

OHIO AUDITOR OF STATE
KEITH FABER



Madison
Local School District

Performance Audit

April 2026

OHIO AUDITOR OF STATE
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OHIO AUDITOR OF STATE KEITH FABER



To the Madison Local School District Community:

The Auditor of State's Office recently completed a performance audit for the Madison 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

April 2, 2026

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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 financial forecasts to the Ohio Department of Education and Workforce (ODEW) annually in October with updates to the forecast submitted in February.¹ These documents provide three years of historical financial data, as well as the projected revenues and expenses for a multi-year period.²

The Ohio Auditor of State's Office Ohio Performance Team (OPT) routinely reviews the submitted forecasts in order to identify districts which may benefit from a performance audit. These audits are designed to assist school districts that are struggling financially. We use data-driven analyses to produce and support recommendations that identify opportunities for improved operations, effectiveness, increased transparency, and reductions in cost. While we have the authority to initiate a performance audit for school districts facing financial distress, any school district can request, and benefit from, an audit.³

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 AY⁴ 2025 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.

¹ORC § 5705.391 and OAC 3301-92-04.

² House Bill 96 of the 136th 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 AY 2026.

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

⁴ The academic year (AY), which coincides with the fiscal year, begins July 1st and ends June 30th.

Madison Local School District

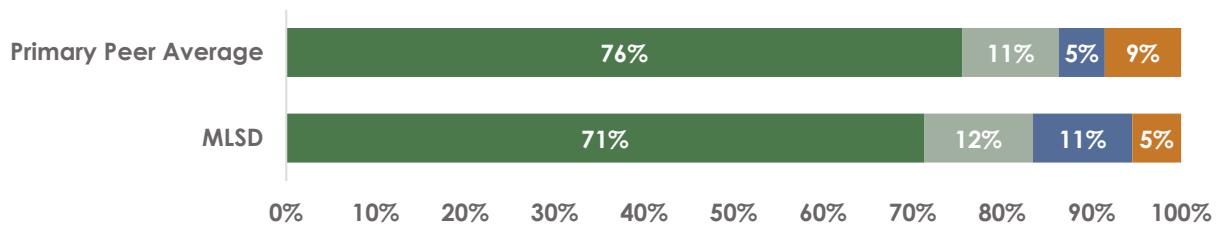
Madison Local School District (MLSD or the District) is located in Richland County and, as of AY 2025, had 2,444 students enrolled including students residing in the District and those who attend through open enrollment options. The District spans approximately 49 square miles and has a median income of \$37,506 in Tax Year 2023. Of the total enrolled students, approximately 21.9 percent were students with disabilities.

Place of Enrollment

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, during AY 2025, MLSD educated 224 students who open enrolled into the District.

Place of Enrollment, Students Living in MLSD, AY 2025

Location	Student Count
District of Residence	2,130
Other Public District	364
Community School	332
Non-Public School via EdChoice or Other Program*	163
Total⁵	2,989



As seen above, approximately 71 percent of students residing in the District’s boundaries choose to attend MLSD, compared to the primary peer average of 76 percent. This means that the District experiences a higher percentage of students who choose another educational option.⁶

⁵ 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.

⁶ Community schools, nonpublic schools, or another public district that accepts students through open enrollment.

Financial Condition

In May 2025, the District released its semi-annual five-year forecast that showed negative year-end fund balances in the forecast period beginning in AY 2027, which follows operational deficits the District had in AY 2022 – AY 2024. A summary of this forecast is in the table below. As seen in this table, the District has negative results of operations in four of the five years of the forecast period. This deficit spending is possible in the short term because of the existing positive fund balance. However, based on projected deficit spending, the District projected a negative ending cash balance of approximately \$1.1 million beginning in AY 2027.⁷ Due to the declining fiscal condition of the District, and in consultation with ODEW, we chose to conduct a performance audit.

Financial Condition Overview (May 2025 Forecast)

	AY 2025	AY 2026	AY 2027	AY 2028	AY 2029
Total Revenue	\$38,824,611	\$40,420,740	\$39,702,626	\$39,257,321	\$38,292,562
Total Expenditures	\$40,052,202	\$40,044,371	\$41,653,239	\$42,835,122	\$44,193,366
Results of Operations	(\$1,227,591)	\$376,369	(\$1,950,613)	(\$3,577,801)	(\$5,900,804)
Beginning Cash Balance	\$1,734,065	\$506,474	\$882,843	(\$1,067,770)	(\$4,645,571)
Ending Cash Balance	\$506,474	\$882,843	(\$1,067,770)	(\$4,645,571)	(\$10,546,375)
Encumbrances	\$0	\$0	\$0	\$0	\$0
Cumulative Balance of Replacement/Renewal Levies	\$0	\$0	\$0	\$930,662	\$4,239,770
Ending Fund Balance	\$506,474	\$882,843	(\$1,067,770)	(\$3,714,909)	(\$6,306,605)

Source: ODEW

Due to the projected financial condition in the May 2025 forecast, the District was required to submit a written financial recovery plan and forecast to ODEW in August 2025. This recovery plan included the implementation of pay-to-participate fees being implemented in AY 2027, staffing reductions and an elementary school building closure with associated reductions in staffing, purchased service, supply, and utility expenditures. A summary of this forecast can be found in **Appendix B**.

In October 2025, the District released its required annual forecast, which projected negative results of operations for two of the four years of the forecast and negative year-end fund balances beginning in AY 2029.⁸ This deficit was projected to grow to more than \$800,000 by the end of the forecast period in AY 2029. In the October forecast, the District’s negative results of operations were 3.1 percent of revenue in AY 2028 and 11.7 percent of revenue in AY 2029.

⁷ This forecast assumes the renewal of one of the District’s current expense levy. Failure to renew this levy would result in an increased negative ending fund balance in AY 2028 and AY 2029.

⁸ October 2025 was the first four-year forecast submission for school districts, as required by House Bill 96 of the 136th General Assembly.

While the District still projected a deficit, the October forecast is significantly improved from the May 2025 forecast, primarily due to actions taken in the recovery plan.⁹

Financial Condition Overview (October 2025 Forecast)

	AY 2026	AY 2027	AY 2028	AY 2029
Total Revenue	\$40,157,156	\$39,251,979	\$38,922,317	\$37,146,641
Total Expenditures	\$39,975,586	\$39,179,432	\$40,121,545	\$41,508,435
Results of Operations	\$181,570	\$72,547	(\$1,199,228)	(\$4,361,794)
Beginning Cash Balance	\$240,116	\$421,686	\$494,233	(\$704,995)
Ending Cash Balance	\$421,686	\$494,233	(\$704,995)	(\$5,066,789)
Cumulative Balance of Replacement/Renewal Levies	\$0	\$0	\$930,662	\$4,239,770
Fund Balance June 30 (Line 12.010)	\$421,686	\$494,233	\$225,667	(\$827,019)

Source: MLSD, ODEW, and AOS

Note: The October 2025 forecast also projected revenue from the passage of an income tax that was on the November 2025 ballot. This issue failed, and therefore we did not include the information in the summary table.

Note: The District's 6.9 mill current expense limited term levy has been renewed every 5 years since it was first approved in 1992. This levy is due for renewal in 2027.

While the District's efforts to reduce expenditures have managed to eliminate the fund balance deficit in AY 2028, dependent on the levy renewal, the District is still projecting a negative ending fund balance in the last year of the forecast. Further, the forecast assumes the renewal of an existing operating levy. The District has also placed a 1.5 percent earned income tax on the ballot for May 2026 that, if approved, is expected to generate approximately \$6.6 million annually. The Board passed a resolution stating that if this earned income tax passes, the Board will cease collection of its five-year 7.50 mill current expense levy that had been approved November 2023.

During the course of the audit, the district released its February 2026 forecast. The forecast can be found here: [Reports Portal](#).

⁹ This forecast assumes the renewal of one of the District's current expense levies. Failure to renew this levy would result in an increased negative ending fund balance in AY 2028 and AY 2029.

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 AY 2025, of approximately \$28.5 billion in reported revenue for public education in Ohio, 83.4 percent, or \$23.8 billion, came from state and local sources.¹⁰



In December 2025, four new laws were enacted that will change the way that local property taxes are calculated. These changes interact with each other and alter many long-standing components of the property tax system simultaneously. The application and impact of these changes will vary based on the unique circumstances of each district and will be staggered over the next several years. Throughout the report where local property taxes are discussed, the information presented is based on the laws that were in effect at the time of analysis.

State Funding

On July 1, 2025, House Bill 96 of the 136th 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 2021,¹¹ and is commonly referred to as the Fair School Funding Plan. The formula changes will be phased in at 83.33 percent in AY 2026 and 100 percent in AY 2027.¹² 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.¹³ Approximately one-third of Ohio school districts currently have an income tax.

¹⁰ Of the remaining 16.6 percent of revenue, 9.1 percent came from the federal government with the remaining 7.5 percent coming from a variety of sources including funds raised through tuition, fees, extracurricular activities, grants, and other non-tax sources.

¹¹ ODEW transitioned to the new funding model in January of 2022.

¹² See <https://www.lsc.ohio.gov/assets/legislation/136/hb96/psc/files/hb96-comparison-document-as-pending-in-senate-committee-136th-general-assembly.pdf>

¹³ See <https://tax.ohio.gov/wps/portal/gov/tax/individual/school-district-income-tax>

Property Tax

Property taxes levied in Ohio are subject to restrictions in the Ohio Constitution¹⁴ and the Ohio Revised Code (ORC).¹⁵ These restrictions limit the amount of tax that can be levied without voter approval to 10 mills¹⁶ 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.

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 levies¹⁷ 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.¹⁸ In subsequent years, with exceptions such as new construction, a district would not receive additional revenue from a levy as property values increased.¹⁹ Instead, the outside mills

¹⁴ Ohio Const. Art. XII, Section 2.

¹⁵ Ohio Rev. Code § 5705.02.

¹⁶ A mill is defined as one-tenth of one percent or \$1 for every \$1,000 of taxable value.

¹⁷ Authorized by ORC §5705.194.

¹⁸ Am.Sub.H.B. No. 920, 136 Ohio Laws, Part II, 3182, 3194.

¹⁹ If property value decreased due to reappraisal, it is possible that a district would receive less revenue than originally intended.

are subject to reduction factors²⁰ which lower the effective millage rate in order to maintain the preceding year's level of revenue from the same properties.²¹

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.²² 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.

School District 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

²⁰ ORC § 319.301.

²¹ 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.

²² 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.

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.

The District does not currently collect an income tax, but has placed a 1.5 percent earned income tax levy on the May 2026 ballot.

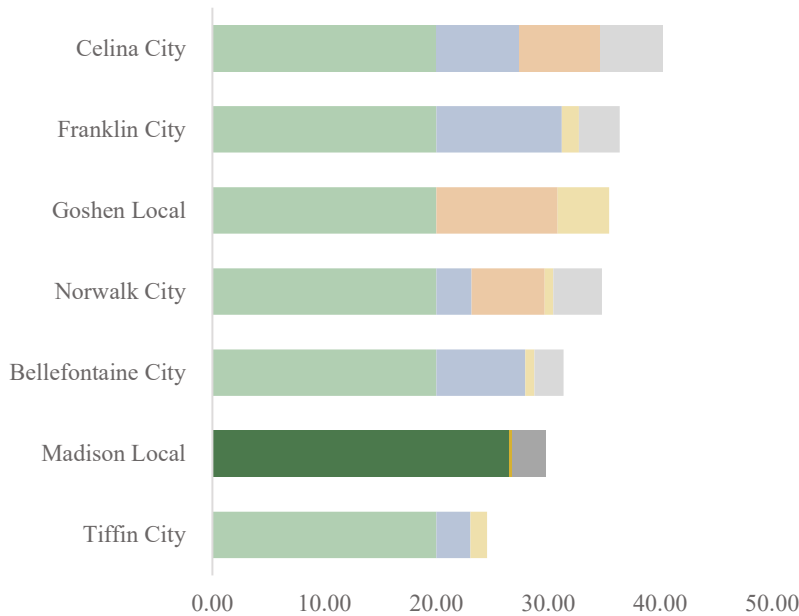
MLSD Local Funding

In 2024, MLSD collected revenues on 29.78 mills of property tax for residential properties.²³ This included 4.40 inside mills and 22.07 outside mills for current expenses. In addition to the 26.47 mills collected for current expenses, the District collects additional property tax revenue for a bond and permanent improvement levy. In 2024, this additional millage totaled 3.31 mills and was comprised of 3.0 bond mills and 0.31 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 at the 20-mill floor. The blue portion represents emergency and substitute revenue which is not subject to reduction factors. The yellow represents permanent improvement funds, and the gray represents bond funding. While MLSD does not have a school district income tax, three peers do have revenue from income tax. For comparison purposes, OPT calculated an estimated millage for the revenue generated from income taxes based on guidance from the Department of Taxation, which is represented by the orange portion of the bars in the chart below.

²³ 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 57.64 mills.

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 are not reduced. **Income tax mill equivalents** are calculated by OPT for comparison purposes based on guidance from the Department of Taxation. **Permanent improvement mills** are used for maintenance of long-term assets and may be reduced over time. **Bond mills** raise a defined amount used for the purchase or construction of new buildings.

The 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 not presently at the 20-mill floor. This means that if property values increase within the District, it will not see additional revenues based on that growth.

The property tax revenues for the District’s General Fund are generated from several levies. The 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 currently being 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.

Efficient • Effective • Transparent

Current Levies Collected by MLSD, AY 2024

Levy Year	Levy Name	Gross Tax Rate	Class I Effective Tax Rate
	General Fund (Inside Mills)	4.40	4.40
1976	Current Expense	24.80	5.01
1977	Current Expense	1.00	0.20
1980	Current Expense	3.90	0.98
1985	Current Expense	9.00	3.01
1992	Current Expense	6.90	2.45
1997	Current Expense	10.40	4.81
2010	Classroom Facilities	0.50	0.31
2012	Bond (\$25,800,161)	3.00	3.00
2023	Current Expenses	7.50	5.61
Total		71.40	29.78

Source: Ohio Department of Taxation

As seen in the table, the most recent levy for current operating expenses was passed by voters in 2023. Prior to that point, the District had last passed a new operating levy that remains effective today in 1997, more than 25 years ago. The difference between the Gross Tax Rate and the Effective Tax Rate illustrates the impact that reduction factors have on collection rates. The 4.40 mills that are identified as General Fund millage are inside mills and do not require a vote of the taxpayers. These mills are not subject to reduction factors. If the District’s effective tax rate drops to 20 mills, it will begin to see revenue growth based on increases to property values.

