70</b>
	<b>Count of Funds with Activity</b>	<b>28</b>	<b>28</b>

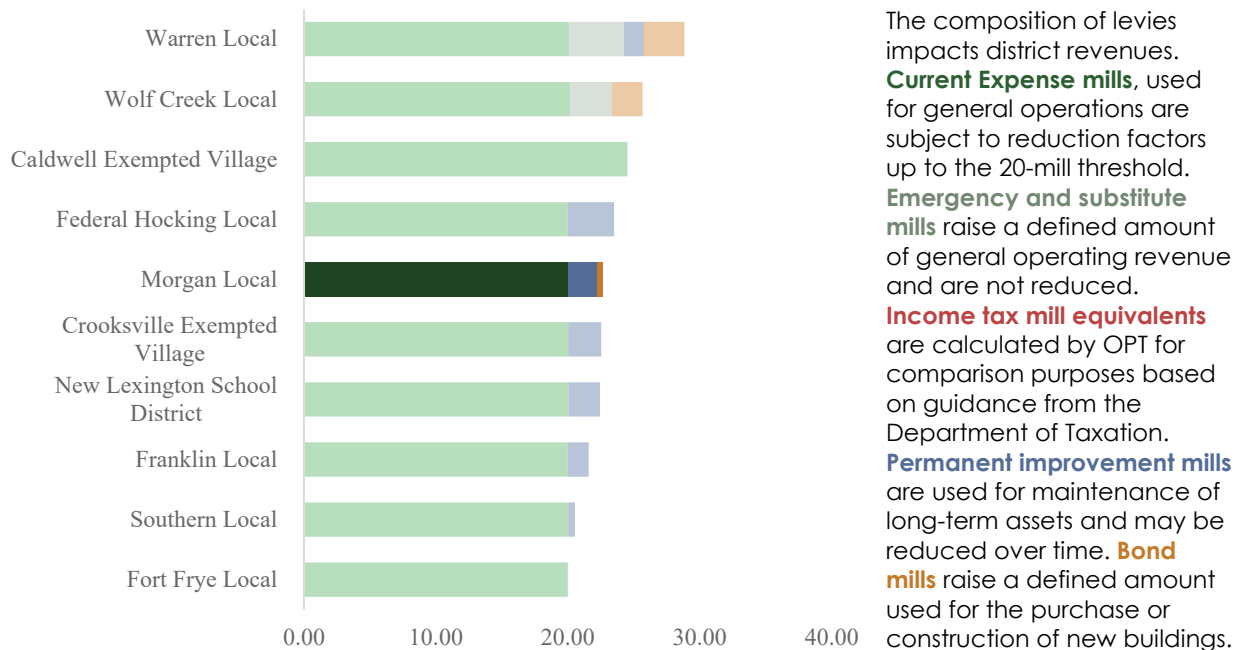
Source: MLSD

Note: Excludes advances

## 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 MLSD 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 three of the local peers are at the 20-mill floor. 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 lowest in comparison to the local peer districts. In Tax Year 2023, one mill of property tax generated approximately \$263 in revenue per pupil, exceeding the local peer average by approximately \$11, or 4.3 percent.

The following table shows the income tax revenue for the primary peer districts. Two primary peer districts collect an income tax, but none of the local peer districts do.

### 2024 Income Tax Revenue and Millage Equivalents | Primary Peers

<b>District</b>	<b>Tax Rate</b>	<b>Income Tax Revenue</b>	<b>Estimated Millage Equivalents</b>
Alexander Local	1.00%	\$2,053,788.04	5.73
Paulding Exempted Village	1.00%	\$2,834,679.50	10.44
Carrollton Exempted Village	0.00%	-	0.00
Edison Local	0.00%	-	0.00
Morgan Local	0.00%	-	0.00
West Holmes Local	0.00%	-	0.00

Source: Ohio Department of Taxation

### Local Tax Effort

The following tables show the local tax effort (LTE) comparison between MLSD and the primary peer districts and the local peer districts. 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. Districts are ranked from 1 to 606 with 1 being the highest level of effort and the 99<sup>th</sup> percentile and 606 being the lowest level of effort and the 1<sup>st</sup> percentile.

