



Mary Taylor, CPA
Auditor of State

**Cleveland Municipal School District
Cuyahoga County, Ohio**

Termination of Fiscal Watch

Local Government Services Section

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

FISCAL WATCH TERMINATION

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Termination of Fiscal Watch

Pursuant to a request submitted to the Auditor of State by the Ohio Department of Education to remove the School District from Fiscal Watch, the Auditor of State has determined that Cleveland Municipal School District has met the Guidelines for Release from Fiscal Watch as published by the Auditor of State and the Ohio Department of Education. The Cleveland Municipal School District's status of Fiscal Watch is hereby terminated as of March 20, 2008.

Accordingly, on behalf of the Auditor of State, a report is hereby submitted to Frank Jackson, Mayor of the City of Cleveland, Dr. Eugene T. W. Sanders, Chief Executive Officer of the Cleveland Municipal School District, Robert Heard, Chairman of the Board of Education of the Cleveland Municipal School District; J. Pari Sabety, Director of Budget and Management; and Dr. Susan Tave Zelman, State Superintendent of Public Instruction.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 20, 2008

**Cleveland Municipal School District
Cuyahoga County**

Analysis for Termination of Fiscal Watch

Introduction

In fiscal year 1993, the Cleveland Municipal School District began experiencing financial problems. To address these issues, the School District requested and received Emergency loans from the State.

On June 21, 1996, the State Superintendent of Public Instruction asked the Office of the Auditor of State to perform an examination of the financial forecast of the general fund of the Cleveland Municipal School District. The purpose of the examination was to determine if the School District met one of the statutory conditions justifying a declaration of fiscal watch or fiscal emergency. In conjunction with our examination of the financial forecast, the Auditor certified an operating deficit in the General fund of the School District for the year ending June 30, 1997 to the State Department of Education in the amount of \$99,100,000. This amount, less the potential spending reserve borrowing of \$9,600,000, exceeded 15 per cent of the general fund revenues of the prior fiscal year, which is one of the fiscal emergency conditions set forth in Section 3316.03, Revised Code. Accordingly, the School District was placed in fiscal emergency on October 25, 1996 and the Cleveland Municipal School District Financial Planning and Supervision Commission (the Commission) was formed to oversee the operation of the School District.

Section 3316.06, Revised Code, allows a school district in fiscal emergency to extend the maturity of loans obtained under Section 3313.483, Revised Code, for a period not to exceed ten years. Consistent with this provision, the School District restructured State Emergency loans totaling \$139 million on May 22, 1997. The final payment on the new debt was scheduled for June 1, 2007.

Pursuant to a request sent to the Auditor of State by the Commission, the Auditor of State examined the financial forecast of the School District's general fund and determined that the School District no longer met the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, and that the School District met the requirements of Section 3316.16, Revised Code, for termination of the Commission. The existence of the Commission and its role in the operation of the School District was terminated as of September 9, 1999. Although the fiscal emergency ended, Section 3316.06, Revised Code, requires that the School District remain in fiscal watch for the duration of the repayment period of its restructured loans. On September 9, 1999, the Auditor of State therefore declared the Cleveland Municipal School District to be in fiscal watch.

The purpose of this report is to determine whether the conditions for termination of fiscal watch have been satisfied.

Guidelines for Removal from Fiscal Watch

For a school district declared in fiscal watch because of having issued securities under Section 3316.06, Revised Code, termination from fiscal watch will occur once the following conditions have occurred.

- A. Termination of its financial planning and supervision commission;
- B. Repayment of the restructured or refinanced debt;
- C. An analysis of the five-year financial forecast by the Department of Education has determined that it is reasonable to expect that the district will avoid a deficit in the current and ensuing fiscal year; and
- D. The Auditor of State receives notification from the Department of Education that an examination of the district's five-year forecast is not necessary; or
- E. The district has prepared a five-year forecast, the forecast indicates that the district will not have a deficit balance for the current and ensuing fiscal years, the Auditor of State has examined the forecast, and the Auditor of State has rendered an unqualified opinion.

**Cleveland Municipal School District
Cuyahoga County**

Analysis for Termination of Fiscal Watch

Analysis of Compliance with the Guidelines for Termination of Fiscal Watch

An analysis conducted by the Auditor of State's Office concluded the following:

- A. The Financial Planning and Supervision Commission for the Cleveland Municipal School District was terminated on September 9, 1999.
- B. The School District made the final payment on its restructured debt on June 1, 2007.
- C. An analysis of the five-year financial forecast by the Department of Education has determined that it is reasonable to expect that the School District will avoid a deficit in the current and ensuing fiscal year.
- D. The Auditor of State has received notification from the Department of Education that an examination of the Cleveland Municipal School District's five-year forecast is not necessary.

Conclusion

Having satisfied the conditions for the termination of fiscal watch, the fiscal watch of the Cleveland Municipal School District is terminated.



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CLEVELAND MUNICIPAL SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 20, 2008**