Property Valuation

Millage is one component of how districts generate revenue. The millage is assessed on property value, so the total revenue collected from property levies is a combination of millage and total valuation. A district with high property value may see more total revenue from fewer mills than a district with low property values. MLSD’s current expense millage rate is the highest compared to the primary peers, but their overall millage rate is one of the lowest. In addition, the District’s property valuation is lower than the peer average, leading to a lower capacity to generate revenue. MLSD’s total property valuation in Tax Year 2024 was approximately \$505 million compared to the primary peer average of approximately \$550 million. In Tax Year 2024, one mill of property tax generated approximately \$207 in revenue per pupil, which is below the primary peer average of approximately \$235 per pupil. Due to this, MLSD has lower capacity to raise revenue.

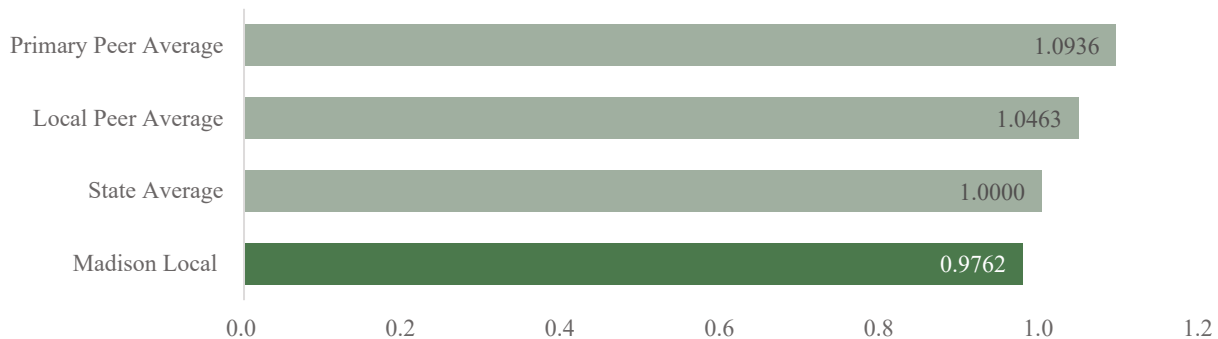
Local Tax Effort

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.

AY 2025 Local Tax Effort Comparison



Source: ODEW

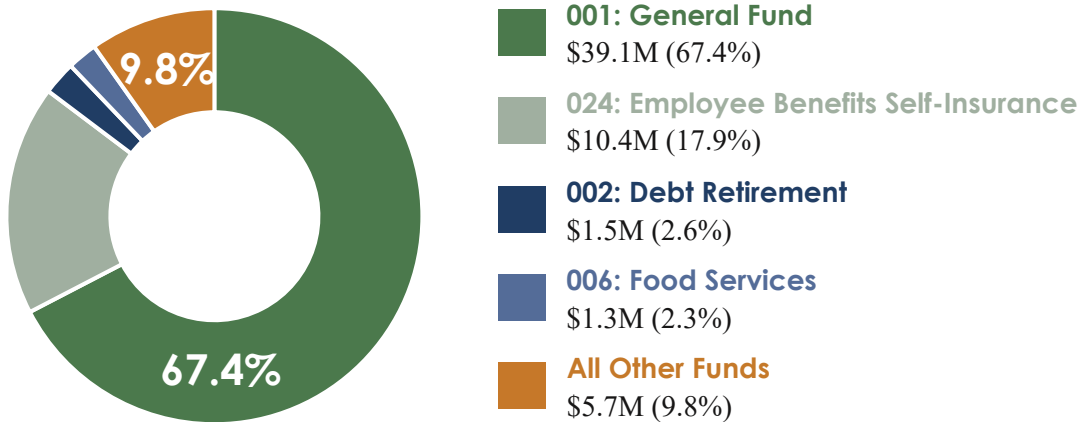
The District’s local tax effort was compared to the local peers, primary peers, and the state average. Districts are ranked from 1 to 606, with 1 being the highest level of effort, or the 99th percentile and 606 being the lowest level effort, or the 1st percentile. The District has a local tax effort of 0.9762, ranking 303 out of 606 districts, which is at the 50th percentile of all districts. By comparison, the local peer average of 1.0463 would rank approximately 258 out of all 606 districts, or the 57th percentile.

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 AY 2025, MLSD had approximately \$58.0 million in total revenue as seen in the following chart. The majority of this revenue, or 67.4 percent, was General Fund revenue, with the second largest portion being Employee Benefits Self-Insurance, at 17.9 percent.

AY 2025 Total Revenue All Funds

Total: \$58.0M



Source: MLSD

Note: The District has 27 total funds, 26 of which recorded revenue in AY 2025. See **Appendix B** for more details.

Note: All other funds are comprised of a variety of sources including IDEA funding, Title I, and Extracurricular Activities revenue. For MLSD, it also includes revenue to the Special Enterprise Fund for the Madison Early Childhood Learning Center and the Adult Education Fund for its adult career technical program.

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

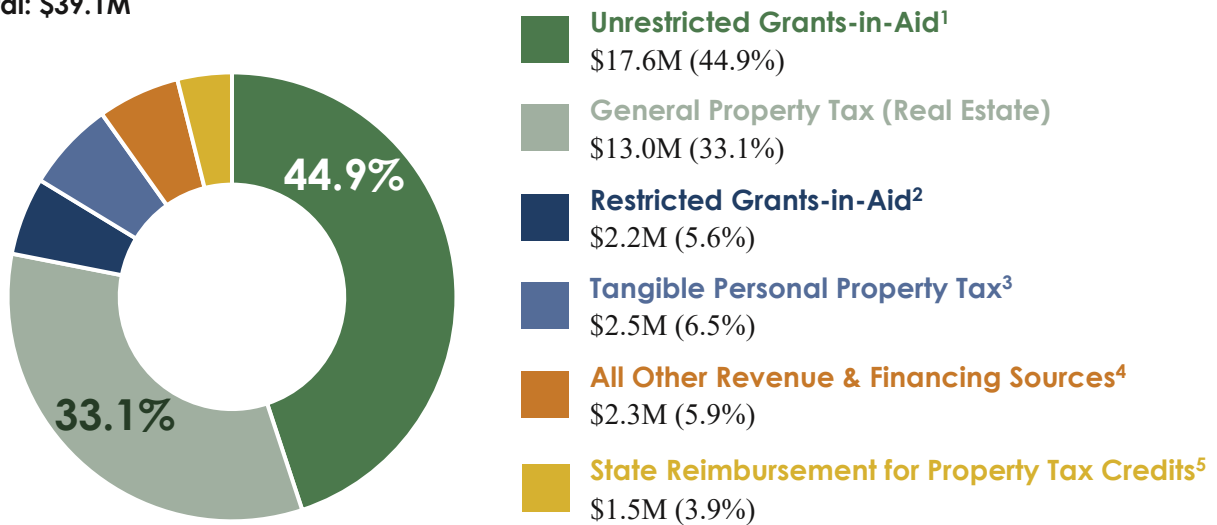
Note: Excludes Advances

As noted above, the majority of the District’s revenue is directed to the General Fund, which is used for general operations. In AY 2025, the District’s total General Fund revenue was approximately \$39.1 million.²⁴

²⁴ 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.

AY 2025 General Fund Revenue Composition

Total: \$39.1M



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 include 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 and general property taxes. 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 forecast, we reviewed only the forecasted fund revenues for this purpose.²⁵ In AY 2025, the District received approximately \$15,166 per pupil, with 39.7 percent, or approximately \$6,025, coming

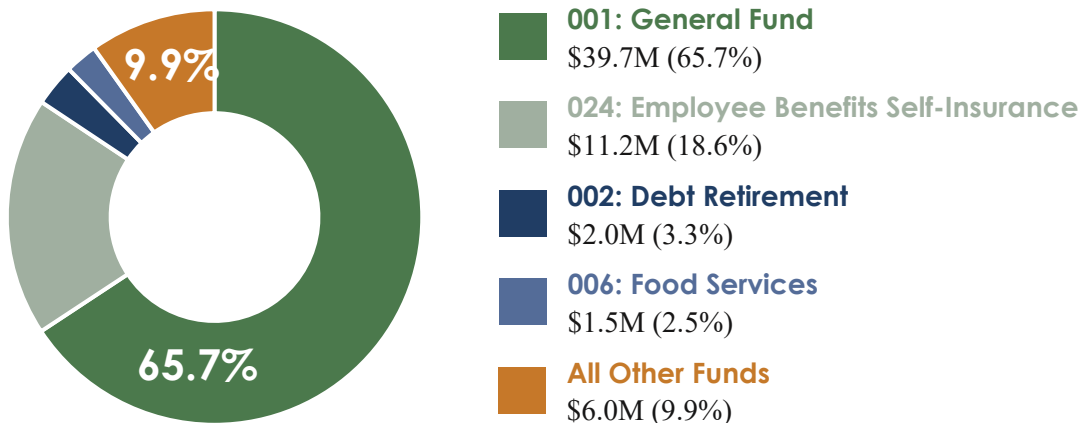
²⁵ Forecasted funds include the District's General Fund.

from local taxes.²⁶ In AY 2025, the primary peer average was \$14,992 in revenue per pupil, with 42.4 percent, or approximately \$6,350, coming from local taxes.

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 AY 2025, the total revenue was slightly lower than total expenditures. 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 Employee Benefits Self-Insurance revenues and expenditures in AY 2025 at the District.²⁷

AY 2025 Total Expenditure Distribution by Fund
Total: \$60.4M



Source: MLSD

Note: The District has 27 total funds, 26 of which recorded expenditures in AY 2025. See **Appendix B** for more details.

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

Note: Excludes Advances

Note: All other funds are comprised of a variety of sources including IDEA funding, Title I, and Extracurricular Activities revenue. For MLSD, it also includes expenditures from the Special Enterprise Fund for the Madison Early Childhood Learning Center and the Adult Education Fund for its adult career technical program

As seen in the visual above, the District’s total expenditures were approximately \$60.4 million in AY 2025, with approximately \$39.7 million of that being in the General Fund.²⁸ The largest source of expenditures was human resources which includes salaries, wages, and benefits,

²⁶ 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.

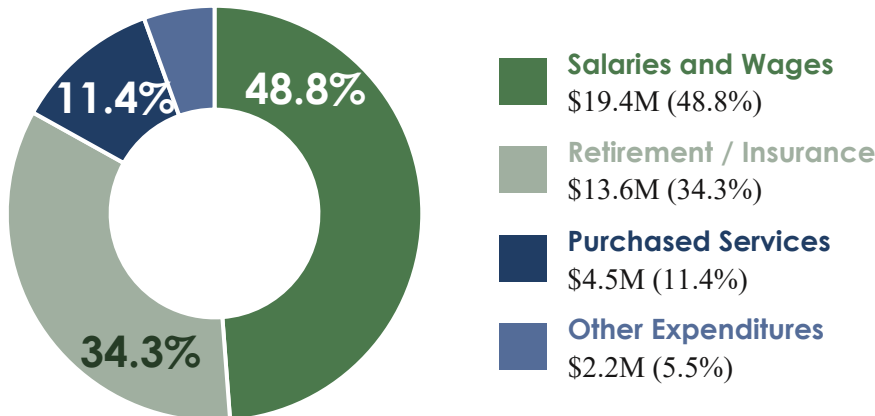
²⁷ See Appendix B for more details regarding fund activity.

²⁸ 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.

followed by purchased services. The chart that follows provides additional detail regarding the District’s General Fund expenditures.

AY 2025 General Fund Expenditure Composition

Total: \$39.7M



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 seen in the visual above, purchased services expenditures were approximately \$4.5 million in AY 2025, making up 11.4 percent of the General Fund expenditures. Of that total, the majority was for professional and technical services.

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.

AY 2025 Expenditure per Pupil by Object Code

Object	General Fund	Other Funds	All Funds
100: Salaries & Wages	\$7,520	\$1,123	\$8,644
200: Retirement & Insurance Benefits	\$5,282	\$435	\$5,717
400: Purchased Services	\$1,757	\$940	\$2,697
500: Supplies & Materials	\$491	\$468	\$960
600: Capital Outlay	\$139	\$191	\$330
800: Other Objects	\$197	\$4,874	\$5,072
900: Other Uses of Funds	\$23	\$3	\$25
Total	\$15,410	\$8,034	\$23,444

Source: MLSD & ODEW

Note: Includes transfers and other uses of funds. Excludes advances.

In AY 2025, MLSD spent approximately \$23,444 per pupil from all funds. By comparison, the primary peer average expenditure per pupil from all funds was approximately \$22,925. Additionally, MLSD spent approximately \$15,410 per pupil from the General Fund, which is 3.2 percent higher when compared to the primary peer average of \$14,939 per pupil. We analyzed General Fund expenditures since they are tied to the forecast.

The District spent more than the primary peer average on retirement and insurance benefits, employee benefits, supplies and materials, and capital outlays. The District’s spending per pupil is in line with the primary peer average on employee salaries and wages, and below the primary peer average on purchased services, other objects, and other uses of funds.²⁹ The chart that follows provides a comparison of expenditures per pupil for MLSD and the primary peer average.

²⁹ 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.

AY 2025 Total General Fund Expenditures Per Pupil



Source: MLSD, Primary Peers, and ODEW

Note: Excludes advances

The District’s higher retirement and insurance benefit spending may be driven by the District’s medical, dental, and vision insurance costs (see **Recommendation 6**).

