

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
Betty Montgomery**

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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

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**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

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**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disburse- ments	Non-Cash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	NA	10.550	0	1,697,512	0	1,702,201
School Breakfast Program	04378605PU2001 04378605PU2002	10.553	2,961,456 <u>2,967,035</u>	0 <u>0</u>	2,961,456 <u>2,967,035</u>	0 <u>0</u>
Subtotal CFDA 10.533			5,928,491	0	5,928,491	0
National School Lunch Program	043786-LLP1-2001 043786-LLP1-2002 043786-LLP4-2001 043786-LLP4-2002	10.555	1,979,531 30,687 5,431,798 <u>8,755,669</u>	0 0 0 <u>0</u>	1,979,531 30,687 5,431,798 <u>9,429,410</u>	0 0 0 <u>0</u>
Subtotal CFDA 10.555			16,197,685	0	16,871,426	0
Total Department of Agriculture - Nutrition Cluster			<u>22,126,176</u>	<u>1,697,512</u>	<u>22,799,917</u>	<u>1,702,201</u>
U.S. DEPARTMENT OF DEFENSE						
<i>Direct Assistance:</i>						
Junior ROTC	NA-02	12.000	41,598	0	20,461	0
Total U.S. Department of Defense			<u>41,598</u>	<u>0</u>	<u>20,461</u>	<u>0</u>
U.S. DEPARTMENT OF LABOR						
<i>Passed Through Ohio Department of Education:</i>						
Youth Offender Demonstration	NA-01	17.249	69,000	0	0	0
<i>Passed Through the City of Cleveland:</i>						
School to Work	AM56151A	17.249	205,253	0	406,484	0
Job Training Partnership Act	SG56539A FY00 SG58785A SG58708A SG56015 SG56012 SG57140 SG57184	17.250	404,654 0 247,936 2,080,041 0 0 255,225 <u>498,326</u>	0 0 0 0 0 0 0 <u>0</u>	104,958 (903) 326,458 2,564,450 (80,954) 0 262,237 <u>166,472</u>	0 0 0 0 0 0 0 <u>0</u>
Subtotal CFDA 17.250			3,486,182	0	3,342,718	0
Workforce Investment Act	CE11267-01,02,03 CE12845-01	17.255	0 <u>172,535</u>	0 <u>0</u>	64,932 <u>87,418</u>	0 <u>0</u>
Subtotal CFDA 17.255			172,535	0	152,350	0
Total U.S. Department of Labor			<u>3,932,970</u>	<u>0</u>	<u>3,901,552</u>	<u>0</u>

NATIONAL SCIENCE FOUNDATION*Direct Assistance*

Cleveland Urban System Initiative	ESR-0115205	47.076	354,486	0	354,486	0
Total National Science Foundation			<u>354,486</u>	<u>0</u>	<u>354,486</u>	<u>0</u>

U. S. DEPARTMENT OF EDUCATION*Direct Assistance:*

Pell Grants	PO63 P005038	84.063	0	0	913	0
	PO63 P015038		67,288	0	86,842	0
	PO63 P024747		<u>189,301</u>	<u>0</u>	<u>165,650</u>	<u>0</u>
Subtotal CFDA 84.063			256,589	0	253,405	0
Magnet Program	S165A50091-96A	84.165	0	0	(3,820)	0
Safe Schools/Healthy Students	S184L 990221	84.184	0	0	179,493	0
	S184L 990221-00		1,560,098	0	1,215,519	0
	S184L 990221-01		<u>1,453,300</u>	<u>0</u>	<u>1,071,094</u>	<u>0</u>
Subtotal CFDA 84.184			3,013,398	0	2,466,106	0
Smaller Learning Communities	S215L 002135	84.215	439,059	0	350,136	0
21st Century Community Learning Ctr. Program	R287 B990029	84.287 B	2,097	0	2,097	0
	R287 B990030		265	0	265	0
	R287 B990029 00		68,820	0	(3,633)	0
	R287 B990029 01		400,000	0	314,589	0
	S287 A001434	84.287 A	<u>1,901,916</u>	<u>0</u>	<u>1,527,737</u>	<u>0</u>
Subtotal CFDA 84.287			2,373,098	0	1,841,055	0
Reform Demonstration	T290U010101	84.332	136,301	0	88,567	0
Transition to Teaching	S350A010029	84.350 A	229,462	0	143,099	0
Community Arts Partnership	S351B010030	84.351 B	135,222	0	129,847	0
Total U. S. Department of Education Direct Assistance			6,583,129	0	5,268,395	0

Passed Through Cuyahoga County:

Handicapped - State Grant	NA - 96	84.027	0	0	(38,224)	0
	NA - 97		0	0	7,380	0
	NA - 98		0	0	21,270	0
	NA - 00		0	0	26,892	0
	NA - 01		75,000	0	41,461	0
	NA - 02		<u>0</u>	<u>0</u>	<u>21,984</u>	<u>0</u>
Subtotal CFDA 84.027			75,000	0	80,763	0
Refugee Dollars and English as a Second Lang.	CE12213-01	84.162	131,457	0	251,632	0
Job Search	NA-00	84.213	0	0	(79,449)	0
	CP04365A		<u>0</u>	<u>0</u>	<u>194</u>	<u>0</u>
Subtotal CFDA 84.213			0	0	(79,255)	0
Total Passed Through Cuyahoga County			206,457	0	253,140	0

<i>Passed Through Cuyahoga Community College:</i>							
Technology Challenge	R303 AA980063	84.303	63,840	0	18,709	0	
<i>Passed Through Ohio Department of Education:</i>							
Adult Basic and Literacy Education	043786AB-S1 00	84.002	0	0	7,737	0	
	043786AB-S1 01		(6,750)	0	(242,736)	0	
	043786AB-S1 02		1,289,294	0	1,648,914	0	
Subtotal CFDA 84.002			1,282,544	0	1,413,915	0	
Title 1 - ESEA	043786C1-S1 99	84.010	0	0	2,325	0	
	043786C1-S1 00		0	0	644,232	0	
	043786C1-SS 01P		4,500	0	15,000	0	
	043786C1-S1 01		0	0	9,336,283	0	
	043786C1-SD 99C		(1,000)	0	0	0	
	043786C1-SD 01		0	0	165,212	0	
	043786C1-SD 01C		0	0	25,862	0	
	043786C1-S1 01C		0	0	4,062,842	0	
	043786C1-SD 02		67,581	0	89,556	0	
	043786C1-S1 02		21,226,995	0	18,344,217	0	
Subtotal CFDA 84.010			21,298,076	0	32,685,529	0	
Special Education Cluster:							
Handicapped - Preschool Grant	043786PG-S1 94P	84.173	0	0	3,507	0	
	043786PG-S1 95P		0	0	(776)	0	
	043786PG-S1 96P		0	0	(302)	0	
	043786PG-S1 97P		0	0	(32,633)	0	
	043786PG-S1 00P		0	0	1,182	0	
	043786PG-S1 01P		57,348	0	115,072	0	
	043786PG-S1 02P		220,866	0	204,569	0	
Handicapped - State Grant	043786PG-SC 00P	84.173	(147)	0	0	0	
	043786PG-SC 01P		0	0	1,558	0	
Subtotal CFDA 84.173			278,067	0	292,177	0	
handicapped - Flowthru	043786 6B-SF 95P	84.027	0	0	(11,023)	0	
	043786 6B-SF 96P		0	0	21,370	0	
	043786 6B-SF 00P		0	0	11,484	0	
	043786 6B-SF 01P		723,905	0	1,918,422	0	
	043786 6B-SF 02P		6,828,354	0	6,339,251	0	
Successful Model	043786 6B-SX 02P	84.027	15,000	0	19,727	0	
Subtotal CFDA 84.027			7,567,259	0	8,299,231	0	
Total Special Education Cluster			7,845,326	0	8,591,408	0	
Vocational Education - Basic Grant-VI-B	043786 20-C1 95	84.048	0	0	(34,824)	0	
	043786 20-C2 95		0	0	(5,846)	0	
	043786 20-C1 98		0	0	(183,036)	0	
	043786 20-C1 99		0	0	(6,912)	0	
	043786 20-C1 00		0	0	(2,483)	0	
	043786 20-C1 01		1,246,555	0	986,517	0	
	043786 20-C2 01		193,691	0	92,015	0	
	043786 20-C1 02		2,212,258	0	1,769,838	0	
	043786 20-C2 02		236,779	0	271,959	0	
Work & Family Life	043786 VEWFL-95		0	0	(93)	0	
Opportunities - Single Parents/Displaced	CG2000-023259		3,000	0	0	0	
Sex Equity	043786 20-A4 99		3,750	0	0	0	
	043786 20-A5 99		0	0	1,598	0	
Accreditation Resource	043786 20-A0-02		21,760	0	16,400	0	
Subtotal CFDA 84.048			3,917,793	0	2,905,133	0	

Emergency Immigrant Assistance	043786 EI-S1 98	84.162	0	0	84	0
	043786 EI-S1 99		0	0	5,229	0
	043786 EI-S1 99C		0	0	1,936	0
	043786 EI-S1 00		0	0	227	0
	043786 EI-S1 01		0		38,649	
	043786 EI-S1 02		57,150	0	5,884	0
Subtotal CFDA 84.162			57,150	0	52,009	0
Drug Free Schools and Communities	043786 DR-S1 99	84.186	0	0	5,768	0
	043786 DR-S1 00		10,910	0	1,241	0
	043786 DR-S1 01		257,385	0	241,461	0
	043786 DR-S1 02		478,221	0	482,695	0
	043786 DR-SP 00		9,110	0	9,110	0
Subtotal CFDA 84.186			755,626	0	740,275	0
Title VII - Bilingual Education Tech. Assistance	043786 T7-51 00	84.194	6,585	0	7,724	0
Homeless Care Education	043786 HC-S1 00	84.196	0	0	(76,096)	0
	043786 HC-S1 01		120,753	0	76,019	0
	043786 HC-S1 02		59,514	0	45,529	0
Subtotal CFDA 84.196			180,267	0	45,452	0
Even Start	043786 EV-S1 00	84.213	108,384	0	1,231	0
	043786 EV-S1 01		34,398	0	58,864	0
	043786 EV-S1 02		104,228	0	93,655	0
Subtotal CFDA 84.213			247,010	0	153,750	0
Character Education	043786 PI-S1 99	84.215	0	0	754	0
	043786 PI-S1 01		0	0	3,831	0
	043786 PI-S1 02		13,125	0	10,936	0
Subtotal CFDA 84.215			13,125	0	15,521	0
Capital Expenses - Title I	043786 CX-S1 00	84.216	0	0	385,500	0
	043786 CX-S1 01		8,624	0	0	0
Subtotal CFDA 84.216			8,624	0	385,500	0
Goals 2000	043786 G2S3 98C	84.276	0	0	1,213	0
	043786 G2ST 99		0	0	1,515	0
	043786 G2SP 01		6,500	0	4,564	0
	043786 G2S2 00		0	0	5,424	0
	043786 G2S8 00		(28,075)	0	(333)	0
	043786 G2S1 01		25,375	0	0	0
	043786 G2S2 01		0	0	35,303	0
	043786 G2S5 01		47,000	0	1,439	0
	NA-95		0	0	0	0
Subtotal CFDA 84.276			50,800	0	49,125	0
Eisenhower Professional Development	043786 MS-S1 98C	84.281	0	0	(10,137)	0
	043786 MS-S4 99		0	0	38,586	0
	043786 MS-S1 00		87,471	0	233,150	0
	043786 MS-S1 01		359,258	0	457,613	0
	043786 MS-S1 02		241,987	0	0	0
	043786 MS-S2 02		1,000	0	815	0
Subtotal CFDA 84.281			689,716	0	720,027	0
Innovative Education Program Strategy-Title V	043786 C2-S1 99	84.298	0	0	(1,023)	0
	043786 C2-S1 00C		0	0	202,407	0
	043786 C2-S1 01		842,452	0	472,460	0
	043786 C2-S1 02		326,414	0	226,579	0
Subtotal CFDA 84.298			1,168,866	0	900,423	0

Technical Literacy Challenge Fund	043786 TF-S2 98	84.318	0	0	2,176	0
	043786 TF-13 98		0	0	(2,475)	0
	043786 TF-25 00		0	0	16	0
	043786 TF-34 00		0	0	571	0
	043786 TF-15 00		0	0	265	0
	043786 TF-43 00		24,621	0	65,435	0
	043786 TFVL 00		9,000	0	9,000	0
Subtotal CFDA 84.318			33,621	0	74,988	0
Advanced Placement Program	043786 AV-A1-02	84.330	3,332	0	3,332	0
Reform Demonstration	043786 RFS1 99	84.332	0	0	1,798	0
	043786 RFS1 00		83,962	0	71,264	0
	043786 RFS1 01		22,500	0	54,731	0
	043786 RFS2 01		235,779	0	259,266	0
Subtotal CFDA 84.332			342,241	0	387,059	0
Reading Excellence	043786 RN-S1 00	84.338	1,124,173	0	868,091	0
	043786 RN-S2 00		171,999	0	190,474	0
Subtotal CFDA 84.338			1,296,172	0	1,058,565	0
Title VI-R Reducing Class Size Reduction	043786 CR-S1 00	84.340	2,448,094	0	1,696,793	0
	043786 CR-S1 01		2,150,411	0	4,123,407	0
	043786 CR-S1 02		5,362,450	0	6,518,234	0
Subtotal CFDA 84.340			9,960,955	0	12,338,434	0
Title I - School Improvement	043786 AK-S1-01	84.348	293,067	0	240,168	0
	043786 AK-S1-02		462,548	0	288,119	0
Subtotal CFDA 84.348			755,615	0	528,287	0
Special Education Personnel Preparation	043786 AT-S1-02	84.352A	9,603	0	0	0
Total Pass Through Ohio Department of Education			49,923,047	0	63,056,456	0
Total U.S. Department of Education			56,776,473	0	68,596,700	0
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Education:</i>						
Refugee Impact Subsidy	043786 R1-S1 00	93.576	0	0	290	0
	043786 R1-S1 01		0	0	38,790	0
	043786 R1-S1 02		52,718	0	0	0
Subtotal CFDA 93.576			52,718	0	39,080	0
<i>Passed Through Cuyahoga County:</i>						
Youth Development Initiative	CE12233-01	93.558	540,372	0	359,519	0
<i>Passed Through Mental Retardation and Developmental Disabilities:</i>						
Medicaid Assistance Program	NA-00	93.778	5,087,185	0	5,087,185	0
<i>Passed Through City of Cleveland:</i>						
Healthy Family Healthy Start	NA-01	93.926	150,919	0	11,936	0
	NA-02		262,997	0	275,794	0
	NA-02		0	0	1,350	0
Subtotal CFDA 93.926			413,916	0	289,080	0
Total U.S. Department of Health and Human Services			6,094,191	0	5,774,864	0
Total Federal Assistance			89,325,894	1,697,512	101,447,980	1,702,201

The accompanying notes to this schedule are an integral part of this schedule.

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes the activity of the District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

NOTE C - NEGATIVE AMOUNTS

Negative amounts are due to adjustments made to the District's account codes for this program. Some adjustments are made in order to reflect receipts and expenditures in the proper program year.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

N/A - Not applicable.

CFDA - Catalog of Federal Domestic Assistance



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Board of Education
Cleveland Municipal School District
Cuyahoga County
1380 East Sixth Street
Cleveland, Ohio 44114

We have audited the basic financial statements of the Cleveland Municipal School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 27, 2002, in which the District implemented a new financial model, as required by the provisions of *Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – And Management’s Discussion and Analysis – for State And Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 27, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated December 27, 2002.

Cleveland Municipal School District
Cuyahoga County
Report on Compliance and on Internal Control Required by
Government Auditing Standings
Page 2

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

December 27, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR
FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Cleveland Municipal School District
Cuyahoga County
1380 East Sixth Street
Cleveland, Ohio 44114

Compliance

We have audited the compliance of the Cleveland Municipal School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings as items 2002-10818-01 and 2002-10818-02. We also noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated December 27, 2002.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 27, 2002.

Schedule of Federal Awards Expenditures

We have audited the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2002, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2002, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

December 27, 2002

CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2002

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list)	<p><i>Special Education Cluster:</i> Sp. Ed. Grants to States, CFDA #84.027; and Sp. Education PreSchool Grant, CFDA #84.173;</p> <p><i>Child Nutrition Cluster:</i> Gov't Donated Foods Program, CFDA #10.550, School Breakfast Program, CFDA #10.553, and Nat'l School Lunch Program, CFDA #10.555;</p> <p>Title I, CFDA #84.010;</p> <p>Vocational Education, CFDA #84.048;</p> <p>Safe Schools/Healthy Start, CFDA #84.184; and Title VI-R Class Size Reduction, CFDA #84.340; and Medical Assistance Program CFDA#93.778</p>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$3,000,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2002**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	
-----------------------	--

None

3. FINDINGS FOR FEDERAL AWARDS

TITLE VI-B

Finding Number	2002-10818-01
CFDA Title and Number	Special Education Cluster: Special Education Grants to States, CFDA #84.027; Special Education Preschool Grants, CFDA #84.173
Federal Award Number / Year	043786 6B-SF-01 / 043786 6B-SF-02
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Section 34 CFR 300.341 requires the development and implementation of an individualized education program (IEP) for each of its handicapped children and ensures that an IEP is developed for each handicapped child who is placed in or referred to a private school or facility by a public agency or who is enrolled in a private school and receives special education or related services from a public agency. 34 CFR 300.341 also requires reviews of each IEP periodically, but not less than annually, to determine whether the annual goals for the child are being achieved.

During our testing of 60 student files, we noted that 16% of files reviewed did not have a current IEP on file. Lack of a current IEP could result in unnecessary and ineligible services being rendered with Federal Grant funds.

Title VI-R CLASS SIZE REDUCTION

Finding Number	2002-10818-02
CFDA Title and Number	Title VI-R Class Size Reduction CFDA 84.340
Federal Award Number / Year	043786-CR-01 / 043786-CR-02
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Pub. L. No. 105-277, Section 307(C)(1) requires that funds be used in accordance with the LEA's approved application, to recruit, hire (including payment of salaries and benefits), and train fully qualified classroom teachers (who are certified within the state, have a baccalaureate degree, and demonstrate competency in the areas in which they teach) in order to reduce the class size in the targeted grades or

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2002**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Title VI-R CLASS SIZE REDUCTION (Continued)

subjects (generally grades kindergarten through three). The District's approved application identifies kindergarten through third grade as the targeted grades.

For the Grant Year FY01 (SCC 8047) the District paid a fourth grade teacher from Robert Jamison School, a total amount of \$29,971. This is an improper expenditure because the grade level taught is outside of the allowable range, kindergarten through third grade. The Final Expenditure Report for the Grant Year 2001, which was due on November 30, 2001, was mailed on November 20, 2002 to the Ohio Department of Education.

For the Grant Year FY02 (SCC 8104) the District paid a fourth grade teacher from Robert Jamison School, a total amount of \$13,392. The District also paid a pre-school teacher from Anton Grdina School a total amount of \$20,759. These payments total \$34,151 for FY02. Both of the grade levels taught were outside the allowable kindergarten through third grade range making this an improper expenditure. The Final Expenditure Report for the Grant Year 2002, which was due November 30, 2002 has not yet been mailed by the District. The proper adjustments to deduct these expenditures from the final expenditure report have been made by the District before filing the report.

Although the District has made the necessary adjustments to their final expenditure reports for these improper expenditures, it appears as if the District's internal control procedures were not adequate to detect non-compliance with the grade level requirement of the Class Size Reduction grant. Failure to detect expenditures charged to the grant which are not in compliance with the terms of the grant agreement could adversely affect the District's ability to administer the Title VI-R program.

We recommend the District review and potentially revise its internal control procedures over the charging of employee salaries to federal programs.

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2002**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></u>
2001-10818-01	Special Education Cluster- Failure to maintain current Individualized Education Programs (IEP)	No	Not Corrected: Exceptions were related to a change in timing and not anticipated to recur in the future.

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-10818-01	<p>The District continues to maintain its special education central records function for its IEPs and related student data. All teachers and related service personnel serving special education students underwent additional training on IEP preparation requirements. In addition, completed IEPs received a quality and completeness review at the school building level by building administrators, special education department chairpersons and/or designated teachers. School copies of IEPs were retained in the building and departmental copies were forwarded (by school) to the Regional Special Education Supervisors for central filing. These IEPs were alphabetized and logged in by the supervisors and filed by Records Room staff. The procedure for students transferring between schools is for the IEPs to follow the transferred students during the records exchange process.</p> <p>To further improve the management and control of the IEP process, the District completed a program to pilot IEP preparation software. A software solution is being identified and is anticipated to be implemented in the FY 02-03 school year.</p>	June 30, 2003	Paula Woods, Director of Special Education
2002-10818-02	<p>The adjustments were corrected and properly presented in the respective final expenditure reports that were submitted to the Ohio Department of Education on November 20, 2002, (Grant Year 2001) and December 2, 2002 (Grant Year 2002). It should be noted that the adjustments represent less than 1% of each of the two respective grant year expenditures.</p> <p>In an effort to further improve the management and control of the teacher assignment for this grant, the District will perform a quarterly verification beginning with the quarter ending June 30, 2003.</p>		Cliff Andrews, Director of Funded Programs

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2002



Cleveland, Ohio

Comprehensive Annual Financial Report

Of the

Cleveland Municipal School District

For the

**FISCAL YEAR ENDED
JUNE 30, 2002**

Prepared by

Finance Department

Erbert C. Johnson
Chief Financial Officer/Treasurer

Cover Art

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Wade Park

1380 East Sixth Street * Cleveland, Ohio 44114

Cleveland Board of Education



Rev. Hilton O. Smith, *Chair*



Margaret M. Hopkins, *Vice Chair*



Rashidah Abdulhaqq



Erskine L. Bevel



David J. Carney



Louise P. Dempsey



George F. Dixon



Elaine A. Murphy



Sandra Morgan



Dr. Jerry Sue Thornton
ex officio



Dr. Michael Schwartz
ex officio



Barbara Byrd-Bennett
Chief Executive Officer



Ebert C. Johnson
CFO/Treasurer

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INTRODUCTORY SECTION

Cleveland Municipal School District

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Barbara Byrd-Bennett
Chief Executive Officer

Board of Education

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David J. Carney
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George F. Dixon
Sandra Morgan
Elaine A. Murphy

Ex Officio Members
Dr. Michael Schwartz
Dr. Jerry Sue Thornton

December 27, 2002

Board of Education
Cleveland Municipal School District
1380 East Sixth Street
Cleveland, Ohio 44114

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Cleveland Municipal School District (the "School District") for the fiscal year ended June 30, 2002. This CAFR includes an opinion from the State Auditor and conforms to generally accepted accounting principles as applicable to governmental entities. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the School District. This report will provide the taxpayers of the Cleveland Municipal School District with comprehensive financial data in a format which will enable them to gain an understanding of the School District's financial affairs. Copies will be made available to taxpayers, financial rating services and other interested parties.

The comprehensive annual financial report is presented in three sections as follows:

1. The Introductory Section, which contains a Table of Contents, Letter of Transmittal, List of Board Members, List of Senior Appointed Officials, an Organizational Chart of the School District, Government Finance Officers Association (GFOA) Certificate of Achievement and Association of School Business Officials (ASBO) Certificate of Excellence.
2. The Financial Section, which contains the Report of Independent Accountants, the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the School District's financial position and operating results, the Combining Statements for nonmajor funds, and other schedules that provide detailed information relative to the Basic Financial Statements.
3. The Statistical Section presents social and economic data, financial trends and the fiscal capacity of the Cleveland Municipal School District.

The School District

The Board of Education and Administration

The Board of Education of the Cleveland Municipal School District (the "Board") is a political and corporate body charged with the responsibility of managing and controlling the affairs of the School District, and is governed by the general laws of the State of Ohio (the "Ohio Revised Code"). The Board is comprised of nine members who were appointed by the Mayor of the City of Cleveland and whose terms run until June 30, 2003.

The appointment of a nine member School Board on September 9, 1998 marked another dramatic change in the governance structure of the School District. Between March 3, 1995 and September 9, 1998, the Federal District Court (the "Court") overseeing the School District's desegregation case issued an order (the March 3rd Order) transferring all authority for the operation of the School District from the old seven member elected School Board to the State Superintendent of Public Instruction ("the State"). At that time, the State was ordered to institute structural, managerial and operational reforms to enable the School District to achieve financial stability and to successfully implement the terms of the desegregation orders. With this order, the old elected Board ceased to be the governing body for the School District. On September 9, 1998, the Court vacated the March 3rd Order, thereby ending three and one-half years of State Control of the School District. This release triggered the immediate implementation of the provisions of Ohio Substitute House Bill No. 269 (H.B. No. 269) which called for the transfer of the supervision and control of the School District to a new nine-member Board of Education appointed by the Mayor of the City of Cleveland. The legislation also provided for Mayoral appointment powers with respect to the Chief Executive Officer (formerly known as Superintendent) position for the School District. On November 5, 2002, the voters of Cleveland elected to maintain the current governance structure, which gives the Mayor the authority to continue appointing board members.

The Chief Executive Officer of the School District has the responsibility for directing and assigning teachers and other employees, assigning the pupils to the proper schools and grades and performing such other duties as determined by the appointed Board. On November 16, 1998, the Mayor appointed Mrs. Barbara Byrd-Bennett as the School District's Chief Executive Officer with a four-year contract expiring on December 31, 2002. The contract was extended for an additional 2 years.

The Chief Financial Officer/Treasurer is the chief fiscal officer of the Board and the School District. Under the new administrative structure, which was implemented in 1998, the Chief Financial Officer/Treasurer reports to the Chief Executive Officer. In September 1999, the Chief Executive Officer appointed Mr. Erbert Johnson to the position of Chief Financial Officer/Treasurer.

The School District and its Facilities

Of the School District's area of approximately 82 square miles, 81.44 square miles (or 99.32 percent) are in the City of Cleveland. The balance of the School District's area is located in and serves the entire area of the Villages of Newburgh Heights, Linndale and Bratenahl and a small portion of the City of Garfield Heights. The School District is located entirely within Cuyahoga County, and, with the exception of a portion of the City of Cleveland located in the Shaker Heights City School District, its boundaries are generally coterminous with the corporate boundaries of the City of Cleveland.

In fiscal year 2002, the School District enrolled 72,898 students (compared to 74,193 the previous year) in 84 elementary schools, 24 middle schools, and 17 senior high schools. In addition classes are provided in five residential school programs.

The School District also operated a variety of specialized educational facilities (consisting of gardens, athletic fields, a sheltered workshop and a greenhouse), four administration facilities (including a central kitchen) and three transportation depots.

Employee Relations

As of June 30, 2002 the School District had 12,168 full and part-time employees (compared to 12,990 the previous year). In the fiscal year ended June 30, 2002, the School District paid \$478.0 million in salaries and wages and \$132.9 million for fringe benefits such as employer retirement contributions, health care, life insurance, and certain other benefits.

The School District's certificated administrators and supervisors (such as principals, assistant principals and many central office staff) were previously represented by the Cleveland Council of Administrators and Supervisors ("CCAS"); however they are now employees on an at-will basis. Teachers and educational specialists, including aides, are represented by the Cleveland Teachers Union ("CTU").