### 2024 Local Tax Effort Comparison | Primary Peers

District	LTE	Rank	Percentile
Paulding Exempted Village	1.4532	83	86.3%
Alexander Local	1.1470	210	65.3%
West Holmes Local	0.9762	312	48.5%
Morgan Local	0.9059	354	41.6%
Carrollton Exempted Village	0.8402	405	33.2%
Edison Local	0.6467	547	9.7%
<b>Primary Peer Average</b>	<b>1.0127</b>	<b>290</b>	<b>52.1%</b>

Source: ODEW

### 2024 Local Tax Effort Comparison | Local Peers

District	LTE	Rank	Percentile
Caldwell Exempted Village	1.0671	253	58.3%
Federal Hocking Local	1.0649	254	58.1%
Morgan Local	0.9059	354	41.6%
New Lexington School District	0.7975	443	26.9%
Southern Local	0.7804	458	24.4%
Warren Local	0.7730	462	23.8%
Wolf Creek Local	0.7393	488	19.5%
Fort Frye Local	0.7205	502	17.2%
Crooksville Exempted Village	0.7075	510	15.8%
Franklin Local	0.6716	535	11.7%
<b>Local Peer Average</b>	<b>0.8135</b>	<b>432</b>	<b>28.7%</b>

Source: ODEW

## Forecasting Best Practices

The following tables show the comparison of the District’s forecasting practices to industry standards and best practices. The District’s forecasting processes do not meet all components recommended by the GFOA and ODEW.

### ODEW Best Practices

Partially Meets	Proactive management of revenues/expenditures
Doesn’t Meet	Board policy to achieve and maintain 60 days of expenditures in cash balance
Meets	Report and discuss expenditures vs revenues monthly
Doesn’t Meet	Participate in a program that promotes best budgeting practices for school districts

## GFOA Forecasting Best Practices

Meets     
  Partially Meets     
  Does Not Meet

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

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## CTE Best Practices

The following table shows the comparison of the District’s CTE program practices to best practices. The District’s CTE program practices do not meet all components recommended by ODEW.

### ODEW CTE Program Expansion Best Practices

Meets     
  Partially Meets     
  Does Not Meet

<p>Schools are introducing CTE courses in middle school to help students explore careers through hands-on activities, with many Ohio districts already implementing this in grades 6-10.</p>	<p>Ohio districts design quality CTE programs using innovative methods like career academies and flexible schedules to expand offerings and manage resources effectively.</p>	<p>Partnerships between adult and secondary education share resources and align pathways but face accreditation challenges that can delay programs and affect credit awards.</p>
<p>Industry-recognized credentials build students’ skills and support graduation, with schools expanding options through micro-credentials, sprint classes, and senior programs.</p>	<p>Nontraditional scheduling in Ohio provides flexible learning through varied programs like semester experiences, second shifts, and four-day weeks.</p>	<p>Limited facility space restricts program growth, but sharing spaces among schools, businesses, and communities cuts costs and offers students work-based learning while benefiting companies.</p>
<p>Federal law defines work-based learning as hands-on experiences with industry professionals that align with curriculum, helping students explore careers, strengthen partnerships, and expand learning without needing more school space.</p>		
<p>CTE teacher shortages, especially in IT, are addressed by partnering with businesses to upskill employees and hire part-time professionals, cutting costs and boosting retention.</p>		

# 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.

$$\text{Enrollment Benchmark FTEs} = \text{Peer Avg. FTE per 1,000 Students} * \left( \frac{\text{Client Enrollment}}{1,000} \right)$$

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.

$$\text{Building Benchmark FTEs} = \text{Peer Avg. FTE per Building} * \text{District Building Count}$$

As seen in the following table, MLSD exceeds the peer benchmark by 1.70 FTEs. During the course of the audit, the District approved the reduction of 1.5 FTE central office administrator positions, bringing the District more in line with the peer average benchmark.

### Central Office Administrator Staff Comparison

<b>Position</b>	<b>MLSD FTEs</b>	<b>Enrollment</b>	
		<b>Benchmark FTEs</b>	<b>FTEs Above/(Below) Benchmark</b>
Assistant, Deputy/Associate Superintendent	0.00	0.33	(0.33)
Supervisor/Manager	3.00	3.20	(0.20)
Coordinator	0.00	0.82	(0.82)
Education Administrative Specialist	0.00	0.18	(0.18)
Director	0.00	0.40	(0.40)
Other Official/Administrative	5.00	1.38	3.62
<b>Total</b>	<b>8.00</b>	<b>6.30</b>	<b>1.70</b>

Source: MLSD and ODEW

### Building Administrator Staff Comparison (per 1,000 students)

<b>Position</b>	<b>MLSD FTEs</b>	<b>Enrollment</b>	
		<b>Benchmark FTEs</b>	<b>FTEs Above/(Below) Benchmark</b>
Assistant Principal	1.00	2.00	(1.00)
Principal	5.00	3.40	1.60
Dean of Students	0.00	0.18	(0.18)
<b>Total</b>	<b>6.00</b>	<b>5.58</b>	<b>0.42</b>