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, and Facilities (see **Appendix A**). We identified 8 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

Standard Recommendations	Savings
R.1 Improve Forecast Assumptions	N/A
R.2 Develop Formal Plans	N/A
R.3 Adjust Direct Student Education and Support Positions above the Peer Average	\$358,000
Reduce 2.50 FTE K-8 Teaching Staff	\$240,000
Reduce 0.50 FTE Technical Staff	\$53,000
Reduce 0.50 FTE Attendance Officer	\$65,000
R.4 Renegotiate Select CBA Provisions	\$0
R.5 Align MA Salary Schedule with the Local Peer Average	\$0
R.6 Align Employer Insurance Costs with SERB Regional Average	\$1,004,000
R.7 Improve Building Utilization¹	\$0
Total Cost Savings from Performance Audit Recommendations	\$1,362,000
Less: Non-General Fund portion of Insurance Costs	\$80,000
Total Cost Savings from Performance Audit Recommendations (General Fund)	\$1,282,000

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

1: While there are savings associated with consolidating buildings and improving building utilization, they are not included here due to the District closing a building as part of their financial recovery plan, with the associated savings already factored into their financial forecast.

Our recommendations, which are based on industry standards and peer comparisons, are projected to save the District an average of approximately \$1.4 million annually, if fully implemented. The financial impact of these recommendations on the projected results of operations in the October 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 AY 2028 and reduce the deficit in AY 2029.

Results of the Audit Recommendations (October 2025 Forecast – Line 6.010)

	AY 2026	AY 2027	AY 2028	AY 2029
Original Results of Operations (Line 6.010)	\$181,570	\$72,547	(\$1,199,228)	(\$4,361,794)
In Year Recommendation Savings	\$0	\$453,366	\$1,648,381	\$3,030,961
Revised Results of Operations (Line 6.010)	\$181,570	\$525,913	\$449,153	(\$1,330,833)

Source: MLSD

The District’s October 2025 forecast projected expenditures to exceed revenues in two of the four years of the forecast period. The forecasted deficit spending was projected to deplete the District’s available fund balance beginning in AY 2029. The recommendations in this report, as seen above, will not resolve the District’s spending imbalance throughout the forecast period. However, 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 (October 2025 Forecast – Line 12.010)

	AY 2026	AY 2027	AY 2028	AY 2029
Revised Starting Cash Balance (Line 7.010)	\$240,116	\$421,686	\$947,599	\$1,396,752
Revised Results of Operations (Line 6.010)	\$181,570	\$525,913	\$449,153	(\$1,330,833)
Revised Ending Cash Balance (Line 7.020)	\$421,686	\$947,599	\$1,396,752	\$65,918
Property Tax-Renewal or Replacement (Line 11.020)	\$0	\$0	\$930,662	\$4,239,770
Revised Ending Fund Balance (Line 12.010)	\$421,686	\$947,599	\$2,327,414	\$4,305,688

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 approximately \$422,000, or 1.1 percent of total revenues in AY 2026 to \$4.5 million, or 11.6 percent of total revenues in AY 2029. It should be noted that most of these savings may require contract negotiations and may not be realized immediately. If the District is unable to implement some of the recommendations contained in this report, additional cuts may be necessary for the District to remain solvent (see **Additional Considerations**).

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 financial forecast. Additionally, large purchases and other expenditures should be planned through long-term strategic planning that is also tied to the forecast and the annual budget. These practices, when properly followed, can help a district to avoid financial distress.

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

Recommendation 1: Improve Forecast Practices and Assumptions

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.³⁰ 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.

Our review of MLSD's May, August, and October 2025 forecasts found that the District's forecasting process is generally aligned with best practices. However, our review found that MLSD does not currently have formal policies on forecasting or maintaining a minimum cash balance, does not fully explain projected deficit spending in its forecast assumptions, and does not participate in any national budgeting awards programs that promote budgeting best practices. The Ohio Association of School Business Officials (OASBO), the Government Finance Officers Association (GFOA), and ODEW provide guidance regarding the development and use of the financial forecast. The District should implement best practices from OASBO, the GFOA, and ODEW to improve its forecast and assumptions.

³⁰ House Bill 96 of the 136th 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.

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 could assist the District in avoiding deficit spending and consequential negative ending fund balances, resulting in an improved financial condition.

Background

School districts in Ohio are required to submit a financial forecast to ODEW twice annually.³¹ These forecasts include three years of historical financial data along with 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 the 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 financial issues 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 May, August, and October 2025 forecasts and assumptions. We specifically analyzed lines of the forecast that projected significant increases or decreases and then compared those lines to the corresponding assumptions to assess whether those changes

³¹ House Bill 96 of the 136th 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.

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 process, we compared the District’s process to best practices from OASBO, the GFOA, and ODEW to identify opportunities for improved transparency of future forecasts and assumptions.

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 the District’s financial state), represent community to promote 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 that 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 maintaining a minimum cash balance or for developing financial forecasts. However, the Treasurer monitors the forecast and discusses forecasting and budgeting with the Board 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 that align with best practices to ensure that the District’s initiatives strategically align with available financial resources and are sustainable (see **Recommendation 2**).

Forecast Assumptions

One important document accompanying 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 the 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:

Efficient • Effective • Transparent

- 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.

The District uses forecasting software to prepare its financial forecasts and accompanying assumptions. The forecasting software generates default assumptions based on inputs, which the Treasury then alters as necessary. When developing the forecast, the District considers historical data and trends and consults with representatives of its forecasting software to make projections. Current salaries, insurance trends, anticipated staffing adjustments, supply and material costs, and state and county trends are also considered.

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. However, in reviewing MLSD’s May, August and October 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 Districts 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.

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 2020, and consistently since 2022, the District has projected deficit spending across the forecast period, with this trend continuing through the District’s October 2025 forecast. From 2022 to 2025, the projected deficit in the final year of the forecast remained consistently high, before dropping significantly in the August 2025 forecast. The District’s forecast reflects limited

details on the corrective action that it plans to take to address its deficit spending. To meet OASBO’s best practices, MLSD should fully explain changes in Line 6.010 (Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses), including both the projected deficit and plans for solvency.

Historical Projected Results of Operations (Forecast Line 6.010)

Forecast	AY 23	AY 24	AY 25	AY 26	AY 27	AY 28	AY 29
Nov '22	(\$1.8M)	(\$2.8M)	(\$3.3M)	(\$4.0M)	(\$4.2M)		
May '23	(\$2.5M)	(\$3.1M)	(\$2.2M)	(\$2.5M)	(\$2.7M)		
Nov '23		(\$0.1M)	\$0.9M	(\$0.1M)	(\$0.3M)	(\$1.3M)	
May '24		(\$0.2M)	\$0.3M	(\$0.4M)	(\$0.8M)	(\$2.6M)	
Nov '24			\$0.6M	(\$0.7M)	(\$1.1M)	(\$3.0M)	(\$5.4M)
May '25			(\$1.2M)	\$0.4M	(\$2.0M)	(\$3.6M)	(\$5.9M)
Oct '25				\$0.2M	\$0.1M	(\$1.2M)	(\$4.4M)

Source: ODEW

Note: The table only contains forecasted 5-year results of operations and excludes actuals.

Looking at the table, the projected deficits from November 2023 continue to grow, both in frequency and severity, through the October 2025 forecast, at which point projections improved, though still projecting a deficit. The improved financial condition in the October 2025 forecast is the result of the District taking action to reduce expenditures as part of its financial recovery plan. These savings include the implementation of pay-to-participate fees being implemented in AY 2027, staffing reductions and an elementary school building closure with associated reductions in staffing, purchased service, supply, and utility expenditures. Additionally, the forecast reflects the positive impact of increased property tax revenue resulting from a Richland County reappraisal in tax year 2023, to be collected in 2024, which increased valuations, and subsequently property tax revenues, by more than 28 percent. However, the increased valuation may be subject to reduction factors, as the District is not on the 20-mill floor.

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 decreases 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 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 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. For Forecast Monitoring, MLSD is in line with best practices guidance from both OASBO and ODEW, with their treasurer routinely monitoring changes in the forecast and reporting out to the Board on a monthly and annual basis.

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 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. Despite the absence of a formal cash balance policy, the District does have a goal in their strategic plan for maintaining 60 days of cash on hand. In addition, the District's tax policy has a cash balance component when considering requests for new revenue. However, neither of these two items constitute a written cash balance policy. As the District develops financial plans, it should create a formal, written cash balance policy to help prevent future continued fiscal distress.

Conclusion

The District does not comply with all best practices related to forecasting as identified by OASBO, ODEW, or the GFOA. While the District meets most best practice criteria on forecasting, it does not currently have formal policies in place for forecasting or maintaining a minimum cash balance, its forecast assumptions do not explain deficit spending, and it is not member to any association or program that promotes budgeting best practices. To improve transparency and promote financial stability, the District should develop financial plans and improve its forecasting assumptions through the implementation of best practices.

Recommendation 2: Develop Formal Plans

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

Impact

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

Methodology

We interviewed District officials and confirmed that the District’s strategic plan has the majority of the components of a strategic plan but no formal capital plan, facilities preventative maintenance plan, fleet preventive maintenance plan, or bus replacement plan. 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 provides a framework for decision-making as MLSD officials work to achieve long-term goals. However, without also having a comprehensive capital improvement plan that identifies needs over a multi-year period, the decisions made related to the strategic plan may be inefficient or ineffective. Further, the District does not have formal plans for facilities preventative maintenance, fleet preventative maintenance, or bus replacement.. The lack of a capital or bus replacement plan, for example, could result in financial difficulty in the future if the District is forced to make a large purchase that is unplanned.

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

Strategic Plan

The 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.”

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 vision;
- 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 does meet most of these criteria, the District’s strategic plan lacks any kind of external and internal environmental assessment that would allow it to identify the most critical problems facing the organization. Additionally, the District indicated that it does not obtain formal board approval of its strategic plan.

Capital Plan

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

MLSD does not have a formal capital plan, and engages only in select capital planning exercises, including logging the District’s Chromebook rotations, building roof replacements, and its athletic and curriculum expenditures.

Facilities Preventative Maintenance Plan

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

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

While MLSD does not have a formal facilities preventative maintenance plan, it engages in select facilities preventative maintenance activities to include routine maintenance for its diesel and gas generators, water treatment for its boilers, documenting work order and its select preventative maintenance tasks in its computerized Public School Works system, and contracting third parties for biannual inspections on their HVAC and elevator systems. However, the District does not conduct formal audits of the buildings, ground, and equipment, have a set frequency and time for inspections generally, review and evaluate the maintenance schedule on an annual basis, or maintain a complete maintenance budget for initial, annual, and long-term expenditures.

Fleet Preventative Maintenance Plan

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

While MLSD does not have a formal fleet preventative maintenance plan, the District's current processes meet some of the elements of a fleet preventative maintenance plan such as including tracking select preventative maintenance tasks in a spreadsheet with dates by vehicle, keeping track of annual historical repair logs by vehicle, and restricting access to its garage and fuel systems. However, MLSD has not established fleet life cycles and does not track parts and supplies, nor does it evaluate the effectiveness of the preventative 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 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.

While MLSD does not have a formal bus replacement plan, the District's practices meet some of the elements, including using a spreadsheet to document its bus inventory, keeping track of historical repair logs for each vehicle, using its more efficient buses on longer routes, and storing all operational buses inside its locked garage in the evenings.

Conclusion

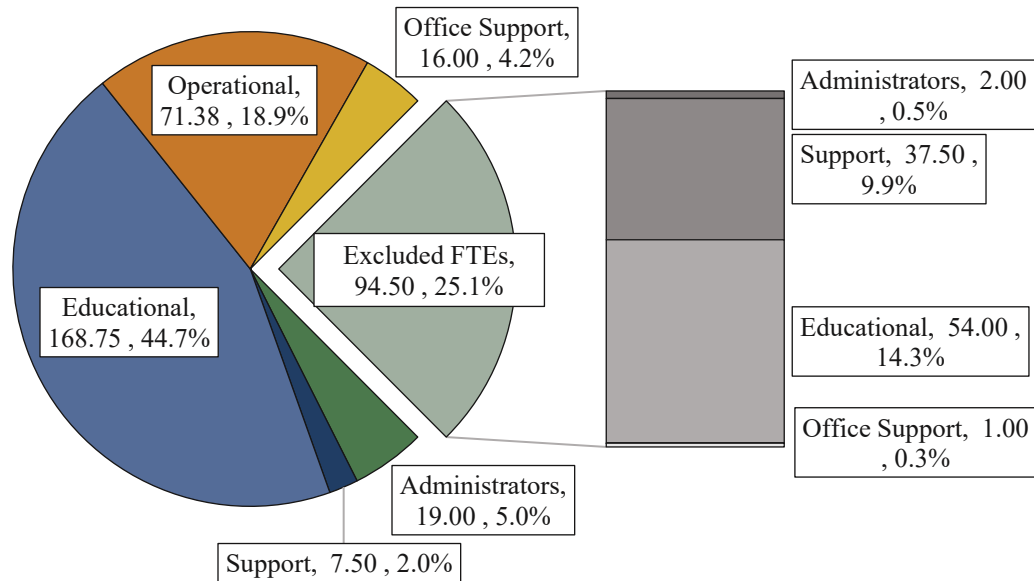
Formal plans help an organization address financial, programmatic, and operational needs. By developing these plans and tying a formal capital plan to the overall strategic plan, the District will be able to efficiently and effectively allocate its limited resources. In particular, by understanding and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

Human Resources

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

Personnel costs represent over 83 percent of the District’s spending. Due to this, we conduct several analyses relating to the expenses 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 94 excluded staff FTEs, which include individuals associated with Special Education, Title I, and preschool programming.

FTEs by Category with Excluded FTEs Breakout



Source: MLSD

Recommendation 3: 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 \$479,000 annually beginning in AY 2027.³²

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 the primary peer average on a per-1,000-student basis. Areas where MLSD could reduce direct student education and support positions include:

- 2.50 FTE K-8 Art and Physical Education Teaching Staff
- 0.50 FTE Technical Staff
- 0.50 FTE Attendance Officer Staff

K-8 Art and Physical Education Teaching Staff

MLSD employs 4.0 FTE K-8 art education staff, which is 0.93 FTE above the peer average. Additionally, the District employs 6.0 FTE K-8 physical education staff, which is 2.34 FTE above the peer average. Eliminating 2.50 FTE K-8 art and physical education teaching positions (0.5 FTE art and 2.0 FTE physical education) could save an average of approximately \$321,000 annually.