Classified employees (secretarial-clerical, custodial, maintenance, transportation and cafeteria staff) of the School District are represented for collective bargaining purposes by a variety of unions: the International Brotherhood of Teamsters Local 407 (School bus drivers and attendants); the City, County, State Truck Drivers Union Local 244 (truck drivers); the International Brotherhood of Firemen and Oilers Locals 777 and 701 (custodians, assistant custodians, laborers, mechanics and security officers); the Service, Hospital, Nursing Home and Public Employees Union Local 47 (clerical, food service and cleaning staff); and the Cleveland Building Trades Council (tradesmen).

In June 2002, all labor contracts except Local 407, were extended from June 30, 2003 to June 30, 2005, contingent on certain financial conditions. The labor contract for Local 407 was extended from June 30, 2003 to June 30, 2004. In the opinion of the School District, labor relations with all of its employees are good.

The Reporting Entity

The Cleveland Municipal School District has reviewed its reporting entity definition in order to insure conformance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." In evaluating how to define the School District for financial reporting purposes, management has considered all agencies, departments and organizations making up the Cleveland Municipal School District (the primary government) and its potential component units.

Excluded from the reporting entity because they are fiscally independent of the School District are the City of Cleveland and the Cleveland Public Library. The City of Cleveland and the Library are related organizations whose relationships to the School District are described in Note 16 to the general-purpose financial statements. The School District also participates in the Ohio Schools Council, which is a jointly governed organization. This relationship is described in Note 21 to the general purpose financial statements.

A complete discussion of the School District's reporting entity is provided in Note 1 to the general purpose financial statements.

Economic Condition and Outlook

The School District's primary sources of revenues are from the State of Ohio through the State Foundation program and through the levying of property taxes on real and personal property located within the School District. These two sources combined represent approximately 92 percent of the School District's fiscal year 2002 budget basis general fund operating revenues. The following discussion provides additional information pertaining to these revenue sources.

Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions generally occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at varying percentages of true value and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

A table showing the assessed valuation of property in the School District subject to ad valorem taxes by the Board for the most recent ten years is presented in the statistical section.

The assessed valuation of real property is fixed at 35 percent of true value and is determined pursuant to rules of the State Tax Commissioner, except that real property devoted exclusively to agricultural use is assessed at not more than 35 percent of its current agricultural use value. Real property devoted exclusively to forestry or timber growing is taxed at 50 percent of the local tax rate upon its true value.

Generally, tangible personal property used in business (except for public utility) is currently assessed for ad valorem taxation purposes at 25 percent of its true value (in general, the same as net book value). The Electric Utility Deregulation bill revised the tax assessment rates for most classes of public utility property. Beginning in tax year 2001, the tax assessment rates for all tangible personal property of an electric company, except transmission and distribution property is reduced to 25%. By enacting a new kilowatt-hour excise tax and requiring the funding of a school property tax replacement fund (to make up for the loss in assessed value) the legislature intends to hold school districts financially harmless due to electric deregulation. There is also a similar "hold harmless" provision dealing with the reevaluation of public utility property for natural gas utilities. The first \$10,000 of taxable value of tangible personal property is exempted from taxation; partial reimbursement of reduced collections resulting from the partial exemption will be paid from State sources.

The General Assembly has periodically exercised its power to revise the laws applicable to the determination of assessed valuation of taxable property and the amount of receipts to be produced by ad valorem taxes levied on that property, and may continue to make similar revisions.

Ohio law grants tax credits to offset increases in taxes resulting from increases in the true value of real property. Legislation implementing a 1980 constitutional amendment classifies real property between (1) residential and agricultural and (2) all other real property, and provides for tax reduction factors to be separately computed for and applied to each class. These credits apply to certain voted levies on real property, and do not apply to unvoted tax levies or voted tax levies to pay debt service on general obligation debt.

Additionally, in 1976 the General Assembly passed House Bill 920. This law provides that real property owners receive tax credits equal to any tax increase caused by an increase in value of all real property in taxing districts as a result of reappraisal, update or readjustment. This does not apply to inside non-voted millage, tangible property or new construction. In effect, H.B. 920 removes inflationary revenue growth from the applicable real property by requiring an adjustment to the voted millage rate, thereby resulting in a lower effective millage rate.

Property tax levies and collections for the last ten years are shown in comparative format in the statistical section.

School Foundation

The State's School Foundation Program is another major source of revenue for the School District's general

fund. The State assists public school districts under a statutory program, which includes direct payments to districts based upon a statutory formula. Such payments are made through the School Foundation Program established by the Ohio Revised Code. School Foundation Program funds distributed to a School District are required to be used for current operating expenses, unless specifically allocated by the State for some other purpose.

The following table presents certain information concerning School Foundation Program payments to the School District for the last ten years (in thousands):

Fiscal Year	Total Foundation Revenue	Less Disadvantaged Pupil Impact Aid (B)	Net Foundation Revenue	General Fund Revenues (A)	Net Foundation Revenues as Percent of General Fund Revenues
1993	\$ 168,132	\$ 18,837	\$ 149,295	\$ 355,102	42.04%
1994	169,731	23,393	146,338	347,189	42.15
1995	182,199	28,939	153,260	376,436	40.71
1996	200,895	38,006	162,889	390,314	41.73
1997	207,088	37,191	169,897	413,271	41.11
1998	232,467	36,840	195,627	497,395	39.33
1999	291,947	27,392	264,555	551,826	47.94
2000	317,550	38,962	278,588	552,041	50.47
2001	336,131	48,733	287,398	551,709	52.09
2002	359,419	63,461	295,958	551,827	53.63

(A) These amounts represent budget basis and exclude the proceeds of cash flow borrowing and sale of fixed assets.

(B) The Disadvantaged Pupil Impact Aid is included as a special revenue fund.

Basic eligibility for School Foundation Program payments is based on a School District’s compliance with State-mandated minimum standards. The School District is in compliance with those standards and has no reason to believe it will not remain in compliance.

On March 24, 1997 the Ohio Supreme Court (“Supreme Court”) rendered a decision declaring certain portions of the Ohio school funding plan (including the State’s Foundation Program) unconstitutional (DeRolph I decision). Since this Supreme Court ruling, the Ohio General Assembly has passed numerous pieces of legislation in an attempt to address the issues identified by the Supreme Court. However, on May 11, 2000 the Supreme Court rendered an opinion stating that the legislation adopted was not sufficiently responsive to the constitutional issues and decided to maintain jurisdiction until at least June 15, 2001 (DeRolph II decision). On June 6, 2001, the Governor of Ohio approved H.B. 94, which contained new State school funding provisions.

On September 6, 2001, the Ohio Supreme Court issued a decision that identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution is not specified.
- Fully funding parity aid no later than the beginning of the fiscal year 2004, rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court

appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional but vacated its September 6, 2001 funding provision requirements.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General assembly to enact a school-funding scheme that is thorough and efficient...".

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Local Economy

The City of Cleveland, located on the southern shores of Lake Erie, is the central city within the largest metropolitan area in the State of Ohio. It is home to an estimated 500,000 residents. Founded in 1796, Cleveland quickly established economic strengths in heavy industry, including iron and steel, and combined with its favorable location on major shipping channels soon emerged as the dominant manufacturing and business center of Northeast Ohio. Though manufacturing continues to play a key role in Cleveland's local economy, the emergence of newer non-smokestack related industries, mainly in services and trade, is expected to be more prominent in the next several decades.

The City of Cleveland and the Cleveland Primary Metropolitan Statistical Area (PMSA) continue to be attractive locations for industrial and service headquarters ranked in the Fortune 500. Currently, ten Fortune 500 corporations are located within the Greater Cleveland area, including six in the City of Cleveland. Cleveland's major employers include internationally recognized health care institutions, a major automotive manufacturer, a major steel manufacturer, municipal, state and federal government agencies, and banking and insurance firms. It's major steel manufacturer/employer, LTV Corporation, filed for Chapter 11 reorganization in December 2000.

The overall unemployment rate within the PMSA has held steady at approximately 4.5% for the past three years, which approximates the national averages.

Major Initiative - Educating Cleveland's Children

With the appointment of Barbara Byrd-Bennett, Chief Executive Officer, the Cleveland Municipal School District began to reemphasize student achievement. The document setting forth the roadmap for organizational success was documented in the School District's 5-year strategic plan *Educating Cleveland's Children*.

Our Vision

Each student in the Cleveland Municipal School District will be successful in a rigorous instructional program, and our teachers, principals and administrative staff will be valued, will hold themselves responsible and accountable and will be rewarded for their professionalism.

Our Strategic Focus

The following six strategic focal points are critical to our achievement of our vision:

1. High Standard/Rigorous Curriculum-Insist upon high standards and a strong curriculum that will prepare our students for life, work, higher education, and citizenship. We will begin to accomplish this by:
 - Establishing/implementing content and performance standards.
 - Instituting a comprehensive literacy program.
 - Improving early childhood preparation.
 - Developing and implementing an instructional technology plan.
 - Strengthening multilingual/multicultural programs and policies.
 - Restructuring and improving special education.
 - Infusing arts into the curriculum.
2. Effective and Committed Workforce-Instill among our workforce - particularly teachers and principals - a commitment to excellence, individual student achievement, continuous professional development, and a willingness to be held accountable. We will begin to accomplish this by:
 - Designing and implementing a coordinated professional development plan.
 - Improving teacher quality.
 - Improving principal leadership.
 - Improving customer service and support to and at schools.
3. Quality Schools-Guarantee that every school offers every student a safe, supportive, resource-rich learning environment that complements the child's learning abilities. We will begin to accomplish this by:
 - Increasing school capacity to provide quality instruction.
 - Adopting policies to support quality schools.
 - Ensuring safe, secure and orderly schools.
 - Providing schools with support and materials on a timely basis.
 - Improving facilities.
 - Redesigning, restructuring and creating new schools.
4. Sound Financial, Management, and Accountability Systems-Maximize the District's financial resources through performance-based management planning, implementation, and accountability systems. We will begin to accomplish this by:
 - Redesigning/restructuring central office to support schools.
 - Establishing measurable goals and benchmarks across the organization linked to an accountability framework.
 - Integrating data-driven decision making.
 - Using resources effectively.
 - Meeting federal and state requirements.
 - Regularly monitoring and reporting progress.
 - Improving management/labor relations.
5. Parent and Community Support-Engage parents and the broad community in meaningful support and reinforcement for academic achievement at the individual student and school building levels. We will begin to accomplish this by:
 - Strengthening organized parent engagement.
 - Expanding parents education - focus on academics.
 - Improving communications with parents and the community.
 - Increasing collaboration with business, universities and community organizations.

6. Student Needs-Deliver the types of services and educational opportunities that will meet both the academic and non-academic needs of students and their families. We will begin to accomplish this by:
 - Targeting underachieving students.
 - Better preparing students for career and post secondary education.
 - Addressing non-academic needs of students and families.
 - Promoting extracurricular activities.

What Progress to Look For

As the District moves toward our vision of excellence for students and teachers alike, the community will clearly note:

- Higher test scores on state proficiency exams.
- Increased attendance.
- Higher graduation rates.
- More graduates going to and remaining in post-secondary education.
- Fewer students being suspended.
- Decreased referrals and placements in special education.
- More teachers and principals engaged in meaningful professional development targeted to District priorities.
- Recruitment efforts reaching more teacher prospects from a wider variety of colleges and universities.
- Teachers and principals actively seeking employment with Cleveland Municipal School District.
- People moving into the city and enrolling their children in our public schools.

Significant Accomplishments

The District has made great strides during the last year. Some of the key accomplishments include:

- The District developed and approved a 10-year Master Facility Plan that will require approximately \$1.5 billion to repair, renovate and rebuild its school facilities. The plan calls for the construction/replacement of 51 schools, renovation of 60 of existing facilities and inactivation for student use of 14 existing facilities. On November 7, 2001 the District issued \$35,000,000 bond anticipation notes to begin this project.
- In accordance with Ohio H.B 264 the District issued \$11,500,000 for the purpose of renovating and otherwise improving environmental controls at school facilities.
- An independent Bond Accountability Commission was created and charged with monitoring and reporting the District's efforts to repair its school facilities.
- The District has earned a "MIG1" rating from Moody's Rating Service, the highest rating awarded to a short term notes issue and the District's first investment grade rating.
- East High School Gymnasium will be open for students' use in 2003. The old gymnasium was damaged in October 2001 and had to be demolished.
- In December 2001, the State reported that the District met 4 of 27 academic proficiency standards. This was the first time that the District has ever met four of the State's 27 academic proficiency standards.
- In 2002 the District's fourth graders scored the greatest gains on the fourth grade science and math proficiency test than any of the other urban 21 districts in Ohio. The District also had a 50% increase in the number of seniors who passed all five parts of the twelfth grade proficiency test and the number of students taking the proficiency test increased by more than 30%.
- The District has increased the number of students graduating by 9% from year 2000 to year 2002.
- Average daily attendance has increased to approximately 93%.
- The District's summer school program remains the largest in the state. Since 1998 over 1,000 additional students graduated from high school as a result of their successful participation in summer school.
- The District collaborated with Cuyahoga Community College to establish a new option school, the High Tech Academy. The District also created SuccessTech Academy and Early College School as part of the

option school initiative to provide an accelerated curriculum for students that demand a more advanced course of study. The District now has 21 option schools.

- The District spent some \$20 million this school year to ensure safe, secure and orderly schools. This funding was used to provide the 265 security officers assigned to the schools and Phase II of the installation of state of the art security camera systems.
- We are continuing our aggressive campaign to immunize students. 95% of our students have the required vaccinations. This compares with only 61% in 1998.
- The District purchased 102 new buses during the fiscal year under a capital lease arrangement. This is in addition to the 100 new buses purchased during the prior fiscal year. These two lease purchases represent approximately 1/3 of the District's total bus fleet.
- Reached agreements to extend current labor agreements until June 2004 with all six unions that represents over 11,000 District employees including classroom teachers. The District also secured the leadership of Barbara Byrd-Bennett, the Chief Executive Officer, who has signed on through December 2004.
- We've significantly improved teacher staffing. A total of 98% of all teachers are teaching in their area of expertise.

The listing above represents just a sample of what is being achieved. Things will continue to change for the better in the years to come.

Financial Information

Internal Accounting and Budgetary Control

In developing the School District's accounting system much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

The School District utilizes a fully automated accounting system as well as an automated system for payroll. These systems, coupled with the manual auditing of each voucher prior to payment, ensures that the financial information generated is both accurate and reliable.

At the beginning of each fiscal year, the School District adopts either a temporary or permanent appropriation measure for that fiscal year. If a temporary appropriation measure is first adopted, the permanent appropriation measure must be adopted upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates, which is usually within the first three months of the fiscal year.

Annual appropriations may not exceed the County Budget Commission's official estimate of resources. The County Auditor must certify that the School District's appropriation measures, including any supplements or amendments, do not exceed the amount set forth in the latest of those official estimates.

All disbursements and transfers of cash between funds require appropriation authority. Budgets are controlled at the function account level within a fund. All purchase order requests must be approved by the appropriate levels of authority and certified by the Treasurer; necessary funds are then encumbered and purchase orders released to vendors.

The accounting system used by the School District provides interim financial reports which detail year-to-date expenditures and encumbrances versus the original appropriation plus any additional appropriations made to date.

Each administrator and school principal is furnished monthly reports showing the status of the budget accounts for which they are responsible. In addition, an on-line inquiry system is available at each cost center site. As an additional safeguard, all employees are covered by a blanket bond, and certain individuals in policy-making roles are covered by a separate, higher limit bond.

The basis of accounting and the various funds utilized by the School District are fully described in Note 2 of the financial statements. Additional information on the School District's budgetary accounting can also be found in Note 2.

Financial Condition – This is the first year the School District has prepared financial statements following GASB 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments.” GASB 34 creates new basic financial statements for reporting on the School District’s financial activities as follows:

Government-wide financial statements - These statements are prepared on an accrual basis of accounting, which is similar to the basis of accounting followed by many businesses. The government-wide statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities; the district currently does not have any business-type activities.

Fund financial statements – These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Cash Management

The School District pursues an aggressive cash management program by expediting the receipt of revenues and prudently investing and depositing available cash in obligations collateralized by instruments issued by the United States Government, governmental agencies, corporations or the State of Ohio or insured by the Federal Deposit Insurance Corporation and SIPC. The total amount of investment income earned was approximately \$7,845,000 for the year ended June 30, 2002, of which approximately \$6,795,000 was credited directly to the general fund. The program is beneficial because of access to daily balances, which enables the School District to maintain minimum balance accounts and invest to the maximum extent.

Protection of the School District's deposits is provided by the federal deposit insurance corporation and/or by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The market value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Risk Management

The School District established a self insurance internal service fund to account for and finance its uninsured risks of loss and associated expenses attributable to the deductibles and self-insured retention limits for general liability and property damage claim settlements and judgments. Excess insurance policies have been purchased to cap certain risks assumed. See Note 10 for a complete description of the District’s risk retention.

All employees of Cleveland Municipal School District are covered by a fidelity bond, while certain individuals in policy-making roles are covered by separate, bond coverage.

The School District participates in the Workers' Compensation Retrospective Rating Plan. In the Retrospective Rating Plan, the School District assumes a portion of the risk in return for a reduction in current premiums.

Pension Plans

All School District employees are covered by the state-wide School Employees Retirement System of Ohio (SERS) or the State Teachers Retirement System (STRS).

The School District's employer contributions to both systems are based on a percentage of employees' salaries. State law requires the School District to pay the employer share as determined by each retirement system. See Notes 11 and 12 to the basic financial statements for complete details.

Independent Audit

State statutes require the School District to be subjected to an annual examination by an independent auditor. An annual audit serves to maintain and strengthen the School District's accounting and budgetary controls. Independent auditor Jim Petro, Auditor of State, was selected to render an opinion on the School District's financial statements as of and for the year ended June 30, 2002. The opinion appears at the beginning of the financial section of this report.

Awards

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cleveland Municipal School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ASBO International Certificate of Excellence

The School District received the Association of School Business Officials (ASBO) International Certificate of Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2001. This award certifies that the report substantially conforms to the principles and standards of financial reporting as recommended and adopted by ASBO. The award is granted only after an intensive review of financial reports by an expert ASBO Panel of review consisting of certified public accountants and practicing School business officials. Receiving the award is recognition that a School system has met the highest standards of excellence in School financial reporting.

A Certificate of Excellence is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Excellence program requirements, and we are submitting it to ASBO.

Acknowledgments

The publication of this report signifies a professionalizing of the Cleveland Municipal School District's financial reporting. It enhances the School District's accountability to the residents of the Cleveland Municipal School District.

The preparation of this report would not have been possible without the assistance and support of the staff of the Controller's Division of the Finance Department.

Finally, we would like to acknowledge members of the Board of Education who have expressed their interest and support in planning and conducting the financial operations of the School District.

Respectfully submitted,

A handwritten signature in cursive script that reads "Erbert Johnson".

Erbert Johnson, CPA
Chief Financial Officer/Treasurer

The Cleveland Municipal School District does not discriminate in educational programs, activities or employment on the basis of race, color, national origin, sex, age, religion or disability.

Cleveland Municipal School District

Board Members

Appointed by Mayor of City of Cleveland

<u>Name</u>	<u>Began Service As A Board Member (a)</u>	<u>Present Term Expires June 30 (a)</u>
Hilton O. Smith, Chairman	1998	2003
Margaret M. Hopkins, Vice Chairman	1998	2003
Rashidah Abdulhaqq	1998	2003
Erskine L. Bevel	1998	2003
David J. Carney	1998	2003
Louise P. Dempsey	1998	2003
George F. Dixon	1998	2003
Sandra Morgan	1998	2003
Elaine A. Murphy	2001	2003
Dr. Jerry Sue Thornton, ex-officio	1998	2003
Dr. Michael Schwartz, ex-officio	2001	2003

(a) On September 9, 1998 the School District was released by the Federal District court from State control that was instituted by March 3, 1995, Federal Court Order. This release triggered the implementation of the supervision and control of the School District to a nine-member Board of Education appointed by the Mayor of the City of Cleveland.

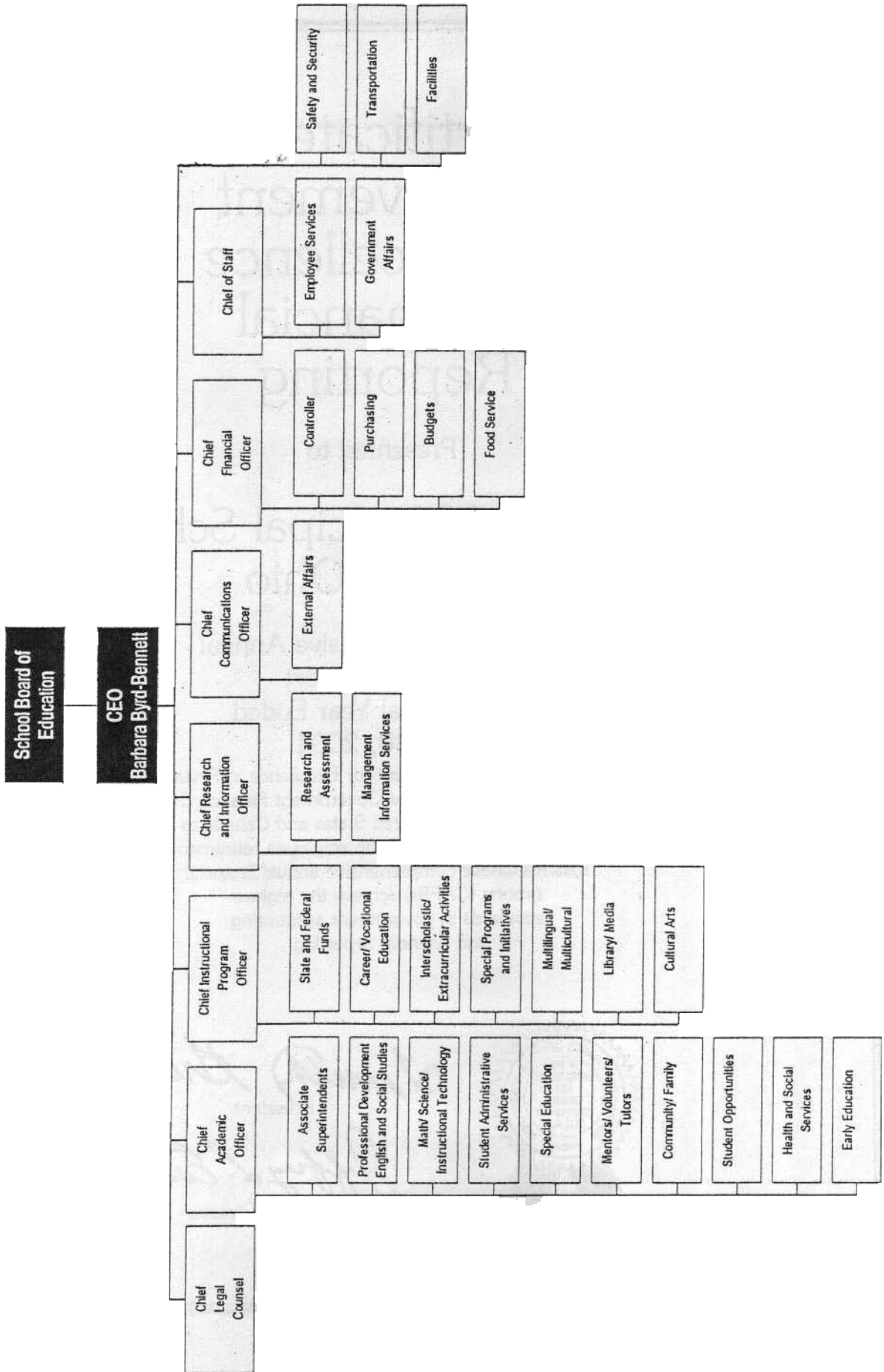
Cleveland Municipal School District

Senior Appointed Officials

Barbara Byrd-Bennett	Chief Executive Officer
Dr. Myrna Elliott-Lewis	Chief Academic Officer
Erbert Johnson, CPA	Chief Financial Officer/Treasurer
Leaura N. Materassi	Chief Instructional Program Officer
Peter A. Robertson	Chief Research & Information Officer
Lisa Marie Ruda	Chief of Staff
Alan A. Seifullah	Chief Communications Officer
Adrian D. Thompson, Esquire	Chief Legal Counsel
Regis Balaban	Executive Director of Food & Child Nutrition Services
Omega Brown	Executive Director of Transportation
David A. Coleman	Executive Director of Safety & Security
Frank DeTardo	Executive Director of Instructional Technology, Science & Math Educati
Julie Evanoff, CPA	Controller
Paul D. Flesher	Executive Director of Facilities
Carol Hauser	Executive Director of Employee Services
Rasool Jackson	Executive Director of Student Administrative Services
Dr. Esther M. Johnson	Executive Director of Multilingual Multicultural Education
Daniel H. Minnich	Executive Director of External Affairs
Sherry Ulery	Executive Director of Professional Development
Sheila Williams	Executive Director of Early Childhood Education
James B. Wingo	Executive Director of Student and Family Support Services
Dr. Theresa Yeldell	Executive Director of Family and Community Engagement
Debra Brathwaite	Associate Superintendent
Wayne Carter	Associate Superintendent
Elaine Davis	Associate Superintendent
Ed Dietsche	Associate Superintendent
Kathleen Freilino	Associate Superintendent
Lincoln Haughton	Associate Superintendent
Richard Larrabee	Associate Superintendent
Thandiwe M.C. Peebles	Associate Superintendent

Cleveland Municipal School District Organizational Chart

As of June 30, 2002



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Cleveland Municipal School
District, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Thomas A. Bruwe
President

Jeffrey L. Essler
Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to
CLEVELAND MUNICIPAL SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2001

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

Clark J. Goldhill

President

Ann W. Miller

Executive Director

FINANCIAL SECTION



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building
615 Superior Avenue, NW.
Twelfth Floor
Cleveland, Ohio 44113-1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Cleveland Municipal School District
Cuyahoga County
1380 East Sixth Street
Cleveland, Ohio 44114

We have audited the accompanying financial statements of the governmental activities, the major funds and the aggregate remaining fund information of the Cleveland Municipal School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2002, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds and the aggregate remaining fund information of the Cleveland Municipal School District, Cuyahoga County, Ohio, as of June 30, 2002, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2002, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules and statistical tables are not a required part of the basic financial statements. We subjected the combining and individual nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

December 27, 2002

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

The discussion and analysis of the Cleveland Municipal School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2002. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2002 are as follows:

- Total capital assets increased \$19.6 million and total assets increased \$18.8 million in Governmental Activities.
- Total short-term liabilities decreased by \$53.0 million and long-term liabilities increased \$59.1 million, resulting in a net increase in total liabilities of \$6.1 million in Governmental Activities.
- Total net assets increased \$12.7 million in Governmental Activities.
- General revenues accounted for \$608.5 million in revenue or 75.1% of all revenues for Governmental Activities. Program specific revenues in the form of charges for services, sales, grants or contributions accounted for \$201.4 million or 24.9% of total revenues of \$809.9 million.
- Total program expenses were \$797.2 million in Governmental Activities.
- Among major funds, the General Fund had \$575.2 million in revenues and \$584.1 million in expenditures. The General Fund's fund balance declined to \$48.0 million from \$56.9 million.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Cleveland Municipal School District as an entire operating entity. The statements begin at a summary level and expand to detailed financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the entire School District, presenting both an aggregate view of the School District's current finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements present how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund and the Debt Service Fund are the most significant governmental funds.

