



**Auditor of State
Betty Montgomery**

**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, 2003**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|---|----------------------------------|---------------------------|-------------------|----------------------|-------------------|---------------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| <i>Nutrition Cluster:</i> | | | | | | |
| Food Distribution Program | NA | 10.550 | \$0 | \$ 1,802,390 | \$0 | \$ 1,922,762 |
| School Breakfast Program | 04378605PU2002 | 10.553 | 2,372,809 | 0 | 2,372,809 | 0 |
| | 04378605PU2003 | | 4,672,900 | 0 | 4,672,900 | 0 |
| Subtotal CFDA 10.533 | | | <u>7,045,709</u> | <u>0</u> | <u>7,045,709</u> | <u>0</u> |
| National School Lunch Program | 043786-LLP1-2002 | 10.555 | 15,804 | 0 | 15,804 | 0 |
| | 043786-LLP1-2003 | | 61,080 | 0 | 61,080 | 0 |
| | 043786-LLP4-2002 | | 5,725,992 | 0 | 5,725,992 | 0 |
| | 043786-LLP4-2003 | | 12,509,808 | 0 | 12,786,507 | 0 |
| | 043786-VGS1-2003 | | 14,250 | 0 | 14,250 | 0 |
| Subtotal CFDA 10.555 | | | <u>18,326,934</u> | <u>0</u> | <u>18,603,633</u> | <u>0</u> |
| Total Department of Agriculture - Nutrition Cluster | | | <u>25,372,643</u> | <u>1,802,390</u> | <u>25,649,342</u> | <u>1,922,762</u> |
| U.S. DEPARTMENT OF DEFENSE | | | | | | |
| <i>Direct Assistance:</i> | | | | | | |
| Junior ROTC | NA-03 | 12.000 | 49,918 | 0 | 25,816 | 0 |
| Total U.S. Department of Defense | | | <u>49,918</u> | <u>0</u> | <u>25,816</u> | <u>0</u> |
| U.S. DEPARTMENT OF LABOR | | | | | | |
| <i>Passed Through the City of Cleveland:</i> | | | | | | |
| Youth Opportunity Grant (School to Work) | AM56151A | 17.263 | 413,782 | 0 | 246,237 | 0 |
| <i>WIA Cluster:</i> | | | | | | |
| WIA Youth Activities (Job Training Partnership Act) | SG56539A | 17.259 | 2,540 | 0 | (11,047) | 0 |
| | SG58785A | | 259,064 | 0 | 178,099 | 0 |
| | SG58708A | | 427,715 | 0 | 93,357 | 0 |
| | SG60068A | | 2,357,287 | 0 | 2,529,544 | 0 |
| | SG60327A | | 327,369 | 0 | 219,658 | 0 |
| Subtotal CFDA 17.259 | | | <u>3,373,975</u> | <u>0</u> | <u>3,009,611</u> | <u>0</u> |
| Workforce Investment Act | CE11267-01,02,03 | 17.258 | 0 | 0 | (148,505) | 0 |
| | CE12845-01 | | 44,482 | 0 | 169,542 | 0 |
| | SG56012 | | 0 | 0 | (43,444) | 0 |
| | SG57140 | | 72,760 | 0 | 0 | 0 |
| | SG57184 | | (143,892) | 0 | 36,271 | 0 |
| | SG60222A | | 65,277 | 0 | 255,150 | 0 |
| Subtotal CFDA 17.258 | | | <u>38,627</u> | <u>0</u> | <u>269,014</u> | <u>0</u> |
| Subtotal WIA Cluster | | | <u>3,412,602</u> | <u>0</u> | <u>3,278,625</u> | <u>0</u> |
| Total U.S. Department of Labor | | | <u>3,826,384</u> | <u>0</u> | <u>3,524,862</u> | <u>0</u> |
| NATIONAL SCIENCE FOUNDATION | | | | | | |
| <i>Direct Assistance</i> | | | | | | |
| Cleveland Urban System Initiative | ESR-0115205 | 47.076 | 145,514 | 0 | 145,514 | 0 |
| | HER-0227082 | | 704,833 | 0 | 108,427 | 0 |
| Total National Science Foundation | | | <u>850,347</u> | <u>0</u> | <u>253,941</u> | <u>0</u> |
| U.S. ENVIRONMENTAL PROTECTION AGENCY | | | | | | |
| <i>Direct Assistance</i> | | | | | | |
| Indoor Air Quality Tools | A-97572701-0 | 66.034 | 40,000 | 0 | 0 | 0 |
| Total U.S. Environmental Protection Agency | | | <u>40,000</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| U. S. DEPARTMENT OF EDUCATION | | | | | | |
| <i>Direct Assistance:</i> | | | | | | |
| Impact Aid | NA-03 | 84.041 | 15,863 | 0 | 15,863 | 0 |
| Pell Grants | 2000 082285775 | 84.063 | 0 | 0 | 32,985 | 0 |
| | PO63 P20005038 | | 34,788 | 0 | 57,961 | 0 |
| | PO63 P015038 | | 0 | 0 | 50,380 | 0 |
| | PO63 P024747 | | 381,679 | 0 | 329,879 | 0 |
| Subtotal CFDA 84.063 | | | <u>416,467</u> | <u>0</u> | <u>471,205</u> | <u>0</u> |

See accompanying notes to the financial statements

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|---|----------------------------------|---------------------------|------------|----------------------|---------------|---------------------------|
| U. S. DEPARTMENT OF EDUCATION (Continued) | | | | | | |
| <i>Direct Assistance: (Continued)</i> | | | | | | |
| Safe Schools/Healthy Students | S184L 990221 | 84.184 | 7,273 | 0 | 1,202 | 0 |
| | S184L 990221-00 | | 267,959 | 0 | 4,285 | 0 |
| | S184L 990221-01 | | 780,742 | 0 | 1,158,945 | 0 |
| Subtotal CFDA 84.184 | | | 1,055,974 | 0 | 1,164,432 | 0 |
| Smaller Learning Communities | S215L 002135 | 84.215 | 349,679 | 0 | 324,660 | 0 |
| Physical Education Program | S215F 020611 | 84.215F | 258,169 | 0 | 114,196 | 0 |
| 21st Century Community Learning Ctr. Program | R287 B990029 00 | 84.287 B | 0 | 0 | 269 | 0 |
| | R287 B990029 01 | | 0 | 0 | 4,426 | 0 |
| | S287 A001434 | 84.287 A | 193,783 | 0 | 204,195 | 0 |
| | S287 A001434 03 | | 1,068,784 | 0 | 1,073,777 | 0 |
| Subtotal CFDA 84.287 | | | 1,262,567 | 0 | 1,282,667 | 0 |
| Reform Demonstration | T290U010101 | 84.290 | 65,099 | 0 | 112,833 | 0 |
| | T290U01010 02 | | 152,859 | 0 | 91,350 | 0 |
| Subtotal CFDA 84.290 | | | 217,958 | 0 | 204,183 | 0 |
| Transition to Teaching | S350A010029 | 84.350 A | 105,072 | 0 | 191,435 | 0 |
| Community Arts Partnership | S351B010030 | 84.351 B | 64,194 | 0 | 68,489 | 0 |
| Total U. S. Department of Education Direct Assistance | | | 3,745,943 | 0 | 3,837,130 | 0 |
| <i>Passed Through Cuyahoga County:</i> | | | | | | |
| Handicapped - State Grant | NA - 01 | 84.027 | 0 | 0 | 2,950 | 0 |
| | NA - 02 | | 75,000 | 0 | 53,016 | 0 |
| Subtotal CFDA 84.027 | | | 75,000 | 0 | 55,966 | 0 |
| Refugee Dollars and English as a Second Lang. | CE12213-01 | 84.162 | 111,015 | 0 | 105,948 | 0 |
| Total Passed Through Cuyahoga County | | | 186,015 | 0 | 161,914 | 0 |
| <i>Passed Through Cuyahoga Community College:</i> | | | | | | |
| Technology Challenge | R303 AA980063 | 84.303 | 193,775 | 0 | 205,265 | 0 |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Adult Basic and Literacy Education | 043786AB-S1 01C | 84.002 | 433,686 | 0 | 433,686 | 0 |
| Adult Basic and Literacy Education | 043786AB-S1 02 | | 171,113 | 0 | (188,507) | 0 |
| Adult Basic and Literacy Education | 043786AB-S1 03 | | 1,486,091 | 0 | 1,836,923 | 0 |
| Subtotal CFDA 84.002 | | | 2,090,890 | 0 | 2,082,102 | 0 |
| Title 1 - ESEA | 043786C1-S1 00 | 84.010 | 0 | 0 | 10,584 | 0 |
| | 043786C1-S1 01 | | 2,774,022 | 0 | (4,524,399) | 0 |
| | 043786C1-SD 01 | | 144,455 | 0 | (126,095) | 0 |
| | 043786C1-S1 01C | | 5,027,762 | 0 | 5,027,762 | 0 |
| | 043786C1-SD 02 | | 240,717 | 0 | 218,742 | 0 |
| | 043786C1-S1 02 | | 7,779,380 | 0 | 10,662,158 | 0 |
| | 043786 C1-SS 02P | | 22,000 | 0 | 22,000 | 0 |
| | 043786C1-S1 03 | | 34,644,211 | 0 | 30,784,842 | 0 |
| | 043786C1-SD 03 | | 212,212 | 0 | 229,840 | 0 |
| | 043786C1-SK 03 | | 1,115,002 | 0 | 1,111,760 | 0 |
| Subtotal CFDA 84.010 | | | 51,959,761 | 0 | 43,417,194 | 0 |
| <i>Special Education Cluster:</i> | | | | | | |
| Handicapped - Preschool Grant | 043786PG-S1 02P | 84.173 | 122,890 | 0 | 139,187 | 0 |
| | 043786PG-S1 03P | | 287,408 | 0 | 340,438 | 0 |
| Handicapped - State Grant | 043786PG-SC 01P | 84.173 | (17,127) | 0 | 0 | 0 |
| Subtotal CFDA 84.173 | | | 393,171 | 0 | 479,625 | 0 |
| Preschool Subsidy - Flowthru | 043786 6B-SF 00P | 84.027 | 0 | 0 | 2,225 | 0 |
| | 043786 6B-SF 02P | | 1,582,263 | 0 | 2,071,366 | 0 |
| | 043786 6B-SF 03P | | 10,963,211 | 0 | 10,661,391 | 0 |

See accompanying notes to the financial statements

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)**

| FEDERAL GRANTOR Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|---|----------------------------------|---------------------------|-------------------|----------------------|-------------------|---------------------------|
| U. S. DEPARTMENT OF EDUCATION (Continued) | | | | | | |
| <i>Passed Through Ohio Department of Education: (Continued)</i> | | | | | | |
| Successful Model | 043786 6B-SX 02P | 84.027 | 26,530 | 0 | 21,803 | 0 |
| | 043786 6B-SA 03P | | 15,000 | 0 | 39,091 | 0 |
| | 043786 6B-SD 03P | | 9,000 | 0 | 0 | 0 |
| Subtotal CFDA 84.027 | | | <u>12,596,004</u> | <u>0</u> | <u>12,795,876</u> | <u>0</u> |
| Total Special Education Cluster | | | <u>12,989,175</u> | <u>0</u> | <u>13,275,501</u> | <u>0</u> |
| Vocational Education - Basic Grant-VI-B | 043786 20-C1 00 | 84.048 | 0 | 0 | 1 | 0 |
| | 043786 20-C2 00 | | 0 | 0 | 68,458 | 0 |
| | 043786 20-C1 01 | | 0 | 0 | 11,450 | 0 |
| | 043786 20-C1 02 | | 454,731 | 0 | 1,235,117 | 0 |
| | 043786 20-C2 02 | | 41,785 | 0 | 6,604 | 0 |
| | 043786 20-C1 03 | | 2,671,889 | 0 | 2,431,753 | 0 |
| | 043786 20-C2 03 | | 247,527 | 0 | 217,845 | 0 |
| Sex Equity | 043786 20-A5 99 | | 0 | 0 | 22,513 | 0 |
| Accreditation Resource | 043786 20-AO-02 | | (21,760) | 0 | 0 | 0 |
| Subtotal CFDA 84.048 | | | <u>3,394,172</u> | <u>0</u> | <u>3,993,741</u> | <u>0</u> |
| Emergency Immigrant Assistance | 043786 EI-S1 01 | 84.162 | 8,595 | 0 | 4,915 | 0 |
| | 043786 EI-S1 02 | | 0 | 0 | 49,645 | 0 |
| Subtotal CFDA 84.162 | | | <u>8,595</u> | <u>0</u> | <u>54,560</u> | <u>0</u> |
| Safe and Drug Free Community Service | 043786 T4-S1 03 | 84.184C | 12,528 | 0 | 18,434 | 0 |
| Drug Free Schools and Communities | 043786 DR-S1 02 | 84.186 | 240,699 | 0 | 236,225 | 0 |
| | 043786 DR-S1 03 | | 873,426 | 0 | 949,018 | 0 |
| Subtotal CFDA 84.186 | | | <u>1,114,125</u> | <u>0</u> | <u>1,185,243</u> | <u>0</u> |
| Homeless Care Education | 043786 HC-S1 01 | 84.196 | 0 | 0 | (2,643) | 0 |
| | 043786 HC-S1 02 | | 28,593 | 0 | 42,574 | 0 |
| | 043786 HC-S1 03 | | 169,570 | 0 | 148,926 | 0 |
| Subtotal CFDA 84.196 | | | <u>198,163</u> | <u>0</u> | <u>188,857</u> | <u>0</u> |
| Even Start | 043786 EV-S4 02 | 84.213 | 69,487 | 0 | 83,598 | 0 |
| Character Education | 043786 PI-S1 02 | 84.215 | (485) | 0 | 1,704 | 0 |
| Capital Expenses - Title I | 043786 CX-S1 99 | 84.216 | 0 | 0 | 10,052 | 0 |
| | 043786 CX-S1 01 | | 0 | 0 | 5,923 | 0 |
| Subtotal CFDA 84.216 | | | <u>0</u> | <u>0</u> | <u>15,975</u> | <u>0</u> |
| Goals 2000 | 043786 G2SP 01 | 84.276 | 0 | 0 | 870 | 0 |
| | 043786 G2S1 01 | | 101,500 | 0 | 253,750 | 0 |
| | 043786 G2S2 01 | | (31) | 0 | 16,766 | 0 |
| | 043786 G2S5 01 | | 0 | 0 | 45,561 | 0 |
| Subtotal CFDA 84.276 | | | <u>101,469</u> | <u>0</u> | <u>316,947</u> | <u>0</u> |
| Eisenhower Professional Development | 043786 MS-S1 01 | 84.281 | 54,081 | 0 | 237,492 | 0 |
| | 043786 MS-S1 02 | | (241,987) | 0 | 444,696 | 0 |
| Eisenhower Presidential Award | 043786-MS-S2 02 | | 0 | 0 | 185 | 0 |
| | NA-04 | | 0 | 0 | 7,240 | 0 |
| Subtotal CFDA 84.281 | | | <u>(187,906)</u> | <u>0</u> | <u>689,613</u> | <u>0</u> |
| 21st Century Community Learning Centers | 043786 T1-S1-03 | 84.287 | 67,500 | 0 | 138,582 | 0 |
| Innovative Education Program Strategy-Title V | 043786 C2-S1 99 | 84.298 | 0 | 0 | (240,107) | 0 |
| | 043786 C2-S1 00 | | 0 | 0 | 3,703 | 0 |
| | 043786 C2-S1 01 | | 39,288 | 0 | 187,604 | 0 |
| | 043786 C2-S1 02 | | 66,896 | 0 | 156,286 | 0 |
| | 043786 C2-S1 03 | | 578,983 | 0 | 512,126 | 0 |
| Subtotal CFDA 84.298 | | | <u>685,167</u> | <u>0</u> | <u>619,612</u> | <u>0</u> |
| Family Literacy | 043786 FV-S1 00 | 84.314 | 0 | 0 | 1,128 | 0 |
| Title II D Technology | 043786 TJ-S1 03 | 84.318 | 1,002,735 | 0 | 821,795 | 0 |