Source: MLSD and ODEW

### Building Administrator Staff Comparison (per building)

<b>Position</b>	<b>MLSD FTEs</b>	<b>Building</b>	
		<b>Benchmark FTEs</b>	<b>FTEs Above/(Below) Benchmark</b>
Assistant Principal	1.00	3.50	(2.50)
Principal	5.00	4.92	0.08
Dean of Students	0.00	0.50	(0.50)
<b>Total</b>	<b>6.00</b>	<b>8.92</b>	<b>(2.92)</b>

Source: MLSD and ODEW

In the table below, MLSD exceeds the peer benchmark by 12.20 FTEs. During the course of the audit, the District approved the reduction of 11.0 FTE teaching staff positions. In accounting for the reductions, the District could still eliminate another 1.0 FTEs to bring staffing more in line with the peer average.

## Teaching Staff Comparison

<b>Position</b>	<b>MLSD FTEs</b>	<b>Enrollment</b>	
		<b>Benchmark FTEs</b>	<b>FTEs Above/(Below) Benchmark</b>
General Education K-12	78.00	76.53	1.47
Gifted and Talented	2.00	0.00	2.00
Career-Technical Programs/Career Pathways	11.00	2.27	8.73
<b>Total</b>	<b>91.00</b>	<b>78.80</b>	<b>12.20</b>

Source: MLSD and ODEW

## K-8 Teaching Staff Comparison

<b>Position</b>	<b>MLSD FTEs</b>	<b>FTEs</b>	
		<b>Enrollment Benchmark FTEs</b>	<b>Above/(Below) Benchmark</b>
Art Education K-8	4.00	2.03	1.97
Music Education K-8	4.00	2.48	1.52
Physical Education K-8	4.00	2.19	1.81

Source: MLSD and ODEW

## Non-Teaching Educational Staff Comparison

<b>Position</b>	<b>MLSD FTEs</b>	<b>FTEs</b>	
		<b>Enrollment Benchmark FTEs</b>	<b>Above/(Below) Benchmark</b>
Curriculum Specialist	0.00	0.25	(0.25)
Counseling	3.00	3.94	(0.94)
Remedial Specialist	0.00	3.71	(3.71)
Tutor/Small Group Instructor	0.00	1.24	(1.24)
Full-time (Permanent) Substitute Teacher	0.00	0.25	(0.25)
Other Professional-Educational	0.00	1.24	(1.24)

Source: MLSD and ODEW

As seen in the following table, MLSD exceeds the peer benchmark for psychologist by .67 FTEs. However, there is no recommended reduction here because of staffing requirements outlined by OAC 3301-51-09.

## Professional Staff Comparison

<b>Position</b>	<b>MLSD FTEs</b>	<b>FTEs</b>	
		<b>Enrollment Benchmark FTEs</b>	<b>Above/(Below) Benchmark</b>
Psychologist	1.00	0.33	0.67
Social Work	0.00	0.44	(0.44)

Source: MLSD and ODEW

### Technical Staff Comparison

<b>Position</b>	<b>MLSD FTEs</b>	<b>Enrollment Benchmark FTEs</b>	<b>FTEs Above/(Below) Benchmark</b>
Computer Operating	0.00	1.11	(1.11)
Computer Programming	2.00	0.00	2.00
<b>Total</b>	<b>2.00</b>	<b>1.11</b>	<b>0.89</b>

Source: MLSD and ODEW

### Central Office Support Staff Comparison

<b>Position</b>	<b>MLSD FTEs</b>	<b>Enrollment Benchmark FTEs</b>	<b>FTEs Above/(Below) Benchmark</b>
Administrative Assistant	0.00	0.60	(0.60)
Bookkeeping (District)	2.00	0.83	1.17
Clerical (District)	3.50	2.74	0.76
Records Managing (District)	0.00	0.55	(0.55)
Other Office/Clerical (District)	0.00	0.18	(0.18)
<b>Total</b>	<b>5.50</b>	<b>4.90</b>	<b>0.60</b>

Source: MLSD and ODEW

### Building Office Support Staff Comparison (per 1,000 students)

<b>Position</b>	<b>MLSD FTEs</b>	<b>Enrollment Benchmark FTEs</b>	<b>FTEs Above/(Below) Benchmark</b>
Clerical (Building)	7.00	6.72	0.28
Other Office/Clerical (Building)	0.00	0.24	(0.24)
<b>Total</b>	<b>7.00</b>	<b>6.96</b>	<b>0.04</b>