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

Reporting the School District on a Government-Wide Basis

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds utilized by the School District to provide programs and activities, the view of the School District as an entity looks at all financial transactions and asks the question, "How did we do financially during 2002?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the School District's net assets and changes in those net assets. This change in net assets is important because it tells the reader whether the financial position of the School District, as a whole, has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, general inflation and other factors.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 17. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for its financial transactions. However, these fund financial statements concentrate on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Debt Service Fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps the reader determine the amount of financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District has only one proprietary fund, its Internal Service Fund.

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

The School District on a Government-Wide Basis

The Statement of Net Assets provides the perspective of the School District as a whole.

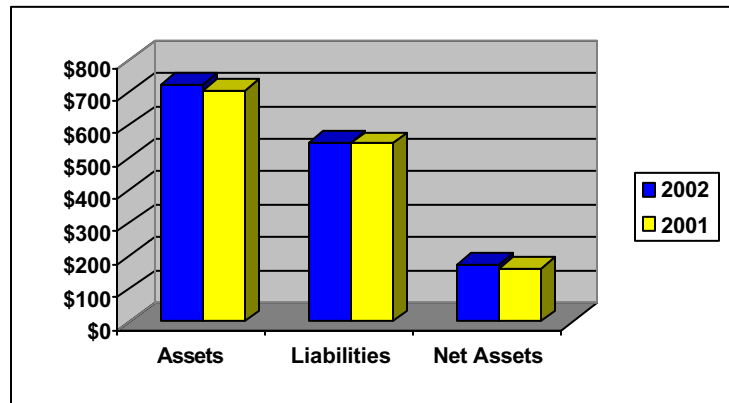
Table 1 provides a summary of the School District's net assets for 2002 compared to 2001:

(Table 1)
 Net Assets
 (\$ In Millions)

	Governmental Activities	
	2002	2001
Assets		
Current and Other Assets	\$ 543.7	\$ 544.5
Capital Assets	182.5	162.9
Total Assets	726.2	707.4
Liabilities		
Current Liabilities	312.7	365.7
Long-Term Liabilities	237.1	178.0
Total Liabilities	549.8	543.7
Net Assets		
Invested in Capital		
Assets Net of Related Debt	71.2	97.1
Restricted for:		
Debt Service	45.0	24.7
Capital Projects	61.6	35.4
Set Asides	7.9	8.4
Other Purposes	15.9	7.4
Unrestricted	(25.2)	(9.3)
Total Net Assets	\$ 176.4	\$ 163.7

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

Graph 1.
Net Assets Governmental Activities
(*\$ In Millions*)



Total capital assets increased by \$19.6 million while total assets increased by \$18.8 million. The primary reason for the significant growth in capital assets is the start of a massive new facility construction/renovation program. This is described further in the *Capital Assets* section following.

Total long-term liabilities increased by \$59.1 million, while current liabilities decreased by \$53.0 million, resulting in a net increase in total liabilities of \$6.1 million. The primary cause for the growth in long-term liabilities is the issuance of new debt to begin the financing of the facility construction/renovation program. This is described further in the *Debt Administration* section following. The significant decrease in current liabilities relates mainly to a decline in deferred property taxes of \$35 million. This was a result of the County Treasurer making more property tax collections available to the School District in the current fiscal year versus the prior year.

Total net assets increased \$12.7 million. This is mainly the result of the capitalization of new facility construction/renovation assets, which will be allocated to expense over the useful life of those assets. Unrestricted net assets decreased by \$15.9 million. This has been anticipated and is described further in the *Current Issues* section (Operating Levy) following.

Table 2 shows the change in net assets for fiscal year 2002. Since this is the first year the School District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2001 are not available. In future years, when prior year information is available, a comparative analysis of governmental data will be presented.

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

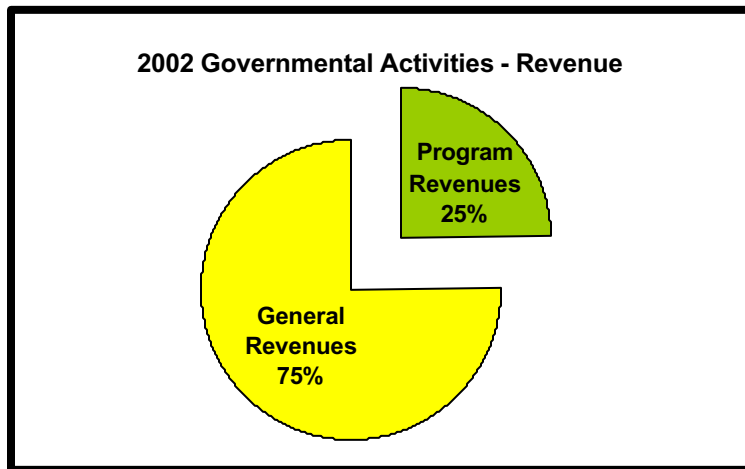
(Table 2)
Changes in Net Assets
(\$ In Millions)

	Governmental Activities <u>2002</u>
Revenues	
General Revenues:	
Property Taxes	\$ 272.4
Grants and Entitlements	325.7
Investments Income	7.9
Other	2.5
Program Revenues:	
Charges for Services	0.8
Operating Grants	197.2
Capital Grants	<u>3.4</u>
Total Revenues	<u>809.9</u>
 Program Expenses	
Instruction	446.4
Support Services:	
Pupil and Instructional Staff	110.6
Board of Education, Administration, Fiscal and Business	55.8
Operation and Maintenance of Plant	61.6
Pupil Transportation	40.1
Central	18.8
Operation of Non-Instructional Services	43.2
Extracurricular Activities	7.9
Interest and Fiscal Charges	<u>12.8</u>
Total Expenses	<u>797.2</u>
Change in Net Assets	<u><u>\$ 12.7</u></u>

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

Graph 2.
Revenue For Governmental Activities
Fiscal year Ended June 30, 2002
(\$ In Millions)

General Revenues	\$ 608.5
Program Revenues	<u>201.4</u>
Total Revenues	<u><u>\$ 809.9</u></u>



General Revenues

General revenues for the School District are comprised almost entirely of property tax collections and grants from various sources. Property taxes made up 44.8% and grants made up 53.5% of general revenues for governmental activities for the School District in fiscal year 2002.

The unusual nature of property tax legislation in Ohio (State) creates the need to routinely seek voter approval for increases in operating funds to maintain a constant level of service. As a result of legislation enacted in 1976, the overall revenue generated by a voted millage does not increase as a result of inflation. As an example, a homeowner with a home valued at \$100,000 (assessed value of \$35,000) and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (assessed value of \$70,000) the effective tax rate would become .5 mill and the owner would still pay \$35.00. Because of this taxation methodology, tax collections due to the School District have held steady for the past several years. Collection rates have also been generally consistent although there has been some increase in delinquencies in the past year due to the slowing economy and slightly higher unemployment rates for the City of Cleveland.

The voters of Cleveland approved a new property tax levy in May 2001 (Issue 14), the first since 1996. This levy was approved to support the payment of the debt service for bonds issued for the facility construction/renovation program and to support the ongoing maintenance of those facilities. Collections cannot be used to support the general operations of the School District. The collection on that levy began in January 2002.

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The primary source of grant revenue is State general operating aid known as "Foundation Program Aid". Established by Ohio law and funded by biennial appropriations, the Foundation Program is a statutory program through which the State currently makes direct payments to school districts based upon a statutory formula. Moneys distributed to a school district under the existing Foundation Program are required to be used for current operating expenses, unless specifically allocated by the State for some other purpose.

Program Revenues

Operating grants comprise 97.9% of total program revenues of the School District. These grants, obtained mainly from the federal government and State of Ohio, support specific educational programs and objectives as defined by these agencies. The amount available to the School District may vary from year to year depending on amounts made available by these agencies and the needs of the School District.

(Table 3)
 Total and Cost of Program Services
 Governmental Activities
 (\$ In Millions)

	Total Cost of Services <u>2002</u>	Net Cost of Services <u>2002</u>	Percentage of Total Cost <u>2002</u>
Instruction	\$ 446.4	\$ (332.9)	75%
Support Services:			
Pupil and Instructional Staff	110.6	(73.3)	66%
Board of Education, Administration, Fiscal and Business	55.8	(49.6)	89%
Operation and Maintenance of Plant	61.6	(58.9)	96%
Pupil Transportation	40.1	(39.9)	100%
Central	18.8	(15.9)	85%
Operation of Non-Instructional Services	43.2	(5.1)	12%
Extracurricular Activities	7.9	(7.4)	94%
Interest and Fiscal Charges	12.8	(12.7)	99%
Total Expenses	<u>\$ 797.2</u>	<u>\$ (595.7)</u>	75%

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 above shows, for government activities, (services supported by tax revenue and unrestricted State entitlements), the total cost of services and the net cost of services. Comparison between fiscal year 2001 and 2002 is not possible due to the unavailability of 2001 information.

The largest Governmental Activities program expense remains instruction, comprising 56.0% of the total cost of

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services. When combined with pupil and instructional support these categories make up 69.9% of the total cost of services. This make-up is consistent with the general educational objectives of the School District.

The dependence upon general revenues for governmental activities is apparent. 74.6% of instruction activities are supported through taxes and other general revenues, for all governmental activities general revenue support is also 74.7%. The community, as a whole, is by far the primary support for Cleveland Municipal School District students.

The School District's Funds

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$847.9 million and expenditures of \$813.8 million. The net change in fund balance for the year was most significant in the Other Governmental Funds, an increase of \$28.6 million. This was mainly attributable to the issuance of new debt in the Capital Projects funds to support the new facility construction/renovation program.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for transactions on a cash basis for receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, final budget basis estimated revenue and other financing sources was \$531.2 million, \$8.3 million below original budget estimates of \$539.5 million. This reduction in budget was made to reflect revised estimates of tax collections. Total actual revenues and other financing sources were \$555.7 million, \$24.5 million above the final budget estimates. This was mainly due to higher than anticipated Foundation Program aid resulting from higher student attendance days, lower current deduction for the State voucher program and a one-time refund of a prior year over-deduction for the State voucher program. The higher than anticipated Foundation Program aid was offset in part by lower than anticipated tax collections, which reflect a slowing economy and a slightly higher unemployment rate in the City of Cleveland.

The original and final expenditure and other financing uses budgets are both \$650.4 million. Total actual expenditures and other financing uses were \$626.6 million, or \$23.8 million below the final budget estimates. This was mainly due to a concerted effort by the School District's management to reduce its expenditures to postpone future operating deficits and the need to appeal to the voters for an additional operating levy.

Capital Assets and Debt Administration

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Capital Assets

At the end of fiscal 2002 the School District had \$182.5 million invested in land and improvements, buildings and improvements, vehicles and equipment, and construction in progress. Table 4 shows fiscal 2002 balances compared to 2001:

(Table 4)
 Capital Assets at June 30
 (Net of Depreciation)
 (\$ In Millions)

	Governmental Activities	
	2002	2001
Land and Improvements	\$ 29.4	\$ 29.5
Buildings and Improvements	104.7	107.6
Vehicles and Equipment	21.5	18.6
Construction in Progress	26.9	7.2
Totals	\$ 182.5	\$ 162.9

In 2000, a Facilities Assessment Commission was established to review the condition of the School District's facilities. The Facilities Assessment Commission recommended that a complete renovation program of all School District facilities be undertaken and that a substantial contribution from the State of Ohio (through the Ohio School Facilities Commission) could be included in the proposed construction and renovation plan by participation in the Classroom Facilities Assistance Program (CFAP). Since then, the School District and the Ohio School Facilities Commission have been working to create a Master Facilities Plan which addresses the needs of all buildings in the School District and the unique needs of the School District and its students. That Master Facilities Plan has been approved by the School District's Board of Education, the Ohio School Facilities Commission and the State Controlling Board. It estimates that the entire program will cost an estimated \$1.506 billion, of which the School District's cost share under the CFAP will be 32% or approximately \$482 million with the remaining portion (approximately \$1.024 billion) to be paid by the State.

Construction began this past year utilizing funding from several sources as described below under ***Debt Administration***. Initial work has focused mainly on making every facility warm, safe and dry. This is anticipated to take approximately three years. Concurrently new facilities will be constructed (51 new facilities) and others significantly renovated (60 facilities) and others inactivated for student use (14 facilities). The complete program is currently estimated to take about ten years. See Note 9 to the basic financial statements for additional information on capital assets.

The School District also purchased 102 new school buses during the fiscal year. They were financed with a capital lease.

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Debt Administration

At June 30, 2002 the School District had \$250.1 million in bonds, other long-term obligations and notes outstanding, \$61.6 million due within one year. Table 5 summarizes bonds and notes outstanding.

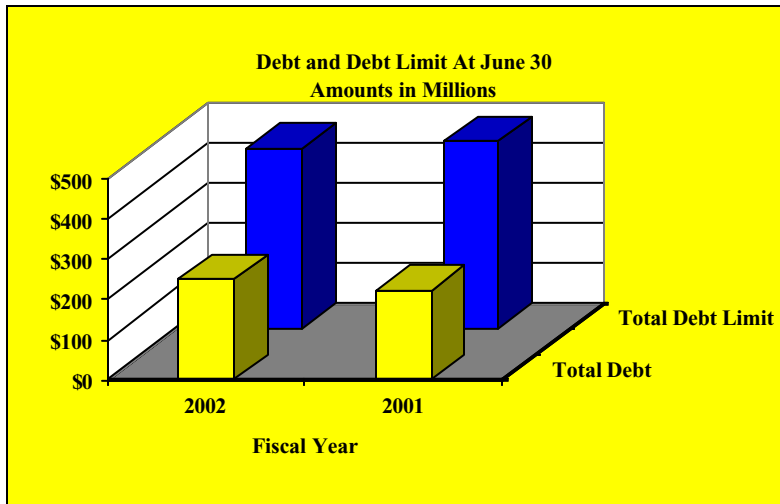
(Table 5)
Outstanding Debt, at Year End
(\$ In Millions)

	Governmental Activities 2002	Governmental Activities 2001
	<u>2002</u>	<u>2001</u>
General Obligation Bonds and Notes:		
1992 Library Improvement Bonds	\$ 60.6	\$ 64.7
1992 School Improvement Refunding Bonds	4.2	9.2
1992 School Improvement Capital Appreciation Bonds	26.1	24.6
1994 Energy Conservation Improvement Bonds	4.1	5.5
2001 QZAB - Arts Academy	5.8	5.8
2001 QZAB - Technology Academy	5.5	5.5
2001 QZAB - Literacy Academy	10.0	10.0
2001 School Facility Bond Anticipation Notes	35.0	0.0
EPA Asbestos Abatement Notes	0.3	0.4
2002 H.B. 264 Energy Conservation Notes	11.5	0.0
Other Long-Term Obligations:		
2001 Capital Lease Obligation	4.4	4.8
2002 Capital Lease Obligation	4.4	0.0
Note Payable:		
1997 Revenue Anticipation Notes	<u>78.2</u>	<u>91.6</u>
Total	<u><u>\$ 250.1</u></u>	<u><u>\$ 222.1</u></u>

Cleveland Municipal School District
 Management's Discussion and Analysis
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 Unaudited

Graph 3.
 Debt and Debt Limit
 (\$ In Millions)

	2002	2001
Total Debt	\$250.1	\$222.1
Total Debt Limit	\$449.6	\$466.4



In order to undertake the initial stages of planning and to perform some required work on its facilities to make them “warm, safe and dry” the School District utilized several borrowing/funding sources. One source totaling \$21.3 million, the Qualified Zone Academy Bonds (QZAB), was put in place just before the beginning of the 2002 fiscal year. These bonds are being used to support facility renovations at seven specific school sites. Another source, the \$11.5 million H.B. 264 Energy Conservation Notes are being used to renovate the environmental controls at school facilities across the School District. The last and most significant source was the issuance of the \$35 million School Facility Bond Anticipation Notes. These Notes represent the first installment of the \$335 million of facility construction/renovation borrowing approved by voters in May 2001.

Subsequent to fiscal year end (October 2002), the School District replaced the short-term School Facility Bond Anticipation Notes with long-term School Facility Bonds. An additional \$40 million of new proceeds were also borrowed at that time, representing the second installment of the \$335 million approved borrowing capacity. School District management anticipates the next installment of such debt will be issued in 2003 in the amount of \$125 million and that the final installment will be issued in 2005 in the amount of \$135 million.

In addition to the replacement of the bond anticipation notes with long term financing and the issuance of new debt subsequent to fiscal year-end, the School District also refunded the existing 1992 Library Bonds and cash defeased the 1992 School Improvement Refunding Bonds and the School Improvement Capital Appreciation Bonds utilizing existing resources and new bond proceeds. This transaction is described further in Note 22 to the basic financial statements.

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At June 30, 2002, the School District's overall legal debt margin was \$449.6 million, with an unvoted debt margin of \$6.0 million. The School District's short-term bond rating is "MIG1" and long-term bond rating is "Aaa", as rated by Moody's. See Note 14 to the basic financial statements for additional information on all long-term obligations.

Current Issues

The Cleveland Municipal School District is currently financially stable. The Board of Education and management have implemented fiscal management disciplines that utilize a variety of formal plans. We are working within the five-year financial plan adopted by the Board of Education.

The current fiscal plan recognizes the following open issues that must be addressed within the next five years:

Resolution to School Funding Litigation – There has been long pending litigation in the Ohio courts questioning the constitutionality of the State's system of school funding and compliance with the constitutional requirement that the State provide a "thorough and efficient system of common schools". The most recent ruling by the Ohio Supreme Court on December 11, 2002 upheld its previous ruling that the system of funding is unconstitutional but vacated its September 2001 order to make certain changes in the State's aid formula to school districts. This is described further in Note 18 to the basic financial statements.

Operating Levy - While placing an operating levy before the voters is always an option that may be pursued to avoid a future deficit, until the school funding litigation is resolved, the District believes it is premature to assume the timing and amount of such a levy. If such resolution is not reached in timely fashion, the District will examine its then-current forecasts to determine the need and timing for an additional operating levy.

Employee Relations - Under agreements recently approved by all of the seven unions serving the District, the current contracts with employee groups have been extended until at least June 2004 and with contingencies for certain labor contracts until 2005. The extension provides that all union members will receive a three percent salary increase in fiscal years 2003, 2004 and 2005 and the District may switch health care providers beginning in January 2003. The rest of the current contract language is essentially unchanged. While the first year of the extension (through June 30, 2004) is secure, the second year (through June 30, 2005) is conditional. If the administration concludes that it lacks the financial resources to meet the obligations under the fiscal year 2005 extension, new contracts will have to be negotiated by June 30, 2004.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Erbert Johnson, Chief Financial Officer/Treasurer at Cleveland Municipal School District, 1380 East Sixth Street, Cleveland, Ohio 44114.

Cleveland Municipal School District
Statement of Net Assets-Governmental Activities
 June 30, 2002

	Total
Assets	
Equity in Pooled Cash and Cash Equivalents	\$262,647,970
Cash and Cash Equivalents With Fiscal Agents	287,444
Restricted Assets-Equity in Pooled Cash and Cash Equivalents	7,878,225
Investments with Fiscal Agents	12,719,604
Receivables:	
Taxes	240,866,432
Accounts	349,560
Intergovernmental	12,393,239
Materials and Supplies Inventory	1,421,710
Prepaid Items	5,169,109
Nondepreciable Capital Assets	54,762,043
Depreciable Capital Assets, Net	127,730,394
Total Assets	726,225,730
Liabilities	
Accounts Payable	16,066,272
Accrued Wages and Benefits	75,353,607
Intergovernmental Payable	15,228,398
Deferred Revenue	123,220,481
Accrued Interest Payable	1,911,806
Unamortized Premium on Bond	166,539
Notes Payable	78,215,000
Claims Payable	2,575,067
Long-Term Obligations:	
Due Within One Year	55,785,019
Due in More Than One Year	181,347,591
Total Liabilities	549,869,780
Net Assets	
Invested in Capital Assets, Net of Related Debt	71,206,837
Restricted for:	
Debt Service	45,035,163
Capital Projects	61,551,582
Set Asides	7,878,225
Other Purposes	15,920,704
Unrestricted	(25,236,561)
Total Net Assets	\$176,355,950

See accompanying notes to the basic financial statements

Cleveland Municipal School District
Statement of Activities-Governmental Activities
For the Fiscal Year Ended June 30, 2002

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction:					
Regular	\$ 285,812,361	\$ 0	\$ 68,668,108	\$ 1,451,091	\$ (215,693,162)
Special	134,372,522	373,020	38,557,973	0	(95,441,529)
Vocational	17,515,053	0	1,349,010	0	(16,166,043)
Adult/Continuing	5,687,512	431,355	2,705,669	0	(2,550,488)
Other	3,015,312	0	0	0	(3,015,312)
Support Services:					
Pupils	45,797,274	0	3,512,611	0	(42,284,663)
Instructional Staff	64,764,521	0	32,620,693	1,164,709	(30,979,119)
Board of Education	288,859	0	0	0	(288,859)
Administration	52,787,800	0	5,175,114	0	(47,612,686)
Fiscal	1,606,735	0	1,061,140	0	(545,595)
Business	1,146,699	0	1,001	0	(1,145,698)
Operation and Maintenance of Plant	61,649,791	0	1,967,922	817,250	(58,864,619)
Pupil Transportation	40,111,930	0	153,300	0	(39,958,630)
Central	18,755,847	0	2,824,409	0	(15,931,438)
Operation of Non-Instructional Service	43,155,357	0	38,025,456	0	(5,129,901)
Extracurricular Activities	7,955,139	0	591,345	0	(7,363,794)
Interest and Fiscal Charges	12,759,118	0	0	0	(12,759,118)
Totals	\$ 797,181,830	\$ 804,375	\$ 197,213,751	\$ 3,433,050	(595,730,654)

General Revenues

Property Taxes Levied For:	
General Purposes	236,216,278
Debt Service	33,619,705
Capital Outlay	2,561,580
Investment Income	7,844,704
Miscellaneous	2,443,123
Grants and Entitlements not Restricted to Specific Pro	325,704,649
Total General Revenues	608,390,039
Change in Net Assets	12,659,385
<i>Net Assets Beginning of Year - (See Note 3)</i>	<u>163,696,565</u>
<i>Net Assets End of Year</i>	<u>\$ 176,355,950</u>

See accompanying notes to the basic financial statements

Cleveland Municipal School District

*Balance Sheet
Governmental Funds
June 30, 2002*

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash and Cash Equivalents With	\$159,580,723	\$18,858,651	\$80,521,899	\$258,961,273
Restricted Assets - Equity in Pooled Cash and Cash Equivalents	0	287,444	0	287,444
Investments with Fiscal Agents	7,878,225	0	0	7,878,225
Receivables:				
Taxes	203,499,000	34,536,769	2,830,663	240,866,432
Accounts Intergovernmental	129,135	0	220,425	349,560
Interfund	172,724	0	12,220,515	12,393,239
Materials and Supplies Inventory	5,972,000	0	0	5,972,000
Prepaid Items	809,323	0	612,387	1,421,710
	5,169,109	0	0	5,169,109
Total Assets	\$383,210,239	\$66,402,468	\$96,405,889	\$546,018,596
Liabilities				
Accounts Payable	\$ 13,366,451	\$ 5,998	\$ 2,632,827	\$ 16,005,276
Accrued Wages and Benefits	60,444,991	0	9,018,035	69,463,026
Interfund Payable	0	3,150,000	2,822,000	5,972,000
Intergovernmental Payable	13,944,115	0	1,284,283	15,228,398
Deferred Revenue	168,906,378	27,397,356	8,326,628	204,630,362
Accrued Interest Payable	360,044	0	0	360,044
Notes Payable	78,215,000	0	0	78,215,000
Total Liabilities	335,236,979	30,553,354	24,083,773	389,874,106
Fund Balance:				
Reserved for Encumbrances	14,062,107	0	20,769,604	34,831,711
Reserved for Inventory	809,323	0	0	809,323
Reserved for Prepays	5,169,109	0	0	5,169,109
Reserved for Property Taxes	30,216,480	6,640,716	544,215	37,401,411
Reserved for Budget Stabilization	6,602,317	0	0	6,602,317
Reserved for Bus Purchases	1,275,908	0	0	1,275,908
Unreserved, (Deficit), Reported in:				
General Fund	(10,161,984)	0	0	(10,161,984)
Special Revenue Funds	0	0	3,772,329	3,772,329
Debt Service Funds	0	29,208,398	0	29,208,398
Capital Projects Funds	0	0	47,235,968	47,235,968
Total Fund Balances	47,973,260	35,849,114	72,322,116	156,144,490
Total Liabilities and Fund Balances	\$383,210,239	\$66,402,468	\$96,405,889	\$546,018,596

See accompanying notes to the basic financial statements

Cleveland Municipal School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities*
 June 30, 2002

Total Governmental Funds Balances \$ 156,144,490

**Amounts reported for governmental activities in the
 statement of net assets are different because:**

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds 182,492,437

Other long-term assets are not available to pay for current-
 period expenditures and therefore are deferred in the funds:

Property Taxes	75,665,012	
Grants	5,744,869	
Total	81,409,881	81,409,881

An internal service fund is used by management to charge
 the costs of insurance to individual funds. The assets and
 liabilities of the internal service fund are included in
 governmental activities in the statement of net assets. 1,050,634

Long-term liabilities are not due and payable in the current
 period and therefore are not reported in the funds:

General Obligation Bonds and Notes	163,057,978	
Capital Lease Obligations	8,847,622	
Compensated Absences	52,009,667	
Worker's Compensation Claims	13,217,343	
Accrued Wages and Benefits - Pension Obligation	5,890,581	
Accrued Interest Payable	1,551,762	
Unamortized Premium on Bond	166,539	
Total	(244,741,492)	(244,741,492)

Net Assets of Governmental Activities \$ 176,355,950

Cleveland Municipal School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2002