See accompanying notes to the financial statements

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|---|----------------------------------|---------------------------|----------------|----------------------|----------------|---------------------------|
| U. S. DEPARTMENT OF EDUCATION (Continued) | | | | | | |
| <i>Passed Through Ohio Department of Education: (Continued)</i> | | | | | | |
| Advanced Placement Program | 043786 AV-S102 | 84.330 | 0 | 0 | 2,989 | 0 |
| | 043786 AV-S103 | | 3,650 | 0 | 0 | 0 |
| Subtotal CFDA 84.330 | | | 3,650 | 0 | 2,989 | 0 |
| Reform Demonstration | 043786 RFS1 00 | 84.332 | 0 | 0 | (222) | 0 |
| | 043786 RFS1 01 A | | 52,500 | 0 | 19,704 | 0 |
| | 043786 RFS2 01 B | | 114,221 | 0 | 85,784 | 0 |
| | 043786 RFS1 02 | | 45,000 | 0 | 21,025 | 0 |
| | 043786 RFS2 02 | | 60,290 | 0 | 39,213 | 0 |
| Subtotal CFDA 84.332 | | | 272,011 | 0 | 165,504 | 0 |
| Reading Excellence | 043786 RN-S1 00 | 84.338 | 372,527 | 0 | 686,432 | 0 |
| | 043786 RN-S2 00 | | 162,910 | 0 | 184,811 | 0 |
| Subtotal CFDA 84.338 | | | 535,437 | 0 | 871,243 | 0 |
| Title VI-R Reducing Class Size Reduction | 043786 CR-S1 00 | 84.340 | 0 | 0 | 89,786 | 0 |
| | 043786 CR-S1 01 | | 504,338 | 0 | 956,731 | 0 |
| | 043786 CR-S1 02 | | 746,890 | 0 | (408,894) | 0 |
| Subtotal CFDA 84.340 | | | 1,251,228 | 0 | 637,623 | 0 |
| Title I - School Improvement | 043786 AK-S1-01 | 84.348 | 1,275 | 0 | 2,290 | 0 |
| | 043786 AK-S1-02 | | (213,638) | 0 | (39,209) | 0 |
| Subtotal CFDA 84.348 | | | (212,363) | 0 | (36,919) | 0 |
| Special Education Personnel Preparation | 043786 AT-S1 02 | 84.352A | (339) | 0 | 9,264 | 0 |
| | 043786 AT-S2 02 | | 35,449 | 0 | 35,444 | 0 |
| | 043786 AT-S3 02 | | 51,505 | 0 | 50,779 | 0 |
| | 043786 AT-S4 02 | | 16,918 | 0 | 0 | 0 |
| Subtotal CFDA 84.352A | | | 103,533 | 0 | 95,487 | 0 |
| Title III - Limited English Proficiency | 043786 T3-S1 03 | 84.365 | 334,244 | 0 | 174,945 | 0 |
| | 043786 T3-S3 03 | | 5,000 | 0 | 4,700 | 0 |
| Subtotal CFDA 84.365 | | | 339,244 | 0 | 179,645 | 0 |
| Title II A Teacher Quality | 043786 TR-S1 03 | 84.367 | 9,151,038 | 0 | 8,569,992 | 0 |
| Total Pass Through Ohio Department of Education | | | 84,949,154 | 0 | 77,390,150 | 0 |
| Total U.S. Department of Education | | | 89,074,887 | 0 | 81,594,459 | 0 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Refugee Impact Subsidy | 043786 R1-S1 02 | 93.576 | 5,170 | 0 | 37,881 | 0 |
| | 043786 R1-S1 03 | | 62,428 | 0 | 39,121 | 0 |
| Subtotal CFDA 93.576 | | | 67,598 | 0 | 77,002 | 0 |
| TANF/Student Intervention | NA-03 | 93.558 | 11,827,651 | 0 | 11,827,651 | 0 |
| Total Passed Through Ohio Department of Education | | | 11,895,249 | 0 | 11,904,653 | 0 |
| <i>Passed Through Cuyahoga County:</i> | | | | | | |
| Youth Development Initiative | CE12233-01 | 93.558 | 0 | 0 | 39,766 | 0 |
| FAST Program | CE13791 | | 91,241 | 0 | 120,307 | 0 |
| Subtotal CFDA 93.558 | | | 91,241 | 0 | 160,073 | 0 |
| Child Care & Development Block Grant | NA-98 | 93.575 | 0 | 0 | 11,377 | 0 |
| Total Passed Through Cuyahoga County | | | 91,241 | 0 | 171,450 | 0 |
| <i>Passed Through Ohio Department of MR/DD:</i> | | | | | | |
| Medicaid Assistance Program | NA-03 | 93.778 | 7,834,846 | 0 | 7,834,846 | 0 |
| <i>Passed Through City of Cleveland:</i> | | | | | | |
| Healthy Family Healthy Start | PS55766A | 93.926 | 52,209 | 0 | 0 | 0 |
| | SG56779 | | (16,190) | 0 | 94 | 0 |
| | SG58205 | | (6,983) | 0 | (19,780) | 0 |
| | SG59286 | | 560 | 0 | (790) | 0 |
| | SG60195 | | 223,190 | 0 | 348,432 | 0 |
| Subtotal CFDA 93.926 | | | 252,786 | 0 | 327,956 | 0 |
| Total U.S. Department of Health and Human Services | | | 20,074,122 | 0 | 20,238,905 | 0 |
| Total Federal Assistance | | | \$ 139,288,301 | \$ 1,802,390 | \$ 131,287,325 | \$ 1,922,762 |

See accompanying notes to the financial statements

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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, 2003, 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.

NOTE E - TRANSFER OF FEDERAL RECEIPTS

During fiscal year 2003, the Eisenhower Professional Development State Grant (CFDA# 84.281) was discontinued and \$553,730 was transferred to the Improving Teacher Quality State Grant (CFDA# 84.367).

N/A - Not applicable.

CFDA - Catalog of Federal Domestic Assistance

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' 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 financial statements of the Cleveland Municipal School District, Cuyahoga County, Ohio, (the "District") as of and for the year ended June 30, 2003, and have issued our report thereon dated December 15, 2003. 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*.

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 management of the District in a separate letter dated December 15, 2003.

Cleveland Municipal School District
Cuyahoga County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 15, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. 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 each of its major federal programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2003-001. We also noted an instance of noncompliance that does not require inclusion in this report that we have reported to management of the District in a separate letter dated December 15, 2003.

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.

Schedule of Federal Awards Expenditures

We have audited the basic financial statements of the District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 15, 2003. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 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.



Betty Montgomery
Auditor of State

December 15, 2003

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2003
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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>Special Education Cluster: Special Education Grants to States, CFDA #84.027 and Special Education PreSchool Grant CFDA #84.173</p> <p>WIA Cluster: WIA Youth Activities, CFDA # 17.258 Workforce Investment Act, CFDA # 17.259</p> <p>Improving Teacher Quality, CFDA # 84.367 Temporary Assistance for Needy Families, CFDA # 93.558 Medical Assistance Program, CFDA # 93.778 Safe & Drug-Free Schools & Communities, CFDA # 84.186 Innovative Education Program Strategies, CFDA # 84.298 Technology Literacy Challenge Fund Grants CFDA # 84.318</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 |

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

None

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2003
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
(Continued)**

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

| | |
|------------------------------------|--|
| Finding Number | 2003-001 |
| CFDA Title and Number | Safe and Drug-Free Schools and Communities, CFDA # 84.186 |
| Federal Award Number / Year | 043786 DR-S1 02 & 043786 DR-S1 03 |
| Federal Agency | U.S. Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Local Educational Agencies may use grant funds to support programs that prevent violence in and around schools and by strengthening programs that prevent the illegal use of alcohol, tobacco, and drugs. 20 U.S.C. 7115(b)(2)), lists those activities which are allowable and Section 7115(a)(1) states that all funds used must meet the principles of effectiveness. Section 7115(a)(1)(c) states that in order for an activity to meet the principles of effectiveness it shall "...be based on scientifically based research that provides evidence that the program to be used will reduce violence and illegal drug use."

A review of program expenditures disclosed that \$45,595.08 was spent for meals, incentives and awards. While these expenditures are allowable, they did not satisfy the principle of effectiveness since they are not based on scientifically based research. The expenditures being questioned are as follows:

| <u>Vendor</u> | <u>Amount</u> | <u>Description</u> |
|-----------------------|---------------------------|--|
| Dave & Busters | \$2,200.00 | Gift cards presented to students who attended all programs and meetings throughout the year. |
| Wal-Mart | 500.00 | Gift cards given as prizes to students who attended all programs and meeting throughout the year. |
| Nautica Queen | 13,612.50 | Annual year end appreciation dinner. |
| Dave & Busters | 5,250.00 | For the Student Advisory Council Youth Family Day expenditures were for power cards, meals and tokens. |
| Regal Cinemas | 6,520.00 | 1,000 super saver movie tickets were purchased for all students who participated in all programs during the year. |
| Cedar Point | 5,513.20 | Student and chaperone tickets and food for annual B.R.I.C.K trip. |
| Windows on the River | 3,308.00 | Senior recognition luncheon for graduating seniors. |
| Six Flags Theme Parks | 5,691.38 | 100 season passes were purchased for students who attended every meeting in their program. |
| Dave's Supermarkets | <u>3,000.00</u> | Gift certificates were purchased for the year end ceremonies for school groups and cook-outs. The gift certificates were given to the parents involved in the program. |
| Total | <u>\$45,595.08</u> | |

Based on these facts, the amount of \$45,595.08 is questioned.

CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)

| <u>Finding Number</u> | <u>Finding Summary</u> | <u>Fully Corrected ?</u> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|------------------------------|--|---------------------------------|---|
| 2002-10818-01 | Special Education Cluster- Failure to maintain current Individualized Education Programs (IEP) on file | No | Partially Corrected: Testing of 70 IEPs revealed only 3 could not be located. Reported in management letter |
| 2002-10818-02 | Title VI-R Class Size Reduction – Teachers charging grant taught outside the allowable range. | Yes | Finding no longer valid |

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

CORRECTIVE ACTION PLAN

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|-----------------------|--|------------------------------------|-----------------------------------|
| 2003-001 | <p><i>The District respectfully disagrees with the questioned costs.</i> Title 20 USC 7115 (b)(2), as cited by the Auditor of State in the Schedule of Findings and Questioned Costs, does not specifically prohibit the use of prizes, incentives, or awards to increase program participation. In fact, the programs linked to the State web-site, on which the District's programs were modeled, specifically indicate that prizes, incentives, and parental participation were used in carrying-out the program goals and objectives and are presented as allowable. Furthermore these types of expenditures are not prohibited in OMB Circular A-87. Similarly, Title 20 USC 7115 (b)(2)(D) specifically does allow professional development and training in this context. We also believe the requirement of effectiveness can be met for many of the questioned costs.</p> | June 30, 2004 | James Wingo |

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2003



Cleveland, Ohio

Comprehensive Annual Financial Report

Of the

Cleveland Municipal School District

For the

**FISCAL YEAR ENDED
JUNE 30, 2003**

Prepared by

Finance Department

Erbert C. Johnson
Chief Financial Officer/Treasurer

Cover Art

Robert Leach
Empire CompuTech

1380 East Sixth Street * Cleveland, Ohio 44114

Cleveland Board of Education



Margaret M. Hopkins, *Chair*



Grady P. Burrows, *Vice Chair*



Rashidah Abdulhaqq



Lawrence W. Davis



Louise P. Dempsey



Dr. Sherona Garrett-Ruffin



Magda Gomez



Willetta A. Milam



Gladys Santiago



Dr. Jerry Sue Thornton
ex officio



Dr. Michael Schwartz
ex officio



Barbara Byrd-Bennett
Chief Executive Officer



Erbert C. Johnson
CFO/Treasurer

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Introductory Section

Cleveland Municipal School District

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1380 East Sixth Street, Cleveland, OH 44114 • 216.574.8246 • Fax 216.574.8317 • www.cmsdnet.net

**Barbara Byrd-Bennett
Chief Executive Officer**

**Board of Education
Margaret M. Hopkins
Chair**

**Rashidah Abdulhaqq
Grady P. Burrows
Lawrence W. Davis
Louise P. Dempsey
Dr. Sherona Garrett-Ruffin
Magda Gomez
Willetta A. Milam
Gladys Santiago**

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

December 15, 2003

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, 2003. 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 Independent Accountants' Report, 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.