Source: MLSD and ODEW

### Building Office Support Staff Comparison (per building)

<b>Position</b>	<b>MLSD FTEs</b>	<b>Building Benchmark FTEs</b>	<b>FTEs Above/(Below) Benchmark</b>
Clerical (Building)	7.00	11.00	(4.00)
Other Office/Clerical (Building)	0.00	0.25	(0.25)
<b>Total</b>	<b>7.00</b>	<b>11.25</b>	<b>(4.25)</b>

Source: MLSD and ODEW

### Library Staff Comparison

<b>Position</b>	<b>MLSD FTEs</b>	<b>Enrollment Benchmark FTEs</b>	<b>FTEs Above/(Below) Benchmark</b>
Librarian/Media	1.00	0.00	1.00
Library Aide	0.00	2.26	(2.26)
<b>Total</b>	<b>1.00</b>	<b>2.26</b>	<b>(1.26)</b>

Source: MLSD and ODEW

### Nursing Staff Comparison

<b>Position</b>	<b>MLSD FTEs</b>	<b>Enrollment Benchmark FTEs</b>	<b>FTEs Above/(Below) Benchmark</b>
Registered Nursing	1.00	1.58	(0.58)
Practical Nursing	1.00	0.44	0.56
<b>Total</b>	<b>2.00</b>	<b>2.01</b>	<b>(0.01)</b>

Source: MLSD and ODEW

### Classroom Support Staff Comparison

<b>Position</b>	<b>MLSD FTEs</b>	<b>Enrollment Benchmark FTEs</b>	<b>FTEs Above/(Below) Benchmark</b>
Instructional Paraprofessional	0.00	6.36	(6.36)
Teaching Aide	1.00	4.54	(3.54)
<b>Total</b>	<b>1.00</b>	<b>10.89</b>	<b>(9.89)</b>

Source: MLSD and ODEW

In the table below, MLSD is above the peer benchmark by .68 FTEs. However, during the course of the audit, the District approved the reduction of a 1.0 FTE athletic trainer position, bringing the District more in line with the peer average benchmark.

### Extracurricular/Intracurricular Activities Staff Comparison

<b>Position</b>	<b>MLSD FTEs</b>	<b>Enrollment Benchmark FTEs</b>	<b>FTEs Above/(Below) Benchmark</b>
Athletic Trainer	1.00	0.32	0.68
<b>Total</b>	<b>1.00</b>	<b>0.32</b>	<b>0.68</b>

Source: MLSD and ODEW

## Other Support Staff Comparison

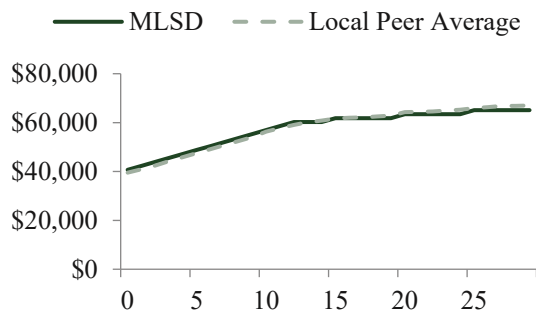
<b>Position</b>	<b>MLSD FTEs</b>	<b>Enrollment Benchmark FTEs</b>	<b>FTEs Above/(Below) Benchmark</b>
Attendance Officer	1.00	0.43	0.57
<b>Total</b>	<b>1.00</b>	<b>0.43</b>	<b>0.57</b>

Source: MLSD and ODEW

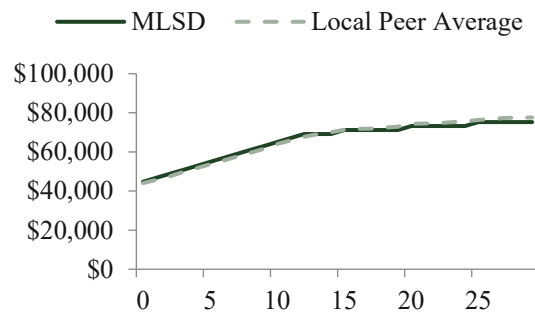
We also looked at annual salaries for all certificated employees and the hourly wage rates for various classified employee positions over the course of a career, as seen in the following charts.