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
<i>Local Sources:</i>				
Taxes	\$230,168,063	\$ 27,668,754	\$ 1,771,026	\$259,607,843
Investment Income	6,794,697	306,675	743,332	7,844,704
Tuition and Fees	804,375	0	124,118	928,493
Extracurricular Activities	0	0	474,299	474,299
Miscellaneous	2,443,123	0	10,615,996	13,059,119
<i>State Sources:</i>				
Unrestricted Grants-in-Aid	320,497,947	0	0	320,497,947
Restricted Grants-in-Aid	3,468,823	0	85,077,434	88,546,257
<i>Federal Sources:</i>				
Unrestricted Grants-in-Aid	5,206,702	0	0	5,206,702
Restricted Grants-in-Aid	0	0	95,141,262	95,141,262
Total Revenues	569,383,730	27,975,429	193,947,467	791,306,626
Expenditures:				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	200,465,743	0	67,340,911	267,806,654
Special	95,699,097	0	38,641,656	134,340,753
Vocational	16,371,634	0	1,139,997	17,511,631
Adult/Continuing	3,217,953	0	2,456,219	5,674,172
Other	3,015,312	0	0	3,015,312
<i>Support Services:</i>				
Pupils	29,529,449	0	3,001,082	32,530,531
Instructional Staff	34,648,012	0	30,046,923	64,694,935
Board of Education	277,862	0	0	277,862
Administration	44,646,488	0	4,499,096	49,145,584
Fiscal	8,288,972	122,514	1,064,740	9,476,226
Business	1,140,199	0	1,000	1,141,199
Operation and Maintenance of Plant	61,295,579	0	23,563,667	84,859,246
Pupil Transportation	42,903,978	0	156,136	43,060,114
Central	16,795,582	0	1,607,649	18,403,231
Operation of Non-Instructional Services	3,186,162	0	39,856,605	43,042,767
Extracurricular Activities	6,997,971	0	894,642	7,892,613
Capital Outlay	3,399,202	0	632,603	4,031,805
<i>Debt Service:</i>				
Principal Retirement	2,556,671	9,055,000	0	11,611,671
Interest and Fiscal Charges	5,667,760	4,888,536	0	10,556,296
Total Expenditures	580,103,626	14,066,050	214,902,926	809,072,602
Excess of Revenues Over (Under) Expenditures	(10,719,896)	13,909,379	(20,955,459)	(17,765,976)
Other Financing Sources (Uses):				
Proceeds from Sale of Bonds and Notes	0	285,495	46,500,000	46,785,495
Other Financing Sources - Capital Lease	5,062,000	0	0	5,062,000
Operating Transfers In	741,457	947,844	3,078,530	4,767,831
Operating Transfers Out	(4,026,374)	(741,457)	0	(4,767,831)
Total Other Financing Sources (Uses)	1,777,083	491,882	49,578,530	51,847,495
Net Change in Fund Balances	(8,942,813)	14,401,261	28,623,071	34,081,519
Fund Balances Beginning of Year - Restated	56,916,073	21,447,853	43,699,045	122,062,971
Fund Balances at End of Year	\$ 47,973,260	\$ 35,849,114	\$ 72,322,116	\$156,144,490

See accompanying notes to the basic financial statements

Cleveland Municipal School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2002*

Net Change in Fund Balances - Total Governmental Funds \$ 34,081,519

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. 19,616,453

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	12,789,720	
Grants	5,744,869	
Total	18,534,589	18,534,589

Proceeds in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Other Financing Sources - Capital Lease	(5,062,000)	
Proceeds from Sale of Bonds and Notes	(46,785,495)	
Total	(51,847,495)	(51,847,495)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 11,611,671

In the statement of activities, interest is accrued on outstanding bonds, whereas in government funds, an interest expenditure is reported when due. (2,202,822)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences	(12,433,596)	
Accrued Wages and Benefits - Pension Obligation	270,879	
Worker's Compensation Claims	(5,264,880)	
Total	(17,427,597)	(17,427,597)

The internal service funds used by management to charge the the costs of insurance to individual funds are not reported in the District-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 293,067

Change in Net Assets of Governmental Activities \$ 12,659,385

Cleveland Municipal School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2002

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
<i>Local Sources:</i>				
Taxes	\$232,432,637	\$224,199,628	\$212,634,590	\$(11,565,038)
Investment Income	6,794,697	6,794,697	6,794,697	0
Tuition and Fees	785,060	785,060	785,060	0
Miscellaneous	2,423,152	2,423,152	2,423,152	0
<i>State Sources:</i>				
Unrestricted Grants-in-Aid	284,800,936	284,800,936	320,497,947	35,697,011
Restricted Grants-in-Aid	3,468,823	3,468,823	3,468,823	0
<i>Federal Sources:</i>				
Unrestricted Grants-in-Aid	5,222,994	5,222,994	5,222,994	0
Total Revenues	535,928,299	527,695,290	551,827,263	24,131,973
Expenditures:				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	232,816,252	221,617,201	215,158,351	6,458,850
Special	95,807,973	91,831,562	89,931,605	1,899,957
Vocational	16,800,011	17,182,159	16,593,594	588,565
Adult/Continuing	3,044,897	3,295,152	3,153,427	141,725
Other	2,525,896	3,328,948	3,328,284	664
<i>Support Services:</i>				
Pupils	27,412,718	29,276,529	29,066,084	210,445
Instructional Staff	32,649,591	39,701,414	37,141,504	2,559,910
Board of Education	339,435	366,013	365,945	68
Administration	51,380,307	51,353,738	49,797,024	1,556,714
Fiscal	14,752,979	13,299,385	11,907,329	1,392,056
Business	1,210,783	1,275,550	1,229,865	45,685
Operation and Maintenance of	71,416,869	69,881,304	63,587,627	6,293,677
Pupil Transportation	37,998,997	41,108,087	39,928,534	1,179,553
Central	21,726,503	21,688,157	20,984,178	703,979
Operation of Non-Instructional	1,753,541	3,492,369	3,482,449	9,920
Extracurricular Activities	6,498,874	7,355,371	7,268,205	87,166
Capital Outlay	6,284,510	5,452,559	5,216,678	235,881
<i>Debt Service:</i>				
Principal Retirement	14,903,215	15,936,671	15,936,671	0
Interest and Fiscal Charges	8,029,490	5,796,270	5,723,510	72,760
Total Expenditures	647,352,841	643,238,439	619,800,864	23,437,575
Excess of Revenues Over (Under)	(111,424,542)	(115,543,149)	(67,973,601)	47,569,548
Other Financing Sources (Uses):				
Advances In	2,796,000	2,796,000	3,163,394	367,394
Advances Out	(1,500,000)	(3,057,000)	(2,822,000)	235,000
Operating Transfers In	741,457	741,457	741,457	0
Operating Transfers Out	(1,500,000)	(4,057,402)	(4,026,374)	31,028
Total Other Financing Sources (Uses)	537,457	(3,576,945)	(2,943,523)	633,422
Net Change in Fund Balances	(110,887,085)	(119,120,094)	(70,917,124)	48,202,970
Fund Balances Beginning of Year	147,543,147	147,543,147	147,543,147	0
Prior Year Encumbrances Appropriated	51,175,045	51,175,045	51,175,045	0
Fund Balances at End of Year	\$ 87,831,107	\$ 79,598,098	\$127,801,068	\$ 48,202,970

See accompanying notes to the basic financial statements

Cleveland Municipal School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2002

	Governmental Activities - Internal Service Fund
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,686,697</u>
Total Current Assets	<u>3,686,697</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	60,996
Claims Payable	<u>2,575,067</u>
Total Current Liabilities	<u>2,636,063</u>
Net Assets:	
Unrestricted	<u>1,050,634</u>
Total Net Assets:	<u><u>\$1,050,634</u></u>

See accompanying notes to the basic financial statements

Cleveland Municipal School District
*Statement of Revenues,
 Expenses and Changes in Fund Net Assets
 Proprietary Fund
 For the Fiscal Year Ended June 30, 2002*

	Governmental Activities - Internal Service Fund
<hr style="border-top: 3px double #000;"/>	
Operating Revenues:	
Charges for Services	<u>\$1,225,000</u>
Total Operating Revenues	<u>1,225,000</u>
Operating Expenses:	
Claims and Claim Adjustment Expenses	<u>931,933</u>
Total Operating Expenses	<u>931,933</u>
Operating Income	<u>293,067</u>
Change in Net Assets	293,067
Net Assets Beginning of Year	<u>757,567</u>
Net Assets End of Year	<u><u>\$1,050,634</u></u>

See accompanying notes to the basic financial statements

Cleveland Municipal School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2002

	Governmental Activities - Internal Service Fund
<i>Increase (Decrease) In Cash and Cash Equivalents:</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Quasi-External Transactions with Other Funds	\$1,225,000
Cash Payments for Claims and Claim Adjustment Expenses	(994,512)
<i>Net Cash Provided by Operating Activities</i>	230,488
Net Increase in Cash and Cash Equivalents	230,488
Cash and Cash Equivalents at Beginning of Year	3,456,209
<i>Cash and Cash Equivalents at End of Year</i>	\$3,686,697
<i>Reconciliation of Income to Net</i>	
<i>Cash Provided by Operating Activities:</i>	
Operating Income	\$ 293,067
<i>Adjustments to Reconcile Operating Income to Net</i>	
<i>Cash Provided by Operating Activities</i>	
Increase in Accounts Payable	51,878
(Decrease) in Claims Payable	(114,457)
<i>Total Adjustments</i>	(62,579)
<i>Net Cash Provided by Operating Activities</i>	\$ 230,488

See accompanying notes to the basic financial statements

Cleveland Municipal School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2002

Assets

Equity in Pooled Cash and Cash Equivalents \$2,185,910

Total Assets \$2,185,910

Liabilities

Due to Students \$ 720,815

Payroll Withholdings 1,465,095

Total Liabilities \$2,185,910

See accompanying notes to the basic financial statements

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 1 - Description of The School District And Reporting Entity

A. School District and Board of Education

The Board of Education of the Cleveland Municipal School District (the "Board") is a political and corporate body charged with the responsibility of managing and controlling the affairs of the School District, and is governed by the general laws of the State of Ohio (the "Ohio Revised Code"). The Board is comprised of nine members who were appointed by the Mayor of the City of Cleveland and whose terms run until June 30, 2003.

The appointment of a new nine member School Board on September 9, 1998 marked another dramatic change in the governance structure of the School District. Between March 3, 1995 and September 9, 1998, the Federal District Court (the "Court") overseeing the School District's desegregation case issued an order (the March 3rd Order) transferring all authority for the operation of the School District from the old seven member elected School Board to the State Superintendent of Public Instruction. At that time, the State was ordered to institute structural, managerial and operational reforms to enable the School District to achieve financial stability and to successfully implement the terms of the desegregation orders. With this order, the old elected Board ceased to be the governing body for the School District. On September 9, 1998, the Court vacated the March 3rd Order, thereby ending three and one-half years of State Control of the School District. This release triggered the immediate implementation of the provisions of Ohio Substitute House Bill No. 269 (H.B. No. 269) which called for the transfer of the supervision and control of the School District to a new nine-member Board of Education appointed by the Mayor of the City of Cleveland. The legislation also provided for Mayoral appointment powers with respect to the Chief Executive Officer (formerly known as Superintendent) position for the School District. On November 5, 2002, the voters of Cleveland elected to maintain the current governance structure, which gives the Mayor the authority to continue appointing board members and the Chief Executive Officer.

B. Fiscal Emergency/Watch

In October 1996, the School District was declared to be in a state of "Fiscal Emergency" by the Auditor of State. New legislation effective September 1996, permitted this declaration due to the School District's declining financial condition. In accordance with the new law, a seven-member Financial Planning and Supervision Commission were established to oversee all financial affairs of the School District. The Commission's primary charge is to develop, adopt, and implement a five-year financial recovery plan (Plan). The Commission accordingly adopted the School District's Plan in March 1997. The Commission was comprised of the State Superintendent of Public Instruction, the School District Superintendent, the Mayor of the City of Cleveland, State Director of Budget and Management, an appointee of the Superintendent of Public Instruction, an appointee of the governor and an appointee of the mayor.

On September 9, 1999, the Auditor of State released the District from "fiscal emergency" and upgraded its financial status to "fiscal watch". The related certification excerpt read as follows:

Pursuant to a request to the Auditor of State by the Cleveland Municipal School District Financial Planning and Supervision Commission, the Auditor of State has determined that the Cleveland Municipal School District no longer meets the fiscal emergency conditions set forth in Section 3316.03 (B), Revised Code, and the Cleveland Municipal School District has met the requirements of Section 3316.16, Revised Code, for termination of the Cleveland Municipal School District Financial Planning and Supervision Commission. Therefore, the existence of the Cleveland Municipal School District Financial Planning and Supervision Commission and its role in the operation of the Cleveland Municipal School District is terminated as of September 9, 1999.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Section 3316.03, Revised Code, requires the Cleveland Municipal School District to remain in a state of fiscal watch for the duration of the repayment period of any restructured loan issued while in a state of fiscal emergency. The debt, authorized under Section 3316.06, Revised Code, will mature on June 1, 2007.

C. Financial Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Cleveland Municipal School District, this includes general operations; food service and student related activities of the School District.

Within the School District boundaries, there are also various non-public schools. Current State legislation provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the Chief Financial Officer of the School District, as directed by the non-public school. The activity of these State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The Cleveland Public Library and the City of Cleveland have been defined as related organizations and the Ohio Schools Council as a jointly governed organization. These organizations are discussed further in Note 16 and Note 21 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The internal service activities are eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements - During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. The fiduciary fund is reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories of governmental, proprietary, and fiduciary.

Governmental Funds - Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds - Proprietary funds focus on the determination of the changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Funds - Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The only internal service fund of the School District is used to account for and finance its uninsured risks of loss and associated expenses attributable to deductibles and self-insured retention limits for general liability and property damage claim settlements and judgments.

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by a district under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support a district's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds.

C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: advance on property taxes, investment income, tuition, grants, and student fees.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenditures/Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are also reported as donated commodities revenue.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the function level within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Chief Financial Officer/Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

The School District utilizes a fiscal agent to hold monies set-aside for debt service payments. Monies are placed with a fiscal agent to ensure adequate payment of debt when it comes due. The balances in these accounts are presented on the financial statements as "Cash and Cash Equivalents with Fiscal Agents" and "Investments with Fiscal Agents".

During fiscal year 2002, investments were limited to STAR Ohio, repurchase agreements, treasury notes and bills, federal agency securities, commercial paper, Armada Government Money Market, Victory Federal Money Market Fund and Treasury Money Market Fund.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption, donated food, purchased food, and school supplies held for resale. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

I. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve and a bus purchase reserve. The reserve for budget stabilization is no longer required by State statute. It has been maintained at the discretion of the School District. The bus purchase reserve can only be spent for qualifying bus purchase expenditures. The bus purchase reserve was originally established in fiscal year 1999 from State Foundation receipts set aside for bus purchases. Receipts are received annually from the State Foundation for this purpose. A fund balance reserve for both types of restricted assets has also been established. See Note 20 for further discussion.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

of capital assets is also not capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	25 years
Buildings and Improvements	25 - 50 years
Vehicles and Equipment	7 - 15 years

Estimated lives for buildings and improvements of schools that will be demolished under the current capital facility plan have been adjusted so they are fully depreciated by the anticipated year of demolition.

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on actuarial calculations prepared by an outside actuarial firm.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "accrued wages and benefits" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, capital lease obligations, and EPA asbestos abatement loans that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Designations, if any, represent tentative plans for future use of financial resources. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, prepaid items, property taxes, budget stabilization, and future bus purchases in accordance with Ohio Revised Code requirements. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary fund received no contributions of capital during the current fiscal year.

R. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

S. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2002.

Note 3 – Changes in Accounting Principles and Restatement of Fund Balance

A. Changes in Accounting Principles

For fiscal year 2002, the School District has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”; GASB No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues”, GASB No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB No. 38, “Certain Financial Statement Note Disclosures”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements”. At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 36, 37, and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2001, caused by the conversion to GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability of compensated absences that had not matured during fiscal year 2001.

B. Restatement of Fund Balance

The restatements for GASB Statement No. 34, and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported.

The transition from governmental fund balance to net assets of the governmental activities is also presented.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

	General	Debt Service	Nonmajor	Total
Fund Balances, June 30, 2001				
As Originally Presented	\$ 56,077,349	\$ 21,447,853	\$ 37,066,838	\$ 114,592,040
GASB 34 Adjustments and Restatements:				
Change in Fund Structure	0	0	6,454,241	6,454,241
Interpretation 6:				
Compensated Absences Payable	838,724	0	177,966	1,016,690
Restated Fund Balance, June 30, 2001	\$ 56,916,073	\$ 21,447,853	\$ 43,699,045	122,062,971
GASB 34 Adjustments:				
Capital Assets				162,875,984
Internal Service Fund				757,567
Accrued Interest Payable				(687,741)
Long-Term Liabilities				(184,187,508)
Long-Term (Deferred) Assets				62,875,292
Governmental Activities Net Assets, June 30, 2001				\$ 163,696,565

Note 4 - Accountability and Compliance

The following funds had deficit fund balances at June 30, 2002:

	Deficit Fund Balances
Special Revenue Funds:	
Adult Basic Education	\$ 998,404
Job Training Partnership Act (JTPA)	151,140
Title VI-B Special Education	12,224
Title I	1,470,846
Miscellaneous Federal Grants	1,418,670

The deficit fund balances resulted from timing differences of liabilities incurred and cash reimbursement received from grantor agencies. The General Fund is liable for any deficits in these funds.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a cash (budgetary) basis of receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Basis) and Actual, presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund as June 30, 2002.

Net Change in Fund Balance	
GAAP Basis	\$ (8,942,813)
Net Adjustment for Revenue Accruals	(22,618,467)
Advances In	3,163,394
Net Adjustment for Expenditure Accruals	13,340,641
Principal Retirement	(13,380,000)
Advances Out	(2,822,000)
Adjustment for Encumbrances	<u>(39,657,879)</u>
Budget Basis	<u>\$ (70,917,124)</u>

Note 6 - Deposits and Investments

State statutes classify monies held by the School District into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) and/or Securities Investor Protection Corporation (SIPC), by eligible securities pledged by the financial institution as security for repayment or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Under Ohio statutes, interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Chief Financial Officer/Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

A. Deposits

At fiscal year end, the carrying amount of the School District's deposits was \$38,521,604 and the bank balance was \$52,966,139. Of the bank balance, \$300,000 was covered by federal depository insurance and \$52,666,139 was uninsured but collateralized with securities held by a pledging financial institution or by its trust department or agent although not in the School District's name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

B. Investments

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the School District's name. The School District invests in open-end money market mutual funds, which are not considered securities for purposes of credit risk categorization. The School District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Fair/Carrying Value
Repurchase Agreements	\$ 1,506,000	\$ 1,506,000
U.S. Agency Obligations	12,719,604	12,719,604
Money Market Mutual Funds		83,435,076
Investment in STAR Ohio		149,536,870
Total	\$ 14,225,604	\$ 247,197,550

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and cash equivalents, and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and <u>Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$ 272,999,549	\$ 12,719,604
Investments:		
STAR Ohio	(149,536,870)	149,536,870
Repurchase Agreement	(1,506,000)	1,506,000
Money Market Mutual Funds	(83,435,076)	83,435,076
GASB Statement 3	<u>\$ 38,521,603</u>	<u>\$ 247,197,550</u>

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are generally received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) is for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2002 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002

The assessed values upon which the fiscal year 2002 taxes were collected are (in thousands):

	2001 Second Half Collections		2002 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 4,656,974	76.35%	\$ 4,689,983	77.63%
Public Utility	453,054	7.43%	370,677	6.14%
Tangible Personal Property	989,442	16.22%	980,692	16.23%
Total	\$ 6,099,470	100.00%	\$ 6,041,352	100.00%

Tax rate per \$1,000 of assessed valuation	\$60.60	\$64.80
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Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30 and are intended to finance the fiscal year in which they are paid. This year, the expected June 2002 tangible personal property tax settlement was not received until July 2002.

The School District receives property taxes from Cuyahoga County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year fiscal year operations. This year, the June 2002 tangible personal property tax settlement was not received until July 2002. The late settlement and the amount available as an advance are recognized as revenue.

The amount available as an advance at June 30, 2002 was \$37,401,411. \$30,216,480 was available to the general fund, \$6,640,716 to the debt service fund and \$544,215 to a special revenue fund.

Cleveland Municipal School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 8 - Receivables

Receivables at June 30, 2002, consisted of taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

General Fund:	
City of Cleveland	\$ 14,446
Miscellaneous	41,933
Various School Districts	<u>116,345</u>
Total General Fund	<u>172,724</u>
Special Revenue Funds:	
Educational Special Trust	53,689
Other State	644,560
Food Service	2,411,085
Adult Basic Education	1,224,415
Job Training Partnership Act (JTPA)	846,503
Title VI-B Special Education	599,690
Title I	2,774,022
Miscellaneous Federal Grants	2,737,452
Other Federal	<u>111,849</u>
Total Special Revenue Funds	<u>11,403,265</u>
Capital Projects Funds:	
School Facility Grant	<u>817,250</u>
Total Intergovernmental Receivables	<u>\$ 12,393,239</u>

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	Balance 6/30/01	Additions	Deductions	Balance 6/30/02
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 27,902,257	\$ 0	\$ 0	\$ 27,902,257
Construction in Progress	7,186,487	21,557,468	(1,884,169)	26,859,786
<i>Total Capital Assets, not being depreciated</i>	<i>35,088,744</i>	<i>21,557,468</i>	<i>(1,884,169)</i>	<i>54,762,043</i>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,465,359	62,044	0	2,527,403
Buildings and Improvements	310,580,184	5,289,269	0	315,869,453
Vehicles and Equipment	35,082,022	5,672,318	(325,146)	40,429,194
<i>Total Capital Assets, being depreciated</i>	<i>348,127,565</i>	<i>11,023,631</i>	<i>(325,146)</i>	<i>358,826,050</i>
Less Accumulated Depreciation:				
Land Improvements	(915,425)	(102,968)	0	(1,018,393)
Buildings and Improvements	(202,979,686)	(8,205,687)	0	(211,185,373)
Vehicles and Equipment	(16,445,214)	(2,761,611)	314,935	(18,891,890)
Total Accumulated Depreciation	(220,340,325)	(11,070,266) *	314,935	(231,095,656)
Total Capital Assets being depreciated, net	127,787,240	(46,635)	(10,211)	127,730,394
Governmental Activities Capital Assets, Net	\$ 162,875,984	\$ 21,510,833	\$ (1,894,380)	\$ 182,492,437

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 7,949,910
Special	61,999
Support Services:	
Administration	1,274,924
Pupil Transportation	1,713,875
Operation of Non-Instructional Services	69,558
Total Depreciation Expense	\$ 11,070,266

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002

Construction in progress is composed of the following at June 30, 2002:

	Project Authorization	Expended to June 30, 2002	Committed
Regular Instruction	\$ 34,827,897	\$ 18,495,875	\$ 16,332,022
Special Instruction	7,922,250	0	7,922,250
Supportive Service - Administration	20,283,405	8,363,911	11,919,494
Total	\$ 63,033,552	\$ 26,859,786	\$ 36,173,766

Note 10 - Risk Management

The School District is exposed to various risks of loss including but not limited to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District insures through commercial insurance companies for the following:

Coverage	Liability Limits	Deductible
School Leaders Errors and Omissions	\$ 1,000,000	\$ 250,000
Employed Attorneys Professional Liability	1,000,000	25,000
Treasurer's Bond	1,000,000	N/A
Commercial Crime Insurance	1,000,000	25,000
School Nurses Professional Liability	2,000,000	500
Property (Physical Damage) Insurance	75,000,000	500,000

Coverage	Liability Limits	Self-Insured Retention
Excess General Liability and Automobile Liability (Combined)	\$ 5,000,000	\$ 1,000,000

Settled claims have not exceeded this commercial coverage in any of the past five years, and there has been no significant reduction in insurance coverage from last year.

Because of the prohibitive cost of commercial insurance, the School District in 1987, established a self-insurance fund (an internal service fund) to account for and finance its uninsured risks of loss (insurance deductibles and/or self-insured retentions) and associated expenses attributing to liability and property damage claim settlements and judgments. Estimates of claims liabilities, based on historical cost information, for incurred claims (including incurred but not reported claims) as calculated by the School District's Risk Management Division for all outstanding unsettled claims total \$2,575,067 as of June 30, 2002, and are recorded in the self insurance internal service fund.

The School District participates in the Ohio Bureau of Workers' Compensation (BWC) Retrospective Rating Plan. Under the retrospective rating plan, the School District assumes a portion of the risk in return for a reduction in current premiums. Estimates of claims liabilities based on actuarial methods, for incurred claims as calculated by the BWC for the cumulative retrospective rating period January 1, 1993, through June 30, 2002, total \$0 (the School District paid the estimated claims liabilities in June 2002) and the estimate for incurred but not reported

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002

(IBNR) claims totals \$13,217,343.

The self insurance fund is funded from the General Fund, while the workers' compensation claims are charged to the same fund as the respective employee's salaries are charged, utilizing a historical percentage allocation method.

The claims liability of \$15,792,410 at June 30, 2002, is based on the requirements of GASB No. 10 which requires a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not materially affected by incremental claim adjustment expenses. Changes in the fund's claim liability amount for the past two fiscal years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2001	\$ 23,280,212	\$ 2,680,692	\$ 15,271,742	\$ 10,689,162
2002	\$ 10,689,162	\$ 7,393,065	\$ 2,289,817	\$ 15,792,410

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS (including contributions collected from employees) for the fiscal years ended June 30, 2002, 2001, and 2000 were \$16,594,698, \$14,551,223 and \$14,019,207, respectively. 63.72% has been contributed for fiscal year 2002, 100% for fiscal year 2001 and 2000. \$3,992,895 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002

publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions (including contributions collected from employees) for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$67,591,335, \$62,031,322 and \$47,211,703, respectively. 89.54% has been contributed for fiscal year 2002, and 100% for fiscal years 2001 and 2000. \$7,069,491 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System.

Note 12 - Post Employment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$16,178,777 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve Fund (Fund). The balance in the Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

Cleveland Municipal School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent over the prior fiscal year. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The minimum reserve for health care benefits equals 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available) were \$161,439,934. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million, which is \$73.5 million above the minimum reserve amount. SERS has approximately 58,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge equaled \$10,452,996 during the 2002 fiscal year.

Note 13 – Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to thirty days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. School District employees earn sick leave, which, if not taken, accumulates until retirement. Upon retirement, the Cleveland Teachers' Union (CTU) contract provides for payments of accumulated sick leave up to 40 percent or \$40,000 (whichever is lower) for fiscal years 2000 through 2003. Remaining employees receive payment for up to 30 percent (varying by bargaining group) of accumulated sick leave up to varying maximums of as much as \$30,000.

B. Insurance

The School District provides life insurance to most employees through Medical Life Insurance in the amount of \$10,000 for each employee. The School District also provides medical/surgical and dental benefits primarily through Medical Mutual of Ohio, QualChoice Health Plan, Inc. and Kaiser Permanente to all eligible employees.