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. On July 1, 2003 the terms of the original appointed Board expired. The newly appointed Board consists of six new members and three members from the original Board.

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. The contract was extended for an additional two years and expires in December 2004.

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 2003, the School District enrolled 71,613 students (compared to 72,898 the previous year) in 63 elementary schools, 25 K-8 schools, 17 middle schools, and 16 senior high schools. In addition classes are provided in seven 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, 2003 the School District had 12,893 full and part-time employees (compared to 12,168 the previous year). In the fiscal year ended June 30, 2003, the School District paid \$500.5 million in salaries and wages and \$141.8 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 15 to the basic financial statements. The School District also participates in the Ohio Schools Council, which is a jointly governed organization. This relationship is described in Note 20 to the basic financial statements.

A complete discussion of the School District's reporting entity is provided in Note 1 to the basic 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 95 percent of the School District's fiscal year 2003 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). In 1999, HB 283 was passed calling for a reduction in the assessed valuation percentage for the inventory portion of the personal property tax to be reduced from the current 25% to 0% over a 25 year period (reduction accumulating 1% per year). HB 95, passed in 2003, accelerated the elimination of the inventory tax (reduction now accumulates at 2% per year, halving the time of its full implementation, subject to certain limitations). 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. HB 95 also included a provision eliminating the State reimbursement of the \$10,000 exemption in business personal property tax, phased out over ten years. The legislation did not include a "hold harmless" provision dealing with this reduction in taxes.

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 |
|-------------|--------------------------|---|------------------------|---------------------------|---|
| 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 |
| 2003 | 365,129 | 50,101 | 315,028 | 545,063 | 57.80 |

- (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 Ohio 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 case was appealed to the U.S. Supreme Court, which in October 2003 declined to hear the petition.

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, eleven 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.

The overall unemployment rate within the PMSA has increased from 6.5% in 2002 to 7.0% in 2003, which approximates the national averages for each respective year.

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

- The School District has met six of the State's twenty-two performance indicators, up from three in the prior year. This means that for the first time ever, the School District is no longer in "academic emergency", as defined by the State of Ohio. In addition, test scores improved on every one of the twenty-two performance indicators by an average of 10% in comparison to the prior year.
- The State Superintendent designated 31 of the 3,854 public schools across the State as "Schools of Promise". 7 of the 31 schools named are from the School District. No other urban district in the State of Ohio had any schools identified.
- Student attendance continues to increase. The School District met the State's target of 93% last year and increased attendance to 95% this year.
- The graduation rate increased for the 5th consecutive year. 81% of the School District's high school seniors graduated this past year and 74% of the graduates went on to two or four year colleges.
- Safety and security in the schools remains a high priority. Utilizing the newly installed camera system and better training of the increased safety force has helped the School District achieve a 33% reduction in

suspensions over the past three years.

- The District has completed its first year of the 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 existing facilities and inactivation for student use of 14 existing facilities.
- In October 2002 the School District issued \$124,920,000 of Various Purpose Improvement and Refunding Bonds. Of the total issued, \$84,920,000 was used to refund existing debt and the other \$40,000,000 will be used to continue implementing the Master Facility Plan.
- Nearly 400 construction projects were completed at 58 schools. These projects included repairs to roofs, mechanical systems, sidewalks, parking lots, heating and air-conditioning units and lighting. The projects also included new windows and doors at various schools, the final phases of construction of a new gymnasium at one high school and substantial progress on the complete building renovation of another high school.
- Certified teachers currently fill more than 98% of all teaching positions and all newly hired teachers for the current fiscal year met the *No Child Left Behind Act* definition of “highly qualified teacher”.
- The School District 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 School District also secured the leadership of Barbara Byrd-Bennett, the Chief Executive Officer, who has signed on through December 2004.

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 fund level. All purchase order requests must be approved by the appropriate levels of authority and certified by the Chief Financial Officer/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 for 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 second 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 created 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 School 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.

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 9 for a complete description of the School 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 of Ohio (STRS Ohio).

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 10 and 11 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 Betty Montgomery, 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, 2003. 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, 2002. 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, 2002. 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.

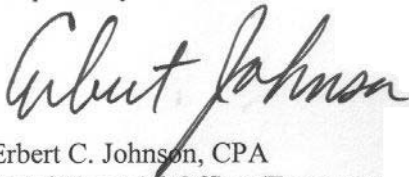
Acknowledgments

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,



Erbert C. Johnson, CPA
Chief Financial Officer/Treasurer

Cleveland Municipal School District

Board Members

Appointed by Mayor of City of Cleveland

| Name | Began Service As A Board Member (a) | Present Term Expires June 30 (a) |
|------------------------------------|--|---|
| Rashidah Abdulhaqq | 1998 | 2007 |
| Erskine L. Bevel | 1998 | 2003 |
| Grady P. Burrows | 2003 | 2005 |
| David J. Carney | 1998 | 2003 |
| Lawrence W. Davis | 2003 | 2007 |
| Louise P. Dempsey | 1998 | 2007 |
| George F. Dixon | 1998 | 2003 |
| Dr. Sherona Garrett-Ruffin | 2003 | 2005 |
| Magda Gomez | 2003 | 2005 |
| Margaret M. Hopkins | 1998 | 2007 |
| Willetta A. Milam | 2003 | 2005 |
| Sandra Morgan | 1998 | 2003 |
| Elaine A. Murphy | 2001 | 2003 |
| Gladys Santiago | 2003 | 2007 |
| Hilton O. Smith | 1998 | 2003 |
| Dr. Jerry Sue Thornton, ex-officio | 1998 | 2007 |
| Dr. Michael Schwartz, ex-officio | 2001 | 2007 |

(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.

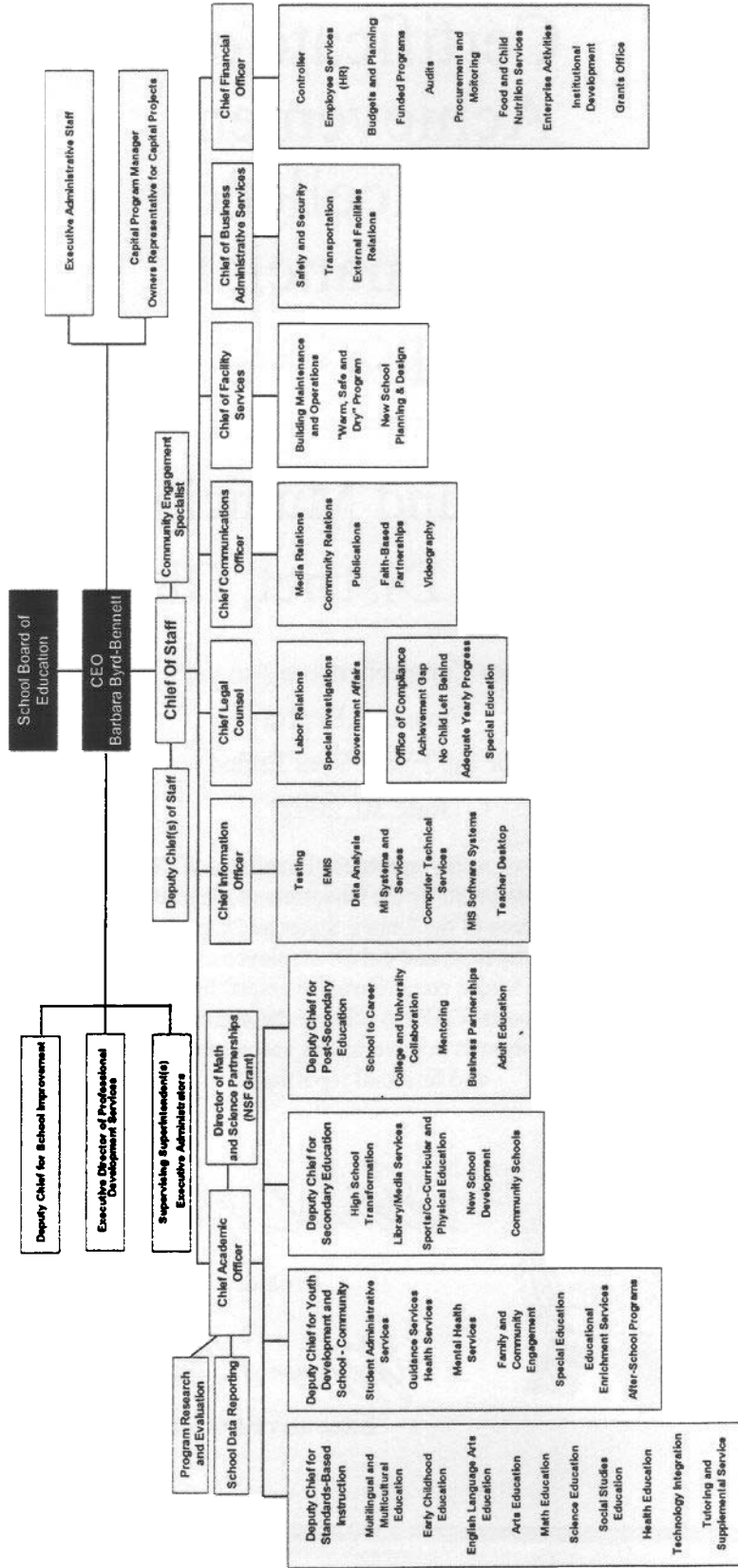
Cleveland Municipal School District

Senior Appointed Officials

| | |
|-----------------------------|--|
| Barbara Byrd-Bennett | Chief Executive Officer |
| Dr. Myrna Elliott-Lewis | Chief Academic Officer |
| Paul D. Flesher | Chief of Facilities Services |
| Nicholas Jackson | Chief of Business Administrative Services |
| Erbert Johnson, CPA | Chief Financial Officer/Treasurer |
| Peter A. Robertson | Chief Information Officer |
| Lisa Marie Ruda | Chief of Staff |
| Alan A. Seifullah | Chief Communications Officer |
| Adrian D. Thompson, Esquire | Chief Legal Counsel |
| Kathleen Freilino | Deputy Chief for Secondary Education |
| Lincoln Haughton | Deputy Chief for School Improvement |
| Rasool Jackson | Deputy Chief for Youth Development and School Services |
| Rebecca Lowry | Deputy Chief for Secondary Education |
| Alfred Miller | Deputy Chief of Staff |
| Marva Richards | Deputy Chief of Staff |
| Gerald Pace, Esquire | Deputy to the Chief Financial Officer |
| Julie Evanoff, CPA | Controller |
| Dennis Kubick, CPA | Assistant Controller |
| Regis Balaban | Executive Director of Food & Child Nutrition Services |
| Omega Brown | Executive Director of Transportation |
| David A. Coleman | Executive Director of Safety & Security |
| Carol Hauser | Executive Director of Employee Services |
| Dr. Esther M. Johnson | Executive Director of Multilingual Multicultural Education |
| Anthony Masevice | Executive Director of Plans and Forecasts |
| Daniel H. Minnich | Executive Director of External Affairs |
| Sherry Ulery | Executive Director of Professional Development Services |
| Sheila Williams | Executive Director of Early Childhood Education |
| James B. Wingo | Executive Director of Student Opportunities |
| Dr. Theresa Yeldell | Executive Director of Family and Community Engagement |

Cleveland Municipal School District Organizational Chart

As of June 30, 2003



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, 2002

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.



President

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, 2002

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


President


Executive Director

Financial Section



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, each major fund, 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, 2003, 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 opinions 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, each major fund, and the aggregate remaining fund information of the Cleveland Municipal School District, Cuyahoga County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2003 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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, 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 presented for additional analysis and 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 15, 2003

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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, 2003. 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 2003 are as follows:

- ❑ Total current and other assets decreased by \$32.1 million and capital assets increased by \$17.7 million, resulting in a net decrease in total assets of \$14.4 million in Governmental Activities.
- ❑ Total short-term liabilities increased \$7.0 million and total liabilities increased \$9.4 million in Governmental Activities.
- ❑ Total net assets decreased \$23.8 million in Governmental Activities.
- ❑ General revenues accounted for \$585.6 million in revenue or 73.2% of all revenues for Governmental Activities. Program specific revenues in the form of charges for services, sales, grants or contributions accounted for \$214.5 million or 26.8% of total revenues of \$800.1 million.
- ❑ Total program expenses were \$823.9 million in Governmental Activities.
- ❑ Among major funds, the General Fund had \$536.7 million in revenues and \$617.3 million in expenditures. The General Fund's fund balance declined by \$80.6 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, the Debt Service Fund and the Classroom Facilities Fund are the most significant governmental funds.