³² Calculated savings are based on the salary and benefits of the lowest tenured employee in each category.

Technical Staff

MLSD employs 3.0 technical staff, which is 0.66 FTE above the peer average. Eliminating 0.5 FTE technical staff positions could save an average of approximately \$71,000 annually.

Attendance Office Staff

MLSD employs 1.0 FTE attendance officer staff, which is 0.63 FTE above the peer average. Eliminating 0.50 FTE attendance officer staff positions could save an average of approximately \$87,000 annually.

Conclusion

The District should consider eliminating 3.50 FTEs from its direct student education and support positions. Eliminating these positions could save an average of approximately \$479,000 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, which were factored into the District's October 2025 forecast. This recommendation accounts for those staffing reductions and reflects remaining staffing areas where the District employs more staff than the peers (see **Appendix D**).*

Recommendation 4: Renegotiate Select Collective Bargaining Agreement (CBA) Provisions

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

Impact

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

Background

MLSD maintains two CBAs:

- Madison Local Education Association, representing certificated staff, effective through July 31, 2027; and,
- Ohio Association of Public School Employees Local #292, representing classified staff, effective through July 31, 2027.

Methodology

CBAs for the District and local peer districts were obtained from the State Employment Relations Board (SERB). When updated contracts were unavailable from SERB, they were obtained directly from peer districts. MLSD's CBAs were then analyzed and compared to ORC requirements and local peer districts' CBAs to highlight any overly generous provisions or potential opportunities to reduce costs or increase operational efficiency.

Analysis

Planning Time: MLSD's planning time provisions in its certificated CBA exceed the peer average, with elementary teachers receiving nearly four hours (236 more minutes) and secondary teachers receiving approximately three hours (185 more minutes) per week than the peer average. Exceeding the peer average and ORC minimum for teacher planning time may result in higher staffing levels and substitute costs.

Vacation Leave: Under the District's classified CBA, employees are entitled to annual vacation accrual whereby they can earn a total of 560 vacation days over a 30-year career, or an average of approximately 18.7 days per year. This exceeds the statutory minimum of 460 days over a 30-year career, or an average of 15.3 days per year established for full-time employees under ORC § 3319.084. This also exceeds the local peer average 509 days over a 30-year career, or an average

of 17.0 days per year.³³ Providing employees with more vacation days increases future liabilities related to substitute and/or overtime costs. Direct savings from reducing the vacation schedule could not be quantified; however, this would serve to increase the number of available work hours, at no additional cost to the District.

Sick Leave Accumulation and Severance Payout: ORC § 124.39 requires that public employees must be paid one quarter of accrued sick leave at retirement, based on a maximum accrual of 120 days, specified in ORC § 3319.141. Based on this requirement, employees are eligible for up to 30 days of severance pay. However, public entities may choose to provide severance pay in excess of ORC requirements.

According to the District’s certificated CBA, employees may accrue up to 320 days of sick leave, which exceeds the local peer average by 6.5 days and exceeds the ORC minimum requirement by 200 days. Certificated employees may receive up to 80 days of paid severance, which is 4.5 days below the local peer average, but exceeds the ORC requirement. According to the District’s classified CBA, employees may accrue up to 320 days of sick leave, which exceeds the local peer average by 16 days and exceeds the ORC minimum requirement by 200 days. Classified employees receive a tiered severance payout depending on the number of accumulated sick leave days, paid out at 25 percent for up to 260 accumulated sick days, 30 percent for 290 accumulated days, and 35 percent for the maximum 320 accumulated days. The District’s maximum severance payout for classified employees who accumulate 320 sick days is notably more generous than peers, equating to up to 28 more payout days than peers, and 82 more payout days than ORC requirements, with no minimum years of service required to receive severance payout. These features significantly increase MLSD’s potential one-time retirement payouts over its peers and ORC requirements.

Retirement Contributions: The District, along with the primary peers, offers a retirement pick-up benefit for certain staff, which effectively serves as additional salary and retirement income for eligible employees (see **Appendix D**). While this is a benefit commonly offered to administrators, MLSD and only two of the nine local peers provide this benefit to certificated staff broadly, which may contribute to greater personnel expenditures. For information on compensation comparisons including pick-up benefits, see **Recommendation 6**.

Conclusion

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

³³ Average annual accrual is based on total accrual over a 30-year career. The actual annual accrual would be based on negotiated contracts and would increase over time.

Recommendation 5: Align MA Salary Schedule with the Local Peer Average

MLSD should align select certificated MA salary schedules with the local peer average.

Impact

While cost savings are not calculated for this recommendation, aligning the salary schedule for teachers with master's degrees to the local peer average would result in future cost savings and allow the District to improve its overall fiscal condition.

Background

The District has CBAs for both classified and certificated employees that contain salary schedules, which are in effect until July 31, 2027. The District offers retirement pickup benefits (see **Appendix D**) to its certificated staff, which were eliminated for classified staff in recent bargaining negotiations.³⁴ Our 30-year review of the District's classified salaries found that they were in line with the peer average (see **Appendix D**).

Methodology

We used the District's CBAs and salary schedules that were in effect during AY 2026 for purposes of our analysis. The District's classified and certificated salaries over a 30-year career were reviewed and compared to the local peer averages (see **Appendix D**). A 30-year career was chosen since school district CBAs are generally structured around a 30-year period. Position categories used in our analysis were determined based on the identification of comparable positions and corresponding salary schedules at the local peer districts. As such, this analysis did not include all of the District's salary schedules. Pay schedules from peer district CBAs were obtained from the SERB website. When updated contracts and salary schedules were unavailable from SERB, they were obtained directly from peer districts.

In addition to the 30-year salary schedule comparison, we conducted an additional analysis that factored in pick-up retirement benefit costs into the 30-year certificated salary schedules. Peer outreach was conducted to obtain the list of employees receiving retirement pick-up contributions, along with their corresponding salaries and pick-up percentages.

³⁴ During 2024, in its most recent collective bargaining negotiations, MLSD explored replacing the pick-up benefit for certificated staff in exchange for 8.25 percent salary increases. The Union opposed the change, and the bargaining negotiation fact finder affirmed continuing the current pickup practice.

Analysis

MLSD has several salary schedules for employees based on position and other criteria.

Certified Salary Comparison

The following certificated categories, which are based on education level, were identified for salary comparison between the District and the local peers:

- Bachelor’s Degree (BA); and,
- Master's Degree (MA).

MLSD has a lower starting salary than the local peer average for both BA and MA position categories, by 4.0 percent and 6.0 percent, respectively. Further, the 30-year career compensation for the District’s BA schedule is 4.5 percent lower than the local peer average, but the MA salary schedule is in line with the peers. However, as the District’s certificated employees receive pick-up retirement benefits that effectively serve as additional salary (see **Recommendation 5** and **Appendix D**), additional analysis was conducted to compare MLSD’s 30-year certificated compensation including pick-up benefits.

Retirement Pick-up Analysis

Eligible employees at the District participate in public employee retirement programs. MLSD employees are members of either the State Teachers Retirement System (STRS) or the State Employees Retirement System (SERS). These retirement systems manage pension programs that are funded by employee and employer contributions. Minimum contribution rates are set in ORC as a percentage of income for both the employer and employee, and actual payments are based on an employee’s annual wages or salary.³⁵ The District pays a portion of the employee required contribution as an additional benefit for certificated employees.

For certificated employees, who are members of STRS, MLSD contributes an average of 8.38 percent toward the retirement pick-up. However, this is split into two groups, with 19 administrator positions (superintendent, principal, assistant principal, and directors) receiving pick-up on their entire contribution and pickup-on-the-pickup, coming out to 15.96 percent (see **Appendix D**) and the remaining 211 STRS positions receiving partial pick-up but still with pickup-on-the-pickup, coming out to 7.695 percent. The majority of the District’s employees receiving the pick-up benefit are teachers, making up 179 of the 230 employees receiving the pick-up benefit on STRS. Of the remaining 51 STRS employees receiving the pick-up benefit, 19 are in administration (assistant principal, principal, superintendent, and directors) and the remainder are spread across a range of smaller categories (counseling, librarian, remedial

³⁵ STRS requires a 14 percent contribution from employees and SERS requires a 10 percent contribution from employees.

specialist, supplemental service teachers, speech and language therapist, attendance officer). For SERS pick-up contribution rates, see **Appendix D**.

The salaries of MLSD’s positions receiving pick-up benefit and the District’s pick-up contribution rates were used to compare the combined compensation for MLSD’s 30-year salary plus pick-up benefit to the peer average by job category.

Certificated Career Compensation Comparison

	Madison Local	Local Peer Average	Difference	% Difference
BA Salaries	\$1,661,174	\$1,739,607	(\$78,433)	(4.5%)
BA Salaries with Pickup	\$1,789,084	\$1,761,655	\$27,429	1.6%
MA Salaries	\$1,977,553	\$1,966,252	\$11,301	0.6%
MA Salaries with Pickup	\$2,129,825	\$1,991,083	\$138,741	7.0%

Source: MLSD and Peers

As the table above shows, MLSD’s 30-year compensation for certificated employees on the BA schedule is below the peer average for salaries alone, and in-line with the peer average when factoring in retirement pick-up contributions. For the 30-year compensation comparison on the MA schedule, MLSD is in-line with the peer average when looking at only salary earnings, but the District exceeds the peer average by 7.0 percent when retirement pick-up contributions are factored in with MA schedule salary earnings. Of the District’s 216 certificated staff, 144 employees, or 66.7 percent, are on the MA salary schedule, representing a significant expense incurred to the District over its local peers.

Conclusion

MLSD’s 30-year salary compensation for classified employees and for certificated employees on the BA schedule is below the local peer average, however, the District also atypically provides retirement contributions beyond the statutory requirements. Additionally, the District pays its administrators less than the peer average in salary alone and when factoring in pick-up contributions. While the District’s certificated MA salary schedule is in-line with the peer average when only looking at 30-year salary comparisons, MLSD is 7.0 percent above the peer average once retirement pick-up benefits are factored into the comparison. MLSD should bring the MA salary schedule in-line with the local peer average through some combination of adjusting the salary schedule itself and/or altering the retirement pick-up contributions.

Recommendation 6: Align Employer Insurance Costs with SERB Regional Average

The District should align its employer costs for medical insurance with the SERB regional average for school districts. This alignment could be accomplished by adjusting plan designs, increasing employee premium contributions, implementing spousal restrictions, or seeking out alternative insurance options.

Impact

Aligning the employee costs for the District’s medical and vision insurance plans with the SERB regional average for school districts could reduce expenditures and result in General Fund savings of approximately \$1.2 million for the second half of AY 2028 and savings of approximately \$2.5 million in AY 2029.³⁶ Due to union contracts which stipulate the employee cost share, the recommendation could not be implemented, and savings realized, until halfway through AY 2028.

Background

At the time of analysis, the District was self-insured. The District offered employees three insurance plans, a High-Deductible Health Plan (HDHP) and two Preferred Provider Organization (PPO) plans, one for classified employees and one for certificated employees, with an option for single or family coverage on all three plans. In addition, MLSD offered a wellness program to employees, under which employees could complete an annual preventative check-up screening and return a signed physician form to the District to receive a five percent contribution rate discount on their insurance plans. The District offered separate dental and vision insurance plans. All medical, dental, and vision insurance plans were available to certificated and classified staff and had an option for single or family coverage.

During the period under review, MLSD had 84 employees enrolled in the Classified PPO insurance plan, with 38 employees enrolled in single coverage and 46 enrolled in family coverage. Of the 84 employees enrolled in the Classified PPO, 69 employees receive the wellness incentive (34 single, 35 family). A total of 198 employees were enrolled in the Certificated PPO plan, with 30 employees enrolled in single coverage and 168 enrolled in family coverage. Of the 198 employees enrolled in the Certificated PPO, 151 receive the wellness incentive (26 single, 125 family). Only 3 employees were enrolled in the HDHP plan, all of which receive the wellness incentive, with 1 employee enrolled in single coverage and 2 enrolled in family coverage.

³⁶ In addition, approximately \$107,800 in savings for the second half of AY 2028 and \$315,600 in savings for AY 2029, would be applied to other funds.

For vision insurance, MLSD had a total of 83 employees enrolled in the Classified vision insurance plan, with 33 employees enrolled in single coverage and 50 employees enrolled in family coverage. Of the 83 employees enrolled in the Classified vision plan, 67 employees receive the wellness incentive (29 single, 38 family). A total of 199 employees were enrolled in the Certificated vision insurance plan, with 31 employees enrolled in single coverage and 168 employees enrolled in family coverage. Of the 199 employees enrolled in the Certificated vision insurance plan, 150 employees receive the wellness incentive (26 single, 124 family).

For dental insurance, MLSD had a total of 88 employees enrolled in the Classified dental insurance plan, with 35 employees enrolled in single coverage and 53 employees enrolled in family coverage. Of the 88 employees enrolled in the Classified dental plan, 69 employees receive the wellness incentive (29 single, 40 family). A total of 199 employees were enrolled in the Certificated dental insurance plan, with 30 employees enrolled in single coverage and 169 employees enrolled in family coverage. Of the 199 employees enrolled in the Certificated dental insurance plan, 151 employees receive the wellness incentive (25 single, 126 family).

Methodology

We compared the District’s medical, dental and vision insurance provisions and costs to the SERB regional average for school districts. Due to the District’s wellness incentive stipulating that the District picks up an additional 5 percent of the PPO, dental, and vision insurance cost, separate analyses of each plan for employees who do receive the wellness and incentive for employees who do not receive the wellness incentive were required. Peer information was obtained from the 2025 SERB survey. The District’s medical plan was compared to 116 regional schools districts, while the dental plan was compared to 112 regional school districts and the vision plan compared to 92 regional school districts. The peer average excluded outlier districts with plans more than two standard deviations outside the mean. The District’s dental plan was found to be below the peer average for total premium cost and employer share, so no further analyses were conducted on dental. Using the District’s assumptions for increases to annual insurance costs, we then projected potential cost savings over the course of the forecast period. Additionally, since the District offers contributions to the Health Savings Account (HSA) to employees enrolled in the HDHP, these contributions were included in the employer cost for an additional analysis of the HDHP plan. For further analysis of the HDHP plan, see **Appendix D**.