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002

Note 14 - Long Term Obligations

Changes in long-term obligations of the School District during fiscal year 2002 were as follows:

	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/02	Due Within One Year
Government Activities:					
General Obligation Bonds and Notes:					
1992 Library Improvement Bonds	\$ 64,745,000	\$ 0	\$ 4,125,000	\$ 60,620,000	\$ 4,345,000
1992 School Improvement Refunding Bonds	9,155,000	0	4,930,000	4,225,000	4,225,000
1992 School Improvement Capital Appreciation Bonds	24,605,723	1,457,757	0	26,063,480	920,107
1994 Energy Conservation Improvement Bonds	5,520,000	0	1,455,000	4,065,000	1,545,000
2001 QZAB - Arts Academy	5,750,000	0	0	5,750,000	0
2001 QZAB - Technology Academy	5,500,000	0	0	5,500,000	0
2001 QZAB - Literacy Academy	10,000,000	0	0	10,000,000	0
2001 School Facility Bond Anticipation Notes	0	35,000,000	0	35,000,000	35,000,000
EPA Asbestos Abatement Notes	402,713	0	68,215	334,498	68,214
2002 H.B. 264 Energy Conservation Notes	0	11,500,000	0	11,500,000	548,160
Total General Obligation Bonds and Notes	125,678,436	47,957,757	10,578,215	163,057,978	46,651,481
Other Long-Term Obligations					
Compensated Absences	39,576,071	52,009,667	39,576,071	52,009,667	7,483,559
Workers's Compensation Claims	7,952,463	6,622,764	1,357,884	13,217,343	799,516
2001 Capital Lease Obligation	4,819,078	0	416,562	4,402,516	442,231
2002 Capital Lease Obligation	0	5,062,000	616,894	4,445,106	408,232
Total Governmental Activities	\$ 178,026,048	\$ 111,652,188	\$ 52,545,626	\$ 237,132,610	\$ 55,785,019

On November 7, 2001, the Cleveland Municipal School District issued \$35,000,000 of General Obligation School Facility Bond Anticipation Notes, bearing interest at the rate of 3.00% per annum. The proceeds will be used for the purpose of renovating, rehabilitating, constructing, furnishing, equipping and otherwise improving school facilities and acquiring and improving their sites. This represents the first drawdown of the \$335 million approved by voters on May 8, 2001 (Issue 14). This debt is due on November 6, 2002 and was refinanced with long-term bonds on October 1, 2002. This debt will be retired from the Debt Service Fund.

On July 12, 2001, the Cleveland Municipal School District entered into a 15-year installment payment agreement with Citicorp North America, Incorporated for \$11,500,000, bearing interest at the rate of 5.20% per annum. The proceeds will be used for the purpose of renovating and otherwise improving environmental controls at school facilities. This agreement was made in accordance with Ohio H.B. 264 and is therefore exempt from the debt limit set by Ohio bond statute. This debt will be retired from the General Fund.

Qualified Zone Academy Bonds-Literacy Academy - On June 7, 2001, the School District issued \$10,000,000 of non-interest-bearing bonds in order to remodel Central Middle School, Franklin D. Roosevelt Middle School, Harry

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002

E. Davis Middle School, and Martin Luther King, Jr. Middle School. The bonds were issued for a fourteen-year period with final maturity at June 6, 2015. The bonds will be retired from the debt service fund.

Qualified Zone Academy Bonds-Arts Academy - On April 3, 2001, the School District issued \$5,750,000 of bonds yielding 0.87 percent in order to remodel the Cleveland School of the Arts and Newton D. Baker Elementary School. The bonds were issued for a fourteen-year period with final maturity at April 2, 2015. The bonds will be retired from the debt service fund.

Qualified Zone Academy Bonds-Technology Academy - On April 3, 2001, the School District issued \$5,500,000 of bonds yielding 0.87 percent in order to remodel the Collinwood School. The bonds were issued for a fourteen-year period with final maturity at April 2, 2015. The bonds will be retired from the debt service fund.

Energy Conservation Bonds - On September 15, 1994, the School District issued \$12,535,000 of bonds yielding 6.53 percent, in order to remodel approximately fifteen school buildings so as to conserve energy. The bonds were issued for a ten-year period with final maturity at September 15, 2004. The bonds will be retired from the general fund.

Library Improvement Bonds - On August 12, 1992, the School District issued \$90,000,000 in voted general obligation bonds for the purpose of improving the Cleveland Public Library. The library bond issuance consists of \$43,895,000 of current interest serial bonds, which have yields ranging from 2.90 percent to 5.7 percent, and \$46,105,000 of term bonds with a yield of 5.875 percent. The bonds were issued for a twenty-year period with final maturity at December 1, 2004 for the interest serial bonds and December 1, 2011 for the term bonds. The bonds will be retired from the debt service fund.

School Improvement Refunding Bonds - On August 12, 1992, the School District issued \$80,554,320 in voted general obligation bonds for the purpose of advance refunding the outstanding balance of the school improvement bonds of \$70,290,000. The school improvement refunding issuance consists of \$65,895,000 of current interest serial bonds, which have yield rates ranging from 2.55 to 5.40 percent, and \$14,659,320 of capital appreciation (zero coupon) serial bonds, which have yield rates ranging from 5.70 to 6.15 percent. The refunding bonds replaced bonds, which had interest rates ranging from 5.125 to 9.0 percent. The bond was issued for an eighteen-year period with final maturity at December 1, 2002 for the current interest bonds and December 1, 2008 for the capital appreciation bonds. Because of the deep discount associated with the issuance of capital appreciation bonds (otherwise known as zero-coupon bonds), the School District records an annual accretion of discount interest. The bonds will be retired from the debt service fund. As of June 30, 2002, the remaining balance of \$8,430,000 of the defeased refunded school improvement bonds were paid off.

EPA Asbestos Abatement Notes - The School District has received various non-interest-bearing loans from the Environmental Protection Agency (EPA) for use in asbestos removal projects throughout the School District, under the authority of Ohio Revised Code section 3317.22. The loans were issued for twenty-year periods, with final maturity during fiscal year 2010. The loans will be retired from the general fund.

Workers' compensation claims is charged to the same fund from which the respective employees' salaries are paid. Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002

The School District's overall legal debt margin was \$449,597,404 with an unvoted debt margin of \$6,041,353 at June 30, 2002.

The school district is subject to federal arbitrage regulations.

Principal and interest requirements to retire general obligation debt, including EPA notes and H.B. 264 Energy Conservation Notes, outstanding at June 30, 2002, are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2003	\$ 46,651,481	\$ 5,719,742	\$ 52,371,223
2004	12,106,522	4,368,753	16,475,275
2005	11,330,760	4,218,643	15,549,403
2006	10,515,192	4,113,921	14,629,113
2007	10,577,585	4,000,077	14,577,662
2008 - 2012	46,107,871	10,775,315	56,883,186
2013 - 2017	<u>25,768,567</u>	<u>901,124</u>	<u>26,669,691</u>
	<u>\$ 163,057,978</u>	<u>\$ 34,097,575</u>	<u>\$ 197,155,553</u>

In fiscal year 2002, the School District entered into an agreement to lease 102 buses, which have a carrying value of \$5,062,000. This agreement is, in substance, a lease purchase (capital lease) and is classified as a long-term lease obligation in the financial statements.

In fiscal year 2001, the School District entered into an agreement to lease 100 buses, which have a carrying value of \$5,369,629. This agreement is, in substance, a lease purchase (capital lease) and is classified as a long-term lease obligation in the financial statements.

The following is a schedule of future lease payments and the present value of net minimum lease payments at June 30, 2002:

	Amount
2003	\$ 1,319,747
2004	1,319,747
2005	1,319,747
2006	1,319,747
2007	1,319,747
2008-2011	<u>4,576,135</u>
Total minimum lease payments	11,174,870
Less:	
Amount representing interest	<u>2,327,248</u>
Present value of net minimum lease payments	<u>\$ 8,847,622</u>

Cleveland Municipal School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 15 - Notes Payable

The School District's note activity, including amounts outstanding, interest rates and the purpose for which the note was issued is as follows:

	Balance 6/30/01	Issued	Retired	Balance 6/30/02
General Fund:				
1997 4.60%-6.00%				
Revenue Anticipation Notes	\$ 91,595,000	\$ 0	\$ 13,380,000	\$ 78,215,000

The revenue anticipation note series are collateralized by anticipated general fund taxes and State Foundation revenues, which have been appropriated by the School District for the payment of such notes.

Principal and interest requirements to retire notes outstanding at June 30, 2002 are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2003	\$ 14,050,000	\$ 4,320,525	\$ 18,370,525
2004	14,725,000	3,646,125	18,371,125
2005	15,605,000	2,762,625	18,367,625
2006	16,465,000	1,904,350	18,369,350
2007	17,370,000	998,775	18,368,775
	\$ 78,215,000	\$ 13,632,400	\$ 91,847,400

Note 16 - Related Organizations

Cleveland Public Library - The Cleveland Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. A Board of Trustees appointed by the Cleveland Municipal School District Board of Education governs the Library.

The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and issues all tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Cleveland Public Library, Joan Tompkins, Business Director, at 325 Superior Avenue, NE, Cleveland, Ohio 44114.

City of Cleveland - In November 1998, the Mayor of the City of Cleveland was given appointment authority for the Cleveland Municipal School District. As approved by the State legislature, the Ohio Revised Code provided for the Mayor to appoint a Chief Executive Officer who was to be approved by the Board of Education. Mrs. Barbara Byrd-Bennett was appointed to the position of Chief Executive Officer by the Mayor on November 16, 1998 and was approved by the Board of Education. The Board of Education is comprised of nine members who were

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2002

appointed by the Mayor from a pool of candidates presented to the Mayor by an independent nominating panel. The City of Cleveland accountability for the School District does not extend beyond appointment authority and therefore the School District is considered to be a related organization rather than a component unit of the City of Cleveland. A copy of the City of Cleveland's comprehensive annual financial report can be obtained from the Finance Director of the City of Cleveland at 601 Lakeside Avenue, Cleveland, Ohio 44114.

Note 17 - Interfund Transactions

Interfund transfers on the fund statements at June 30, 2002 consist of the following:

Transfers from General Fund to Other Governmental Funds	\$ 3,078,530
Transfers from General Fund to Debt Service Fund	947,844
Transfers from Debt Service Fund to General Fund	<u>741,457</u>
Total Transfers	<u>\$ 4,767,831</u>

The purpose of the transfer from the General Fund to the Other Governmental Funds was to match the Ohio School Facilities Commission with funds for major renovations and repairs and to fund the JFK athletic field renovation.

The purpose of the transfer from the General Fund to the Debt Service Fund is to fund the future debt payment on the Qualified Zone Academy Bonds, which are due in 2015.

The purpose of the transfer from the Debt Service Fund to the General Fund was to transfer the funds in excess of the Debt Service reserve requirement, associated with the 1992 School and Library Improvement Bonds.

Interfund balances at June 30, 2002, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 5,972,000	\$ 0
Special Revenue Funds:		
Adult Basic Education	0	710,177
JTPA	0	369,823
Vocational Education	0	125,000
Title I	0	1,550,000
Other Federal	<u>0</u>	<u>67,000</u>
Total Special Revenue Funds	<u>0</u>	<u>2,822,000</u>
Debt Service	<u>0</u>	<u>3,150,000</u>
Total All Funds	<u>\$ 5,972,000</u>	<u>\$ 5,972,000</u>

Interfund receivables and payables are due to the timing of the receipt of grant monies received by the various funds. The payable in the bond retirement is related to debt payments, to be repaid with tax revenues.

Cleveland Municipal School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 18 - State School Funding Decision

On March 24, 1997 the Ohio Supreme Court (“Supreme Court”) rendered a decision declaring certain portions of the Ohio school funding plan (including the State’s Foundation Program) unconstitutional (DeRolph I decision). Since this Supreme Court ruling, the Ohio General Assembly has passed numerous pieces of legislation in an attempt to address the issues identified by the Supreme Court. However, on May 11, 2000 the Supreme Court rendered an opinion stating that the legislation adopted was not sufficiently responsive to the constitutional issues and decided to maintain jurisdiction until at least June 15, 2001 (DeRolph II decision). On June 6, 2001, the Governor of Ohio approved H.B. 94, which contained new State school funding provisions.

On September 6, 2001, the Ohio Supreme Court issued a decision that identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution is not specified.
- Fully funding parity aid no later than the beginning of the fiscal year 2004, rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school-funding plan is unconstitutional but vacated its September 6, 2001 funding provision requirements.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General assembly to enact a school-funding scheme that is thorough and efficient...”.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Cleveland Municipal School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Note 19 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and condition specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

The School District is party to various legal proceedings. The School District is of the opinion that ultimate disposition of all such claims will not have a material effect, if any, on the financial condition of the School District.

Note 20 - Set Asides

The School District is required by State statute to annually set aside, in the general fund, an amount based upon statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District may still establish a budget reserve, if it so chooses; however, the requirement is no longer mandatory. The School District is also required to set aside money for any unspent portions of a bus purchase subsidy received annually from the State.

The following cash basis information describes the change in fiscal year-end set-aside amounts for textbooks, capital acquisitions, budget stabilization, and bus purchases. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Reserve</u>	<u>Total</u>
Set-Aside Balance Carried Forward at July 1, 2001	\$ (9,774,796)	\$ 0	\$ 6,602,317	
Current Year Set-Aside Requirement	9,557,542	9,557,542	0	
Qualifying Expenditures	<u>(9,430,988)</u>	<u>(28,053,417)</u>	<u>0</u>	
Total	<u>\$ (9,648,242)</u>	<u>\$ (18,495,875)</u>	<u>\$ 6,602,317</u>	
Cash Balance Carried Forward to Fiscal Year 2002-2003				\$ 6,602,317
Amount Restricted for Bus Purchases				<u>1,275,908</u>
Total Restricted Assets				<u>\$ 7,878,225</u>

Cleveland Municipal School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

Although the School District had qualifying disbursements during the year that reduced the set-aside amounts to below zero for both textbooks and capital improvements, the extra amount for capital improvements may not be used to reduce the set-aside requirements of future years. However, the extra amount for textbooks may be used to reduce future set-aside requirements.

Note 21 - Jointly Governed Organizations

The Ohio Schools Council (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year.

The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

Note 22 – Subsequent Events

On October 1, 2002, the Cleveland Municipal School District issued \$124,920,000 of Various Purpose Improvement and Refunding Bonds, bearing interest at the rate of 1.45% - 5.00% per annum. \$57,515,000 of the proceeds together with other available money will be used to currently refund all of the District's outstanding General Obligation Unlimited Tax Library Improvement Bonds, Series 1992A. \$27,405,000 of the proceeds together with other available money will be used to currently refund the District's outstanding School Improvement Notes, Series 2001. \$40,000,000 will be used to pay costs of renovating, rehabilitating, constructing, furnishing, equipping and otherwise improving school facilities and acquiring and improving their sites. This debt will be retired from the debt service fund.

On November 5, 2002, the voters of Cleveland elected to maintain the current governance structure, which gives the Mayor the authority to continue appointing board members and the Chief Executive Officer.

Cleveland Municipal School District

Combining Statements - Nonmajor Funds

Nonmajor Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specific purposes. Following is a description of the nonmajor special revenue funds:

Local Funds

Educational Special Trust - This fund accounts for monies received for the Educational Special Trust Fund.

Other Local Funds - This fund accounts for all activity in other local funds including Consumer Services Rotary, Public School Support, Child Care Center, School Improvement Models, Classroom Facilities Maintenance and District Managed Student Activity.

State Funds

Auxiliary Services (NPSS) Fund - This fund accounts for funds which provide services and materials to pupils attending non-public schools within the School District.

Disadvantaged Pupil Impact Aid Fund - This fund accounts for monies received for disadvantaged pupil impact aid.

Other State Funds - This fund accounts for all activity in other state funds including Consumer Education Projects, Career Development, Post-Secondary Vocational Education, Teacher Development, Excellence in Education, Early Childhood Education, Career Enhancement, Management Information Systems, Public School Preschool, Entry Year Programs, Data Communications for School Buildings, School Net Professional Development, Interactive Video Distance Learning, Ohio Reads, Summer Intervention, Alternate Schools and Miscellaneous State Grants.

Federal Funds

Food Service - This fund is used to record financial transactions related to food service operation.

Adult Basic Education Fund - This fund accounts for State and Federal monies used to provide financial support to programs in reading, writing and math competency for adults that do not have a high school diploma.

Job Training Partnership Act (JTPA) Fund - This fund accounts for monies used for planning and conducting programs that provide for the training and upgrading of unemployed persons; reimbursement to boards of education and private schools for developing approved projects and the expansion of State direction and supervision of manpower programs.

Title VI-B, Special Education Fund - This fund accounts for federal monies used to assist schools in the identification of handicapped children, development of procedural safeguards, implementation of least restricted alternative service patterns, and provision of full educational opportunities to handicapped children at the preschool, elementary, and secondary levels.

Combining Statements - Nonmajor Funds (continued)

Vocational Education Fund - This fund accounts for revenues used in the development of vocational education programs in the following categories: secondary, post-secondary, adult, disadvantaged and handicapped persons, exemplary programs, cooperative education, construction of educational schools, ancillary services, research, advisory committees and work-study projects, including sex equity grants.

Title I Fund - This fund accounts for federal monies used to assist the School District in meeting the special needs of educationally deprived children.

Miscellaneous Federal Grant Fund - This fund accounts for various monies received through state agencies from the Federal Government or directly from the Federal government which are not required to be in a separate fund.

Other Federal Funds - This fund accounts for all activity in other federal funds including NDEA Title II, Bilingual Education Program, Scientific Personnel Improvement, Transition for Refugee Children, Title VI, Emergency Immigrant Education Assistance Grant, Drug Free School Grant, EHA Preschool Grants for the Handicapped and Goals 2000.

Nonmajor Capital Projects Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Following is a description of the nonmajor capital projects funds:

Building Renovation Fund - This fund accounts for the receipts and expenditures related to the Qualified Zone Academy Bonds.

Classroom Facilities - A fund provided to account for monies received and expended in connection with contracts entered into by the school district for the building of classroom facilities.

School Net Plus Fund - This fund accounts for State monies to be used to provide wiring to all classrooms that supports the transmission of voice, video and data, and to provide a computer workstation and related technology for every classroom.

Ohio School Net Telecommunications Fund - This fund accounts for State monies to be used for telecommunication equipment.

School Facility Grant Fund - This fund accounts for State monies received for school facility improvements.

Agency Funds

District Agency Fund - This fund accounts for those assets held by the School District as an agent for individual, private organizations, other governmental units and/or other funds. It primarily contains payroll withholdings not yet remitted to the respective agency.

Student Managed Activity - This fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program.

Cleveland Municipal School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2002

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$19,238,056	\$61,283,843	\$80,521,899
Receivables:			
Taxes	2,830,663	0	2,830,663
Accounts	220,425	0	220,425
Intergovernmental	11,403,265	817,250	12,220,515
Materials and Supplies Inventory	612,387	0	612,387
Total Assets	\$34,304,796	\$62,101,093	\$96,405,889
Liabilities			
Accounts Payable	\$ 2,135,894	\$ 496,933	\$ 2,632,827
Accrued Wages and Benefits	8,995,175	22,860	9,018,035
Interfund Payable	2,822,000	0	2,822,000
Intergovernmental Payable	1,281,083	3,200	1,284,283
Deferred Revenue	7,509,378	817,250	8,326,628
Total Liabilities	22,743,530	1,340,243	24,083,773
Fund Balance:			
Reserved for Encumbrances	7,244,722	13,524,882	20,769,604
Reserved for Property Taxes	544,215	0	544,215
Special Revenue Funds	3,772,329	0	3,772,329
Capital Projects Funds	0	47,235,968	47,235,968
Total Fund Balances	11,561,266	60,760,850	72,322,116
Total Liabilities and Fund Balances	\$34,304,796	\$62,101,093	\$96,405,889

Cleveland Municipal School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2002

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 1,771,026	\$ 0	\$ 1,771,026
Investment Income	356,758	386,574	743,332
Tuition and Fees	124,118	0	124,118
Extracurricular Activities	474,299	0	474,299
Miscellaneous	10,615,996	0	10,615,996
<i>State Sources:</i>			
Restricted Grants-in-Aid	82,461,634	2,615,800	85,077,434
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	95,141,262	0	95,141,262
Total Revenues	190,945,093	3,002,374	193,947,467
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	64,630,120	2,710,791	67,340,911
Special	38,641,656	0	38,641,656
Vocational	1,139,997	0	1,139,997
Adult/Continuing	2,456,219	0	2,456,219
<i>Support Services:</i>			
Pupils	3,001,082	0	3,001,082
Instructional Staff	27,872,882	2,174,041	30,046,923
Administration	4,499,096	0	4,499,096
Fiscal	1,064,740	0	1,064,740
Business	1,000	0	1,000
Operation and Maintenance of Plant	1,924,644	21,639,023	23,563,667
Pupil Transportation	156,136	0	156,136
Central	1,607,649	0	1,607,649
Operation of Non-Instructional Services	39,856,605	0	39,856,605
Extracurricular Activities	894,642	0	894,642
Capital Outlay	0	632,603	632,603
Total Expenditures	187,746,468	27,156,458	214,902,926
Excess of Revenues Over (Under) Expenditures	3,198,625	(24,154,084)	(20,955,459)
Other Financing Sources (Uses):			
Proceeds from Sale of Bonds	0	46,500,000	46,500,000
Operating Transfers In	88,973	2,989,557	3,078,530
Total Other Financing Sources (Uses)	88,973	49,489,557	49,578,530
Net Change in Fund Balances	3,287,598	25,335,473	28,623,071
Fund Balances Beginning of Year	8,273,668	35,425,377	43,699,045
Fund Balances at End of Year	\$11,561,266	\$60,760,850	\$72,322,116

Cleveland Municipal School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2002

	Educational Special Trust	Other Local	Auxiliary Services (NPSS)
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,536,021	\$2,138,890	\$1,973,537
Receivables:			
Taxes	0	2,830,663	0
Accounts	195,491	0	0
Intergovernmental	53,689	0	0
Materials and Supplies Inventory	0	0	0
Total Assets	\$3,785,201	\$4,969,553	\$1,973,537
Liabilities			
Accounts Payable	\$ 84,031	\$ 11,858	\$ 201,558
Accrued Wages and Benefits	156,984	35,356	318,181
Interfund Payable	0	0	0
Intergovernmental Payable	21,978	4,950	44,545
Deferred Revenue	0	2,245,571	0
Total Liabilities	262,993	2,297,735	564,284
Fund Balance:			
Reserved for Encumbrances	469,797	3,003	540,528
Reserved for Property Taxes	0	544,215	0
Unreserved, (Deficit), Reported in: Special Revenue Funds	3,052,411	2,124,600	868,725
Total Fund Balances	3,522,208	2,671,818	1,409,253
Total Liabilities and Fund Balances	\$3,785,201	\$4,969,553	\$1,973,537

DPIA	Other State	Food Service	Adult Basic Education	Job Training Partnership Act (JTPA)
\$ 0	\$3,833,457	\$3,049,930	\$ 50,707	\$ 103,819
0	0	0	0	0
0	0	24,934	0	0
0	644,560	2,411,085	1,224,415	846,503
0	0	612,387	0	0
<u>\$ 0</u>	<u>\$4,478,017</u>	<u>\$6,098,336</u>	<u>\$1,275,122</u>	<u>\$ 950,322</u>
\$ 0	\$ 320,880	\$ 553,578	\$ 6,534	\$ 50,759
0	186,810	1,672,233	291,579	75,596
0	0	0	710,177	369,823
0	26,152	234,113	40,821	10,583
0	233,704	336,188	1,224,415	594,701
<u>0</u>	<u>767,546</u>	<u>2,796,112</u>	<u>2,273,526</u>	<u>1,101,462</u>
0	735,590	2,529,154	34,940	44,847
0	0	0	0	0
0	2,974,881	773,070	(1,033,344)	(195,987)
0	3,710,471	3,302,224	(998,404)	(151,140)
<u>\$ 0</u>	<u>\$4,478,017</u>	<u>\$6,098,336</u>	<u>\$1,275,122</u>	<u>\$ 950,322</u>

(continued)

Cleveland Municipal School District
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2002

	Title VI-B Special Education	Vocational Education	Title I
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 493,175	\$1,102,983	\$1,223,461
Receivables:			
Taxes	0	0	0
Accounts	0	0	0
Intergovernmental	599,690	0	2,774,022
Materials and Supplies Inventory	0	0	0
Total Assets	\$1,092,865	\$1,102,983	\$3,997,483
Liabilities			
Accounts Payable	\$ 71,032	\$ 177,748	\$ 222,417
Accrued Wages and Benefits	841,278	201,504	3,242,028
Interfund Payable	0	125,000	1,550,000
Intergovernmental Payable	117,779	49,971	453,884
Deferred Revenue	75,000	0	0
Total Liabilities	1,105,089	554,223	5,468,329
Fund Balance:			
Reserved for Encumbrances	121,864	925,189	1,020,709
Reserved for Property Taxes	0	0	0
Unreserved, (Deficit), Reported in: Special Revenue Funds	(134,088)	(376,429)	(2,491,555)
Total Fund Balances	(12,224)	548,760	(1,470,846)
Total Liabilities and Fund Balances	\$1,092,865	\$1,102,983	\$3,997,483

Miscellaneous Federal Grants	Other Federal	Total Nonmajor Special Revenue Funds
\$ 830,331	\$ 901,745	\$19,238,056
0	0	2,830,663
0	0	220,425
2,737,452	111,849	11,403,265
0	0	612,387
<u>\$3,567,783</u>	<u>\$1,013,594</u>	<u>\$34,304,796</u>
\$ 169,766	\$ 265,733	\$ 2,135,894
1,863,389	110,237	8,995,175
0	67,000	2,822,000
260,874	15,433	1,281,083
<u>2,692,424</u>	<u>107,375</u>	<u>7,509,378</u>
<u>4,986,453</u>	<u>565,778</u>	<u>22,743,530</u>
732,112	86,989	7,244,722
0	0	544,215
<u>(2,150,782)</u>	<u>360,827</u>	<u>3,772,329</u>
<u>(1,418,670)</u>	<u>447,816</u>	<u>11,561,266</u>
<u>\$3,567,783</u>	<u>\$1,013,594</u>	<u>\$34,304,796</u>

Cleveland Municipal School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Fiscal Year Ended June 30, 2002

	Educational Special Trust	Other Local	Auxiliary Services (NPSS)
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 0	\$1,771,026	\$ 0
Investment Income	169,221	36,826	84,278
Tuition and Fees	54,026	51,785	0
Extracurricular Activities	17,638	456,661	0
Miscellaneous	8,829,264	15,353	0
<i>State Sources:</i>			
Restricted Grants-in-Aid	0	25,000	8,762,931
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	0	0	0
Total Revenues	9,070,149	2,356,651	8,847,209
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	7,669	0	0
Special	0	0	0
Vocational	39,882	0	0
Adult/Continuing	0	0	0
<i>Support Services:</i>			
Pupils	561,234	47,774	0
Instructional Staff	3,884,952	637,898	0
Administration	429,837	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	155,987	0	0
Pupil Transportation	7,013	0	0
Central	455,621	0	0
Operation of Non-Instructional Services	0	0	7,451,673
Extracurricular Activities	7,981	886,661	0
Total Expenditures	5,550,176	1,572,333	7,451,673
Excess of Revenues Over (Under) Expenditures	3,519,973	784,318	1,395,536
Other Financing Sources (Uses):			
Operating Transfers In	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Net Change in Fund Balances	3,519,973	784,318	1,395,536
Fund Balances Beginning of Year	2,235	1,887,500	13,717
Fund Balances at End of Year	\$3,522,208	\$2,671,818	\$1,409,253