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
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 2003?" 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, the Debt Service Fund and the Classroom Facilities 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, 2003
 Unaudited

The School District on a Government-Wide Basis

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

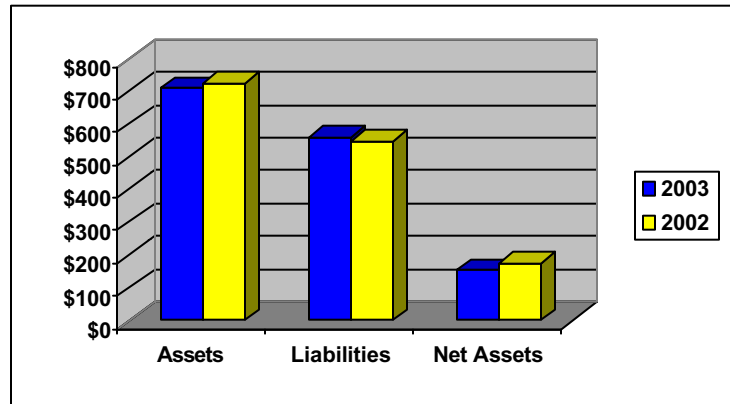
Table 1 provides a summary of the School District's net assets for 2003 compared to 2002:

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

| | Governmental Activities | |
|----------------------------|-------------------------|----------|
| | 2003 | 2002 |
| Assets | | |
| Current and Other Assets | \$ 511.6 | \$ 543.7 |
| Capital Assets | 200.2 | 182.5 |
| Total Assets | 711.8 | 726.2 |
| Liabilities | | |
| Current Liabilities | 319.7 | 312.7 |
| Long-Term Liabilities | 239.5 | 237.1 |
| Total Liabilities | 559.2 | 549.8 |
| Net Assets | | |
| Invested in Capital | | |
| Assets Net of Related Debt | 90.1 | 71.2 |
| Restricted for: | | |
| Debt Service | 38.4 | 45.0 |
| Capital Projects | 115.3 | 61.6 |
| Set Asides | 0.3 | 7.9 |
| Other Purposes | 14.1 | 15.9 |
| Unrestricted | (105.6) | (25.2) |
| Total Net Assets | \$ 152.6 | \$ 176.4 |

Cleveland Municipal School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2003
 Unaudited

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



Total capital assets increased by \$17.7 million while total assets decreased by \$14.4 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. The reduction in total assets is attributable to a decline in operating cash and in taxes receivable. The decline in operating cash is a result of the current fiscal year deficit. The decrease in taxes receivable is due to a higher allowance level for uncollectible taxes resulting from the slower economy.

Current liabilities increased by \$7.0 million and long-term liabilities increased by \$2.4 million, resulting in an overall increase in total liabilities of \$9.4 million. The increase in current liabilities relates mainly to an increase in deferred property taxes of \$9 million. This was a result of the County Treasurer making more property tax collections available to the School District in the prior fiscal year versus the current year. 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.

Total net assets decreased \$23.8 million. This is mainly the result of an \$80.4 million decrease of unrestricted net assets offset, in part, by a \$72.5 million increase in the capitalization of new facility construction/renovation assets, which will be allocated to expense over the useful life of those assets. The decrease in unrestricted net assets 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 years 2003 and 2002.

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

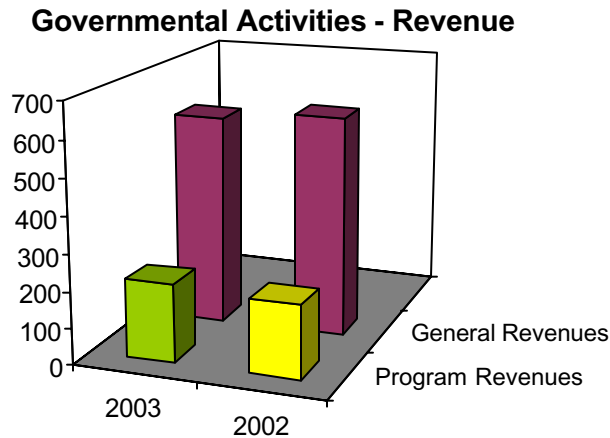
(Table 2)
Changes in Net Assets
(\$ In Millions)

| | Governmental Activities | |
|--|----------------------------|----------|
| | 2003 | 2002 |
| Revenues | | |
| General Revenues: | | |
| Property Taxes | \$ 215.9 | \$ 272.4 |
| Grants and Entitlements | 360.7 | 325.7 |
| Investments Income | 4.7 | 7.9 |
| Other | 4.3 | 2.5 |
| Program Revenues: | | |
| Charges for Services | 0.5 | 0.8 |
| Operating Grants | 208.9 | 197.2 |
| Capital Grants | 5.1 | 3.4 |
| Total Revenues | 800.1 | 809.9 |
| Program Expenses | | |
| Instruction | 450.9 | 446.4 |
| Support Services: | | |
| Pupil and Instructional Staff | 107.8 | 110.6 |
| Board of Education, Administration, Fiscal and Business | 69.8 | 55.8 |
| Operation and Maintenance of Plant | 67.2 | 61.6 |
| Pupil Transportation | 39.7 | 40.1 |
| Central | 20.2 | 18.8 |
| Operation of Non-Instructional Services | 43.8 | 43.2 |
| Extracurricular Activities | 7.6 | 7.9 |
| Interest and Fiscal Charges | 16.9 | 12.8 |
| Total Expenses | 823.9 | 797.2 |
| Change in Net Assets | \$ (23.8) | \$ 12.7 |

Cleveland Municipal School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2003
 Unaudited

Graph 2.
 Revenue For Governmental Activities
 (\$ In Millions)

| | 2003 | 2002 |
|------------------|----------|----------|
| General Revenues | \$ 585.6 | \$ 608.5 |
| Program Revenues | 214.5 | 201.4 |
| Total Revenues | \$ 800.1 | \$ 809.9 |



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 36.9% and 44.8% and grants made up 61.6% and 53.5% of general revenues for governmental activities for the School District in fiscal years 2003 and 2002, respectively.

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, real property tax assessments due to the School District have held steady for the past several years. Collection rates have declined and 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 personal property tax assessments and collections have declined significantly for similar reasons.

Cleveland Municipal School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2003 Unaudited

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.

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 97.4% 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 Net Cost of Program Services
Governmental Activities
(\$ In Millions)

| | Total Cost of Services 2003 | Net Cost of Services 2003 | Total Cost of Services 2002 | Net Cost of Services 2002 |
|--|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Instruction | \$ 450.9 | \$ (325.0) | \$ 446.4 | \$ (332.9) |
| Support Services: | | | | |
| Pupil and Instructional Staff | 107.8 | (73.7) | 110.6 | (73.3) |
| Board of Education, Administration, Fiscal and Business | 69.8 | (63.2) | 55.8 | (49.6) |
| Operation and Maintenance of Plant | 67.2 | (61.6) | 61.6 | (58.9) |
| Pupil Transportation | 39.7 | (39.5) | 40.1 | (39.9) |
| Central | 20.2 | (19.1) | 18.8 | (15.9) |
| Operation of Non-Instructional Services | 43.8 | (3.2) | 43.2 | (5.1) |
| Extracurricular Activities | 7.6 | (7.2) | 7.9 | (7.4) |
| Interest and Fiscal Charges | 16.9 | (16.9) | 12.8 | (12.7) |
| Total Expenses | \$ 823.9 | \$ (609.4) | \$ 797.2 | \$ (595.7) |

Cleveland Municipal School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2003 Unaudited

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.

The largest Governmental Activities program expense remains instruction, comprising 54.7% of the total cost of services. When combined with pupil and instructional support these categories make up 67.8% 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. 72.1% of instruction activities are supported through taxes and other general revenues. Similarly, for all governmental activities general revenue support is 74.0%. 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 \$944.7 million and expenditures of \$976.9 million, resulting in a net decrease in fund balances of \$32.2 million. This net change in fund balance for the year was most significant in the General Fund and the Classroom Facilities Fund. The fund balance in the General Fund decreased \$80.6 million. This was mainly attributable to a lower level of real estate and personal property tax receipts, a lower level of State aid and higher costs for personnel. The lower tax collections are a reflection of the slow economy and a declining tax base on personal property. The lower level of State aid is due to higher deductions for charter schools and a school funding cut announced in March 2003 by the State to cover its projected budgetary shortfall. The higher personnel costs are mainly due to required wage increases under the School District's labor contracts and to rising costs of health care. The Classroom Facilities fund balance increased \$46.6 million. This was mainly attributable to the issuance of new debt and monies received from the State of Ohio 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 \$556.4 million, \$43.5 million above original budget estimates of \$512.9 million. This increase in budget was made to reflect revised estimates of tax collections, revised estimates of revenues from State sources and a refinancing of a capital lease. Total actual revenues and other financing sources were \$556.3 million, which approximates the final budget estimates.

The final expenditure and other financing uses budgets was \$665.0 million. Total actual expenditures and other financing uses were \$661.0 million, or \$4.0 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 lower future operating deficits and postpone the need to appeal to the voters for an additional operating levy.

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003 the School District had \$200.2 million invested in land and improvements, buildings and improvements, vehicles and equipment, and construction in progress. Table 4 shows fiscal 2003 balances compared to 2002:

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

| | <u>Governmental Activities</u> | |
|----------------------------|--------------------------------|----------|
| | 2003 | 2002 |
| Land and Improvements | \$ 29.4 | \$ 29.4 |
| Buildings and Improvements | 103.7 | 104.7 |
| Vehicles and Equipment | 19.5 | 21.5 |
| Construction in Progress | 47.6 | 26.9 |
| Totals | \$ 200.2 | \$ 182.5 |

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 created 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 in 2002 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 8 to the basic financial statements for additional information on capital assets.

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

Debt Administration

At June 30, 2003 the School District had \$231.9 million in bonds, other long-term obligations and notes outstanding, \$44.2 million due within one year. Table 5 summarizes bonds and notes outstanding.

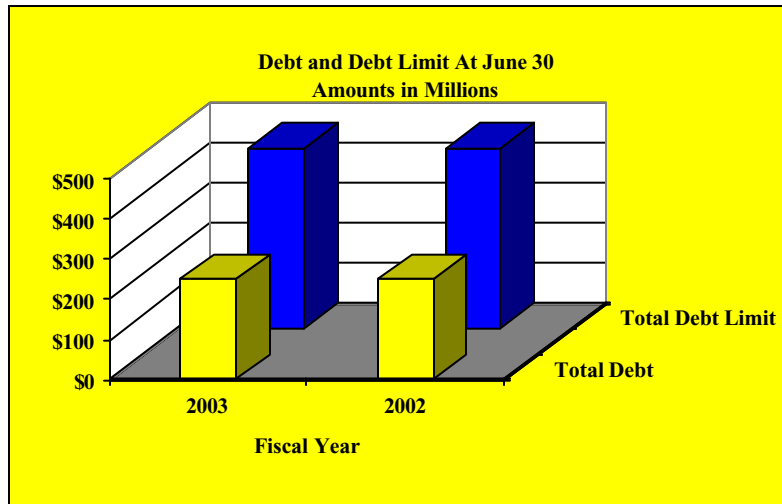
(Table 5)
Outstanding Debt, at Year End
(\$ In Millions)

| | Governmental Activities 2003 | Governmental Activities 2002 |
|--|------------------------------------|------------------------------------|
| | <u>2003</u> | <u>2002</u> |
| General Obligation Bonds and Notes: | | |
| EPA Asbestos Abatement Notes | \$ 0.3 | \$ 0.3 |
| 1992 School Improvement Refunding Bonds | 0 | 4.2 |
| 1992 School Improvement Capital Appreciation Bonds | 0 | 26.1 |
| 1992 Library Improvement Bonds | 0 | 60.6 |
| 1994 Energy Conservation Improvement Bonds | 2.5 | 4.1 |
| 2001 QZAB - Technology Academy | 5.5 | 5.5 |
| 2001 QZAB - Arts Academy | 5.8 | 5.8 |
| 2001 QZAB - Literacy Academy | 10.0 | 10.0 |
| 2002 H.B. 264 Energy Conservation Notes | 10.9 | 11.5 |
| 2001 School Facility Bond Anticipation Notes | 0 | 35.0 |
| 2002 Library Refunding Bonds | 57.5 | 0 |
| 2002 School Facilities Improvement Bonds | 67.4 | 0 |
| Other Long-Term Obligations: | | |
| 2001 Capital Lease Obligation | 0 | 4.4 |
| 2002 Capital Lease Obligation | 0 | 4.4 |
| Capital Lease Obligation | 7.8 | 0 |
| Note Payable: | | |
| 1997 Revenue Anticipation Notes | <u>64.2</u> | <u>78.2</u> |
| Total | <u><u>\$ 231.9</u></u> | <u><u>\$ 250.1</u></u> |

Cleveland Municipal School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2003
 Unaudited

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

| | 2003 | 2002 |
|------------------|---------|---------|
| Total Debt | \$231.9 | \$250.1 |
| Total Debt Limit | \$425.8 | \$449.6 |



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. In November 2001, the School District issued \$35 million School Facility Bond Anticipation Notes. These Notes represented the first installment of the \$335 million of facility construction/renovation borrowing approved by voters in May 2001.

In 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 2004.

In addition to the replacement of the bond anticipation notes with long term financing and the issuance of new school facility debt, 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 13 to the basic financial statements.

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
Unaudited

At June 30, 2002, the School District's overall legal debt margin was \$425.8 million, with an unvoted debt margin of \$5.8 million. The School District's short-term bond rating is "MIG1" and its long-term bond rating is "Aaa", as rated by Moody's. See Note 13 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 – The 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" reached an end when the Ohio Supreme Court vacated its previous order to the State to make certain changes in the State's aid formula to school districts and the U.S. Supreme Court declined to hear a petition on this case. This is described further in Note 17 to the basic financial statements.

Although the Ohio Supreme Court funding order was vacated, the governor of the State created the "Governor's Blue Ribbon Task Force on Financing Student Success" to continue to try and address the unconstitutionality portion of the Court ruling that remained. The Task Force is charged with recommending a funding system for public elementary and secondary education in Ohio and determining appropriate mechanisms for paying for such a system.

Financial Forecast – The School District is required to adopt a five-year financial forecast of revenues and expenditures each year. As the financial forecast show a negative cash-basis fund balance deficit projected in fiscal years 2005 and beyond, the School District Board of Education adopted a Deficit Reduction Plan to address this issue. The Plan contains provisions to contain costs and will ultimately consider the possibility of having to go back to the voters for an additional operating levy in 2004.