Analysis

The District offers medical, combined with prescription, as well as dental and vision coverage to employees who are employed more than half-time. These insurance benefits are specified in the District’s certificated and classified CBAs, which state that the Board reserves the right and responsibility to select the carrier for the insurance benefits provided. The insurance premium, or cost of obtaining insurance, is split between the District and the employee on a percentage basis. For full-time employees, the District covers 85 percent of the medical premiums for both certificated and classified employees for the PPO plans, or 90 percent for employees receiving the wellness incentive, and 90 percent of the medical premiums for the HDHP plan. The District

covers 85 percent of vision premiums for classified employees and 85 percent for certificated employees, or 90 percent for certificated employees receiving the wellness incentive. The District covers 85 percent of dental premiums for classified and certificated employees, or 90 percent for employees receiving the wellness incentive.

Medical Insurance - PPO

We found that the District’s medical plans are higher than the SERB regional average for employer premiums. This means that the District’s medical plans are more expensive for the District compared with the regional school districts. Under the current medical insurance plans, the District pays more for the total medical insurance premiums on a monthly basis than the regional peer group while contributing a greater percentage share of the premium for employees receiving the wellness incentive. One of the larger cost drivers for this can be plan design elements that could affect the District’s higher premiums.

The District’s two PPO plans have a higher monthly premium than the peer average. Generally, insurance costs are influenced by a variety of factors including the size of the organization obtaining benefits, the claims history of the organization, and the plan design of the coverage. As a self-insured entity, the district might be at a disadvantage purchasing health care. Joining a consortium or other purchasing group might result in lower premium costs. In addition, the District’s deductibles for in-network and out-of-network providers for PPO plans, as well as the out-of-pocket maximum for both PPO plans are significantly lower than the peer average, which is more generous to the employee and may result in higher premiums. The District may have an opportunity to adjust the plan design to lower its total insurance costs to be more in line with the peer average through implementing one or more cost saving measures.

According to SERB, there are cost saving measures entities could pursue to reduce insurance costs. These cost saving measures include joining a consortium, implementing worksite wellness programs, offering an opt-out incentive, implementing spousal restrictions, and conducting a dependent eligibility audit.³⁷

Notably, MLSD has already taken some steps to reduce its insurance costs, including instituting a wellness program. This program provides financial incentives to employees to promote healthy activities. Through this wellness program, employees should be healthier and thus reduce the long-term healthcare costs for the District. Additionally, at the time of analysis, the District was exploring joining a healthcare consortium to bring down costs. The District could pursue additional cost saving measures recommended by SERB to reduce insurance costs. In lieu of finding ways to achieve cost savings on insurance coverage, the District could consider renegotiating the amount of the premium it pays on behalf of employees.

³⁷ The District initiated a dependent eligibility audit in March 2026.

Medical Insurance Cost Adjustments

In addition to having a higher total premium cost, the District also contributes a greater percentage of the premium than the regional peers for classified and certificated employees. If the District were to maintain the current PPO plans, it would need an adjustment to shift a greater portion of the premium to employees to bring itself in line with the peer average employer cost and reduce insurance related expenditures. We calculated the adjustment based on the total premium costs. Because the District offers a five percent wellness incentive, we then adjusted the calculation to show the impact of the incentive on the premium costs. The total adjusted cost is the same with and without the wellness incentive for the PPO plans, but with the District covering 5 percent more of the premium cost for employees receiving the incentive. The results of this adjustment are calculated in the following table.

2025 Monthly Medical Insurance Costs | Certificated PPO

			Madison LSD		Regional Peer Averages		Madison LSD Adjustment	
			Costs	% Share	Costs	% Share	Costs	% Share
No Incentive	Single Medical + Rx	District	\$1,071.75	85.0%	\$912.94	84.6%	\$912.94	72.4%
		Employee	\$189.13	15.0%	\$165.92	15.4%	\$347.94	27.6%
	Family Medical + Rx	District	\$2,896.13	85.0%	\$2,292.84	83.0%	\$2,292.84	67.3%
		Employee	\$511.08	15.0%	\$469.94	17.0%	\$1,114.37	32.7%
Incentive	Single Medical + Rx	District	\$1,134.79	90.0%	\$912.94	84.6%	\$975.99	77.4%
		Employee	\$126.09	10.0%	\$165.92	15.4%	\$284.89	22.6%
	Family Medical + Rx	District	\$3,066.49	90.0%	\$2,292.84	83.0%	\$2,463.20	72.3%
		Employee	\$340.72	10.0%	\$469.94	17.0%	\$944.01	27.7%

Source: MLSD and SERB

As the table above shows, employees enrolled in the single certificated PPO plan who do not receive the wellness incentive would need to pay 27.6 percent or \$347.94 of the monthly payments and employees enrolled in the family PPO plan would need to pay 32.7 percent or \$1,114.37 of the monthly payment.

Employees enrolled in the single certificated PPO plan who receive the wellness incentive would need to pay 22.6 percent or \$284.89 of the monthly payments and employees enrolled in the family PPO plan would need to pay 27.7 percent or \$944.01 of the monthly payment.

2025 Monthly Medical Insurance Costs | Classified PPO

		Madison LSD		Regional Peer Averages		Madison LSD Adjustment		
		Costs	% Share	Costs	% Share	Costs	% Share	
No Incentive	Single Medical + Rx	District	\$1,306.48	85.0%	\$912.94	84.6%	\$912.94	59.4%
		Employee	\$230.55	15.0%	\$165.92	15.4%	\$624.09	40.6%
	Family Medical + Rx	District	\$3,547.45	85.0%	\$2,292.84	83.0%	\$2,292.84	54.9%
		Employee	\$626.02	15.0%	\$469.94	17.0%	\$1,880.63	45.1%
Incentive	Single Medical + Rx	District	\$1,383.33	90.0%	\$912.94	84.6%	\$989.79	64.4%
		Employee	\$153.70	10.0%	\$165.92	15.4%	\$547.24	35.6%
	Family Medical + Rx	District	\$3,756.12	90.0%	\$2,292.84	83.0%	\$2,501.51	59.9%
		Employee	\$417.35	10.0%	\$469.94	17.0%	\$1,671.96	40.1%

Source: MLSD and SERB

Employees enrolled in the single classified PPO plan who do not receive the wellness incentive would need to pay 40.6 percent or \$624.09 of the monthly payments and employees enrolled in the family PPO plan would need to pay 45.1 percent or \$1,880.63 of the monthly payment.

Employees enrolled in the classified PPO plan who receive the wellness incentive would need to pay 35.6 percent or \$547.24 of the monthly payments and employees enrolled in the family PPO plan would need to pay 40.1 percent or \$1,671.96 of the monthly payment. While the specific increase to employee contributions varies by medical insurance plan selection, in all cases it represents a significant cost increase to employees, with employee contribution amounts jumping two-to-four times the current dollar figure.

Vision Insurance

In addition to shifting cost on the PPO plans, to align with the peer average MLSD should consider shifting a greater portion of its vision insurance premium to its employees.

2025 Monthly Vision Insurance Costs

			Madison LSD		Regional Peer Averages		Madison LSD Adjustment	
			Costs	% Share	Costs	% Share	Costs	% Share
No Incentive	Single Vision	District	\$6.75	85.0%	\$5.51	53.2%	\$5.51	69.4%
		Employee	\$1.19	15.0%	\$4.84	46.8%	\$2.43	30.6%
	Family Vision	District	\$19.21	85.0%	\$13.44	54.8%	\$13.44	59.5%
		Employee	\$3.39	15.0%	\$11.10	45.2%	\$9.16	40.5%
Incentive	Single Vision	District	\$7.15	90.1%	\$5.51	53.2%	\$5.90	74.4%
		Employee	\$0.79	9.9%	\$4.84	46.8%	\$2.04	25.6%
	Family Vision	District	\$20.34	90.0%	\$13.44	54.8%	\$14.57	64.5%
		Employee	\$2.26	10.0%	\$11.10	45.2%	\$8.03	35.5%

Source: MLSD and SERB

To align itself with the SERB regional average for employer cost, the District could need to shift a portion of the vision premium to its employees. While this shift would result in the employee paying a much higher percentage of the premium than is currently negotiated, due to the overall low cost of vision insurance, the employee would still be paying less than the regional peer average on an individual basis.

We identified potential cost savings associated with aligning the District’s insurance rates to the regional peer average, but due to union contracts which stipulate the employee cost share, savings from this recommendation could not be realized until halfway through AY 2028. The District has projected a 10.0 percent increase for AY 2026 and AY 2027 and an 8.0 percent increase for AY 2028 and AY 2029. The District could save approximately \$1.27 million for the second half of AY 2028 and annual savings of approximately \$2.74 million beginning AY 2029 by aligning the employer insurance costs with the regional peer group. The District could pursue additional cost reductions by further shifting costs and/or adjusting plan designs.

Conclusion

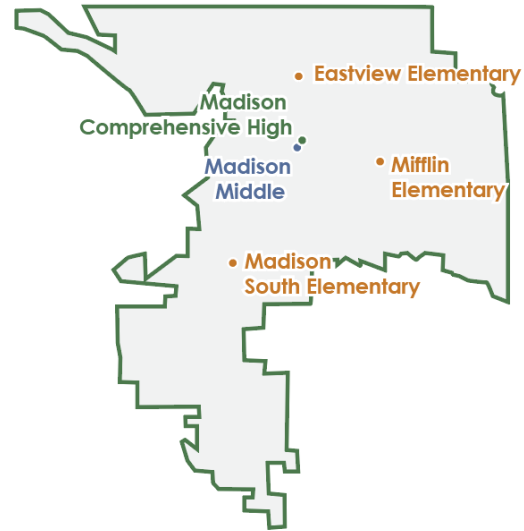
MLSD should work to bring its employer costs for the PPO medical and vision plans more in line with SERB regional average. Doing so could result in savings of approximately \$1.27 million for the second half of AY 2028 and annual savings of approximately \$2.74 million beginning in AY 2029. These savings can be realized by reducing District contributions towards premium costs or exploring alternative insurance options.

During the course of the audit, the District joined the Jefferson Health Plan consortium. The new plans were effective beginning in January, 2026.

Facilities

The changing landscape of education requires periodic review of a district’s facilities operations, including building utilization, staffing, non-regular labor, and expenditures. We reviewed MLSD’s building utilization, facilities staffing levels, facilities non-regular labor expenditures, and facilities expenditures in comparison to best practices and industry standards to determine if there were any areas for improvement.

Our analysis found that while the District’s facilities staffing, non-regular labor, and expenditures are efficient and consistent with best practices (see **Appendix E**), the District’s declining enrollment has created an opportunity for the District to improve its building utilization through consolidation.



Recommendation 7: 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

While the District could realize savings from improving building utilization through the consolidation of academic buildings, these savings are not included here as the building closure was already factored into the financial forecast.

Background

MLSD has six academic buildings: Madison Comprehensive High School³⁸ (grades 9-12) built in 1963, Madison Middle School (grades 5-8) built in 2014, South Elementary (grades K-4) built in 1965, Mifflin Elementary (grades K-4) built in 1949,³⁹ Eastview Elementary School (grades K-4) built in 1965, and Madison Early Childhood Learning Center (MECLC) built in 1957.⁴⁰

³⁸ Madison Comprehensive High School had building additions in 1968 and 1975.

³⁹ Mifflin Elementary had building additions in 1962 and 1980.

⁴⁰ The building now housing the ECLC had building additions in 1986.

The District owns and operates the building that houses the MECLC but does not operate the programs. They charge rent to the MECLC in order to cover the costs of utilities, internet, and the cost of a custodian for the building.

The District, which spans approximately 49 square miles, has experienced declining enrollment in recent years, with that trend projected to continue. K-12 enrollment decreased from 2,836 in AY 2020 to 2,410 in AY 2026, a decrease of 15.0 percent, and is projected to continue declining through AY 2031.

Methodology

We interviewed District officials to obtain an understanding of facility-related projects, such as building renovations, how each building is used to include its grade levels, headcounts, and floor plans, and any planned or approved building consolidations. 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.⁴¹

Analysis

Benchmark criteria from DeJong & Associates (*Defining Capacity*, 1999) was used to calculate the functional and maximum capacity of each of the District’s four academic buildings. The functional capacity is based on how the District is using each building and classroom during AY 2025, whereas the maximum capacity is based on all areas suitable to be used as 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 the varying number of students per class by grade level, we determined the utilization rate for AY 2026 by dividing the headcount per building by capacity.

Using this information, we compared the District’s current building configuration and utilization to the functional capacity on a building-by-building basis. School districts should not plan for 100 percent utilization within academic buildings. *Defining Capacity* notes when utilization exceeds 90 percent, it becomes increasingly difficult to schedule students and spaces. As seen in the table below, the District’s overall utilization rate using functional capacity is 63.4 percent.

⁴¹ Spaces within each building dedicated to special education were excluded from our analysis.

AY 2026 Building Capacity & Utilization

Building	Classrooms	Head Count	Capacity	Utilization
Eastview Elementary School (K-4)	21	214	525	40.8%
Madison South Elementary School (K-4)	40	476	952	50.0%
Mifflin Elementary School (K-4)	16	268	400	67.0%
All Elementary Schools	77	958	1,877	51.0%
Madison Middle School (5-8)	51	735	1,084	67.8%
Madison High School (9-12)	45	791	956	82.7%
All Schools	173	2,484	3,917	63.4%

Source: MLSD and ODEW

MLSD is operating below the utilization benchmark and its enrollment, which has decreased in recent years, and is projected to continue to decrease. 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 this using functional capacity to demonstrate the feasibility of closing, reconfiguring, and consolidating from a capacity utilization standpoint. We projected utilization associated with the closure of Mifflin Elementary School since this building was under consideration for closure by the District during the course of the audit.

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. The table below shows utilization rates factoring in the closure of Mifflin Elementary, with the student count at Mifflin being split equally between Eastview Elementary and Madison South Elementary. This would improve the utilization rate for core subject instruction at Eastview and Madison South Elementary Schools to 66.3 percent and 64.1 percent. In this scenario, the District's district-wide utilization would improve to 70.6 percent.