<u>DPIA</u>	<u>Other State</u>	<u>Food Service</u>	<u>Adult Basic Education</u>	<u>Job Training Partnership Act (JTPA)</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	66,433	0	0
0	18,307	0	0	0
0	0	0	0	0
0	20,410	1,745,614	0	0
63,460,881	8,727,838	1,484,984	0	0
0	0	23,683,361	1,547,788	2,899,665
<u>63,460,881</u>	<u>8,766,555</u>	<u>26,980,392</u>	<u>1,547,788</u>	<u>2,899,665</u>
63,460,881	1,014,861	0	0	21,539
0	0	0	0	412,571
0	38,560	0	0	0
0	0	0	2,097,178	0
0	1,082,859	0	0	0
0	2,306,633	0	361,623	188,325
0	284,122	0	89,222	2,424,680
0	100	0	0	0
0	1,000	0	0	0
0	196,087	553,578	0	3,690
0	25,824	0	0	0
0	131,391	0	0	0
0	775	29,452,011	0	0
0	0	0	0	0
<u>63,460,881</u>	<u>5,082,212</u>	<u>30,005,589</u>	<u>2,548,023</u>	<u>3,050,805</u>
0	3,684,343	(3,025,197)	(1,000,235)	(151,140)
0	20,616	0	0	0
0	20,616	0	0	0
0	3,704,959	(3,025,197)	(1,000,235)	(151,140)
0	5,512	6,327,421	1,831	0
<u>\$ 0</u>	<u>\$3,710,471</u>	<u>\$3,302,224</u>	<u>\$ (998,404)</u>	<u>\$ (151,140)</u>

(continued)

Cleveland Municipal School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds (continued)

For the Fiscal Year Ended June 30, 2002

	Title VI-B Special Education	Vocational Education	Title I
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 0	\$ 0	\$ 0
Investment Income	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	0	0	0
<i>State Sources:</i>			
Restricted Grants-in-Aid	0	0	0
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	8,631,067	3,437,554	31,946,821
Total Revenues	8,631,067	3,437,554	31,946,821
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	0	0	0
Special	2,449,534	0	22,700,468
Vocational	0	896,072	0
Adult/Continuing	0	42,651	0
<i>Support Services:</i>			
Pupils	517,894	426,161	0
Instructional Staff	4,614,579	749,106	5,720,567
Administration	481,036	24,208	686,484
Fiscal	238,389	5,000	502,837
Business	0	0	0
Operation and Maintenance of Plant	3,500	0	913,089
Pupil Transportation	910	0	102,012
Central	0	748,394	271,898
Operation of Non-Instructional Services	351,441	0	2,525,098
Extracurricular Activities	0	0	0
Total Expenditures	8,657,283	2,891,592	33,422,453
Excess of Revenues Over (Under) Expenditures	(26,216)	545,962	(1,475,632)
Other Financing Sources (Uses):			
Operating Transfers In	0	2,000	0
Total Other Financing Sources (Uses)	0	2,000	0
Net Change in Fund Balances	(26,216)	547,962	(1,475,632)
Fund Balances Beginning of Year	13,992	798	4,786
Fund Balances at End of Year	\$ (12,224)	\$ 548,760	\$ (1,470,846)

Miscellaneous Federal Grants	Other Federal	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 1,771,026
0	0	356,758
0	0	124,118
0	0	474,299
0	5,355	10,615,996
0	0	82,461,634
<u>19,527,023</u>	<u>3,467,983</u>	<u>95,141,262</u>
<u>19,527,023</u>	<u>3,473,338</u>	<u>190,945,093</u>
124,097	1,073	64,630,120
12,627,906	451,177	38,641,656
165,483	0	1,139,997
69,028	247,362	2,456,219
333,194	31,966	3,001,082
7,326,803	2,082,396	27,872,882
79,507	0	4,499,096
265,153	53,261	1,064,740
0	0	1,000
20,374	78,339	1,924,644
1,830	18,547	156,136
345	0	1,607,649
2,041	73,566	39,856,605
0	0	894,642
<u>21,015,761</u>	<u>3,037,687</u>	<u>187,746,468</u>
<u>(1,488,738)</u>	<u>435,651</u>	<u>3,198,625</u>
<u>66,357</u>	<u>0</u>	<u>88,973</u>
<u>66,357</u>	<u>0</u>	<u>88,973</u>
(1,422,381)	435,651	3,287,598
<u>3,711</u>	<u>12,165</u>	<u>8,273,668</u>
<u>\$ (1,418,670)</u>	<u>\$ 447,816</u>	<u>\$11,561,266</u>

Cleveland Municipal School District
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2002

	Building Renovation	Classroom Facilities	School Net Plus
Assets			
Equity in Pooled Cash and Cash Equivalents	\$20,580,316	\$35,320,990	\$ 2,438,938
Receivables:			
Intergovernmental	0	0	0
Total Assets	\$20,580,316	\$35,320,990	\$ 2,438,938
Liabilities			
Accounts Payable	\$ 216,232	\$ 28,879	\$ 0
Accrued Wages and Benefits	0	0	22,860
Intergovernmental Payable	0	0	3,200
Deferred Revenue	0	0	0
Total Liabilities	216,232	28,879	26,060
Fund Balance:			
Reserved for Encumbrances	3,744,486	8,429,681	0
Unreserved, (Deficit), Reported in:			
Capital Projects Funds	16,619,598	26,862,430	2,412,878
Total Fund Balances	20,364,084	35,292,111	2,412,878
Total Liabilities and Fund Balances	\$20,580,316	\$35,320,990	\$ 2,438,938

Ohio School Net Telecommunications	School Facility Grant	Total Nonmajor Capital Projects Funds
\$ 172,360	\$ 2,771,239	\$ 61,283,843
<u>0</u>	<u>817,250</u>	<u>817,250</u>
<u>\$ 172,360</u>	<u>\$ 3,588,489</u>	<u>\$ 62,101,093</u>
\$ 0	\$ 251,822	\$ 496,933
0	0	22,860
0	0	3,200
<u>0</u>	<u>817,250</u>	<u>817,250</u>
<u>0</u>	<u>1,069,072</u>	<u>1,340,243</u>
71,995	1,278,720	13,524,882
<u>100,365</u>	<u>1,240,697</u>	<u>47,235,968</u>
<u>172,360</u>	<u>2,519,417</u>	<u>60,760,850</u>
<u>\$ 172,360</u>	<u>\$ 3,588,489</u>	<u>\$ 62,101,093</u>

Cleveland Municipal School District

*Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2002*

	<u>Building Renovation</u>	<u>Classroom Facilities</u>	<u>School Net Plus</u>
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 0	\$ 386,574	\$ 0
<i>State Sources:</i>			
Restricted Grants-in-Aid	0	0	2,615,800
Total Revenues	<u>0</u>	<u>386,574</u>	<u>2,615,800</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	0	0	2,710,791
<i>Support Services:</i>			
Instructional Staff	0	0	2,173,541
Operation and Maintenance of Plant	10,836,458	0	0
Capital Outlay	538,140	94,463	0
Total Expenditures	<u>11,374,598</u>	<u>94,463</u>	<u>4,884,332</u>
Excess of Revenues Over (Under) Expenditures	<u>(11,374,598)</u>	<u>292,111</u>	<u>(2,268,532)</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Bonds	11,500,000	35,000,000	0
Operating Transfers In	847,586	0	0
Total Other Financing Sources (Uses)	<u>12,347,586</u>	<u>35,000,000</u>	<u>0</u>
Net Change in Fund Balances	972,988	35,292,111	(2,268,532)
Fund Balances Beginning of Year	<u>19,391,096</u>	<u>0</u>	<u>4,681,410</u>
Fund Balances at End of Year	<u><u>\$20,364,084</u></u>	<u><u>\$35,292,111</u></u>	<u><u>\$ 2,412,878</u></u>

Ohio School Net Telecommunications	School Facility Grant	Total Nonmajor Capital Projects Funds
\$ 0	\$ 0	\$ 386,574
<u>0</u>	<u>0</u>	<u>2,615,800</u>
<u>0</u>	<u>0</u>	<u>3,002,374</u>
0	0	2,710,791
500	0	2,174,041
102,604	10,699,961	21,639,023
<u>0</u>	<u>0</u>	<u>632,603</u>
<u>103,104</u>	<u>10,699,961</u>	<u>27,156,458</u>
<u>(103,104)</u>	<u>(10,699,961)</u>	<u>(24,154,084)</u>
0	0	46,500,000
<u>0</u>	<u>2,141,971</u>	<u>2,989,557</u>
<u>0</u>	<u>2,141,971</u>	<u>49,489,557</u>
(103,104)	(8,557,990)	25,335,473
<u>275,464</u>	<u>11,077,407</u>	<u>35,425,377</u>
<u>\$ 172,360</u>	<u>\$ 2,519,417</u>	<u>\$ 60,760,850</u>

Cleveland Municipal School District
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2002

	Beginning Balance July 1, 2001	Additions	Deductions	Ending Balance June 30, 2002
District Agency Fund				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,175,145	\$ 0	\$1,710,050	\$1,465,095
Liabilities:				
Payroll Withholdings	\$3,175,145	\$ 0	\$1,710,050	\$1,465,095
Student Managed Activity				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 609,696	\$ 111,119	\$ 0	\$ 720,815
Liabilities:				
Due to Students	\$ 609,696	\$ 111,119	\$ 0	\$ 720,815
All Agency Funds				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,784,841	\$ 111,119	\$1,710,050	\$2,185,910
Liabilities:				
Due To Students	\$ 609,696	\$ 111,119	\$ 0	\$ 720,815
Payroll Withholdings	3,175,145	0	1,710,050	1,465,095
Total Liabilities	\$3,784,841	\$ 111,119	\$1,710,050	\$2,185,910

CLEVELAND MUNICIPAL SCHOOL DISTRICT

**Individual Fund Schedules of Revenues, Expenditures
and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual**

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Debt Service Fund
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Taxes	\$23,023,557	\$21,760,805	\$(1,262,752)
Investment Income	266,661	248,370	(18,291)
Total Revenues	<u>23,290,218</u>	<u>22,009,175</u>	<u>(1,281,043)</u>
Expenditures:			
<i>Current:</i>			
<i> Support Services:</i>			
Fiscal	122,514	122,514	0
<i>Debt Service:</i>			
Principal Retirement	9,055,000	9,055,000	0
Interest and Fiscal Charges	4,905,874	4,882,538	23,336
Total Expenditures	<u>14,083,388</u>	<u>14,060,052</u>	<u>23,336</u>
Excess of Revenues Over (Under) Expenditures	9,206,830	7,949,123	(1,257,707)
Other Financing Sources (Uses):			
Other Financing Sources	285,495	285,495	0
Operating Transfers In	947,844	947,844	0
Operating Transfers Out	(741,457)	(741,457)	0
Total Other Financing Sources (Uses)	<u>491,882</u>	<u>491,882</u>	<u>0</u>
Net Change in Fund Balances	9,698,712	8,441,005	(1,257,707)
Fund Balances Beginning of Year	<u>23,358,138</u>	<u>23,358,138</u>	<u>0</u>
Fund Balances at End of Year	<u>\$33,056,850</u>	<u>\$31,799,143</u>	<u>\$(1,257,707)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Educational Special Trust Fund
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 169,221	\$ 169,221	\$ 0
Tuition and Fees	76,114	76,114	0
Extracurricular Activities	15,344	15,344	0
Miscellaneous	7,489,321	6,620,434	(868,887)
Total Revenues	7,750,000	6,881,113	(868,887)
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	21,310	8,082	13,228
Vocational	258,637	47,372	211,265
<i>Support Services:</i>			
Pupils	1,003,645	651,110	352,535
Instructional Staff	5,749,568	4,401,025	1,348,543
Administration	522,364	412,377	109,987
Fiscal	1,590	0	1,590
Business	5,000	0	5,000
Operation and Maintenance of Plant	412,795	211,323	201,472
Pupil Transportation	14,898	7,213	7,685
Central	870,789	473,292	397,497
Extracurricular Activities	32,367	7,981	24,386
Total Expenditures	8,892,963	6,219,775	2,673,188
Excess of Revenues Over (Under) Expenditures	(1,142,963)	661,338	1,804,301
Fund Balances Beginning of Year	1,439,260	1,439,260	0
<i>Prior Year Encumbrances Appropriated</i>	920,794	920,794	0
Fund Balances at End of Year	\$ 1,217,091	\$ 3,021,392	\$ 1,804,301

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Other Local Funds
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 1,275,997	\$ 1,185,934	\$ (90,063)
Investment Income	36,826	36,826	0
Tuition and Fees	51,785	51,785	0
Extracurricular Activities	743,174	555,530	(187,644)
Miscellaneous	123,215	0	(123,215)
<i>State Sources:</i>			
Restricted Grants-in-Aid	50,000	25,000	(25,000)
Total Revenues	<u>2,280,997</u>	<u>1,855,075</u>	<u>(425,922)</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Pupils	47,774	47,774	0
Instructional Staff	658,769	656,383	2,386
Central	675	0	675
Extracurricular Activities	1,830,698	882,971	947,727
Total Expenditures	<u>2,537,916</u>	<u>1,587,128</u>	<u>950,788</u>
Excess of Revenues Over (Under) Expenditures	(256,919)	267,947	524,866
Fund Balances Beginning of Year	1,719,474	1,719,474	0
<i>Prior Year Encumbrances Appropriated</i>	<u>147,751</u>	<u>147,751</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 1,610,306</u>	<u>\$ 2,135,172</u>	<u>\$ 524,866</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Auxiliary Services Fund
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 84,278	\$ 84,278	\$ 0
<i>State Sources:</i>			
Restricted Grants-in-Aid	8,515,722	6,877,303	(1,638,419)
Total Revenues	<u>8,600,000</u>	<u>6,961,581</u>	<u>(1,638,419)</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Operation and Maintenance of Plant	3,800	0	3,800
Operation of Non-Instructional Services	8,618,004	8,085,416	532,588
Total Expenditures	<u>8,621,804</u>	<u>8,085,416</u>	<u>536,388</u>
Excess of Revenues Over (Under) Expenditures	(21,804)	(1,123,835)	(1,102,031)
Fund Balances Beginning of Year	685,803	685,803	0
<i>Prior Year Encumbrances Appropriated</i>	<u>1,668,763</u>	<u>1,668,763</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 2,332,762</u>	<u>\$ 1,230,731</u>	<u>\$ (1,102,031)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
DPIA Fund
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$63,500,000	\$63,460,881	\$ (39,119)
Total Revenues	<u>63,500,000</u>	<u>63,460,881</u>	<u>(39,119)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	63,460,881	63,460,881	0
Total Expenditures	<u>63,460,881</u>	<u>63,460,881</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	39,119	0	(39,119)
Fund Balances Beginning of Year	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 39,119</u>	<u>\$ 0</u>	<u>\$ (39,119)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Other State Funds
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Tuition and Fees	\$ 18,307	\$ 18,307	\$ 0
<i>State Sources:</i>			
Restricted Grants-in-Aid	7,566,080	4,947,189	(2,618,891)
Total Revenues	<u>7,584,387</u>	<u>4,965,496</u>	<u>(2,618,891)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	1,347,992	1,228,199	119,793
Special	1,490	1,490	0
Vocational	44,991	44,991	0
<i>Support Services:</i>			
Pupils	1,355,912	1,137,059	218,853
Instructional Staff	4,880,192	2,899,636	1,980,556
Administration	294,301	281,229	13,072
Fiscal	100	100	0
Business	1,000	1,000	0
Operation and Maintenance of Plant	729,301	222,453	506,848
Pupil Transportation	9,307	9,307	0
Central	887,984	101,643	786,341
Operation of Non-Instructional Services	11,432	775	10,657
Total Expenditures	<u>9,564,002</u>	<u>5,927,882</u>	<u>3,636,120</u>
Excess of Revenues Over (Under) Expenditures	(1,979,615)	(962,386)	1,017,229
Other Financing Sources (Uses):			
Advances Out	(26,000)	(26,000)	0
Operating Transfers In	20,616	20,616	0
Total Other Financing Sources (Uses)	<u>(5,384)</u>	<u>(5,384)</u>	<u>0</u>
Net Change in Fund Balances	(1,984,999)	(967,770)	1,017,229
Fund Balances Beginning of Year	2,607,407	2,607,407	0
Prior Year Encumbrances Appropriated	1,154,002	1,154,002	0
Fund Balances at End of Year	<u>\$ 1,776,410</u>	<u>\$ 2,793,639</u>	<u>\$ 1,017,229</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Food Service Fund
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 66,433	\$ 66,433	\$ 0
Miscellaneous	1,780,047	1,780,047	0
<i>State Sources:</i>			
Restricted Grants-in-Aid	1,484,984	1,484,984	0
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	24,668,536	22,126,176	(2,542,360)
Total Revenues	<u>28,000,000</u>	<u>25,457,640</u>	<u>(2,542,360)</u>
Expenditures:			
<i>Current:</i>			
Operation of Non-Instructional Services	30,151,068	30,149,549	1,519
Total Expenditures	<u>30,151,068</u>	<u>30,149,549</u>	<u>1,519</u>
Excess of Revenues Over (Under) Expenditures	(2,151,068)	(4,691,909)	(2,540,841)
Fund Balances Beginning of Year	2,211,274	2,211,274	0
<i>Prior Year Encumbrances Appropriated</i>	2,482,154	2,482,154	0
Fund Balances at End of Year	<u>\$ 2,542,360</u>	<u>\$ 1,519</u>	<u>\$ (2,540,841)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Adult Basic Education Fund
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 3,344,823	\$ 2,664,039	\$ (680,784)
Total Revenues	<u>3,344,823</u>	<u>2,664,039</u>	<u>(680,784)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Adult/Continuing	2,709,826	2,183,103	526,723
<i>Support Services:</i>			
Instructional Staff	366,181	366,181	0
Administration	90,379	90,379	0
Pupil Transportation	30,000	1,441	28,559
Total Expenditures	<u>3,196,386</u>	<u>2,641,104</u>	<u>555,282</u>
Excess of Revenues Over (Under) Expenditures	148,437	22,935	(125,502)
Other Financing Sources (Uses):			
Advances In	710,177	710,177	0
Advances Out	(855,000)	(855,000)	0
Total Other Financing Sources (Uses)	<u>(144,823)</u>	<u>(144,823)</u>	<u>0</u>
Net Change in Fund Balances	3,614	(121,888)	(125,502)
Fund Balances Beginning of Year	489	489	0
<i>Prior Year Encumbrances Appropriated</i>	<u>134,688</u>	<u>134,688</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 138,791</u>	<u>\$ 13,289</u>	<u>\$ (125,502)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Job Training Partnership Act (JTPA) Fund
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 3,390,177	\$ 3,042,985	\$ (347,192)
Total Revenues	<u>3,390,177</u>	<u>3,042,985</u>	<u>(347,192)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	92,765	90,073	2,692
Special	507,000	326,600	180,400
<i>Support Services:</i>			
Instructional Staff	196,525	188,460	8,065
Administration	2,532,886	2,481,466	51,420
Operation and Maintenance of Plant	6,989	3,721	3,268
Total Expenditures	<u>3,336,165</u>	<u>3,090,320</u>	<u>245,845</u>
Excess of Revenues Over (Under) Expenditures	54,012	(47,335)	(101,347)
Other Financing Sources (Uses):			
Advances In	369,823	369,823	0
Advances Out	(424,000)	(424,000)	0
Total Other Financing Sources (Uses)	<u>(54,177)</u>	<u>(54,177)</u>	<u>0</u>
Net Change in Fund Balances	(165)	(101,512)	(101,347)
Fund Balances Beginning of Year	2,823	2,823	0
Prior Year Encumbrances Appropriated	<u>107,152</u>	<u>107,152</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 109,810</u>	<u>\$ 8,463</u>	<u>\$ (101,347)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Title VI-B Fund
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$10,000,000	\$ 7,920,473	\$ (2,079,527)
Total Revenues	<u>10,000,000</u>	<u>7,920,473</u>	<u>(2,079,527)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Special	2,754,244	2,454,942	299,302
<i>Support Services:</i>			
Pupils	834,262	613,626	220,636
Instructional Staff	5,387,449	4,576,253	811,196
Administration	708,967	500,216	208,751
Fiscal	239,884	238,389	1,495
Operation and Maintenance of Plant	6,000	3,500	2,500
Pupil Transportation	1,300	910	390
Operation of Non-Instructional Services	1,033,860	422,812	611,048
Total Expenditures	<u>10,965,966</u>	<u>8,810,648</u>	<u>2,155,318</u>
Excess of Revenues Over (Under) Expenditures	(965,966)	(890,175)	75,791
Fund Balances Beginning of Year	970,051	970,051	0
<i>Prior Year Encumbrances Appropriated</i>	<u>273,265</u>	<u>273,265</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 277,350</u>	<u>\$ 353,141</u>	<u>\$ 75,791</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Vocational Education Fund
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 5,763,000	\$ 4,285,187	\$ (1,477,813)
Total Revenues	<u>5,763,000</u>	<u>4,285,187</u>	<u>(1,477,813)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Vocational	1,406,835	1,322,481	84,354
Adult/Continuing	46,071	46,071	0
<i>Support Services:</i>			
Pupils	945,090	924,224	20,866
Instructional Staff	839,697	775,158	64,539
Administration	71,972	25,847	46,125
Fiscal	94,065	5,000	89,065
Pupil Transportation	6,231	3,799	2,432
Central	916,190	905,491	10,699
Total Expenditures	<u>4,326,151</u>	<u>4,008,071</u>	<u>318,080</u>
Excess of Revenues Over (Under) Expenditures	1,436,849	277,116	(1,159,733)
Other Financing Sources (Uses):			
Advances In	125,000	125,000	0
Advances Out	(1,559,394)	(1,559,394)	0
Operating Transfers In	2,000	2,000	0
Total Other Financing Sources (Uses)	<u>(1,432,394)</u>	<u>(1,432,394)</u>	<u>0</u>
Net Change in Fund Balances	4,455	(1,155,278)	(1,159,733)
Fund Balances Beginning of Year	6	6	0
Prior Year Encumbrances Appropriated	<u>1,155,317</u>	<u>1,155,317</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 1,159,778</u>	<u>\$ 45</u>	<u>\$ (1,159,733)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Title I Fund
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$33,450,000	\$22,242,583	\$ (11,207,417)
Total Revenues	<u>33,450,000</u>	<u>22,242,583</u>	<u>(11,207,417)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Special	26,130,086	23,550,475	2,579,611
<i>Support Services:</i>			
Instructional Staff	6,656,779	5,820,348	836,431
Administration	1,418,864	700,831	718,033
Fiscal	1,223,830	502,862	720,968
Operation and Maintenance of Plant	1,348,230	1,230,785	117,445
Pupil Transportation	138,700	112,192	26,508
Central	577,136	277,779	299,357
Operation of Non-Instructional Services	2,753,478	2,741,411	12,067
Capital Outlay	8,332	5,800	2,532
Total Expenditures	<u>40,255,435</u>	<u>34,942,483</u>	<u>5,312,952</u>
Excess of Revenues Over (Under) Expenditure:	(6,805,435)	(12,699,900)	(5,894,465)
Other Financing Sources (Uses):			
Advances In	1,550,000	1,550,000	0
Total Other Financing Sources (Uses)	<u>1,550,000</u>	<u>1,550,000</u>	<u>0</u>
Net Change in Fund Balances	(5,255,435)	(11,149,900)	(5,894,465)
Fund Balances Beginning of Year	9,358,656	9,358,656	0
Prior Year Encumbrances Appropriated	1,793,085	1,793,085	0
Fund Balances at End of Year	<u>\$ 5,896,306</u>	<u>\$ 1,841</u>	<u>\$ (5,894,465)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Miscellaneous Federal Grants Fund
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$25,968,643	\$19,691,032	\$ (6,277,611)
Total Revenues	<u>25,968,643</u>	<u>19,691,032</u>	<u>(6,277,611)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	154,116	153,632	484
Special	11,750,351	11,733,110	17,241
Vocational	406,475	404,933	1,542
Adult/Continuing	84,682	76,732	7,950
<i>Support Services:</i>			
Pupils	623,455	330,869	292,586
Instructional Staff	12,874,938	8,054,580	4,820,358
Administration	84,033	79,214	4,819
Fiscal	328,519	265,153	63,366
Business	225	225	0
Operation and Maintenance of Plant	218,205	21,066	197,139
Pupil Transportation	1,935	1,830	105
Central	45,327	345	44,982
Operation of Non-Instructional Services	7,299	2,273	5,026
Total Expenditures	<u>26,579,560</u>	<u>21,123,962</u>	<u>5,455,598</u>
Excess of Revenues Over (Under) Expenditures	(610,917)	(1,432,930)	(822,013)
Other Financing Sources (Uses):			
Operating Transfers In	66,357	66,357	0
Total Other Financing Sources (Uses)	<u>66,357</u>	<u>66,357</u>	<u>0</u>
Net Change in Fund Balances	(544,560)	(1,366,573)	(822,013)
Fund Balances Beginning of Year	545,009	545,009	0
Prior Year Encumbrances Appropriated	841,296	841,296	0
Fund Balances at End of Year	<u>\$ 841,745</u>	<u>\$ 19,732</u>	<u>\$ (822,013)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Other Federal Funds
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Miscellaneous	\$ 5,355	\$ 5,355	\$ 0
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	5,299,645	3,244,177	(2,055,468)
Total Revenues	<u>5,305,000</u>	<u>3,249,532</u>	<u>(2,055,468)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	11,268	1,508	9,760
Special	491,495	469,055	22,440
Adult/Continuing	305,802	244,987	60,815
<i>Support Services:</i>			
Pupils	86,665	33,619	53,046
Instructional Staff	3,800,456	2,166,335	1,634,121
Fiscal	113,218	53,261	59,957
Operation and Maintenance of Plant	258,495	104,340	154,155
Pupil Transportation	21,850	18,547	3,303
Central	21,320	4,595	16,725
Operation of Non-Instructional Services	138,158	99,665	38,493
Total Expenditures	<u>5,248,727</u>	<u>3,195,912</u>	<u>2,052,815</u>
Excess of Revenues Over (Under) Expenditures	56,273	53,620	(2,653)
Other Financing Sources (Uses):			
Advances In	67,000	67,000	0
Advances Out	(299,000)	(299,000)	0
Total Other Financing Sources (Uses)	<u>(232,000)</u>	<u>(232,000)</u>	<u>0</u>
Net Change in Fund Balances	(175,727)	(178,380)	(2,653)
Fund Balances Beginning of Year	422,501	422,501	0
Prior Year Encumbrances Appropriated	530,365	530,365	0
Fund Balances at End of Year	<u>\$ 777,139</u>	<u>\$ 774,486</u>	<u>\$ (2,653)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Building Renovation Fund
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Current:			
<i>Support Services:</i>			
Operation and Maintenance of Plant	30,736,362	14,595,757	16,140,605
Capital Outlay	1,072,586	1,072,586	0
Total Expenditures	<u>31,808,948</u>	<u>15,668,343</u>	<u>16,140,605</u>
Excess of Revenues Over (Under) Expenditures	(31,808,948)	(15,668,343)	16,140,605
Other Financing Sources (Uses):			
Proceeds From Sale of Bonds	15,152,414	11,500,000	(3,652,414)
Operating Transfers In	847,586	847,586	0
Total Other Financing Sources (Uses)	<u>16,000,000</u>	<u>12,347,586</u>	<u>(3,652,414)</u>
Net Change in Fund Balances	(15,808,948)	(3,320,757)	12,488,191
Fund Balances Beginning of Year	16,320,527	16,320,527	0
<i>Prior Year Encumbrances Appropriated</i>	<u>3,619,828</u>	<u>3,619,828</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$ 4,131,407</u></u>	<u><u>\$16,619,598</u></u>	<u><u>\$12,488,191</u></u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Classroom Facilities Fund
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 50,000	\$ 386,574	\$ 336,574
Total Revenues	<u>50,000</u>	<u>386,574</u>	<u>336,574</u>
Expenditures:			
Capital Outlay	14,725,293	8,524,144	6,201,149
Total Expenditures	<u>14,725,293</u>	<u>8,524,144</u>	<u>6,201,149</u>
Excess of Revenues Over (Under) Expenditures	(14,675,293)	(8,137,570)	6,537,723
Other Financing Sources (Uses):			
Proceeds From Sale of Bond Anticipation Notes	35,000,000	35,000,000	0
Total Other Financing Sources (Uses)	<u>35,000,000</u>	<u>35,000,000</u>	<u>0</u>
Net Change in Fund Balances	20,324,707	26,862,430	6,537,723
Fund Balances Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$20,324,707</u></u>	<u><u>\$26,862,430</u></u>	<u><u>\$ 6,537,723</u></u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
School Net Plus Fund
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 3,165,000	\$ 2,615,800	\$ (549,200)
Total Revenues	<u>3,165,000</u>	<u>2,615,800</u>	<u>(549,200)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	2,710,791	2,710,791	0
<i>Support Services:</i>			
Instructional Staff	4,597,878	2,251,040	2,346,838
Total Expenditures	<u>7,308,669</u>	<u>4,961,831</u>	<u>2,346,838</u>
Excess of Revenues Over (Under) Expenditures	(4,143,669)	(2,346,031)	1,797,638
Fund Balances Beginning of Year	4,239,766	4,239,766	0
<i>Prior Year Encumbrances Appropriated</i>	<u>545,203</u>	<u>545,203</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 641,300</u>	<u>\$ 2,438,938</u>	<u>\$ 1,797,638</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Ohio School Net Telecommunications Fund
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 160,000	\$ 0	\$ (160,000)
Total Revenues	<u>160,000</u>	<u>0</u>	<u>(160,000)</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Instructional Staff	860	500	360
Operation and Maintenance of Plant	249,796	249,791	5
Total Expenditures	<u>250,656</u>	<u>250,291</u>	<u>365</u>
Excess of Revenues Over (Under) Expenditures	(90,656)	(250,291)	(159,635)
Fund Balances Beginning of Year	100,000	100,000	0
<i>Prior Year Encumbrances Appropriated</i>	<u>250,656</u>	<u>250,656</u>	<u>0</u>
Fund Balances at End of Year	<u><u>\$ 260,000</u></u>	<u><u>\$ 100,365</u></u>	<u><u>\$ (159,635)</u></u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
School Facility Grant Fund
For the Fiscal Year Ended June 30, 2002