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. On January 1, 2003 the District switched health care providers. 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 C. 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, 2003

| | Total |
|--|-----------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | \$ 249,416,661 |
| Restricted Assets-Equity in Pooled Cash and Cash Equivalents | 332,803 |
| Investments with Fiscal Agents | 18,215,790 |
| Receivables: | |
| Taxes | 230,023,667 |
| Accounts | 400,778 |
| Intergovernmental | 6,184,182 |
| Accrued Interest | 132,561 |
| Materials and Supplies Inventory | 1,312,289 |
| Prepaid Items | 5,565,546 |
| Nondepreciable Capital Assets | 75,476,466 |
| Depreciable Capital Assets, Net | 124,761,182 |
| Total Assets | 711,821,925 |
| Liabilities | |
| Accounts Payable | 17,487,643 |
| Accrued Wages and Benefits | 81,085,615 |
| Intergovernmental Payable | 14,403,614 |
| Deferred Revenue | 132,359,879 |
| Accrued Interest Payable | 1,156,745 |
| Unamortized Premium on Bond | 6,853,516 |
| Notes Payable | 64,165,000 |
| Claims Payable | 2,247,569 |
| Long-Term Obligations: | |
| Due Within One Year | 40,334,449 |
| Due in More Than One Year | 199,185,704 |
| Total Liabilities | 559,279,734 |
| Net Assets | |
| Invested in Capital Assets, Net of Related Debt | 90,048,016 |
| Restricted for: | |
| Debt Service | 38,444,373 |
| Capital Projects | 115,256,182 |
| Set Asides | 332,803 |
| Other Purposes | 14,054,335 |
| Unrestricted | (105,593,518) |
| Total Net Assets | \$ 152,542,191 |

See accompanying notes to the basic financial statements

Cleveland Municipal School District

Statement of Activities-Governmental Activities

For the Fiscal Year Ended June 30, 2003

| Functions/Programs | Expenses | Program Revenues | | | Total |
|---|----------------------|-----------------------------------|---------------------------------------|-------------------------------------|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets |
| Instruction: | | | | | |
| Regular | \$292,996,927 | \$ 0 | \$ 74,627,861 | \$ 0 | \$ (218,369,066) |
| Special | 133,693,977 | 125,619 | 47,152,401 | 0 | (86,415,957) |
| Vocational | 17,726,322 | 0 | 1,450,034 | 0 | (16,276,288) |
| Adult/Continuing | 5,836,915 | 403,424 | 2,168,935 | 0 | (3,264,556) |
| Other | 649,876 | 0 | 0 | 0 | (649,876) |
| Support Services: | | | | | |
| Pupils | 43,833,809 | 0 | 5,820,419 | 0 | (38,013,390) |
| Instructional Staff | 63,960,109 | 0 | 28,182,013 | 65,000 | (35,713,096) |
| Board of Education | 304,039 | 0 | 0 | 0 | (304,039) |
| Administration | 55,540,796 | 0 | 4,624,996 | 0 | (50,915,800) |
| Fiscal | 12,688,426 | 0 | 1,941,436 | 0 | (10,746,990) |
| Business | 1,275,129 | 0 | 0 | 0 | (1,275,129) |
| Operation and Maintenance of Plant | 67,222,113 | 0 | 937,093 | 5,044,270 | (61,240,750) |
| Pupil Transportation | 39,750,255 | 0 | 258,201 | 0 | (39,492,054) |
| Central | 20,175,678 | 0 | 1,121,823 | 0 | (19,053,855) |
| Operation of Non-Instructional Services | 43,804,093 | 0 | 40,202,642 | 0 | (3,601,451) |
| Extracurricular Activities | 7,611,100 | 0 | 426,863 | 0 | (7,184,237) |
| Interest and Fiscal Charges | 16,890,272 | 0 | 0 | 0 | (16,890,272) |
| Totals | \$823,959,836 | \$ 529,043 | \$208,914,717 | \$ 5,109,270 | (609,406,806) |
| General Revenues | | | | | |
| Property Taxes Levied For: | | | | | |
| | | | | | 186,612,352 |
| | | | | | 27,133,112 |
| | | | | | 2,125,297 |
| | | | | | 4,688,605 |
| | | | | | 4,324,953 |
| | | | | | 360,708,728 |
| | | | | | 585,593,047 |
| | | | | | (23,813,759) |
| | | | | | 176,355,950 |
| | | | | | \$ 152,542,191 |

See accompanying notes to the basic financial statements

Cleveland Municipal School District

Balance Sheet

Governmental Funds

June 30, 2003

| | Other | | | | Total |
|---|-----------------------|----------------------|----------------------|----------------------|-----------------------|
| | General | Debt | Classroom | Governmental | Governmental |
| | | | Service | Facilities | Funds |
| Assets | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 84,316,061 | \$ 23,126,774 | \$ 77,399,701 | \$ 61,146,792 | \$ 245,989,328 |
| Restricted Assets - Equity in Pooled Cash and Cash Equivalents | 332,803 | 0 | 0 | 0 | 332,803 |
| Investments with Fiscal Agents | 10,159,000 | 2,993,640 | 5,063,150 | 0 | 18,215,790 |
| Receivables: | | | | | |
| Taxes | 197,045,191 | 30,542,698 | 0 | 2,435,778 | 230,023,667 |
| Accounts | 90,697 | 0 | 0 | 310,081 | 400,778 |
| Intergovernmental | 1,634,757 | 0 | 0 | 4,549,425 | 6,184,182 |
| Accrued Interest | 132,561 | 0 | 0 | 0 | 132,561 |
| Interfund | 1,826,000 | 0 | 0 | 0 | 1,826,000 |
| Materials and Supplies Inventory | 772,127 | 0 | 0 | 540,162 | 1,312,289 |
| Prepaid Items | 5,565,546 | 0 | 0 | 0 | 5,565,546 |
| Total Assets | \$ 301,874,743 | \$ 56,663,112 | \$ 82,462,851 | \$ 68,982,238 | \$ 509,982,944 |
| Liabilities | | | | | |
| Accounts Payable | \$ 11,330,077 | \$ 0 | \$ 564,185 | \$ 5,490,568 | \$ 17,384,830 |
| Accrued Wages and Benefits | 65,199,791 | 0 | 0 | 9,449,683 | 74,649,474 |
| Interfund Payable | 0 | 0 | 0 | 1,826,000 | 1,826,000 |
| Intergovernmental Payable | 13,079,583 | 0 | 0 | 1,324,031 | 14,403,614 |
| Deferred Revenue | 180,677,797 | 27,146,645 | 0 | 5,850,049 | 213,674,491 |
| Notes Payable | 64,165,000 | 0 | 0 | 0 | 64,165,000 |
| Total Liabilities | 334,452,248 | 27,146,645 | 564,185 | 23,940,331 | 386,103,409 |
| Fund Balance: | | | | | |
| Reserved for Encumbrances | 8,948,676 | 0 | 36,009,213 | 19,567,569 | 64,525,458 |
| Reserved for Inventory | 772,127 | 0 | 0 | 0 | 772,127 |
| Reserved for Prepays | 5,565,546 | 0 | 0 | 0 | 5,565,546 |
| Reserved for Property Taxes | 14,349,055 | 3,152,565 | 0 | 259,310 | 17,760,930 |
| Reserved for Bus Purchases | 332,803 | 0 | 0 | 0 | 332,803 |
| Unreserved, (Deficit), Reported in: | | | | | |
| General Fund | (62,545,712) | 0 | 0 | 0 | (62,545,712) |
| Special Revenue Funds | 0 | 0 | 0 | 4,786,279 | 4,786,279 |
| Debt Service Funds | 0 | 26,363,902 | 0 | 0 | 26,363,902 |
| Capital Projects Funds | 0 | 0 | 45,889,453 | 20,428,749 | 66,318,202 |
| Total Fund Balances | (32,577,505) | 29,516,467 | 81,898,666 | 45,041,907 | 123,879,535 |
| Total Liabilities and Fund Balances | \$ 301,874,743 | \$ 56,663,112 | \$ 82,462,851 | \$ 68,982,238 | \$ 509,982,944 |

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, 2003

| | | |
|--|----|-------------|
| Total Governmental Funds Balances | \$ | 123,879,535 |
|--|----|-------------|

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 | | 200,237,648 |
|--|--|-------------|

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

| | | | |
|----------------|------------|--|------------|
| Property Taxes | 77,932,986 | | |
| Grants | 3,381,626 | | |
| Total | | | 81,314,612 |

| | | |
|--|--|-----------|
| 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. | | 1,076,951 |
|--|--|-----------|

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 | 159,903,124 | | |
| Capital Lease Obligations | 7,796,508 | | |
| Compensated Absences | 57,037,901 | | |
| Worker's Compensation Claims | 14,782,620 | | |
| Accrued Wages and Benefits - Pension Obligation | 6,436,141 | | |
| Accrued Interest Payable | 1,156,745 | | |
| Unamortized Premium on Bond | 6,853,516 | | |
| Total | | | (253,966,555) |

| | | |
|---|-----------|--------------------|
| <i>Net Assets of Governmental Activities</i> | \$ | 152,542,191 |
|---|-----------|--------------------|

See accompanying notes to the basic financial statements

Cleveland Municipal School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

| | General | Debt Service | Classroom Facilities | Other Governmental Funds | Total Governmental Funds |
|--|------------------------|----------------------|-------------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| <i>Local Sources:</i> | | | | | |
| Taxes | \$ 184,025,493 | \$ 27,391,255 | \$ 0 | \$ 2,186,039 | \$ 213,602,787 |
| Investment Income | 3,058,764 | 404,110 | 838,079 | 387,652 | 4,688,605 |
| Tuition and Fees | 529,043 | 0 | 0 | 125,559 | 654,602 |
| Extracurricular Activities | 0 | 0 | 0 | 570,391 | 570,391 |
| Miscellaneous | 4,324,953 | 0 | 0 | 8,930,882 | 13,255,835 |
| <i>State Sources:</i> | | | | | |
| Unrestricted Grants-in-Aid | 294,522,899 | 8,012,494 | 0 | 430,166 | 302,965,559 |
| Restricted Grants-in-Aid | 22,082,444 | 0 | 37,955,928 | 69,782,711 | 129,821,083 |
| <i>Federal Sources:</i> | | | | | |
| Unrestricted Grants-in-Aid | 19,787,241 | 0 | 0 | 0 | 19,787,241 |
| Restricted Grants-in-Aid | 0 | 0 | 0 | 114,895,243 | 114,895,243 |
| Total Revenues | 528,330,837 | 35,807,859 | 38,794,007 | 197,308,643 | 800,241,346 |
| Expenditures: | | | | | |
| <i>Current:</i> | | | | | |
| <i>Instruction:</i> | | | | | |
| Regular | 226,546,047 | 0 | 0 | 52,941,263 | 279,487,310 |
| Special | 88,269,418 | 0 | 0 | 45,274,913 | 133,544,331 |
| Vocational | 15,993,616 | 0 | 0 | 1,693,653 | 17,687,269 |
| Adult/Continuing | 3,271,414 | 0 | 0 | 2,558,395 | 5,829,809 |
| Other | 649,876 | 0 | 0 | 0 | 649,876 |
| <i>Support Services:</i> | | | | | |
| Pupils | 35,592,695 | 0 | 0 | 6,485,203 | 42,077,898 |
| Instructional Staff | 30,524,799 | 0 | 0 | 33,599,174 | 64,123,973 |
| Board of Education | 289,091 | 0 | 0 | 0 | 289,091 |
| Administration | 48,283,653 | 0 | 0 | 4,986,462 | 53,270,115 |
| Fiscal | 10,761,166 | 57,758 | 0 | 1,881,769 | 12,700,693 |
| Business | 1,243,797 | 0 | 0 | 0 | 1,243,797 |
| Operation and Maintenance of Plant | 65,840,427 | 0 | 0 | 10,965,063 | 76,805,490 |
| Pupil Transportation | 37,930,722 | 0 | 0 | 291,221 | 38,221,943 |
| Central | 18,638,773 | 0 | 0 | 1,409,004 | 20,047,777 |
| Operation of Non-Instructional Services | 2,159,404 | 0 | 0 | 40,756,056 | 42,915,460 |
| Extracurricular Activities | 6,854,663 | 0 | 0 | 739,100 | 7,593,763 |
| Capital Outlay | 3,310,509 | 0 | 16,187,452 | 1,715,465 | 21,213,426 |
| <i>Debt Service:</i> | | | | | |
| Principal Retirement | 3,394,908 | 5,000 | 0 | 0 | 3,399,908 |
| Interest and Fiscal Charges | 5,232,230 | 12,926,947 | 0 | 0 | 18,159,177 |
| Total Expenditures | 604,787,208 | 12,989,705 | 16,187,452 | 205,296,741 | 839,261,106 |
| Excess of Revenues Over (Under) Expenditures | (76,456,371) | 22,818,154 | 22,606,555 | (7,988,098) | (39,019,760) |
| Other Financing Sources (Uses): | | | | | |
| General Obligation Bonds Issued | 0 | 0 | 24,000,000 | 16,000,000 | 40,000,000 |
| Capital Lease Refinancing | 8,404,000 | 0 | 0 | 0 | 8,404,000 |
| Payment of Capital Lease Refinancing | (8,404,000) | 0 | 0 | 0 | (8,404,000) |
| Refunding Bonds Issued | 0 | 91,937,253 | 0 | 0 | 91,937,253 |
| Payment to Refunded Bond Escrow Agent | 0 | (125,182,448) | 0 | 0 | (125,182,448) |
| Transfers In | 0 | 4,094,394 | 0 | 0 | 4,094,394 |
| Transfers Out | (4,094,394) | 0 | 0 | 0 | (4,094,394) |
| Total Other Financing Sources (Uses) | (4,094,394) | (29,150,801) | 24,000,000 | 16,000,000 | 6,754,805 |
| Net Change in Fund Balances | (80,550,765) | (6,332,647) | 46,606,555 | 8,011,902 | (32,264,955) |
| Fund Balances Beginning of Year | 47,973,260 | 35,849,114 | 35,292,111 | 37,030,005 | 156,144,490 |
| Fund Balances at End of Year | \$ (32,577,505) | \$ 29,516,467 | \$ 81,898,666 | \$ 45,041,907 | \$ 123,879,535 |

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, 2003*

Net Change in Fund Balances - Total Governmental Funds \$ (32,264,955)

*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.

| | | |
|---------------------------|--------------|-------------------|
| Fixed Assets Additions | 28,841,725 | |
| Current Year Depreciation | (11,056,973) | |
| Total | | 17,784,752 |

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of the fixed assets.

| | | |
|--|--|----------|
| Loss on the Disposal of Capital Assets | | (39,541) |
|--|--|----------|

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

| | | |
|----------------|-------------|-----------------|
| Property Taxes | 2,267,974 | |
| Grants | (2,363,243) | |
| Total | | (95,269) |

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

| | | |
|---------------------------------|---------------|----------------------|
| Other Financing Sources | (100,341,253) | |
| General Obligation Bonds Issued | (40,000,000) | |
| Total | | (140,341,253) |

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

3,399,908

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

1,268,905

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:

| | | |
|---|-------------|--------------------|
| Other Financing Uses | 133,586,448 | |
| Compensated Absences | (5,028,234) | |
| Accrued Wages and Benefits - Pension Obligation | (545,560) | |
| Worker's Compensation Claims | (1,565,277) | |
| Total | | 126,447,377 |

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.