AY 2026 Capacity & Utilization | Mifflin Closure Scenario

Building	Classrooms	Head Count	Capacity	Utilization
Eastview Elementary School (K-4)	21	348	525	66.3%
Madison South Elementary School (K-4)	40	610	952	64.1%
Mifflin Elementary School (K-4)	CLOSED	0	0	-
All Elementary Schools	61	958	1,477	64.9%
Madison Middle School (5-8)	51	735	1,084	67.8%
Madison High School (9-12)	45	791	956	82.7%
All Schools	157	2,484	3,517	70.6%

Source: MLSD and ODEW

It should be noted that while the closure of Mifflin would result in improved building utilization under any scenario, the District may choose to shift students across their remaining schools differently than is presented in the table above. In addition, while the scenario presented above

shows a district-wide utilization rate of 70.6 percent after the building closure, we determined that a second building closure would not be feasible in the next five years, or through AY 2031, using current enrollment projections.

Conclusion

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

During the course of the audit, the District made the decision to close Mifflin Elementary School as part of its financial recovery plan, thus relocating students to the other two elementary schools, and increasing overall utilization across the District. This plan involves shifting grade bands at the remaining elementary schools, which was not considered as a part of our analyses. While methodologies were different, the conclusion reached by the District is supported by the results of this analysis.

Additional Considerations

As discussed in detail throughout the preceding sections of this report, MLSD could gain efficiencies by aligning its operations with peer averages and industry standards and by implementing the previously identified recommendations. However, given that the majority of the identified savings result from the insurance analysis and are subject to contract negotiations (see **Recommendation 6**), the following suggestions are additional actions that District leadership may consider to prevent a worsening fiscal condition, if necessary. Implementing the following additional actions could have a significant impact on the District's operations and instructional activities.

Although the previously identified recommendations eliminate the projected operational deficit for AY 2028 and AY 2029 and eliminate the projected negative ending fund balance in AY 2029, this improved condition is dependent upon the District's passage of renewal levies that comprise approximately 11.4 percent of the District's total revenue in AY 2029. Additionally, the majority of the identified savings from these recommendations are subject to collective bargaining negotiations that may restrain the District's ability to fully realize potential savings. If upcoming levies do not pass or MLSD is unable to fully implement the recommendations in this report, more drastic cost saving measures may be necessary. The following suggestions are additional actions that District leadership may consider to prevent a worsening fiscal condition. Implementing the following additional actions could have a significant impact on the District's operations and instructional activities.

Additional Staffing Reductions

The District could consider the impact of further reductions while remaining compliant with state minimum requirements. This could include aligning with OAC 3301-35-05 for building administrators and educators. The state minimum requirement for building administrators includes just one principal per building, which would lead to a potential reduction of 4.0 additional FTEs beyond what is identified in the standard recommendation (see **Recommendation 3**) and after accounting for reductions the District has already made. The state minimum requirement for teachers includes one classroom teacher per 25 students, which would lead to a potential reduction of 39.8 FTEs after accounting for reductions the District has already made (see **Appendix D**). Such reductions could have a substantial impact on District operations and instructional activities.

While a reduction to state minimum standards may not be necessary to address the projected operational deficit, MLSD could choose to strategically implement staffing reductions to maximize savings while minimizing the impact on the District's operations. Ultimately, the total cost savings realized from staffing reductions would be dependent on a variety of factors including the number of positions eliminated, the tenure of the individuals, and the impact of other potential cost saving measures.

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

Implement Base and Step Salary Freezes

We compared the District's certificated and classified salaries to the local peer averages (see **Recommendation 5**). The results of this analysis indicated that the District exceeds the peer average for the MA certificated salary schedule. To achieve additional savings, the District could consider implementing a base and step salary freeze for additional positions.

Reduce the General Fund Subsidy for Extracurricular Activities

In order to reduce expenditures, the District could reduce the General Fund subsidy of extracurricular activities. While the District's subsidy is currently below the peer average, to achieve additional savings the District could consider further reductions or fully eliminating the subsidy.

The implementation of these measures could change the type or level of services offered by the District. It is important for MLSD officials to carefully consider the needs of the students and families served by the District if it becomes necessary to consider potential additional cost saving measures beyond the recommendations contained in this report.

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.

Madison Local School District

Mr. Robert S. Peterson, Superintendent
Bradd Stevens, Treasurer

1379 Grace Street • Mansfield, Ohio 44905
Phone (419) 589-2600

March 13, 2026

On behalf of the Madison Local School District Board of Education, I would like to thank the Ohio Auditor of State's Office and their Ohio Performance Team for their initiation of the Performance Audit in support of the Madison Local School District.

While the district has a degree of concern with some of the Performance Audit Team's methodologies, the district is committed to reflecting on the analyses and recommendations provided through the Performance Audit as we continue to address the financial position of the Madison Local School District.

Sincerely,



Robert S. Peterson
Superintendent
Madison Local School District

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

Performance Audit Purpose and Overview

Performance audits provide objective analysis to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

Generally accepted government auditing standards (GAGAS) require that a performance audit be planned and performed so as to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. Objectives are what the audit is intended to accomplish and can be thought of as questions about the program that the auditors seek to answer based on evidence obtained and assessed against criteria.

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

Audit Scope and Objectives

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

Summary of Objectives and Conclusions

Objective	Recommendation
Financial Management	
Are the District’s forecasting practices consistent with leading practices and is the five-year forecast reasonable and supported?	R.1
Are the District’s budgeting practices in line with leading practices?	No Recommendation: The District’s practices are appropriate compared to leading practices and industry standards.
Are the District’s planning practices consistent with leading practices?	R.2

Is the District’s General Fund subsidy of extracurricular activities appropriate in comparison to local peers and the District’s financial condition?	No Recommendation: The District’s subsidy is below the local peer average.
Human Resources	
Are the District’s staffing levels appropriate in comparison to primary peers, state minimum standards, demand for services, and the District’s financial condition?	R.3
Are the District’s salaries and wages appropriate in comparison to local peers and the District’s financial condition?	R.5
Are the District’s collective bargaining agreement provisions appropriate in comparison to local peers, minimum requirements, and the District’s financial condition?	R.4
Are the District’s insurance costs appropriate in comparison to other governmental entities within the local market and the District’s financial condition?	R.6
Facilities	
Is the District’s building utilization appropriate in comparison to leading practices, industry standards, and the District’s financial condition?	R.7
Are the District’s facilities staffing levels appropriate in comparison to leading practices, industry standards, and the District’s financial condition?	No Recommendation: The District’s facilities staffing is below the staffing benchmark.
Are the District’s facilities expenditures appropriate in comparison to primary peers, leading practices, industry standards, and the District’s financial condition?	No Recommendation: The District’s expenditures per square foot are in line with or below the primary peer average.
Are the District’s facilities non-regular labor expenditures appropriate in comparison to primary peers, leading practices, industry standards, and the District’s financial condition?	No Recommendation: The District’s non-regular labor costs are in line with or below the primary peer average.

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:⁴²

- Control environment

⁴² 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.

- We considered the District’s control of its EMIS and payroll systems.
- Risk Assessment
 - We considered the District’s activities to assess fraud risks.
- 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.

Peer Group Districts

Primary Peers

- Bellefontaine City (Logan County)
- Celina City (Mercer County)
- Franklin City (Warren County)
- Goshen Local (Clermont County)
- Norwalk City (Huron County)
- Tiffin City (Seneca County)

Local Peers

- Ashland City (Ashland County)
- Clear Fork Valley Local (Richland County)
- Crestview Local (Richland County)
- Hillsdale Local (Ashland County)
- Lexington Local (Richland County)
- Lucas Local (Richland County)
- Mansfield City (Richland County)
- Ontario Local (Richland County)
- Shelby City (Richland 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 Background

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.

Financial Condition

In August 2025, as part of the District’s corrective action plan with ODEW, the District released a revised Spring 2025 forecast update, which shows an improved financial condition. This change reflects an update that shows lower expenditure projections through planned staffing reductions and closing an elementary school building, which had associated expenditure reductions for the building’s personnel, purchased services, and utilities. Additionally, the District aimed to more accurately capture state funding, as the District had some uncertainty around how state funding would look when it submitted its May forecast.

Financial Condition Overview (August 2025 Forecast)

	AY 2025	AY 2026	AY 2027	AY 2028	AY 2029
Total Revenue	\$39,067,202	\$40,343,066	\$39,456,855	\$38,711,550	\$37,446,791
Total Expenditures	\$40,561,150	\$40,000,586	\$39,204,431	\$40,146,545	\$41,533,435
Results of Operations	(\$1,493,948)	\$342,480	\$252,424	(\$1,434,995)	(\$4,086,644)
Beginning Cash Balance	\$1,734,065	\$240,117	\$582,597	\$835,021	(\$599,974)
Ending Cash Balance	\$240,117	\$582,597	\$835,021	(\$599,974)	(\$4,686,618)
Encumbrances	\$0	\$0	\$0	\$0	\$0
Cumulative Balance of Replacement/Renewal Levies	\$0	\$0	\$0	\$930,662	\$4,239,770
Cumulative Balance of New Levies	\$0	\$0	\$0	\$0	\$0
Ending Fund Balance	\$240,117	\$582,597	\$835,021	\$330,688	(\$446,848)

Source: ODEW

The August 2025 forecast shows negative results of operations in three of the five years in the forecast. Based on the projected deficit spending, the District projected a negative ending fund balance of approximately \$447,000 and a negative ending cash balance that was projected to grow to approximately \$4.7 million by AY 2029. However, this is dependent on the assumed passage of the renewal levy in AY 2028, which are 11.4 percent of the District’s AY 2029 revenue.

District AY 2025 Financial Accounts

This report summarizes financial activity across all district funds, including revenues, expenditures, transfers, and other financing uses. Districts may pay for the same services using different funding sources, such as local funds, grants, or special use funds. To support fair comparison of overall activity and services delivered, all funds and funding sources are included,

regardless of how that activity is financed. However, interfund advances are excluded because they are temporary loans between funds that are repaid and do not represent spending on services. Because money can move between funds before it is ultimately spent, the same dollar may appear more than once as it flows through the system. For this reason, totals shown in this report reflect gross financial activity, not unique dollars received from outside sources.⁴³

The following table shows the Districts AY 2025 financial activities by fund. The District operated with 27 funds in AY 2025. 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.

⁴³ The 024 Employee Benefits Self-Insurance Fund is an area where this commonly occurs, as it receives money from the General Fund and other funds for the purpose of paying insurance.

AY 2025 All Funds Activity

Fund	Fund Name	Receipts	Expenditures
001	General	\$39,067,202.14	\$39,696,150.85
002	Debt Retirement	\$1,498,931.11	\$1,978,605.77
003	Permanent Improvement	\$236,000.00	\$274,474.00
006	Food Services	\$1,349,257.15	\$1,521,985.81
007	Special Trust	\$86,037.79	\$106,135.87
008	Endowment	\$7.17	\$0.00
011	Rotary Fund - Special Services	\$80,166.45	\$69,193.69
012	Adult Education	\$1,047,605.57	\$1,044,902.09
018	Public School Support	\$225,990.40	\$141,972.42
019	Other Grants	\$45,147.64	\$9,769.02
020	Special Enterprise	\$1,124,121.03	\$1,244,286.31
022	District Custodial	\$310,788.81	\$360,377.98
024	Employee Benefits Self-Insurance	\$10,376,121.42	\$11,240,066.21
034	Classroom Facilities Maintenance	\$227,031.69	\$103,311.69
200	Student Managed Student Activity	\$89,008.80	\$82,353.78
300	District Managed Student Activity	\$246,912.51	\$329,471.91
401	Auxiliary Services (NPSS)	\$62,225.42	\$75,954.74
439	Public School Preschool	\$69,451.89	\$64,718.19
451	Data Communications for School Buildings	\$9,955.70	\$9,955.70
499	Miscellaneous State Grants	\$195,057.52	\$189,202.59
507	Elementary and Secondary School Emergency Relief (ESSER)	\$21,782.29	\$21,782.29
516	IDEA, Part B Special Education, Assistance for All Children with Disabilities Ages 3-21	\$594,307.35	\$791,634.96
524	Career-Technical Education: Carl D. Perkins Career-Technical Education	\$114,012.50	\$113,885.27
572	Title I - Disadvantaged Children/Targeted Assistance	\$733,234.80	\$732,512.13
584	Student Support and Academic Enrichment Programs	\$56,716.53	\$56,986.74
587	Student Support and Academic Enrichment Programs	\$36,560.29	\$18,546.64
590	Improving Teacher Quality	\$77,033.41	\$114,566.07
27	Total Funds	\$57,980,667.38	\$60,392,802.72
	Count of Funds with Activity	27	26

Source: MLSD

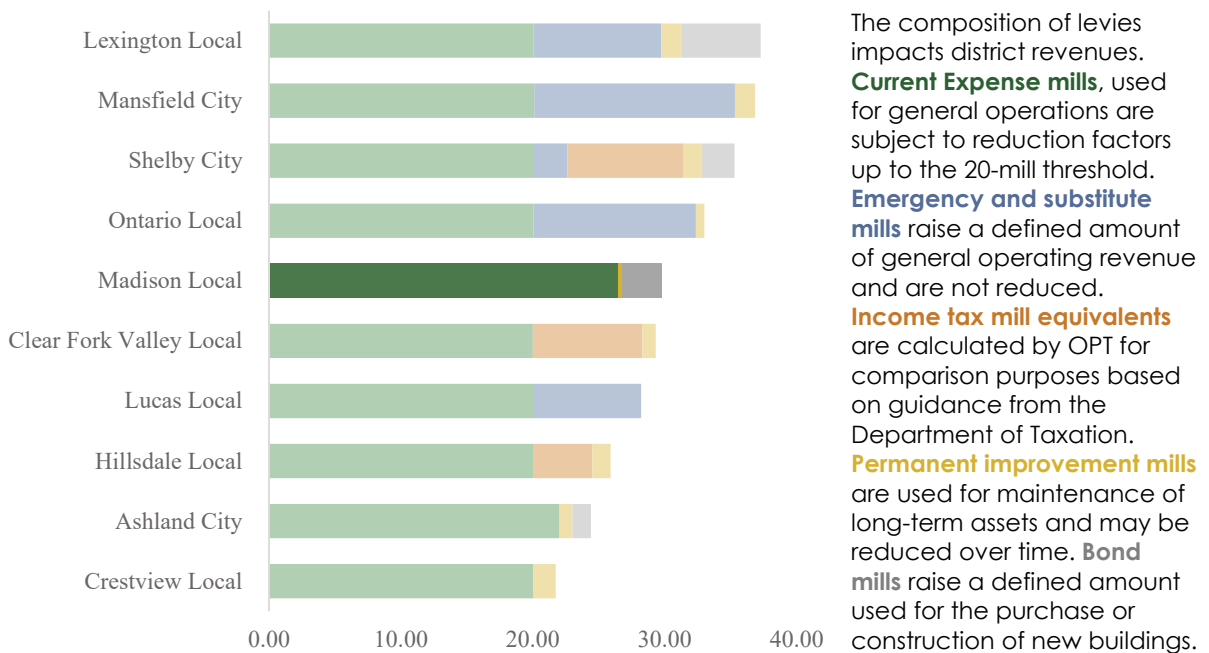
Note: Excludes advances because they are temporary loans between funds that are repaid.