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$12,158,029	\$ 0	\$ (12,158,029)
Total Revenues	<u>12,158,029</u>	<u>0</u>	<u>(12,158,029)</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Operation and Maintenance of Plant	14,963,117	12,875,673	2,087,444
Total Expenditures	<u>14,963,117</u>	<u>12,875,673</u>	<u>2,087,444</u>
Excess of Revenues Over (Under) Expenditure:	(2,805,088)	(12,875,673)	(10,070,585)
Other Financing Sources (Uses):			
Operating Transfers In	2,141,971	2,141,971	0
Total Other Financing Sources (Uses)	<u>2,141,971</u>	<u>2,141,971</u>	<u>0</u>
Net Change in Fund Balances	(663,117)	(10,733,702)	(10,070,585)
Fund Balances Beginning of Year	737,244	737,244	0
<i>Prior Year Encumbrances Appropriated</i>	<u>11,319,948</u>	<u>11,319,948</u>	<u>0</u>
Fund Balances at End of Year	<u>\$11,394,075</u>	<u>\$ 1,323,490</u>	<u>\$ (10,070,585)</u>

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STATISTICAL SECTION

Cleveland Municipal School District

General Governmental
Revenues by Source (1)
Last Ten Fiscal Years

	1993 (4)	1994 (4)	1995	1996	1997
Program Revenues					
Charges for Services	N/A	N/A	N/A	N/A	N/A
Operating Grants and Contributions	N/A	N/A	N/A	N/A	N/A
Capital Grants and Contributions	N/A	N/A	N/A	N/A	N/A
General Revenues					
Local Sources:					
Taxes	\$ 165,730,532	\$ 162,239,984	\$ 154,824,367	\$ 155,490,489	\$ 187,021,369
Investment Income	4,275,830	3,181,851	4,755,345	5,844,675	6,685,375
Tuition and Fees	1,304,675	812,926	739,728	658,500	781,852
Extracurricular Activities	0	0	1,337,511	1,318,246	1,251,565
Rentals	0	0	222,615	158,452	162,355
Miscellaneous	7,067,817	3,781,862	3,089,107	3,878,521	3,268,605
State Sources:					
Unrestricted Grants-in-Aid (2) (3)	192,073,892	200,534,826	229,120,768	239,618,796	232,505,491
Restricted Grants-in-Aid (3)	29,311,147	33,220,258	44,858,211	56,875,712	49,757,129
Federal Sources:					
Unrestricted Grants-in-Aid	58,960	326,800	1,019,721	2,348,543	2,001,397
Restricted Grants-in-Aid	47,475,773	41,099,254	44,033,519	39,208,676	60,140,167
Total	<u>\$ 447,298,626</u>	<u>\$ 445,197,761</u>	<u>\$ 484,000,892</u>	<u>\$ 505,400,610</u>	<u>\$ 543,575,305</u>

(continued)

Cleveland Municipal School District

General Governmental
Revenues by Source (1) (continued)
Last Ten Fiscal Years

	1998	1999	2000	2001	2002 (5)	
					Full Accrual	Modified Accrual
Program Revenues						
Charges for Services	N/A	N/A	N/A	N/A	\$ 804,375	N/A
Operating Grants and Contributions	N/A	N/A	N/A	N/A	197,213,751	N/A
Capital Grants and Contributions	N/A	N/A	N/A	N/A	3,433,050	N/A
General Revenues						
Local Sources:						
Taxes	\$ 223,362,432	\$ 233,513,561	\$ 217,137,676	\$ 224,284,910	272,397,563	\$ 259,607,843
Investment Income	11,544,482	13,767,095	16,861,000	18,285,338	7,844,704	7,844,704
Tuition and Fees	1,391,599	1,728,030	1,023,218	1,532,003	0	928,493
Extracurricular Activities	1,274,051	1,293,306	857,343	705,765	0	474,299
Rentals	125,406	104,352	100,771	16,115	0	0
Miscellaneous	4,706,558	2,536,103	1,826,986	7,125,706	2,443,123	13,059,119
State Sources:						
Unrestricted Grants-in-Aid (2) (3)	270,945,514	322,814,426	316,361,566	310,739,648	320,497,947	320,497,947
Restricted Grants-in-Aid (3)	73,130,537	46,268,975	50,261,774	75,892,321	0	88,546,257
Federal Sources:						
Unrestricted Grants-in-Aid	5,505,195	3,957,556	4,109,302	5,303,880	5,206,702	5,206,702
Restricted Grants-in-Aid	58,371,212	54,888,588	52,036,799	65,045,715	0	95,141,262
Total	\$ 650,356,986	\$ 680,871,992	\$ 660,576,435	\$ 708,931,401	\$ 809,841,215	\$ 791,306,626

(concluded)

Notes:

- (1) Includes General Fund, Special Revenue Capital Projects and Debt Service Funds for modified accrual and all governmental activities for full accrual.
- (2) Includes desegregation reimbursement in fiscal years ending June 30, 1993 - 2000.
- (3) Amounts reflect the state-mandated reclassification of Disadvantaged Pupil Impact Aid from an unrestricted grant-in-aid in the General Fund to a restricted grant-in-aid in the Special Revenue Funds.
- (4) In accordance with state-mandated directive, the Auxiliary Services Fund which had been classified as a Special Revenue Fund, was reclassified to an Agency Fund effective for fiscal years ending June 30, 1993 and 1994.
- (5) For the year ended June 30, 2002, Food Service, Consumer Services Rotary and Child Care Center which had been classified as an Enterprise Fund, was reclassified to a Special Revenue Fund. Also the Education Special Trust Fund which had been classified as an Expendable Trust Fund, was reclassified to a Special Revenue Fund.

Source: School District Financial Records

Cleveland Municipal School District
 General Governmental
 Expenses/Expenditures by Function (1)
 Last Ten Fiscal Years

	1993 (3)	1994 (3)	1995	1996	1997
Expenses/Expenditures					
Current:					
Instruction:					
Regular (2)	\$ 179,292,055	\$ 188,482,121	\$ 177,385,226	\$ 210,104,970	\$ 179,097,325
Special	61,938,968	62,569,665	76,385,384	72,817,142	87,746,044
Vocational	17,621,200	17,654,319	17,973,567	17,412,555	16,366,961
Adult/Continuing (2)	3,425,846	3,665,102	3,587,840	3,570,206	3,683,513
Other (2)	8,656,029	8,289,808	2,704,509	1,726,811	2,999,947
Support Services:					
Pupils	19,527,953	21,518,810	21,247,422	16,087,440	17,691,394
Instructional Staff	25,450,058	22,059,691	23,630,141	22,733,960	24,023,707
Board of Education	110,479	140,888	124,123	73,636	55,704
Administration (2)	38,063,189	32,860,741	33,327,350	32,017,140	33,631,621
Fiscal	7,142,465	7,264,042	6,395,376	9,059,791	7,257,818
Business (3)	1,582,865	908,690	1,293,156	4,422,478	1,850,968
Operations and Maintenance of Plant (2) (3)	46,803,828	45,010,849	46,578,974	46,484,000	47,602,874
Pupil Transportation	26,619,325	28,033,575	26,155,973	24,815,117	26,027,138
Central	14,448,142	14,779,892	12,951,371	10,073,814	12,392,000
Operation of Non-Instructional Services	2,723,416	2,866,440	7,248,078	8,651,473	9,985,024
Extracurricular Activities	3,373,818	3,266,901	2,976,629	2,747,296	4,161,582
Capital Outlay	6,536,843	1,683,777	7,996,372	7,390,638	9,359,126
Intergovernmental	0	0	0	0	19,472
Debt Service	33,366,248	32,660,566	25,510,002	27,859,189	26,256,765
Total	\$ 496,682,727	\$ 493,715,877	\$ 493,471,493	\$ 518,047,656	\$ 510,208,983

(continued)

Cleveland Municipal School District
 General Governmental
 Expenses/Expenditures by Function (1) (continued)
 Last Ten Fiscal years

	1998	1999	2000	2001	2002 (4)	
					Full Accrual	Modified Accrual
Expenses/Expenditures						
Current:						
Instruction:						
Regular (2)	\$ 203,261,984	\$ 233,987,148	\$ 253,119,426	\$ 239,454,508	\$ 285,812,361	\$ 267,806,654
Special	87,261,071	94,776,091	89,282,118	114,694,607	134,372,522	134,340,753
Vocational	17,023,889	16,942,842	18,193,372	17,407,927	17,515,053	17,511,631
Adult/Continuing (2)	3,913,542	3,788,063	4,848,478	4,971,848	5,687,512	5,674,172
Other (2)	2,950,684	1,855,733	1,334,029	1,745,463	3,015,312	3,015,312
Support Services:						
Pupils	21,921,900	24,779,405	25,420,577	27,256,542	45,797,274	32,530,531
Instructional Staff	30,181,237	31,414,445	34,331,720	46,378,563	64,764,521	64,694,935
Board of Education	47,747	108,155	187,039	211,884	288,859	277,862
Administration (2)	36,596,789	37,130,298	44,562,207	41,378,477	52,787,800	49,145,584
Fiscal	7,951,092	8,709,423	3,609,819	10,208,253	1,606,735	9,476,226
Business (3)	932,006	2,663,827	467,520	1,480,088	1,146,699	1,141,199
Operations and Maintenance of Plant (2) (3)	50,974,217	57,138,998	59,434,441	64,007,087	61,649,791	84,859,246
Pupil Transportation	25,620,574	33,277,000	32,668,584	38,190,326	40,111,930	43,060,114
Central	14,503,295	22,424,027	24,238,631	23,102,425	18,755,847	18,403,231
Operation of Non-Instructional Services	12,709,080	13,954,888	14,415,830	12,740,364	43,155,357	43,042,767
Extracurricular Activities	5,046,897	5,934,577	7,617,561	8,047,977	7,955,139	7,892,613
Capital Outlay	22,923,467	18,020,328	10,831,630	22,020,994	0	4,031,805
Intergovernmental	10,355	0	0	0	0	0
Debt Service	27,952,642	21,965,715	21,505,401	21,063,034	12,759,118	22,167,967
Total	\$ 571,782,468	\$ 628,870,963	\$ 646,068,383	\$ 694,360,367	\$ 797,181,830	\$ 809,072,602

Notes:

- (1) Includes General Fund, Special Revenue Capital Projects and Debt Service Funds for modified accrual and all governmental activities for full accrual.
- (2) Amounts reflect the state-mandated reclassification of Disadvantaged Pupil Impact Aid from an unrestricted grant-in-aid in the General Fund to a restricted grant-in-aid in the Special Revenue Funds.
- (3) In accordance with a state-mandated directive, the Auxiliary Services Fund which had been classified as a Special Revenue Fund, was reclassified to an Agency Fund effective for fiscal years ending June 30, 1993 and 1994.
- (4) For the year ended June 30, 2002, Food Service, Consumer Services Rotary and Child Care Center which had been classified as an Enterprise Fund, was reclassified to a Special Revenue Fund. Also the Education Special Trust Fund which had been classified as an Expendable Trust Fund, was reclassified to a Special Revenue Fund.

Source: School District Financial Records

(concluded)

Cleveland Municipal School District
 Property Tax Levies and Collections
 Ad Valorem Real and Tangible Personal Property Taxes
 Last Ten Collection Years
 (\$ in Thousands)

Collection Year (2)	Current Tax Levy Billed (1)	Current Collected	Percent Collected (1)	Collected Delinquencies	Total Collected	Total Collected As Percent Of Current Tax Levy	Outstanding Delinquent Taxes By Year (3)	Outstanding Delinquent Taxes As Percent Of Billed
1992	\$ 184,743	\$ 171,477	92.8%	\$ 8,601	\$ 180,078	97.5%	\$ 31,069	16.8%
1993	184,708	178,116	96.4	5,424	183,540	99.4	36,184	19.6
1994	175,683	162,317	92.4	6,906	169,223	96.3	31,531	17.9
1995	174,235	161,649	92.8	6,215	167,864	96.3	30,303	17.4
1996	175,681	162,639	92.6	7,542	170,181	96.9	34,241	19.5
1997	245,517	226,095	92.1	13,014	239,109	97.4	43,604	17.8
1998	249,886	230,033	92.1	15,110	245,143	98.1	53,535	21.4
1999	254,305	233,041	91.6	14,443	247,484	97.3	51,804	20.4
2000	254,810	228,787	89.8	14,286	243,073	95.4	62,875	24.7
2001	253,539	221,059	87.2	14,721	235,780	93.0	79,440	31.3

Notes:

- (1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental Revenue.
- (2) Represents collection year. 2002 information cannot be presented because all collections have not been made by June 30.
- (3) This amount cannot be calculated based on other information in this statistical table because of retroactive additions and reductions which are brought on in one lump sum.

Source: Cuyahoga County Auditor - Data is presented on a calendar year basis because this is the manner in which the information is maintained by the County Auditor.

Cleveland Municipal School District

Assessed and Estimated Actual Value of Taxable Property

Last Ten Collection Years

(\$ in Thousands)

Collection Year	Real Property (1)		Public Utility Property (2)		Tangible Personal Property (3)		Total		Ratio
	Assessed Value	Estimated	Assessed Value	Estimated	Assessed Value	Estimated	Assessed Value	Estimated	
		Actual Value		Actual Value		Actual Value		Actual Value	
1993	\$ 3,530,674	\$ 10,087,640	\$ 521,153	\$ 592,219	\$ 869,212	\$ 3,476,848	\$ 4,921,039	\$ 14,156,707	35%
1994	3,549,374	10,141,069	519,027	589,803	863,198	3,452,792	4,931,599	14,183,664	35
1995	3,690,111	10,543,174	520,157	591,088	812,996	3,251,984	5,023,264	14,386,246	35
1996	3,727,115	10,648,900	485,803	552,049	823,490	3,293,960	5,036,408	14,494,909	35
1997	3,794,182	10,840,520	478,775	544,063	860,068	3,440,272	5,133,025	14,824,855	35
1998	4,044,292	11,555,120	476,178	541,111	887,928	3,551,712	5,408,398	15,647,943	35
1999	4,116,029	11,760,083	479,223	544,572	915,905	3,663,620	5,511,157	15,968,275	35
2000	4,139,968	11,828,480	444,748	505,395	955,316	3,821,264	5,540,032	16,155,139	35
2001	4,656,974	13,305,640	453,054	514,834	989,442	3,957,768	6,099,470	17,778,242	35
2002	4,689,984	13,399,954	370,677	421,224	980,692	3,922,768	6,041,353	17,743,946	35

Notes:

- (1) The assessed value of real property is fixed at 35% of estimated actual value and is determined pursuant to the rules of the State Tax Commissioner.
- (2) Assumes public utilities are assessed at true value, which is 88% of estimated actual value.
- (3) In accordance with State law, the rate at which tangible personal property used in business is assessed for purposes of ad valorem property taxation decreased one percent each year from 35% in 1983 and prior years to 25% for the 1995 collection year and thereafter.

Source: Cuyahoga County Auditor

Cleveland Municipal School District

Ad Valorem Property Tax Rates - All Direct and Overlapping Governments
(Per \$1,000 of Assessed Valuation)
Last Ten Collection Years

Collection Year	City of Cleveland	Cuyahoga County	Cleveland Public Library	Cleveland Municipal School District			Total (1)	Village of Bratenahl (2)	Village of Newburgh Heights (2)	Village of Linndale (2)	City of Garfield Heights (2)
				General Fund	Bond Retirement	Bond					
1993	12.30	16.80	1.00	44.70	3.70	3.70	78.50	20.60	12.80	2.80	17.60
1994	12.70	16.80	3.00	44.70	3.40	3.40	80.60	20.50	12.80	2.80	18.00
1995	12.70	16.60	3.00	44.70	3.40	3.40	80.40	26.40	12.80	2.80	18.40
1996	12.70	16.60	3.00	44.70	3.40	3.40	80.40	26.40	12.80	2.80	18.70
1997	12.70	16.60	3.00	58.20	2.80	2.80	93.30	25.10	12.80	2.80	18.90
1998	12.70	16.60	3.00	58.20	2.80	2.80	93.30	25.10	12.80	2.80	18.90
1999	12.70	15.30	4.00	58.20	2.80	2.80	93.00	25.10	12.80	2.80	19.10
2000	12.70	15.30	4.00	58.20	2.60	2.60	92.80	25.10	12.80	2.80	19.00
2001	12.70	16.20	4.00	58.20	2.40	2.40	93.50	24.70	12.80	2.80	19.60
2002	12.70	16.20	4.00	58.70	6.10	6.10	97.70	20.30	12.80	2.80	19.60

Notes:

- (1) Amount represents the total for a City of Cleveland resident.
- (2) Certain points of the Villages of Bratenahl, Newburgh Heights and Linndale and the City of Garfield Heights are within the Cleveland Municipal School District (CMSD) and are subject to the CMSD tax.

Source: Cuyahoga County Auditor

Cleveland Municipal School District

Ratio of Net General Obligation Bonded Debt to Assessed Value and
Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years
(\$ in Thousands Except for Per Capita Amounts)

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1993	505,616	\$ 4,921,039	\$ 170,429	\$ 14,864	\$ 155,565	3.16%	\$ 308
1994	505,616	4,931,599	163,032	17,943	145,089	2.94	287
1995	505,616	5,023,264	163,301	20,373	142,928	2.85	283
1996	505,616	5,036,408	151,428	19,751	131,677	2.61	260
1997	505,616	5,133,025	140,826	20,992	119,834	2.33	237
1998	505,616	5,408,398	128,539	23,156	105,383	1.95	208
1999	505,616	5,511,157	120,790	26,406	94,384	1.71	187
2000	478,403	5,540,032	112,615	20,781	91,834	1.66	192
2001	478,403	6,099,470	125,276	21,448	103,828	1.70	217
2002	478,403	6,041,353	151,223	35,849	115,374	1.91	241

Notes:

- (1) Sources - U.S. Bureau of the Census (Every 10 Years).
- (2) Source - Cuyahoga County Auditor.
- (3) General obligation bonds and bond anticipation notes outstanding at June 30.

Cleveland Municipal School District
 Computation of Direct and Overlapping Debt
 June 30, 2002

Name of Governmental Unit	Gross Debt Outstanding	Debt Service Fund (Cash Balance)	Net Outstanding Debt	Percentage Applicable to Cleveland Municipal School District (1)	Amount Applicable to Cleveland Municipal School District
Direct Debt:					
Cleveland Municipal School District (2)	\$ 229,438,480	\$ 31,865,699	\$ 197,572,781	100.00%	\$ 197,572,781
Overlapping Debt:					
City of Cleveland (3)	319,380,000	(126,252)	319,506,252	97.92	312,860,522
Cuyahoga County (3)	216,184,636	829,822	215,354,814	21.05	45,332,188
Village of Bratenahl (3)	1,135,000	207,075	927,925	100.00	927,925
City of Garfield Heights (3)	29,530,000	66,961	29,463,039	5.95	1,753,051
Greater Cleveland Regional Transit Authority (3)	141,455,000	989,017	140,465,983	21.05	29,568,089
Total Overlapping Debt	<u>707,684,636</u>	<u>1,966,623</u>	<u>705,718,013</u>		<u>390,441,775</u>
Total	<u>\$ 937,123,116</u>	<u>\$ 33,832,322</u>	<u>\$ 903,290,794</u>		<u>\$ 588,014,556</u>

Notes:

- (1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the School District by the total assessed valuation of the subdivision.
- (2) The gross debt outstanding does not include EPA loans of \$334,498, capital lease obligations of \$8,847,622 and H.B. 264 Energy Conservation Note of \$11,500,000.
- (3) City of Cleveland, Cuyahoga County, Village of Bratenahl, City of Garfield Heights and the Greater Cleveland Regional Transit Authority operate on a calendar year.

Source: Cuyahoga County Auditor

Cleveland Municipal School District

Computation of Legal Debt Margin

June 30, 2002

Assessed Value	\$ 6,041,353,000
Debt Limit - 9% of Assessed Value (1)	<u>543,721,770</u>
Amount of Debt Applicable to Debt Limit:	
General Obligation Bond	151,223,480
Revenue Anticipation Notes	78,215,000
Amount Available in Debt Service Fund	<u>(35,849,114)</u>
Total	193,589,366
Exemptions:	
Revenue Anticipation Notes	78,215,000
QZAB - Arts Academy	5,750,000
QZAB - Technology Academy	5,500,000
QZAB - Literacy Academy	<u>10,000,000</u>
Total	99,465,000
Amount of Debt Subject to the Limit	<u>94,124,366</u>
Total Debt Margin	<u><u>\$ 449,597,404</u></u>
Debt Margin - .10% of Assessed Value (1)	<u>\$ 6,041,353</u>
Amount of Debt Applicable to Debt Limit	
Gross indebtedness authorized by the Board	<u>0</u>
Amount of Debt Subject to the Limit	<u>0</u>
Unvoted Debt Margin	<u><u>\$ 6,041,353</u></u>
Additional Limit for Unvoted Energy Conservation Bonds:	
Debt Limited - 1% of Assessed Valuation	\$ 60,413,530
Energy Conservation Bonds	<u>4,065,000</u>
Additional Unvoted Debt Margin	<u><u>\$ 56,348,530</u></u>

Source: Cuyahoga County Auditor and School District Financial Records

(1) Ohio Bond Law sets an overall limit of 9% for total debt and 1/10 of 1% for unvoted debt. All School District debt subject to the limitation is voted.

Cleveland Municipal School District
Ratio of Annual Debt Service Expenditures For General Obligation
Bonded Debt to Total Governmental Fund Type Expenditures
Last Ten Fiscal Years
(\$ in Thousands)

Year	Debt Service Expenditures (1)			Total Governmental Fund Type Expenditures (2)	Ratio of Debt Service to Governmental Fund Type Expenditures (Percentages)
	Principal	Interest and Fiscal Charges	Total		
1993 (3)	\$ 10,300	\$ 6,441	\$ 16,741	\$ 496,683	3.4%
1994	9,185	7,586	16,771	493,716	3.4
1995	10,645	14,561	25,206	493,471	5.1
1996	12,905	8,446	21,351	518,048	4.1
1997	11,695	7,589	19,284	510,209	3.8
1998	13,445	7,044	20,489	571,782	3.6
1999	8,975	6,738	15,713	628,871	2.5
2000	9,475	5,779	15,254	646,068	2.4
2001	9,965	5,265	15,230	694,360	2.2
2002	10,510	4,711	15,221	809,072	1.9

Notes:

- (1) Includes general obligation bonds only.
- (2) Includes all governmental fund types. For the year ended June 30, 2002, Food Service, Consumer Services Rotary and Child Care Center which had been classified as an Enterprise Fund, was reclassified to a Special Revenue Fund. Also the Education Special Trust Fund which had been classified as an Expendable Trust Fund, was reclassified to a Special Revenue Fund.
- (3) Does not include any payments related to the defeasance of \$70,290,000 of outstanding bonds on August 12, 1992.