26,317

Change in Net Assets of Governmental Activities **\$ (23,813,759)**

See accompanying notes to the basic financial statements

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, 2003

| | <u>Budgeted Amounts</u> | | | Variance With Final Budget Positive (Negative) |
|--|-------------------------|----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| <i>Local Sources:</i> | | | | |
| Taxes | \$ 182,799,044 | \$ 197,627,306 | \$ 202,274,373 | \$ 4,647,067 |
| Investment Income | 2,939,383 | 2,939,383 | 2,939,383 | 0 |
| Tuition and Fees | 638,430 | 638,430 | 638,430 | 0 |
| Miscellaneous | 4,395,065 | 4,395,065 | 4,395,065 | 0 |
| <i>State Sources:</i> | | | | |
| Unrestricted Grants-in-Aid | 277,420,638 | 297,700,638 | 292,946,053 | (4,754,585) |
| Restricted Grants-in-Aid | 22,082,444 | 22,082,444 | 22,082,444 | 0 |
| <i>Federal Sources:</i> | | | | |
| Unrestricted Grants-in-Aid | 19,772,277 | 19,772,277 | 19,787,277 | 15,000 |
| Total Revenues | <u>510,047,281</u> | <u>545,155,543</u> | <u>545,063,025</u> | <u>(92,518)</u> |
| Expenditures: | | | | |
| <i>Current:</i> | | | | |
| <i>Instruction:</i> | | | | |
| Regular | 250,383,339 | 242,591,000 | 240,705,176 | 1,885,824 |
| Special | 85,805,984 | 88,015,020 | 87,982,394 | 32,626 |
| Vocational | 16,559,801 | 16,019,983 | 15,900,139 | 119,844 |
| Adult/Continuing | 3,212,473 | 3,306,989 | 3,298,733 | 8,256 |
| Other | 2,264,902 | 1,181,314 | 1,078,142 | 103,172 |
| <i>Support Services:</i> | | | | |
| Pupils | 34,469,588 | 35,901,321 | 35,693,750 | 207,571 |
| Instructional Staff | 35,987,923 | 32,899,508 | 32,698,550 | 200,958 |
| Board of Education | 355,706 | 355,507 | 303,180 | 52,327 |
| Administration | 50,878,095 | 49,359,531 | 49,257,158 | 102,373 |
| Fiscal | 13,746,381 | 13,936,241 | 13,909,765 | 26,476 |
| Business | 1,128,004 | 1,364,181 | 1,364,060 | 121 |
| Operation and Maintenance of Plant | 67,509,154 | 68,736,128 | 68,736,128 | 0 |
| Pupil Transportation | 34,826,210 | 38,432,112 | 38,339,826 | 92,286 |
| Central | 24,432,193 | 23,905,549 | 23,440,360 | 465,189 |
| Operation of Non-Instructional Services | 3,325,413 | 2,468,156 | 2,453,903 | 14,253 |
| Extracurricular Activities | 7,204,948 | 7,281,856 | 6,998,826 | 283,030 |
| Capital Outlay | 4,831,502 | 4,665,410 | 4,602,583 | 62,827 |
| <i>Debt Service:</i> | | | | |
| Principal Retirement | 12,046,029 | 17,444,908 | 17,444,908 | 0 |
| Interest and Fiscal Charges | 4,015,343 | 5,592,274 | 5,592,274 | 0 |
| Total Expenditures | <u>652,982,988</u> | <u>653,456,988</u> | <u>649,799,855</u> | <u>3,657,133</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(142,935,707)</u> | <u>(108,301,445)</u> | <u>(104,736,830)</u> | <u>3,564,615</u> |
| Other Financing Sources (Uses): | | | | |
| Capital Lease Refinancing | 0 | 8,404,000 | 8,404,000 | 0 |
| Payment of Capital Lease Refinancing | 0 | (8,404,000) | (8,404,000) | 0 |
| Advances In | 2,822,000 | 2,822,000 | 2,822,000 | 0 |
| Advances Out | (1,500,000) | (2,166,000) | (1,826,000) | 340,000 |
| Operating Transfers Out | (2,084,394) | (944,394) | (944,394) | 0 |
| Total Other Financing Sources (Uses) | <u>(762,394)</u> | <u>(288,394)</u> | <u>51,606</u> | <u>340,000</u> |
| Net Change in Fund Balances | <u>(143,698,101)</u> | <u>(108,589,839)</u> | <u>(104,685,224)</u> | <u>3,904,615</u> |
| Fund Balances Beginning of Year | 127,801,068 | 127,801,068 | 127,801,068 | 0 |
| Prior Year Encumbrances Appropriated | 39,657,879 | 39,657,879 | 39,657,879 | 0 |
| Fund Balances at End of Year | <u>\$ 23,760,846</u> | <u>\$ 58,869,108</u> | <u>\$ 62,773,723</u> | <u>\$ 3,904,615</u> |

See accompanying notes to the basic financial statements:

Cleveland Municipal School District

Statement of Fund Net Assets

Proprietary Fund

June 30, 2003

| | Governmental Activities - Internal Service Fund |
|--|--|
| <i>Assets:</i> | |
| <i>Current Assets:</i> | |
| Equity in Pooled Cash and Cash Equivalents | \$ 3,427,333 |
| <i>Total Current Assets</i> | <u>3,427,333</u> |
| <i>Liabilities:</i> | |
| <i>Current Liabilities:</i> | |
| Accounts Payable | 102,813 |
| Claims Payable | 2,247,569 |
| <i>Total Current Liabilities</i> | <u>2,350,382</u> |
| <i>Net Assets:</i> | |
| Unrestricted | 1,076,951 |
| <i>Total Net Assets:</i> | <u><u>\$ 1,076,951</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, 2003*

| | Governmental Activities - Internal Service Fund |
|--|--|
| <i>Operating Revenues:</i> | |
| Charges for Services | <u>\$ 1,139,000</u> |
| <i>Total Operating Revenues</i> | <u>1,139,000</u> |
| <i>Operating Expenses:</i> | |
| Claims and Claim Adjustment Expenses | <u>1,112,683</u> |
| <i>Total Operating Expenses</i> | <u>1,112,683</u> |
| <i>Operating Income</i> | <u>26,317</u> |
| <i>Change in Net Assets</i> | 26,317 |
| Net Assets Beginning of Year | <u>1,050,634</u> |
| <i>Net Assets End of Year</i> | <u><u>\$ 1,076,951</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, 2003

| | Governmental Activities - Internal Service Fund |
|---|--|
| <i>Increase (Decrease) In Cash and Cash Equivalents:</i> | |
| <i>Cash Flows from Operating Activities:</i> | |
| Cash Received from Interfund Services Provided | \$ 1,139,000 |
| Cash Payments for Claims and Claim Adjustment Expenses | (1,398,364) |
| <i>Net Cash Provided by Operating Activities</i> | <u>(259,364)</u> |
| Net Increase in Cash and Cash Equivalents | (259,364) |
| Cash and Cash Equivalents at Beginning of Year | <u>3,686,697</u> |
| <i>Cash and Cash Equivalents at End of Year</i> | <u><u>\$ 3,427,333</u></u> |
| | |
| <i>Reconciliation of Income to Net</i> | |
| <i>Cash Provided by Operating Activities:</i> | |
| <i>Operating Income</i> | <u>\$ 26,317</u> |
| <i>Adjustments to Reconcile Operating Income to Net</i> | |
| <i>Cash Provided by Operating Activities</i> | |
| Increase in Accounts Payable | 41,817 |
| (Decrease) in Claims Payable | (327,498) |
| <i>Total Adjustments</i> | <u>(285,681)</u> |
| <i>Net Cash Provided by Operating Activities</i> | <u><u>\$ (259,364)</u></u> |

See accompanying notes to the basic financial statements

Cleveland Municipal School District

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2003

Assets

Equity in Pooled Cash and Cash Equivalents \$ 2,047,030

Total Assets \$ 2,047,030

Liabilities

Due to Students \$ 796,807

Payroll Withholdings 1,250,223

Total Liabilities \$ 2,047,030

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, 2003

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

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, 2003

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 15 and Note 20 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, 2003

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, 2003

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.

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for monies received and expended in connection with contracts entered into by the School District for the construction or renovation of classroom facilities.

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. 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, 2003

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, 2003, but which were levied to finance fiscal year 2004 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, 2003

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 fund level.

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 2003.

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 2003, investments were limited to STAR Ohio, repurchase agreements, certificates of deposit, 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.

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. 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, 2003.

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, 2003, 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 bus purchase reserve. 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 has also been established. See Note 19 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 of capital assets is also not capitalized.

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

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. 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

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

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, 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, 2003

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 2003.

Note 3 - Accountability and Compliance

The following funds had deficit fund balances at June 30, 2003:

| | Deficit Fund Balances |
|--------------------------------------|----------------------------------|
| General Fund | \$ 32,577,505 |
| Special Revenue Funds: | |
| Adult Basic Education | 787,799 |
| Job Training Partnership Act (JTPA) | 117,410 |
| Title VI-B Special Education | 2,035,799 |
| Vocational Education | 339,096 |
| Improving Teacher Quality Title II-A | 894,381 |
| Miscellaneous Federal Grants | 8,311 |
| Other Federal | 186,205 |

The deficit fund balance in the General Fund resulted from a lower levels of tax receipts and State aid along with higher personnel costs and rising costs of health care. As the financial forecast shows a negative cash-basis fund balance deficit projected in fiscal years 2005 and beyond, the School District Board of Education adopted a Deficit Reduction Plan to address this issue. The Plan contains provisions to contain costs and will ultimately consider the possibility of having to go back to the voters for an additional operating levy in 2004.

The deficit fund balances in the Special Revenue Funds 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, 2003

Note 4 - 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, 2003.

Net Change in Fund Balance

| | |
|---|-------------------------------|
| GAAP Basis | \$ (80,550,765) |
| Net Adjustment for Revenue Accruals | 16,732,188 |
| Advances In | 2,822,000 |
| Net Adjustment for Expenditure Accruals | 4,234,673 |
| Principal Retirement | (14,050,000) |
| Advances Out | (1,826,000) |
| Adjustment for Encumbrances | <u>(32,047,320)</u> |
| Budget Basis | <u><u>\$(104,685,224)</u></u> |

Note 5 - 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, 2003

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, 2003

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 \$143,775,428 and the bank balance was \$157,251,911. Of the bank balance, \$500,000 was covered by federal depository insurance and \$156,751,911 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 |
|---------------------------|----------------------|------------------------|
| Commercial Paper | \$ 1,555,640 | \$ 1,555,640 |
| U.S. Agency Obligations | 16,660,150 | 16,660,150 |
| Money Market Mutual Funds | | 64,117,280 |
| Investment in STAR Ohio | | 43,903,786 |
| Total | <u>\$ 18,215,790</u> | <u>\$ 126,236,856</u> |

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

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:

| | <u>Cash and Cash Equivalents</u> | <u>Investments</u> |
|---------------------------|--------------------------------------|-----------------------|
| GASB Statement 9 | \$ 251,796,494 | \$ 18,215,790 |
| Investments: | | |
| STAR Ohio | (43,903,786) | 43,903,786 |
| Money Market Mutual Funds | (64,117,280) | 64,117,280 |
| GASB Statement 3 | <u>\$ 143,775,428</u> | <u>\$ 126,236,856</u> |

Note 6 - 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 2003 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2003 for tangible personal property (other than public utility property) is for calendar 2003 taxes.

2003 real property taxes are levied after April 1, 2003, on the assessed values as of January 1, 2003, 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. 2003 public utility property taxes became a lien December 31, 2002, are levied after April 1, 2003 and are collected in 2003 with real property taxes.

2003 tangible personal property taxes are levied after April 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory.

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

The assessed values upon which the fiscal year 2003 taxes were collected are (in thousands):

| | 2002 Second Half Collections | | 2003 First Half Collections | |
|---|---------------------------------|---------|--------------------------------|---------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$ 4,689,983 | 77.63% | \$ 4,609,619 | 79.22% |
| Public Utility | 370,677 | 6.14% | 357,125 | 6.14% |
| Tangible Personal Property | 980,692 | 16.23% | 852,234 | 14.64% |
| Total | \$ 6,041,352 | 100.00% | \$ 5,818,978 | 100.00% |

| | | |
|--|---------|---------|
| Tax rate per \$1,000 of assessed valuation | \$64.80 | \$64.80 |
|--|---------|---------|

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 2003 tangible personal property tax settlement was not received until July 2003.

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, 2003, are available to finance fiscal year 2003 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, 2003 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 2003 tangible personal property tax settlement was not received until July 2003. The late settlement and the amount available as an advance are recognized as revenue.

The amount available as an advance at June 30, 2003 was \$17,760,930. \$14,349,055 was available to the General Fund, \$3,152,565 to the Debt Service Fund and \$259,310 to a special revenue fund.