Note: Includes transfers and other financing activities; Because money can move between funds before it is ultimately spent, the same dollar may appear more than once as it flows through the system.

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 five of the local peers are at the 20-mill floor. Because the District is not at the 20-mill floor, it will not see continued growth from current expense mills as property value increases.

2024 Millage and Millage Equivalents | Local Peers



Source: Ohio Department of Taxation

MLSD's effective millage and millage equivalents falls in the middle of the local peers. In Tax Year 2024, one mill of property tax generated approximately \$207 in revenue per pupil, falling below the local peer average of approximately \$326, by 57.8 percent.

The following tables show the income tax revenue for primary peer districts and local peer districts. Three primary peers and three local peers collect revenue from an income tax.

2024 Income Tax Revenue and Millage Equivalents | Primary Peers

District	Tax Rate	Income Tax Revenue	Estimated Millage Equivalents
Norwalk City	0.50%	\$3,241,431.00	6.53
Celina City	1.00%	\$4,838,593.94	7.22
Goshen Local	1.00%	\$5,249,072.51	10.84
Bellefontaine City	0.00%	-	0.00
Franklin City	0.00%	-	0.00
Madison Local	0.00%	-	0.00
Tiffin City	0.00%	-	0.00

Source: Ohio Department of Taxation

2024 Income Tax Revenue and Millage Equivalents | Local Peers

District	Tax Rate	Income Tax Revenue	Estimated Millage Equivalents
Clear Fork Valley Local	1.00%	\$2,935,969.23	8.29
Shelby City	1.00%	\$3,545,136.77	8.78
Hillsdale Local	1.25%	\$2,331,057.77	4.49
Ashland City	0.00%	-	0.00
Crestview Local	0.00%	-	0.00
Lexington Local	0.00%	-	0.00
Lucas Local	0.00%	-	0.00
Madison Local	0.00%	-	0.00
Mansfield City	0.00%	-	0.00
Ontario Local	0.00%	-	0.00

Source: Ohio Department of Taxation

The following table shows the local tax effort (LTE) comparison between MLSD and the primary and 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 99th percentile and 606 being the lowest level of effort and the 1st percentile.

2025 Local Tax Effort Comparison | Primary Peers

District	LTE	Rank	Percentile
Celina City	1.5719	43	92.9%
Goshen Local	1.2777	140	76.9%
Norwalk City	1.0579	250	58.7%
Franklin City	1.0270	268	55.8%
Madison Local	0.9762	303	50.0%
Tiffin City Schools	0.8157	424	30.0%
Bellefontaine City	0.8111	432	28.7%
Primary Peer Average	1.0936	231	61.9%

Source: ODEW

2025 Local Tax Effort Comparison | Local Peers

District	LTE	Rank	Percentile
Hillsdale Local	1.3686	107	82.3%
Shelby City	1.2680	147	75.7%
Mansfield City	1.2024	176	71.0%
Clear Fork Valley Local	1.1159	218	64.0%
Madison Local	0.9762	303	50.0%
Ontario Local	0.9665	315	48.0%
Lexington Local	0.9297	340	43.9%
Lucas Local	0.9119	346	42.9%
Crestview Local	0.8811	374	38.3%
Ashland City	0.7729	468	22.8%
Local Peer Average	1.0463	258	57.4%

Source: ODEW

Appendix C: Financial Management

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 process do meet all GFOA best practice components, but not all ODEW components.

GFOA School Forecasting Best Practices

Meets Partially Meets Does Not Meet N/A

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			

Source: GFOA and MLSD

Efficient • Effective • Transparent

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

Source: ODEW and MLSD

Appendix D: 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.

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

Central Office Administrator Staff Comparison

Position	MLSD FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark
Assistant, Deputy/Associate Superintendent	-	0.51	(0.51)
Supervisor/Manager	3.00	3.46	(0.46)
Coordinator	0.25	7.60	(7.35)
Education Administrative Specialist	-	0.33	(0.33)
Director	4.00	2.62	1.38
Other Official/Administrative	1.00	1.09	(0.09)
Total	8.25	15.61	(7.36)

Source: MLSD and ODEW

As seen in the following table, MLSD exceeds the peer benchmark for building administrators by 1.06 FTEs. During the course of the audit, the District approved the reduction of 0.75 FTE building administrators⁴⁴, bringing the District in line with the peer average benchmark.

Building Administrator Staff Comparison (per 1,000 students)

Position	MLSD FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark
Assistant Principal	4.00	2.81	1.19
Principal	4.75	4.89	(0.14)
Total	8.75	7.69	1.06

Source: MLSD and ODEW

⁴⁴ The reduction was for a full-time position with split roles, coded as 0.75 FTE building administrator and 0.25 FTE central office administration.

In the table below, MLSD exceeds the peer benchmark by 21.57 FTEs for teaching staff. However, as the District’s high school includes career-technical education and most of the peers do not, the 13.23 career-technical program FTEs above the peer average were excluded from the total teaching staff benchmark comparison. After excluding MLSD’s above benchmark career-technical program teaching staff, MLSD exceeds the peer benchmark by 8.34 FTEs. During the course of the audit, the District approved the reduction of 15.0 FTE teaching staff, bringing the District below the peer average benchmark.

Teaching Staff Comparison

Position	MLSD FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark
General Education K-12	124.75	113.60	11.15
Gifted and Talented	-	2.47	(2.47)
Career-Technical Programs/Career Pathways	16.00	2.77	13.23
EL Instructional Program	-	0.33	(0.33)
Total	140.75	119.18	21.57

K-8 Teaching Staff Comparison

Position	MLSD FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark
Art Education K-8	4.00	3.07	0.93
Music Education K-8	4.00	4.42	(0.42)
Physical Education K-8	6.00	3.66	2.34

In the following table, MLSD is above the peer benchmark for Counseling by 0.54 FTE. However, during the course of the audit, the District approved the reduction of a 1.0 FTE counseling position, bringing the District below the peer average.

Non-Teaching Educational Staff Comparison

Position	MLSD FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark
Curriculum Specialist	-	0.25	(0.25)
Counseling	7.00	6.46	0.54
Remedial Specialist	2.00	2.57	(0.57)
Tutor/Small Group Instructor	-	0.33	(0.33)
Full-time (Permanent) Substitute Teacher	-	0.77	(0.77)
Teacher Mentor/Evaluator	-	0.53	(0.53)
Other Professional-Educational	1.00	0.53	0.47

Source: MLSD and ODEW

Professional Staff Comparison

Position	MLSD FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark
Dietician/Nutritionist	-	0.10	(0.10)
Psychologist	-	1.83	(1.83)
Publicity Relations	-	0.12	(0.12)
Social Work	-	1.58	(1.58)
Other Professional	-	0.20	(0.20)

Source: MLSD and ODEW

Technical Staff Comparison

Position	MLSD FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark
Computer Operating	3.00	1.81	1.19
Other Technical	-	0.53	(0.53)
Total	3.00	2.34	0.66

Source: MLSD and ODEW

Central Office Support Staff Comparison

Position	MLSD FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark
Administrative Assistant	1.00	0.85	0.15
Accounting	-	0.69	(0.69)
Bookkeeping	2.00	1.76	0.24
Clerical	2.00	3.02	(1.02)
Records Managing	-	0.17	(0.17)
Other Office/Clerical	1.00	0.52	0.48
Total	6.00	7.01	(1.01)

Source: MLSD and ODEW

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

Position	MLSD FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark
Clerical	10.00	10.82	(0.82)
Other Office/Clerical	-	0.29	(0.29)
Total	10.00	11.12	(1.12)

Source: MLSD and ODEW

Library Staff Comparison

Position	MLSD FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark
Librarian/Media	1.00	0.70	0.30
Library Aide	3.00	4.28	(1.28)
Total	4.00	4.98	(0.98)

Source: MLSD and ODEW

Nursing Staff Comparison

Position	MLSD FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark
Registered Nursing	-	0.96	(0.96)
Practical Nursing	-	2.08	(2.08)
Total	-	3.05	(3.05)

Source: MLSD and ODEW

Classroom Support Staff Comparison

Position	MLSD FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark
Instructional Paraprofessional	-	3.16	(3.16)
Teaching Aide	3.00	16.38	(13.38)
Total	3.00	19.54	(16.54)

Source: MLSD and ODEW

Extracurricular/Intracurricular Activities Staff Comparison

Position	MLSD FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark
Coaching	-	0.16	(0.16)
Total	-	0.16	(0.16)

Source: MLSD and ODEW

Other Support Staff Comparison

Position	MLSD FTEs	Enrollment Benchmark FTEs	FTEs Above/(Below) Benchmark
Attendance Officer	1.00	0.37	0.63
Monitoring	0.50	7.91	(7.41)

Source: MLSD and ODEW

Retirement Pickup Benefit Analysis

Eligible employees at the District participate in public employee retirement programs. MLSD employees are members of either the State Teachers Retirement System (STRS) or the State Employees Retirement System (SERS). These retirement systems manage pension programs that are funded by employee and employer contributions. Minimum contribution rates are set in ORC as a percentage of income for both the employer and employee, and actual payments are based on an employee's annual wages or salary.

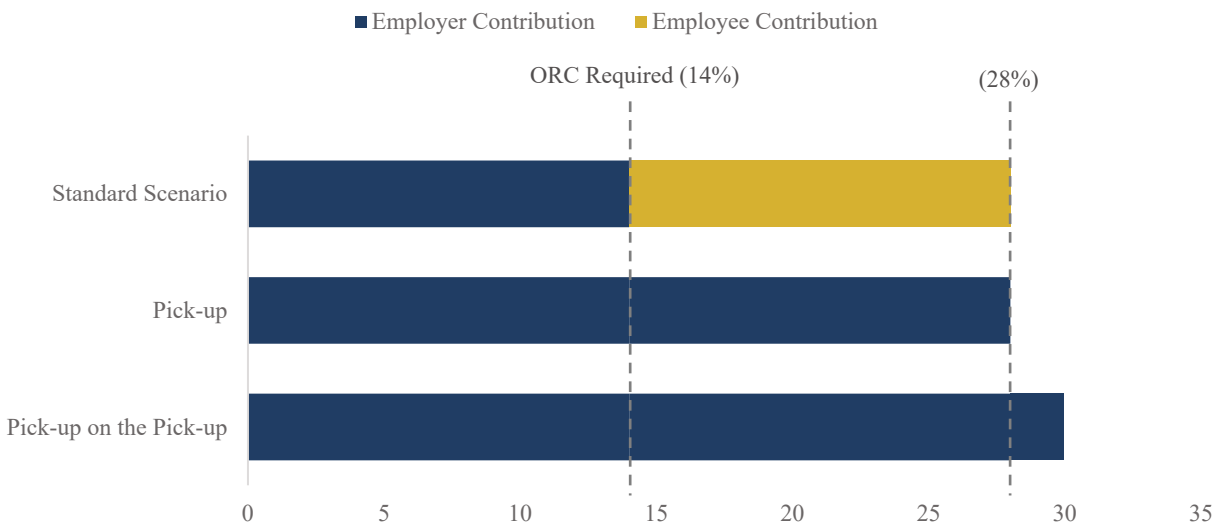
Typically, the employee portion of the payment is taken from the regular pre-tax earnings, or gross wage, in a given pay period. The employer also contributes a percentage of the gross wage for the period; however, this is not deducted from the employee's salary. In some cases, the District may opt to "pick-up," or pay, the employee's share in addition to the employer share. This is an added benefit which is often provided to administrator level employees. There are two main ways in which the pick-up can occur. Within these options, a district may opt to pay for a portion or all of the employee contribution.⁴⁵

1. Pick-up: Employer pays a portion or all of the employee retirement contribution without a salary reduction.
2. Pick-up on the pick-up: Employers pay a portion or all of the employee retirement contribution and reports this as compensation. In doing so, the annual salary is increased, resulting in a higher gross salary and contribution amount.

The charts below show how the contribution rates for STRS and SERS and the potential impact of the pick-up and pick-up on the pick-up option if a district were to pay for the full employee contribution.