Source: School District Financial Records

Cleveland Municipal School District

Schedule of Insurance in Force
June 30, 2002

Company	Policy Period		Details of Coverage	Liability Limits	Retention/Deductible	Annual Premium
	From	To				
A.R.I.S.E./Sentry Insurance Co.	7/1/02	6/30/03	Boiler Inspection	N/A	N/A	\$ 20,150
National Union Fire Insurance Co. (AIG)	7/1/02	6/30/03	School Leaders Errors and Omissions	\$ 1,000,000	\$ 250,000	\$ 65,997
National Union Fire Insurance Co.	7/1/01	6/30/02	Employed Lawyers' Professional Liability	\$ 1,000,000	\$ 25,000	\$ 15,225
Westfield Insurance Co.	7/1/02	7/20/03	Treasurer's Blanket Fidelity Bond	\$ 1,000,000	\$ 10,000	\$ 1,515
American Home Assurance Co. (AIG)	7/1/02	6/30/03	Employees' Blanket Fidelity Bond	\$ 1,000,000	\$ 25,000	\$ 17,983
American Empire Surplus Line	7/1/02	6/30/03	Nurses' Professional Liability	\$ 2,000,000	\$ 500	\$ 65,500
Clarendon America Insurance Co.	7/1/02	6/30/03	General Liability, Automobile Liability and Physical Damage	\$ 5,000,000	\$ 1,000,000 (1)	\$ 498,775
Travelers Property and Casualty Ins. Co., Hartford Fire Ins. Co. and Westchester Surplus Line Ins. Co.	6/30/02	6/30/03	Property Insurance	\$ 75,000,000	\$ 500,000	\$ 984,069

N/A - Not Applicable
(AIG) American International Group
(TIG) Transamerican International Group
(1) Self Insured Retention

Source: School District Records

Cleveland Municipal School District

Attendance Data Last Ten Fiscal Years

Year	Number of Graduates	Average Daily Membership	Average Daily Attendance	Average Daily Attendance As Percent of Average Daily Membership	Percent Change Average Daily Attendance From Prior Year Increase (Decrease)
1993	2,478	72,556	60,671	83.62	0.54%
1994	1,947	72,728	60,968	83.83	0.49
1995	1,853	69,211	60,740	87.76	(0.37)
1996	1,967	71,054	60,294	84.86	(0.73)
1997	2,059	71,344	62,093	87.03	2.98
1998	1,738	73,312	64,869	88.48	4.47
1999	2,070	76,170	66,191	86.90	2.04
2000	2,067	76,323	63,500	83.20	(4.07)
2001	2,115	74,193	66,032	89.00	3.99
2002	2,275	72,898	64,879	89.00	(1.75)

Source: Office of Research, Evaluation and Assessment

Cleveland Municipal School District
Expenditures Per Pupil - All Governmental Fund Types
Last Ten Fiscal Years

	1993	1994	1995	1996	1997
<i>Average Daily Membership</i>	<u>72,556</u>	<u>72,728</u>	<u>69,211</u>	<u>71,054</u>	<u>71,344</u>
<i>Instruction:</i>					
Regular	\$ 2,471	\$ 2,592	\$ 2,563	\$ 2,957	\$ 2,510
Special	854	860	1,103	1,025	1,230
Vocational	243	243	260	244	229
Adult/Continuing	47	50	52	50	52
Other	<u>119</u>	<u>114</u>	<u>39</u>	<u>24</u>	<u>42</u>
<i>Total Instruction</i>	<u>3,734</u>	<u>3,859</u>	<u>4,017</u>	<u>4,300</u>	<u>4,063</u>
<i>Support Services:</i>					
Pupils	269	296	307	226	248
Instructional Staff	351	303	341	321	337
Board of Education	1	2	2	1	1
Administration	525	452	482	451	471
Fiscal	98	100	92	128	102
Business	22	13	19	62	26
Operations and Maintenance of Plant	645	619	672	654	667
Pupil Transportation	367	385	378	349	365
Central	<u>199</u>	<u>203</u>	<u>187</u>	<u>142</u>	<u>174</u>
<i>Total Support Services</i>	<u>2,477</u>	<u>2,373</u>	<u>2,480</u>	<u>2,334</u>	<u>2,391</u>
<i>Total Operation of Non-Instructional Service</i>	38	40	105	122	140
<i>Total Extracurricular Activities</i>	47	45	43	39	58
<i>Total Capital Outlay</i>	90	23	116	104	131
<i>Total Debt Service</i>	<u>460</u>	<u>449</u>	<u>369</u>	<u>392</u>	<u>368</u>
<i>Total Expenditures</i>	<u><u>\$ 6,846</u></u>	<u><u>\$ 6,789</u></u>	<u><u>\$ 7,130</u></u>	<u><u>\$ 7,291</u></u>	<u><u>\$ 7,151</u></u>

(continued)

Cleveland Municipal School District
Expenditures Per Pupil - All Governmental Fund Types (continued)
Last Ten Fiscal Years

	1998	1999	2000	2001	2002 (1)
<i>Average Daily Membership</i>	<u>73,312</u>	<u>76,170</u>	<u>76,323</u>	<u>74,193</u>	<u>72,898</u>
<i>Instruction:</i>					
Regular	\$ 2,773	\$ 3,072	\$ 3,316	\$ 3,227	\$ 3,674
Special	1,190	1,244	1,170	1,546	1,843
Vocational	232	223	238	235	240
Adult/Continuing	54	50	64	67	78
Other	<u>40</u>	<u>24</u>	<u>17</u>	<u>23</u>	<u>41</u>
<i>Total Instruction</i>	<u>4,289</u>	<u>4,613</u>	<u>4,805</u>	<u>5,098</u>	<u>5,876</u>
<i>Support Services:</i>					
Pupils	299	325	333	367	446
Instructional Staff	412	412	450	625	887
Board of Education	1	1	2	3	4
Administration	499	487	584	558	674
Fiscal	108	114	47	138	130
Business	13	35	6	20	16
Operations and Maintenance of Plant	695	751	779	863	1,164
Pupil Transportation	349	437	428	515	591
Central	<u>198</u>	<u>295</u>	<u>318</u>	<u>311</u>	<u>252</u>
<i>Total Support Services</i>	<u>2,574</u>	<u>2,857</u>	<u>2,947</u>	<u>3,400</u>	<u>4,164</u>
<i>Total Operation of Non-Instructional Services</i>	173	183	189	172	590
<i>Total Extracurricular Activities</i>	69	78	100	108	108
<i>Total Capital Outlay</i>	313	237	142	297	55
<i>Total Debt Service</i>	<u>381</u>	<u>288</u>	<u>282</u>	<u>284</u>	<u>304</u>
<i>Total Expenditures</i>	<u><u>\$ 7,799</u></u>	<u><u>\$ 8,256</u></u>	<u><u>\$ 8,465</u></u>	<u><u>\$ 9,359</u></u>	<u><u>\$ 11,097</u></u>

(concluded)

Source: School District Financial Records

(1) For the year ended June 30, 2002, Food Service, Consumer Services Rotary and Child Care Center which had been classified as an Enterprise Fund, was reclassified to a Special Revenue Fund. Also the Education Special Trust Fund which had been classified as an Expendable Trust Fund, was reclassified to a Special Revenue Fund.

Cleveland Municipal School District
 School Lunch Program
 Last Ten Fiscal Years

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
AVERAGE DAILY MEMBERSHIP	72,556	72,728	69,211	71,054	71,344	73,312	76,170	76,323	74,193	72,898
Sec. Paid lunch - price per meal	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20
Reduced lunch - price per meal	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Elem. Adult lunch - price per meal	ALC	ALC	ALC	ALC	ALC	ALC	ALC	ALC	ALC	ALC
Sec. Paid lunch - price per meal	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Reduced lunch - price per meal	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Elem. Adult lunch - price per meal	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Number of serving days	180	177	180	178	176	179	174	177	179	178
Sec. Free lunches served	1,686,656	1,782,487	1,837,648	1,889,670	1,930,506	1,976,202	1,838,637	1,886,314	2,483,836	2,540,259
Elem. Free lunches served	5,546,650	5,390,798	5,398,496	4,882,461	4,792,532	5,444,987	5,339,982	5,101,947	5,096,791	5,032,709
Sec. Daily average free lunches	9,370	10,071	10,209	10,616	10,969	11,040	10,567	10,567	13,876	14,271
Elem. Daily average free lunches	30,815	30,456	29,992	27,430	27,230	30,419	30,690	28,825	28,474	28,274
Sec. Reduced lunches served	58,406	64,713	65,929	62,223	58,703	72,363	65,241	122,810	156,042	165,027
Elem. Paid lunches served	188,485	188,185	218,984	224,190	220,189	213,205	203,727	365,133	488,415	508,883
Sec. Reduced lunches served	232,805	217,046	221,506	200,440	200,628	252,438	278,389	386,256	406,169	403,640
Elem. Paid lunches served	228,309	214,770	223,402	209,863	210,251	250,624	260,973	734,311	842,151	849,876
Sec. Daily average reduced lunches	324	366	366	350	334	404	375	694	872	927
Elem. Daily average paid lunches	1,047	1,063	1,217	1,259	1,251	1,191	1,171	2,063	2,729	2,859
Sec. Daily average reduced lunches	1,293	1,226	1,231	1,126	1,140	1,410	1,600	2,182	2,269	2,268
Elem. Daily average paid lunches	1,268	1,213	1,241	1,179	1,195	1,400	1,500	4,149	4,705	4,775
Sec. Total lunches served	1,933,547	2,035,385	2,122,561	2,176,083	2,209,398	2,261,770	2,107,605	2,374,257	3,128,293	3,214,169
Elem. Total lunches served	6,007,764	5,822,614	5,843,404	5,292,764	5,203,411	5,948,049	5,879,344	6,222,514	6,345,111	6,286,225
Sec. Daily average lunches served	10,741	11,500	11,792	12,225	12,554	12,635	12,113	13,324	17,476	18,057
Elem. Daily average lunches served	33,376	32,895	32,464	29,735	29,565	33,229	33,790	35,156	35,448	35,316
Sec. Number of schools serving	40	39	39	37	37	37	37	37	39	37
Elem. Number of schools serving	88	89	89	79	79	80	80	80	79	81

Notes:
 Sec. - Secondary School
 Elem. - Elementary School
 ALC - Priced a la carte
 Source: School District Food Service Division

Cleveland Municipal School District
 School Breakfast Program
 Last Ten Fiscal Years

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
AVERAGE DAILY MEMBERSHIP	72,556	72,728	69,211	71,054	71,344	73,312	76,170	76,323	74,193	72,898
Sec. Paid breakfast - price per meal	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55
Reduced breakfast - price per meal	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Elem. Adult breakfast - price per meal	ALC	ALC	ALC	ALC	ALC	ALC	ALC	ALC	ALC	ALC
Sec. Paid breakfast - price per meal	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
Reduced breakfast - price per meal	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Elem. Adult breakfast - price per meal	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Number of serving days	180	177	180	178	176	179	174	177	179	178
Sec. Free breakfasts served	316,480	327,639	332,827	357,928	398,055	428,494	433,229	444,460	652,756	734,887
Elem. Free breakfasts served	3,819,771	3,816,495	3,810,372	3,496,747	3,439,729	3,873,415	3,845,137	3,877,467	3,789,974	3,685,391
Sec. Daily average free breakfasts	1,758	1,851	1,849	2,011	2,262	2,394	2,490	2,511	3,647	4,129
Elem. Daily average free breakfasts	21,221	21,562	21,169	19,645	19,544	21,639	22,098	21,907	21,173	20,704
Sec. Reduced breakfasts served	6,588	7,415	6,438	7,809	6,520	5,462	6,324	25,158	35,359	44,429
Elem. Paid breakfasts served	24,764	24,565	23,915	28,516	27,647	27,204	29,117	64,124	97,404	122,990
Sec. Reduced breakfasts served	95,895	93,779	99,644	152,238	149,910	168,518	166,918	188,426	171,309	163,174
Elem. Paid breakfasts served	74,075	76,079	82,500	263,640	259,486	292,429	289,955	288,015	296,764	288,225
Sec. Daily average reduced breakfasts	37	42	36	44	37	31	36	142	198	250
Elem. Daily average paid breakfasts	138	139	133	160	157	152	167	362	544	691
Sec. Daily average reduced breakfasts	533	530	554	855	852	941	959	1,065	957	917
Elem. Daily average paid breakfasts	412	430	458	1,481	1,474	1,634	1,666	1,627	1,658	1,619
Sec. Total breakfasts served	347,832	359,619	363,180	394,253	432,222	461,160	468,670	533,742	785,519	902,306
Elem. Total breakfasts served	3,989,741	3,986,553	3,992,516	3,912,625	3,849,125	4,334,362	4,302,010	4,333,908	4,258,047	4,136,790
Sec. Daily average breakfasts served	1,933	2,032	2,018	2,215	2,456	2,577	2,693	3,015	4,388	5,069
Elem. Daily average breakfasts served	22,166	22,522	22,181	21,981	21,870	24,214	24,723	24,599	23,788	23,240
Sec. Number of schools serving	40	39	39	37	37	37	37	37	39	37
Elem. Number of schools serving	88	89	89	79	79	80	80	80	79	81

Notes:
 Sec. - Secondary School
 Elem. - Elementary School
 ALC - Priced a la carte
 Source: School District Food Service Division

Cleveland Municipal School District
Economic and Demographic Information

Population

The population of the City of Cleveland ("City"), Cleveland Primary Metropolitan Statistical Area ("PMSA"), and the State of Ohio ("State") for each decade from 1940 to 2000 is as follows:

Year	Population Cleveland		
	City	PMSA	State
1940	878,336	1,319,734	6,907,612
1950	914,808	1,532,574	7,946,627
1960	876,050	1,909,483	9,706,397
1970	750,903	2,063,729	10,652,017
1980	573,822	1,898,825	10,797,630
1990	505,616	1,831,122	10,847,115
2000	478,403	2,250,871	11,353,140

Source: U.S. Bureau of the Census.

Employment

The following table shows the comparative civilian labor force and unemployment statistics for the Cleveland PMSA, including comparisons with unemployment rates for the State and the United States ("U.S.").

Year	Civilian Labor Force Cleveland PMSA	Unemployed Cleveland PMSA	Unemployment Rate		
			Cleveland PMSA	State	U.S.
1992	1,011,100	82,900	7.6%	6.0%	7.1%
1993	1,008,500	75,100	6.9	6.0	7.1
1994	1,023,900	64,200	5.9	5.4	6.2
1995	1,037,000	55,400	5.1	4.8	5.6
1996	1,046,500	57,100	5.2	5.0	5.5
1997	1,062,300	53,600	4.8	4.3	5.2
1998	1,059,900	48,400	4.4	4.3	4.5
1999	1,069,800	50,300	4.5	4.3	4.2
2000	1,075,900	49,800	4.4	4.1	4.0
2001	1,073,900	52,300	4.6	4.3	4.8

Source: Ohio Bureau of Employment Services, Labor Market Review
2002 Not Available

Notes:

The Primary Metropolitan Statistical Area includes the counties of Cuyahoga, Geauga, Lake, Medina, Lorain and Ashtabula.

Cleveland Municipal School District

Largest Employers

The largest non-government employers in Cuyahoga County are considered to be the following:

Employer	Number of Employees	Nature of Business or Enterprise
Cleveland Clinic Health System	20,891	Health Care (Hospital and Outpatient Clinic)
University Hospitals Health System	15,312	Health Care
Ford Motor Company	7,935	Automotive
KeyCorp	7,700	Bank-Based Financial Services
National City Corporation	5,513	Financial Services
Progressive Corporation	5,481	Insurance Provider
MetroHealth System	4,832	Health Care System
Case Western Reserve University	4,808	Higher Education
Ameritech	4,343	Communications
Continental Airlines	4,214	Airline
Giant Eagle Incorporated	3,291	Wholesale and Retail Food Distribution
Tops Friendly Markets	3,166	Grocery Retail Chain
General Motors Corporation	2,900	Automotive
UHHS/CSAHS - Cuyahoga Incorporated	2,709	Health Care
Sherwin Williams Company	2,472	Manufacturer
Lincoln Electric Company	2,372	Manufacturer
United Parcel Service	2,335	Package Delivery
American Greetings Corporation	2,268	Manufacturer - Consumer Goods
MBNA America Bank	2,100	Banking
GE Lighting	2,029	Manufacturer

Source: Crain's Cleveland Business, 2002 Book of Lists
"Largest Cuyahoga County Employers."

Cleveland Municipal School District

Major Taxpayers

The ten largest property tax payers with respect to property located in the District, based on approximate assessed valuation of property are the following:

Name	Nature of Business	Approximate Assessed Valuation	Percent of Total District Assessed Valuation
Cleveland Electric Illuminating Co.	Electric Utility	\$ 159,044,120	2.63%
Ohio Bell	Phone Utility	82,866,740	1.37%
ZML - Cleveland Public Square LLC	Real Estate	50,533,070	0.84%
BRE/City Center LLC	Real Estate	33,051,760	0.55%
LTV Corporation	Steel Manufacturing	32,987,400	0.55%
GSA	Construction	31,034,190	0.51%
600 Superior Place Partnership	Real Estate	25,970,770	0.43%
American Transmission System	Telecommunications	25,807,450	0.43%
CG Erieview, LLC	Real Estate	25,202,210	0.42%
NPW LTD Partnership	Real Estate	23,310,000	0.39%
Total Ten Largest		<u>\$ 489,807,710</u>	<u>8.12%</u>
Total District Assessed Valuation		<u>\$ 6,041,353,000</u>	

Source: Cuyahoga County Auditor - 2001 Tax Collection Year.
2002 Tax Collection Year Information Not Available

N/A - Not applicable

Cleveland Municipal School District
Property Values, Bank Deposits and Construction
Last Ten Years

Year	Property Values Total Estimated Actual Value (1) (Amounts in 000's)	Commercial Bank Deposits at June 30 (2) (Amounts in 000's)	Construction	
			Permits Issued (3)	Estimated Cost of Construction (3)
1992	\$ 14,348,670	\$ 18,309,557	5,355	\$ 384,648,048
1993	14,156,707	20,111,659	5,955	366,274,457
1994	14,183,664	21,204,880	6,666	394,401,814
1995	14,386,246	22,458,574	6,850	332,995,299
1996	14,494,909	27,068,211	8,077	405,166,832
1997	14,824,855	53,941,971	9,728	523,655,516
1998	15,968,275	60,846,022	9,216	768,911,015
1999	16,155,139	65,764,203	8,882	502,186,592
2000	17,778,242	61,468,062	9,194	483,444,810
2001	17,743,946	88,346,368	9,853	599,014,294

Notes:

(1) Source - Cuyahoga County Auditor. Value listed is for year of collection.

(2) Source - Federal Reserve Bank of Cleveland. Total demand, time and saving deposits balance in Cuyahoga County.

(3) Source - Division of Building and Housing, City of Cleveland. City of Cleveland only.

2002 Not Available

Cleveland Municipal School District
Miscellaneous Statistical Data

FORM OF GOVERNMENT - Municipal School District

GEOGRAPHIC AREA - 82 square miles

POPULATION - 478,403 (2000)

INSTRUCTION SITES:	<u>Constructed</u>	<u>Capacity/ Sq. Ft.</u>	<u>Acreage</u>
Senior High Schools:			
Cleveland Learning Center - Halle	1904	49,337	2.29
Cleveland School of the Arts	1910	81,430	2.36
Collinwood	1924	297,759	5.68
East	1975	272,153	13.37
East Technical	1972	320,370	11.14
Glenville	1966	248,023	5.07
Health Careers Center	1980	67,000	1.75
James F. Rhodes	1932	164,931	10.09
Jane Addams Business Careers	1968	157,428	4.00
John F. Kennedy	1965	252,023	12.65
John Hay	1929	186,352	8.60
John Marshall	1932	256,924	12.03
Lincoln-West	1970	337,548	5.49
Max S. Hayes Vocational	1957	209,273	6.89
South	1968	278,715	63.71
		<u>3,179,266</u>	<u>165.12</u>
Middle Schools:			
A.B. Hart	1932	116,465	3.80
Alexander Hamilton	1928	88,719	2.06
Audubon	1922	136,025	3.12
Carl F. Shuler	1958	100,500	3.97
Central	1940	120,451	4.62
Charles A. Mooney	1964	152,607	4.54
Charles W. Elliot	1954	90,497	3.58
Cleveland Learning Center - Halle	*	*	*
Cleveland Learning Center - Jessie Owens	1914	39,000	2.00
Collinwood CompuTech	*	*	*
F. D. Roosevelt	1976	154,766	7.21
Garrett Morgan Cleveland School of Science	1940	76,835	4.83
Harry E. Davis	1962	147,095	4.62
Joseph M. Gallagher	1976	118,425	12.90
Luiz Munoz Marin	1976	119,689	5.00
Margaret Spellacy	1969	106,582	2.03

* Statistics included with Senior High School Category.

(continued)

Cleveland Municipal School District
Miscellaneous Statistical Data (Continued)

	Constructed	Capacity/ Sq. Ft.	Acreage
Middle Schools (Continued)			
Martin L. King Jr	1972	179,544	10.55
Mary B. Martin	1963	57,737	1.89
Nathan Hale	1929	106,855	12.90
Nathaniel Hawthorne	1917	46,502	2.50
Patrick Henry	1922	130,443	4.32
Thomas Jefferson	1925	133,609	3.02
Whitney Young	1950	106,863	23.58
Wilbur Wright	1929	106,368	3.65
Willson	1903	75,624	1.85
		<u>2,511,201</u>	<u>128.54</u>
Elementary Schools:			
Adlai Stevenson	1967	41,000	3.62
Alexander G. Bell	1971	68,840	1.42
Alfred A. Benesch	1977	72,320	1.09
Almira	1916	60,458	2.09
Andrew J. Rickoff	1920	56,348	4.94
Anton Grdina	1959	67,719	3.99
Artemus Ward	1949	35,826	4.15
Benjamin Franklin	1923	83,260	10.40
Bolton	1971	44,110	2.17
Brooklawn	1957	28,545	4.36
Buckeye-Woodland	1975	52,493	1.60
Buhrer	1969	42,086	3.06
Captain Arthur Roth	1965	66,397	2.20
Case	1975	57,688	2.16
Charles Dickens	1927	50,989	2.56
Charles H. Lake	1961	55,823	3.66
Charles Orr	1955	30,283	1.39
Clara Westropp Fundamental Education Center	1967	106,582	11.46
Clark	1973	56,178	1.25
Corlett	1915	58,292	2.98
Cranwood	1957	44,574	4.12
Daniel E. Morgan	1959	51,272	2.37
Denison	1972	52,351	2.40
Dike Montessori	1971	47,472	1.95
Douglas MacArthur	1967	31,000	3.00
East Clark	1894	56,755	1.54
Emile B. deSauze	1966	48,860	3.72
Empire Computech	1915	75,003	3.30
Euclid Park	1922	43,182	3.78
Forest Hill Parkway	1967	41,110	3.35
Fullerton	1974	36,468	2.63

(continued)

Cleveland Municipal School District
Miscellaneous Statistical Data (Continued)

	Constructed	Capacity/ Sq. Ft.	Acreage
Elementary Schools (Continued):			
Garfield	1922	31,763	8.16
George Washington Carver	1954	45,913	3.52
Giddings	1970	49,607	2.46
Gracemount	1947	48,515	3.03
H. Barbara Booker	1972	48,677	1.57
Hanna Gibbons	1960	21,831	1.50
Harvey Rice	1903	82,414	5.87
Henry W. Longfellow	1924	50,616	4.58
Iowa Maple	1951	57,842	2.30
John D. Rockefeller	1961	51,683	2.89
John W. Raper	1962	61,752	2.41
Joseph F. Landis	1963	57,889	2.91
Kenneth W. Clement	1976	25,386	2.23
Kentucky	1940	35,010	1.36
Louis Agassiz	1929	40,185	3.05
Louis Pasteur	1959	51,286	3.49
Louisa May Alcott	1926	26,277	1.85
Margaret A. Ireland	1962	57,958	3.09
Marion C. Seltzer	1972	46,835	1.91
Marion Sterling	1973	51,896	3.99
Mary M. Bethune	1964	48,613	2.60
McKinley	1922	46,724	2.13
Miles	1912	79,630	3.33
Miles Park	1971	43,027	3.33
Miles Standish	1921	64,598	4.56
Moses Cleaveland	1925	64,687	3.86
Mound	1904	36,642	1.43
Mount Auburn	1922	42,600	1.64
Newton D. Baker	1954	94,379	8.66
Oliver Hazard Perry	1927	50,989	4.61
Orchard	1901	80,347	1.23
Paul Lawrence Dunbar	1965	45,745	2.90
Paul Revere	1925	80,996	4.92
Riverside	1935	38,836	2.45
Robert Fulton	1929	65,360	3.14
Robert H. Jamison	1966	140,000	2.60
Robinson G. Jones	1951	38,311	4.30
Scranton	1973	51,447	1.37
Stephen E. Howe	1964	48,613	2.14
Sunbeam	1923	63,368	4.40
Tremont	1917	100,396	2.80
Union	1969	49,426	1.68
Valley View	1951	25,882	3.67

(continued)

Cleveland Municipal School District
Miscellaneous Statistical Data (Continued)

	<u>Constructed</u>	<u>Capacity/ Sq. Ft.</u>	<u>Acreage</u>
Elementary Schools (Continued):			
Wade Park	1975	63,706	3.70
Walton	1971	46,493	2.62
Watterson-Lake	1906	69,814	2.32
Waverly	1976	55,666	3.45
William Cullen Bryant	1930	42,187	4.28
William R. Harper	1927	50,989	4.92
Willow	1964	39,867	2.70
Woodland Hills	1971	49,443	1.29
		<u>4,425,400</u>	<u>263.91</u>
All Instruction Sites:			
Senior High Schools		3,179,266	165.12
Middle Schools		2,511,201	128.54
Elementary Schools		4,425,400	263.91
Total instruction sites		<u>10,115,867</u>	<u>557.57</u>
ADMINISTRATIVE AND SERVICE SITES:			
Administrative:			
Administrative Building	1931	149,685	1.75
Lakeside Administrative Center	1975	127,847	1.16
		<u>277,532</u>	<u>2.91</u>
Service:			
Central Kitchen	1967	35,180	1.62
Woodland Distribution Center	1968 (2)	199,014	3.06
Ridge (Hall) - Trades	1986 (1)	25,000	5.00
Transportation:			
Ridge Road	1986 (1)	29,480	5.89
Lake Center	1987	19,630	8.50
Cuyahoga Heights	1987	17,680	7.78
		<u>325,984</u>	<u>31.85</u>
Total administrative and service sites		<u>603,516</u>	<u>34.76</u>

(continued)

Notes:

(1) Purchased during 1986.

(2) Gift.

(3) N/A - Not Available

Cleveland Municipal School District
Miscellaneous Statistical Data (Continued)

	<u>Constructed</u>	<u>Capacity/ Sq. Ft.</u>	<u>Acreage</u>
CLOSED OR LEASED TO OTHERS FACILITIES AND SITES:			
Facilities:			
Anthony Wayne	1914	39,000	1.60
East Madison	1889	61,675	2.05
Human Resource Development Center (Bratenahl H.S.)	1975	14,000	7.50
Lafayette Contemporary	1919	54,406	3.97
Lincoln Annex	N/A (3)	12,450	1.64
Warner	1912	63,146	5.46
Warehouse	1923	64,278	2.06
Woodhill-Quincy	1971 (2)	69,754	2.09
Total Closed or Leased to Others Facilities		<u>378,709</u>	<u>26.37</u>
Sites:			
A. Benesch - old site			1.43
C.W. Chestnut			3.64
East Tech - old site			4.64
Kennard			1.42
National Screw			15.28
Verda Brobst			<u>3.00</u>
Total Sites			<u>29.41</u>
GRAND TOTAL			
Facilities and/or Sites:			
Instruction		10,115,867	557.57
Administrative and Service		603,516	34.76
Closed Facilities		378,709	26.37
Closed Sites		<u>N/A</u>	<u>29.41</u>
Total		<u>11,098,092</u>	<u>648.11</u>

(concluded)

- Notes:
(1) Purchased during 1986.
(2) Gift.
(3) N/A - Not Available

Source: School District Building Management and Operations Division



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
MAY 20, 2003**