Cleveland Municipal School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 7 - Receivables

Receivables at June 30, 2003, 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 | \$ 35,230 |
| Federal: Unrestricted Grants-In-Aid | 8,710 |
| State: Unrestricted Grants-In-Aid | 1,576,846 |
| Miscellaneous | 6,844 |
| Various School Districts | 7,127 |
| Total General Fund | <u>1,634,757</u> |
| Special Revenue Funds: | |
| Educational Special Trust | 108,586 |
| Other State | 168,270 |
| Food Service | 2,779,237 |
| Adult Basic Education | 810,817 |
| Job Training Partnership Act (JTPA) | 172,257 |
| Title VI-B Special Education | 77,121 |
| Miscellaneous Federal Grants | 242,564 |
| Other Federal | 190,573 |
| Total Special Revenue Funds | <u>4,549,425</u> |
| Total Intergovernmental Receivables | <u>\$ 6,184,182</u> |

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

| | <u>Balance 6/30/02</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance 6/30/03</u> |
|--|----------------------------|-----------------------|-----------------------|----------------------------|
| Governmental Activities | | | | |
| <i>Capital Assets, not being depreciated:</i> | | | | |
| Land | \$ 27,902,257 | \$ 0 | \$ 0 | \$ 27,902,257 |
| Construction in Progress | <u>26,859,786</u> | <u>26,131,573</u> | <u>(5,417,150)</u> | <u>47,574,209</u> |
| <i>Total Capital Assets, not being depreciated</i> | <u>54,762,043</u> | <u>26,131,573</u> | <u>(5,417,150)</u> | <u>75,476,466</u> |
| <i>Capital Assets, being depreciated:</i> | | | | |
| Land Improvements | 2,527,403 | 76,725 | 0 | 2,604,128 |
| Buildings and Improvements | 315,869,453 | 7,309,968 | 0 | 323,179,421 |
| Vehicles and Equipment | <u>40,429,194</u> | <u>740,609</u> | <u>(83,363)</u> | <u>41,086,440</u> |
| <i>Total Capital Assets, being depreciated</i> | <u>358,826,050</u> | <u>8,127,302</u> | <u>(83,363)</u> | <u>366,869,989</u> |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (1,018,393) | (105,324) | 0 | (1,123,717) |
| Buildings and Improvements | (211,185,373) | (8,243,578) | 0 | (219,428,951) |
| Vehicles and Equipment | <u>(18,891,890)</u> | <u>(2,708,071)</u> | <u>43,822</u> | <u>(21,556,139)</u> |
| Total Accumulated Depreciation | <u>(231,095,656)</u> | <u>(11,056,973) *</u> | <u>43,822</u> | <u>(242,108,807)</u> |
| Total Capital Assets being depreciated, net | <u>127,730,394</u> | <u>(2,929,671)</u> | <u>(39,541)</u> | <u>124,761,182</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 182,492,437</u> | <u>\$ 23,201,902</u> | <u>\$ (5,456,691)</u> | <u>\$ 200,237,648</u> |

* Depreciation expense was charged to governmental functions as follows:

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

| | |
|---|---------------|
| Instruction: | |
| Regular | \$ 7,908,987 |
| Special | 71,940 |
| Support Services: | |
| Administration | 1,371,037 |
| Pupil Transportation | 1,630,269 |
| Operation of Non-Instructional Services | 74,740 |
| Total Depreciation Expense | \$ 11,056,973 |

Construction in progress is composed of the following at June 30, 2003:

| | Project Authorization | Expended to June 30, 2003 | Committed |
|----------------------------------|--------------------------|------------------------------|----------------|
| Regular Instruction | \$ 227,543,072 | \$ 35,288,779 | \$ 192,254,293 |
| Support Service - Administration | 13,437,633 | 12,285,430 | 1,152,203 |
| Total | \$ 240,980,705 | \$ 47,574,209 | \$ 193,406,496 |

Note 9 - 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

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

incurred but not reported claims) as calculated by the School District's Risk Management Division for all outstanding unsettled claims total \$2,247,569 as of June 30, 2003, 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, 1994, through June 30, 2003, total \$0 (the School District paid the estimated claims liabilities in June 2003) and the estimate for incurred but not reported (IBNR) claims totals \$14,782,620.

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 \$17,030,189 at June 30, 2003, 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:

| | Balance at Beginning of Year | Current Year Claims | Claim Payments | Balance at End of Year |
|------|---------------------------------|------------------------|-------------------|---------------------------|
| 2002 | \$ 10,689,162 | \$ 7,393,065 | \$ 2,289,817 | \$ 15,792,410 |
| 2003 | \$ 15,792,410 | \$ 4,117,428 | \$ 2,879,649 | \$ 17,030,189 |

Note 10 - 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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion 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, 2003, 2002, and 2001 were \$20,504,959, \$16,594,698 and \$14,551,223, respectively. 61.19% has been contributed for fiscal year 2003, 100% for fiscal year 2002 and 2001. \$5,970,560 representing

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

the unpaid contribution for fiscal year 2003 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 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, 2003, 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 2003, 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, 2003, 2002, and 2001 were \$70,616,269, \$67,591,335 and \$62,031,322, respectively. 90.81% has been contributed for fiscal year 2003, and 100% for fiscal years 2002 and 2001. \$6,486,848 representing the unpaid contribution for fiscal year 2003 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 11 - 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, 2003, 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 \$16,902,830 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve Fund (Fund). The balance in the Fund was \$3.011

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

billion at June 30, 2002 (the latest information available). For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 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.

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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 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 2002, 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, 2002 (the latest information available) were \$182,946,777. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million, which is \$60.8 million above the minimum reserve amount. SERS has approximately 59,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge equaled \$7,829,853 during the 2003 fiscal year.

Note 12 – 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 2004. 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. Through December 31, 2002 the School District provided medical/surgical and dental benefits primarily through Medical Mutual of Ohio, QualChoice Health Plan, Inc. and Kaiser Permanente to all eligible employees. Effective January 1, 2003 the School District provides medical/surgical and dental benefits primarily through Anthem Blue Cross Blue Shield and Kaiser Permanente to all eligible employees.

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

Note 13 - Long Term Obligations

Changes in long-term obligations of the School District during fiscal year 2003 were as follows:

| | Principal Outstanding 6/30/02 | Additions | Deductions | Principal Outstanding 6/30/03 | Due Within One Year |
|---|-------------------------------------|-----------------------|-----------------------|-------------------------------------|---------------------------|
| Government Activities: | | | | | |
| General Obligation Bonds and Notes: | | | | | |
| EPA Asbestos Abatement Notes | \$ 334,498 | \$ 0 | \$ 68,214 | \$ 266,284 | \$ 68,214 |
| 1992 School Improvement Refunding Bonds | 4,225,000 | 0 | 4,225,000 | 0 | 0 |
| 1992 School Improvement Capital Appreciation Bonds | 26,063,480 | 489,943 | 26,553,423 | 0 | 0 |
| 1992 Library Improvement Bonds | 60,620,000 | 0 | 60,620,000 | 0 | 0 |
| 1994 Energy Conservation Improvement Bonds | 4,065,000 | 0 | 1,545,000 | 2,520,000 | 1,655,000 |
| 2001 QZAB - Technology Academy | 5,500,000 | 0 | 0 | 5,500,000 | 0 |
| 2001 QZAB - Arts Academy | 5,750,000 | 0 | 0 | 5,750,000 | 0 |
| 2001 QZAB - Literacy Academy | 10,000,000 | 0 | 0 | 10,000,000 | 0 |
| 2001 H.B. 264 Energy Conservation Notes | 11,500,000 | 0 | 548,160 | 10,951,840 | 577,035 |
| 2001 School Facility Bond Anticipation Notes | 35,000,000 | 0 | 35,000,000 | 0 | 0 |
| 2002 Library Refunding Bonds | 0 | 57,515,000 | 5,000 | 57,510,000 | 19,260,000 |
| 2002 School Facilities Improvement Bonds | 0 | 67,405,000 | 0 | 67,405,000 | 6,960,000 |
| Total General Obligation Bonds and Notes | 163,057,978 | 125,409,943 | 128,564,797 | 159,903,124 | 28,520,249 |
| Other Long-Term Obligations | | | | | |
| Compensated Absences | 52,009,667 | 57,037,901 | 52,009,667 | 57,037,901 | 9,257,251 |
| Workers' Compensation Claims | 13,217,343 | 3,046,562 | 1,481,285 | 14,782,620 | 1,647,236 |
| 2001 Capital Lease Obligation | 4,402,516 | 0 | 4,402,516 | 0 | 0 |
| 2002 Capital Lease Obligation | 4,445,106 | 0 | 4,445,106 | 0 | 0 |
| Capital Lease Obligation | 0 | 8,404,000 | 607,492 | 7,796,508 | 909,713 |
| Total Other Long-Term Obligations | 74,074,632 | 68,488,463 | 62,946,066 | 79,617,029 | 11,814,200 |
| Total Governmental Activities | \$ 237,132,610 | \$ 193,898,406 | \$ 191,510,863 | \$ 239,520,153 | \$ 40,334,449 |

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 was used to 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 was used to refund the District's outstanding School Facility Bond Anticipation 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. As a result of the refunding, the District reduced its total debt service requirements by \$14.3 million, which resulted in an economic gain (difference between the present value of the debt service payments on the old and the new debt) of \$9.3 million.

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2003

On October 1, 2002, the School District cash defeased all of the General Obligation Unlimited Tax School Improvement Bonds, Series 1992B by utilizing available resources in the Debt Service Fund. The defeasance was undertaken to remove restrictive bond covenants associated with the bonds. As of June 30, 2003, the remaining \$27,605,108 of the School Improvement Bonds are considered defeased by assets of \$29,058,227, which approximates their fair value, held in irrevocable trust.

On November 7, 2001, the 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 was retired from the Debt Service Fund.

On July 12, 2001, the 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 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.

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 costs are 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, 2003

The School District's overall legal debt margin was \$425,789,487 with an unvoted debt margin of \$5,818,978 at June 30, 2003.

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, 2003, are as follows:

| <u>Fiscal Year Ended June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------------|-----------------------|----------------------|-----------------------|
| 2004 | \$ 28,520,249 | \$ 5,583,681 | \$ 34,103,930 |
| 2005 | 20,671,762 | 4,828,806 | 25,500,568 |
| 2006 | 5,054,875 | 4,372,666 | 9,427,541 |
| 2007 | 5,285,513 | 4,115,734 | 9,401,247 |
| 2008 | 5,722,924 | 3,840,902 | 9,563,826 |
| 2009 - 2013 | 26,520,148 | 14,889,796 | 41,409,944 |
| 2014 - 2018 | 35,972,652 | 9,692,500 | 45,665,152 |
| 2019 - 2023 | 14,205,000 | 5,953,906 | 20,158,906 |
| 2024 - 2028 | 17,950,000 | 2,141,222 | 20,091,222 |
| | <u>\$ 159,903,123</u> | <u>\$ 55,419,213</u> | <u>\$ 215,322,336</u> |

In fiscal year 2002, the School District entered into an agreement to lease 102 buses, which have a carrying value (cost less depreciation) of \$4,545,173. 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 (cost less depreciation) of \$4,325,535. 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 2003, the School District refinanced and consolidated the above two lease agreements to obtain more favorable financing terms.

The following is a schedule of future lease payments and the present value of net minimum lease payments at June 30, 2003:

Cleveland Municipal School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

| | Amount |
|---|--------------|
| 2004 | \$ 1,214,983 |
| 2005 | 1,214,983 |
| 2006 | 1,214,983 |
| 2007 | 1,214,983 |
| 2008 | 1,214,983 |
| 2009-2011 | 3,037,458 |
| Total minimum lease payments | 9,112,373 |
| Less: | |
| Amount representing interest | 1,315,865 |
| Present value of net minimum lease payments | \$ 7,796,508 |

Note 14 - 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 6/30/02 | Issued | Retired | Balance 6/30/03 |
|----------------------------|--------------------|--------|---------------|--------------------|
| General Fund: | | | | |
| 1997 4.60%-6.00% | | | | |
| Revenue Anticipation Notes | \$ 78,215,000 | \$ 0 | \$ 14,050,000 | \$ 64,165,000 |

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, 2003 are as follows:

| Fiscal Year Ended June 30 | Principal | Interest | Total |
|------------------------------|---------------|--------------|---------------|
| 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 |
| | \$ 64,165,000 | \$ 9,311,875 | \$ 73,476,875 |

Note 15 - 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.

Cleveland Municipal School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 appointed by the Mayor from a pool of candidates presented to the Mayor by an independent nominating panel. The City of Cleveland's 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 16 - Interfund Transactions

Interfund transfers on the fund statements at June 30, 2003 consist of the following:

| | |
|--|--------------|
| Transfers from General Fund to Debt Service Fund | \$ 4,094,394 |
| Total Transfers | \$ 4,094,394 |

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.

Interfund balances at June 30, 2003, consist of the following individual fund receivables and payables:

| | Interfund Receivable | Interfund Payable |
|--------------------------------------|-------------------------|----------------------|
| General Fund | \$ 1,826,000 | \$ 0 |
| Special Revenue Funds: | | |
| Other State | 0 | 190,000 |
| Adult Basic Education | 0 | 746,000 |
| Job Training Partnership Act (JTPA) | 0 | 136,000 |
| Title VI-B Special Education | 0 | 128,000 |
| Vocational Education | 0 | 235,000 |
| Improving Teacher Quality Title II-A | 0 | 268,000 |
| Other Federal | 0 | 123,000 |
| Total Special Revenue Funds | 0 | 1,826,000 |
| Total All Funds | \$ 1,826,000 | \$ 1,826,000 |

Cleveland Municipal School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

Interfund receivables and payables are due to the timing of the receipt of grant monies received by the various funds.

Note 17 - 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 case was appealed to the U.S. Supreme Court, which, in October 2003, declined to hear the petition.

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, 2003

Note 18 - 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, 2003.