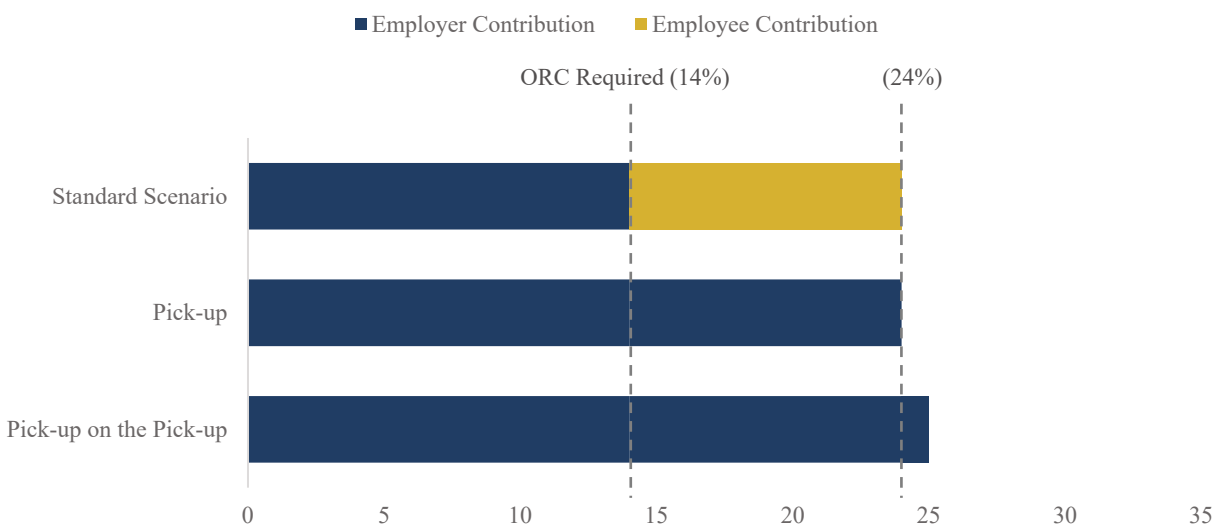
⁴⁵ In addition to these two pick-up options, a district may pay the employee contribution and reduce the annual wages of the employee accordingly. This option provides tax benefits to the employee through a lower gross taxable wage and does not require any additional cash to be paid by the employer.

Retirement Contributions as a Percentage of Wages - STRS



Source: STRS and ORC

Retirement Contributions as a Percentage of Wages - SERS



Source: SERS and ORC

As seen in the charts, the employer portion of the retirement payment for both STRS and SERS is 14 percent of the annual salary. The employee contribution rate between the two systems varies, with STRS being 14 percent and SERS being 10 percent. The employer may choose to pick up a portion or all of the required employee contribution. In addition, if a District opts to pick up the entire employee contribution and report it as income, the total contribution ends up being higher due to the higher reported salary. Employees who receive the pick-up-on-pick-up are eligible for higher retirement benefits since benefits are based on both years of service and

the highest five years’ salary as a public employee and adding the District’s contributions as salary inflates the salary for the individuals receiving this benefit.

It should be noted that when the pick-up amount exceeds the employee contribution rate, this is due to reporting the pick-up as additional income, which then increases the salaries of employees. For example, if an employee in SERS made \$100,000 and received full pick-up on the pick-up, the District would include the 10 percent contribution as income and report the individual’s salary as \$110,000, making the actual contribution 11 percent or \$11,000. In addition, the District’s employer contribution of 14 percent would be based off the \$110,000 salary instead of the \$100,000 salary, making the actual contribution 15.96 percent or \$125,400.

Pick-Up Analysis

The District has 240 employees receiving retirement pick-up benefits, with 230 employees on the State Teachers Retirement System (STRS) and 10 employees on the State Employees Retirement System (SERS). The chart below shows which job categories receive pick-up benefits for the District and primary peers.

Employee Pick-Up Offered by Job Category

	Madison LSD	Ashland CSD	Clear Fork LSD	Crestview LSD	Hillsdale LSD	Lexington LSD	Lucas LSD	Mansfield CSD	Ontario LSD	Shelby CSD
Superintendent	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Treasurer	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Principal	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Assistant Principal	✓	✓	✓	✓		✓		✓	✓	✓
Other Admin & Admin Assistant	✓	✓	✓	✓		✓	✓	✓	✓	✓
Other Certificated Staff	✓	✓								✓
Other Office/Clerical Positions	✓					✓		✓	✓	✓

Source: MLSD and Peers

While MLSD and all peers offer retirement pick-up benefits to at least certain administrators, and a majority of peers include assistant principals and other administrators, only MLSD and two peers offer pick-up benefits to certificated staff broadly. However, the cost associated with offering this benefit is dependent not just on which staff qualify for the benefit but also on the contribution rates of the district.

SERS Pick-Up Contribution Rate

For SERS employees receiving the pick-up benefit, MLSD contributes an average of 10.2 percent towards the retirement pick-up, with the Treasurer receiving 11.0 percent pick-up, two employees in bookkeeping receiving 10.5 percent pick-up, and the remaining 7 SERS employees who receive the pick-up benefit receiving 10.0 percent pick-up. The District’s 10 SERS employees receiving the pick-up benefit are spread across several categories including directors, computer technician, administrative assistant and clerical positions, and the District’s Treasurer and assistant treasurer. The cost of providing these benefits can be calculated using the District’s contribution rates matched with the receiving employees’ salaries.

Administrator Career Compensation Comparison

	Average Salary AY- 2026	Average SERS Earnings with Pick-Up	Average STRS Earnings with Pick-Up
Madison LSD	\$89,389.12	\$98,506.81	\$103,655.62
Peer Average	\$92,049.52	\$102,274.06	\$105,492.45
Difference	(\$2,660.40)	(\$3,767.26)	(\$1,836.82)
No. of Administrators Receiving the Pick-Up		5	19
Total Impact		(\$18,836.28)	(\$34,899.67)

Source: MLSD and Peers

The table above compares the total earnings of MLSD administrators (salaries plus retirement pick-up contributions) to the average of administrator earnings at peer school district. As you can see from the table, the District pays its administrators less than the peer average, both in average salaries and when average salaries are combined with pick-up earnings. As MLSD, as well as two of its local peers, also offer pick-up benefits to certificated employees, a similar comparison was conducted to show the salary and salary plus pick-up earnings for certificated employees on the District’s BA and MA salary schedules (see **Recommendation 6**).

Salaries

Classified Salary Comparison

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

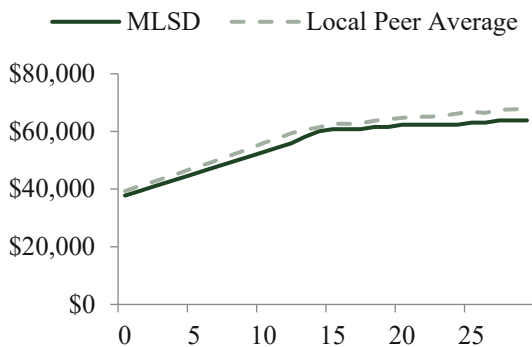
- Administrative Assistant
- Custodial
- Bus Driver
- General Cafeteria

Overall, MLSD’s classified 30-year salary compensation is comparably lower than the peer average. The starting salary for the District’s custodial workers is in line with the local peer average, but the starting salary for the District’s other three classified positions included in the analyses were below the local peer average. Further, the 30-year career compensation for all four classified position categories analyzed were below the local peer average, with MLSD’s administrative assistant position being 10.8 percent lower than the peer average, custodial positions coming in 3.9 percent below, bus drivers at 6.7 percent below, and general cafeteria positions being 7.4 percent below the peer average.

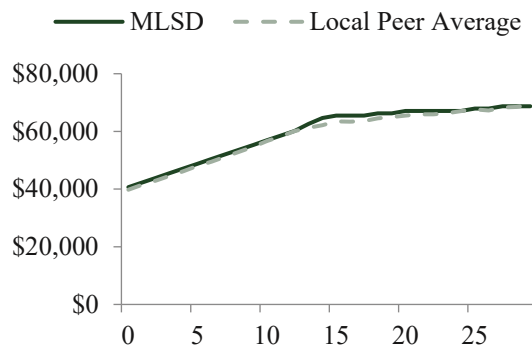
We also looked at annual salaries for select certificated position categories and the hourly wage rates for four classified employee positions (Class III administrative assistant, Class III custodial, bus driver, and general cafeteria) over the course of a career, as seen in the following charts.

Certificated Career Compensation

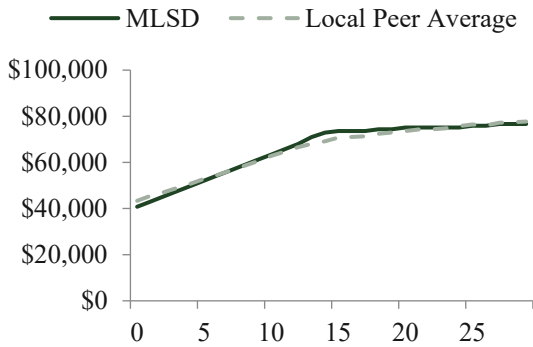
Bachelors (No Pickup)



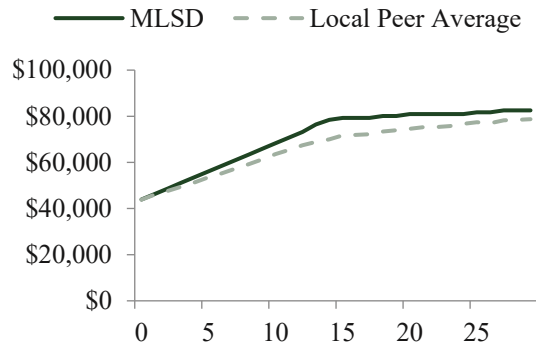
Bachelors (with Pickup)



Master's (No Pickup)



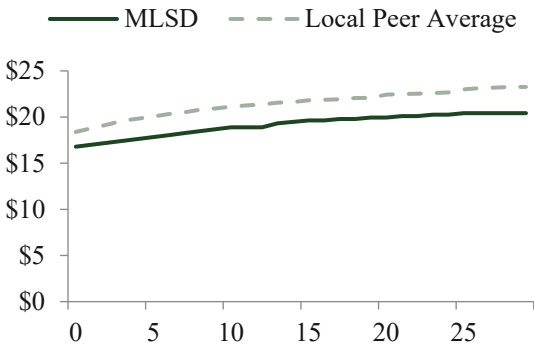
Master's (with Pickup)



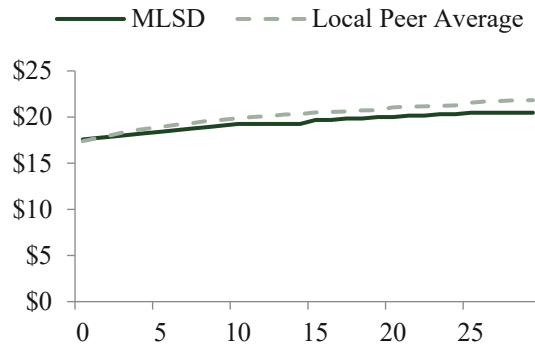
Source: MLSD, Local Peers, and SERB

Classified Career Compensation

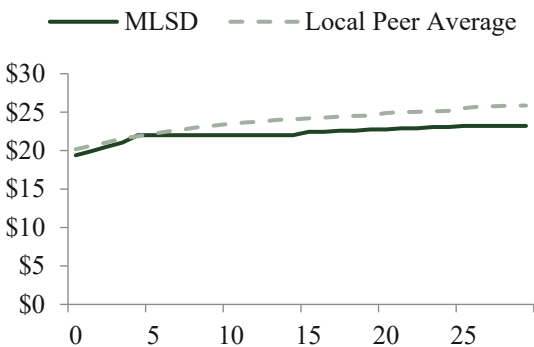
Class III Admin Assistant



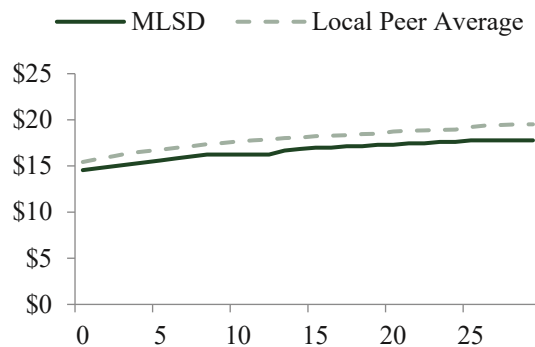
Class III Custodial



Bus Driver



General Cafeteria



Source: MLSD, Local Peers, and SERB

Insurance

To align itself with the SERB regional average for employer cost without making any changes to the plan, the District would need to shift a portion of the medical premium to its employees. Only 3 employees were enrolled in the HDHP plan, all of which receive the wellness incentive, with 1 employee enrolled in single coverage and 2 enrolled in family coverage. Since the District offers contributions to the Health Savings Account (HSA) to employees enrolled in the HDHP, these contributions were included in the employer cost for an additional analysis of the HDHP plan.

2025 Monthly Medical Insurance Costs | HDHP With HSA

			Madison LSD		Regional Peer Averages		Madison LSD Adjustment	
			Costs	% Share	Costs	% Share	Costs	% Share
No Incentive	Single Medical + Rx	District	\$961.00	90.4%	\$844.32	86.7%	\$844.32	79.4%
		Employee	\$102.15	9.6%	\$129.40	13.3%	\$218.82	20.6%
	Family Medical + Rx	District	\$2,367.88	90.3%	\$2,090.07	83.3%	\$2,090.07	79.7%
		Employee	\$253.84	9.7%	\$418.93	16.7%	\$531.66	20.3%
Incentive	Single Medical + Rx	District	\$1,036.00	91.0%	\$844.32	86.7%	\$901.23	79.2%
		Employee	\$102.15	9.0%	\$129.40	13.3%	\$236.92	20.8%
	Family Medical + Rx	District	\$2,517.87	90.8%	\$2,090.07	83.3%	\$2,228.65	80.4%
		Employee	\$253.84	9.2%	\$418.93	16.7%	\$543.06	19.6%

Source: MLSD and SERB

As the tables above show, employees enrolled in the HDHP plan who do not receive the wellness incentive would need to pay 20.6 percent or \$218.82 of the monthly payments and employees enrolled in the family HDHP plan would need to pay 20.3 percent or \$531.66 of the monthly payment. Employees enrolled in the HDHP plan who receive the wellness incentive would need to pay 20.8 percent or \$236.92 of the monthly payments and employees enrolled in the family HDHP plan would need to pay 19.6 percent or \$543.06 of the monthly payment. However, as the HDHP plan only has three employees enrolled in it, current savings for the District for adjusting the share of this plan would be minor.

OHIO AUDITOR OF STATE KEITH FABER



MADISON LOCAL SCHOOL DISTRICT

RICHLAND 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 4/2/2026

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