



**Auditor of State
Betty Montgomery**

Declaration of Fiscal Watch

Effective September 30, 2005, the Department of Education declared the Salem City School District, Columbiana County, to be in a state of Fiscal Caution in accordance with Section 3316.031 of the Ohio Revised Code. The declaration was based on an anticipated deficit for the fiscal years ending June 30, 2006 and 2007.

Section 3316.031 (C) of the Ohio Revised Code requires that the board of education of a district declared to be in fiscal caution provide a written proposal to the Department of Education for correcting the budgetary conditions that prompted the declaration and for preventing the district from experiencing further fiscal difficulties. Upon a determination by the Department of Education that the district has not provided an acceptable proposal and with the concurrence of the Auditor of State that this determination is reasonable, the district is to be declared in fiscal watch.

The Department of Education has notified the Auditor of State that the Salem City School District failed to submit the acceptable written proposal required by Section 3316.031(C) for correcting the conditions that prompted the declaration of Fiscal Caution, and has requested that the School District be placed in fiscal watch in order to prevent further decline. Upon review of the Department of Education's determination and based on the Salem City School District's five-year forecast filed with the Department of Education on October 31, 2005, which includes a deficit of \$1,362,000 and \$2,070,000 for the fiscal years ending June 30, 2006 and 2007, the Auditor of State finds the Department of Education's determination that the Salem City School District be placed in fiscal watch to be reasonable.

Accordingly, the Auditor of State hereby declares the Salem City School District to be in a state of Fiscal Watch under Section 3316.03 (A) (3) of the Ohio Revised Code. A copy of this declaration is being submitted to Elizabeth Thatcher, President of the Board of Education of the Salem City School District, Thomas Johnson, State Director of Budget and Management, Larry D. DeJane, Mayor of the City of Salem, and Susan Tave Zelman, State Superintendent of Public Instruction.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 2, 2006