## Certificated Career Compensation

### Bachelors



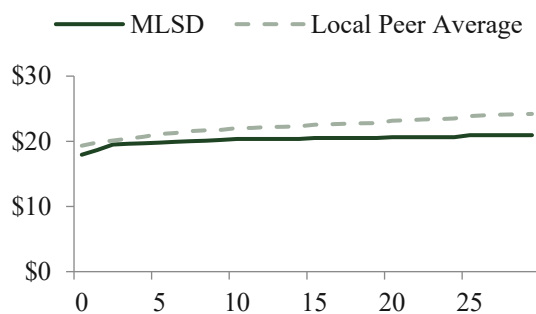
### Master's



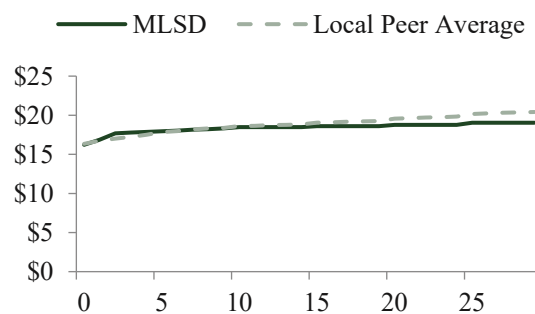
Source: MLSD, Local Peers, & SERB

## Classified Career Compensation

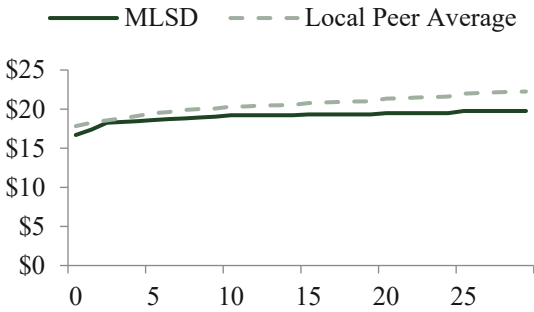
### Bus Driver



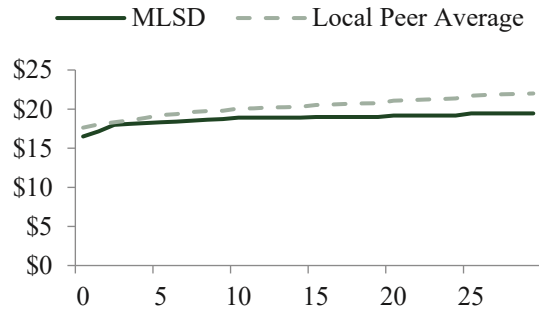
### Cooks



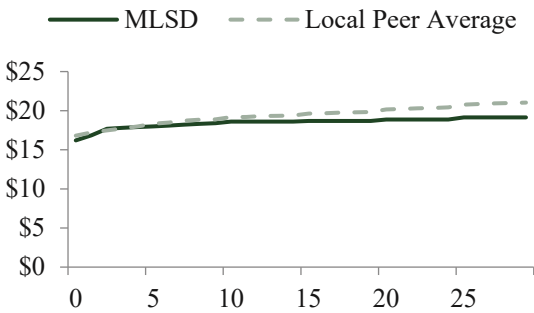
### Custodians



### Secretaries



### Aides



Source: MLSD, Local Peers, & SERB

## Appendix D: Facilities

In the tables below, we show the projected functional and maximum capacity utilization associated with the closure of the South or West Elementary School buildings. Because FY 2027 is the earliest in which the District could consolidate buildings, we show the projected capacity utilization associated with an elementary school building closure beginning in that fiscal year.

### FY 2027 Capacity & Utilization | West Closure

Building	Grades	Head Count	FUNCTIONAL		MAXIMUM	
			Capacity	Util. Percent	Capacity	Util. Percent
Morgan High School	9-12	464	716	64.8%	780	59.5%
Morgan Junior High School	6-8	338	361	93.6%	446	75.8%
West Elementary School	CLOSED	0	0	-	0	-
East and South Elementary Schools	PreK-5	738	639	115.5%	889	83.0%
<b>Districtwide</b>		<b>1,540</b>	<b>1,716</b>	<b>89.7%</b>	<b>2,115</b>	<b>72.8%</b>

Source: MLSD and ODEW

### FY 2027 Capacity & Utilization | South Closure

Building	Grades	Head Count	FUNCTIONAL		MAXIMUM	
			Capacity	Util. Percent	Capacity	Util. Percent
Morgan High School	9-12	464	716	64.8%	780	59.5%
Morgan Junior High School	6-8	338	361	93.6%	446	75.8%
South Elementary School	CLOSED	0	0	-	0	-
West and East Elementary Schools	PreK-5	738	664	111.1%	864	85.4%
<b>Districtwide</b>		<b>1,540</b>	<b>1,741</b>	<b>88.5%</b>	<b>2,090</b>	<b>73.7%</b>

Source: MLSD and ODEW

# OHIO AUDITOR OF STATE KEITH FABER



**MORGAN LOCAL SCHOOL DISTRICT**

**MORGAN 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 12/4/2025**

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

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