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 19 - 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, and bus purchases. Disclosure of this information is required by State statute.

| | Textbooks | Capital Improvements | Budget Reserve | Total |
|--|-----------------------|-------------------------|--------------------|-------------------|
| Set-Aside Balance Carried Forward at July 1, 2002 | \$ (9,648,242) | \$ 0 | \$ 6,602,317 | |
| Current Year Set-Aside Requirement | 10,632,382 | 10,632,382 | 0 | |
| Qualifying Expenditures | <u>(5,973,899)</u> | <u>(32,419,854)</u> | <u>(6,602,317)</u> | |
| Total | <u>\$ (4,989,759)</u> | <u>\$ (21,787,472)</u> | <u>\$ 0</u> | |
| Cash Balance Carried Forward to Fiscal Year 2003-2004 | | | | \$ 0 |
| Amount Restricted for Bus Purchases | | | | <u>332,803</u> |
| Total Restricted Assets | | | | <u>\$ 332,803</u> |

Cleveland Municipal School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003

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 20 - 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 21 – Subsequent Event

On November 4, 2003, the Board of Education of the Cleveland Municipal School District passed a resolution approving a Deficit Reduction Plan of \$75 million. This updated the Deficit Reduction Plan previously adopted in June 2003.

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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, Management Information Systems, Public School Preschool, Entry Year Programs, Data Communications for School Buildings, School Net Professional Development, Interactive Video Distance Learning, Ohio Reads, Vocational Education Enhancement, 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.

Improving Teacher Quality Title II-A Fund - This fund accounts for monies used to hire additional classroom teachers in grades 1 through 3, so that the number of students per teacher will be reduced.

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:

Permanent Improvement Fund - This fund accounts for all the transactions related to the acquiring, constructing or improving of such permanent improvements as are authorized by Chapter 5705 of the Ohio Revised Code.

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

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, 2003

| | Nonmajor Special Revenue Funds | Nonmajor Capital Projects Funds | Total Nonmajor Governmental Funds |
|---|---|--|--|
| <i>Assets</i> | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 26,220,821 | \$ 34,925,971 | \$ 61,146,792 |
| Receivables: | | | |
| Taxes | 2,435,778 | 0 | 2,435,778 |
| Accounts | 310,081 | 0 | 310,081 |
| Intergovernmental | 4,549,425 | 0 | 4,549,425 |
| Materials and Supplies Inventory | 540,162 | 0 | 540,162 |
| <i>Total Assets</i> | <u>\$ 34,056,267</u> | <u>\$ 34,925,971</u> | <u>\$ 68,982,238</u> |
| <i>Liabilities</i> | | | |
| Accounts Payable | \$ 3,922,113 | \$ 1,568,455 | \$ 5,490,568 |
| Accrued Wages and Benefits | 9,449,683 | 0 | 9,449,683 |
| Interfund Payable | 1,826,000 | 0 | 1,826,000 |
| Intergovernmental Payable | 1,324,031 | 0 | 1,324,031 |
| Deferred Revenue | 5,850,049 | 0 | 5,850,049 |
| <i>Total Liabilities</i> | <u>22,371,876</u> | <u>1,568,455</u> | <u>23,940,331</u> |
| <i>Fund Balance:</i> | | | |
| Reserved for Encumbrances | 6,638,802 | 12,928,767 | 19,567,569 |
| Reserved for Property Taxes | 259,310 | 0 | 259,310 |
| Special Revenue Funds | 4,786,279 | 0 | 4,786,279 |
| Capital Projects Funds | 0 | 20,428,749 | 20,428,749 |
| <i>Total Fund Balances</i> | <u>11,684,391</u> | <u>33,357,516</u> | <u>45,041,907</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$ 34,056,267</u> | <u>\$ 34,925,971</u> | <u>\$ 68,982,238</u> |

Cleveland Municipal School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2003

| | Nonmajor Special Revenue Funds | Nonmajor Capital Projects Funds | Total Nonmajor Governmental Funds |
|--|---|--|--|
| Revenues: | | | |
| <i>Local Sources:</i> | | | |
| Taxes | \$ 2,186,039 | \$ 0 | \$ 2,186,039 |
| Investment Income | 217,166 | 170,486 | 387,652 |
| Tuition and Fees | 125,559 | 0 | 125,559 |
| Extracurricular Activities | 570,391 | 0 | 570,391 |
| Miscellaneous | 8,930,882 | 0 | 8,930,882 |
| <i>State Sources:</i> | | | |
| Unrestricted Grants-in-Aid | 430,166 | 0 | 430,166 |
| Restricted Grants-in-Aid | 63,856,191 | 5,926,520 | 69,782,711 |
| <i>Federal Sources:</i> | | | |
| Restricted Grants-in-Aid | 114,895,243 | 0 | 114,895,243 |
| Total Revenues | 191,211,637 | 6,097,006 | 197,308,643 |
| Expenditures: | | | |
| Current: | | | |
| <i>Instruction:</i> | | | |
| Regular | 52,941,263 | 0 | 52,941,263 |
| Special | 45,274,913 | 0 | 45,274,913 |
| Vocational | 1,693,653 | 0 | 1,693,653 |
| Adult/Continuing | 2,558,395 | 0 | 2,558,395 |
| <i>Support Services:</i> | | | |
| Pupils | 6,485,203 | 0 | 6,485,203 |
| Instructional Staff | 31,228,396 | 2,370,778 | 33,599,174 |
| Administration | 4,986,462 | 0 | 4,986,462 |
| Fiscal | 1,881,769 | 0 | 1,881,769 |
| Operation and Maintenance of Plant | 919,575 | 10,045,488 | 10,965,063 |
| Pupil Transportation | 291,221 | 0 | 291,221 |
| Central | 1,326,706 | 82,298 | 1,409,004 |
| Operation of Non-Instructional Services | 40,756,056 | 0 | 40,756,056 |
| Extracurricular Activities | 739,100 | 0 | 739,100 |
| Capital Outlay | 5,800 | 1,709,665 | 1,715,465 |
| Total Expenditures | 191,088,512 | 14,208,229 | 205,296,741 |
| Excess of Revenues Over (Under) Expenditures | 123,125 | (8,111,223) | (7,988,098) |
| Other Financing Sources (Uses): | | | |
| General Obligation Bonds Issued | 0 | 16,000,000 | 16,000,000 |
| Total Other Financing Sources (Uses) | 0 | 16,000,000 | 16,000,000 |
| Net Change in Fund Balances | 123,125 | 7,888,777 | 8,011,902 |
| Fund Balances Beginning of Year | 11,561,266 | 25,468,739 | 37,030,005 |
| Fund Balances at End of Year | \$ 11,684,391 | \$ 33,357,516 | \$ 45,041,907 |

Cleveland Municipal School District

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2003

| | Educational Special Trust | Other Local | Auxiliary Services (NPSS) |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| <i>Assets</i> | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 3,430,458 | \$ 4,730,947 | \$ 1,965,760 |
| Receivables: | | | |
| Taxes | 0 | 2,435,778 | 0 |
| Accounts | 285,455 | 0 | 1,135 |
| Intergovernmental | 108,586 | 0 | 0 |
| Materials and Supplies Inventory | <u>0</u> | <u>0</u> | <u>0</u> |
| <i>Total Assets</i> | <u><u>\$ 3,824,499</u></u> | <u><u>\$ 7,166,725</u></u> | <u><u>\$ 1,966,895</u></u> |
| <i>Liabilities</i> | | | |
| Accounts Payable | \$ 219,455 | \$ 26,078 | \$ 978,539 |
| Accrued Wages and Benefits | 402,036 | 0 | 334,214 |
| Interfund Payable | 0 | 0 | 0 |
| Intergovernmental Payable | 56,285 | 0 | 46,790 |
| Deferred Revenue | <u>0</u> | <u>2,156,510</u> | <u>0</u> |
| <i>Total Liabilities</i> | <u><u>677,776</u></u> | <u><u>2,182,588</u></u> | <u><u>1,359,543</u></u> |
| <i>Fund Balance:</i> | | | |
| Reserved for Encumbrances | 436,627 | 400 | 967,979 |
| Reserved for Property Taxes | 0 | 259,310 | 0 |
| Unreserved, (Deficit), Reported in: | | | |
| Special Revenue Funds | <u>2,710,096</u> | <u>4,724,427</u> | <u>(360,627)</u> |
| <i>Total Fund Balances</i> | <u><u>3,146,723</u></u> | <u><u>4,984,137</u></u> | <u><u>607,352</u></u> |
| <i>Total Liabilities and Fund Balances</i> | <u><u>\$ 3,824,499</u></u> | <u><u>\$ 7,166,725</u></u> | <u><u>\$ 1,966,895</u></u> |

| DPIA | Other State | Food Service | Adult Basic Education | Job Training Partnership Act (JTPA) |
|-------------|---------------------|---------------------|-----------------------|-------------------------------------|
| \$ 0 | \$ 1,507,459 | \$ 2,773,231 | \$ 20,108 | \$ 79,183 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 23,491 | 0 | 0 |
| 0 | 168,270 | 2,779,237 | 810,817 | 172,257 |
| 0 | 0 | 540,162 | 0 | 0 |
| <u>\$ 0</u> | <u>\$ 1,675,729</u> | <u>\$ 6,116,121</u> | <u>\$ 830,925</u> | <u>\$ 251,440</u> |
| \$ 0 | \$ 427,807 | \$ 162,088 | \$ 9,659 | \$ 62,078 |
| 0 | 224,824 | 1,906,258 | 294,242 | 18,627 |
| 0 | 190,000 | 0 | 746,000 | 136,000 |
| 0 | 31,477 | 266,876 | 41,194 | 2,608 |
| 0 | 200,051 | 311,913 | 527,629 | 149,537 |
| 0 | 1,074,159 | 2,647,135 | 1,618,724 | 368,850 |
| 0 | 276,425 | 1,741,260 | 13,266 | 22,282 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 325,145 | 1,727,726 | (801,065) | (139,692) |
| 0 | 601,570 | 3,468,986 | (787,799) | (117,410) |
| <u>\$ 0</u> | <u>\$ 1,675,729</u> | <u>\$ 6,116,121</u> | <u>\$ 830,925</u> | <u>\$ 251,440</u> |

(continued)

Cleveland Municipal School District

Combining Balance Sheet

Nonmajor Special Revenue Funds (continued)

June 30, 2003

| | Title VI-B Special Education | Vocational Education | Title I |
|--|------------------------------------|-------------------------|---------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 371,011 | \$ 613,412 | \$ 8,078,969 |
| Receivables: | | | |
| Taxes | 0 | 0 | 0 |
| Accounts | 0 | 0 | 0 |
| Intergovernmental | 77,121 | 0 | 0 |
| Materials and Supplies Inventory | 0 | 0 | 0 |
| Total Assets | \$ 448,132 | \$ 613,412 | \$ 8,078,969 |
| Liabilities | | | |
| Accounts Payable | \$ 508,177 | \$ 191,838 | \$ 730,130 |
| Accrued Wages and Benefits | 1,205,084 | 224,432 | 3,600,189 |
| Interfund Payable | 128,000 | 235,000 | 0 |
| Intergovernmental Payable | 169,786 | 31,420 | 504,026 |
| Deferred Revenue | 472,884 | 269,818 | 0 |
| Total Liabilities | 2,483,931 | 952,508 | 4,834,345 |
| Fund Balance: | | | |
| Reserved for Encumbrances | 116,562 | 432,468 | 1,599,986 |
| Reserved for Property Taxes | 0 | 0 | 0 |
| Unreserved, (Deficit), Reported in: | | | |
| Special Revenue Funds | (2,152,361) | (771,564) | 1,644,638 |
| Total Fund Balances | (2,035,799) | (339,096) | 3,244,624 |
| Total Liabilities and Fund Balances | \$ 448,132 | \$ 613,412 | \$ 8,078,969 |

| Improving Teacher Quality Title II-A | Miscellaneous Federal Grants | Other Federal | Total Nonmajor Special Revenue Funds |
|--|------------------------------------|---------------------|---|
| \$ 295,316 | \$ 1,087,332 | \$ 1,267,635 | \$ 26,220,821 |
| 0 | 0 | 0 | 2,435,778 |
| 0 | 0 | 0 | 310,081 |
| 0 | 242,564 | 190,573 | 4,549,425 |
| 0 | 0 | 0 | 540,162 |
| <u>\$ 295,316</u> | <u>\$ 1,329,896</u> | <u>\$ 1,458,208</u> | <u>\$ 34,056,267</u> |
| \$ 181,676 | \$ 275,765 | \$ 148,823 | \$ 3,922,113 |
| 625,180 | 236,669 | 377,928 | 9,449,683 |
| 268,000 | 0 | 123,000 | 1,826,000 |
| 87,525 | 33,134 | 52,910 | 1,324,031 |
| 27,316 | 792,639 | 941,752 | 5,850,049 |
| <u>1,189,697</u> | <u>1,338,207</u> | <u>1,644,413</u> | <u>22,371,876</u> |
| 127,411 | 253,127 | 651,009 | 6,638,802 |
| 0 | 0 | 0 | 259,310 |
| <u>(1,021,792)</u> | <u>(261,438)</u> | <u>(837,214)</u> | <u>4,786,279</u> |
| <u>(894,381)</u> | <u>(8,311)</u> | <u>(186,205)</u> | <u>11,684,391</u> |
| <u>\$ 295,316</u> | <u>\$ 1,329,896</u> | <u>\$ 1,458,208</u> | <u>\$ 34,056,267</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, 2003

| | Educational Special Trust | Other Local | Auxiliary Services (NPSS) |
|--|---------------------------------|---------------------|------------------------------|
| Revenues: | | | |
| <i>Local Sources:</i> | | | |
| Taxes | \$ 0 | \$ 2,186,039 | \$ 0 |
| Investment Income | 127,425 | 12,900 | 44,823 |
| Tuition and Fees | 111,614 | 0 | 0 |
| Extracurricular Activities | 151,546 | 418,845 | 0 |
| Miscellaneous | 6,872,289 | 0 | 0 |
| <i>State Sources:</i> | | | |
| Unrestricted Grants-in-Aid | 0 | 430,166 | 0 |
| Restricted Grants-in-Aid | 0 | 0 | 7,180,571 |
| <i>Federal Sources:</i> | | | |
| Restricted Grants-in-Aid | 0 | 0 | 0 |
| Total Revenues | 7,262,874 | 3,047,950 | 7,225,394 |
| Expenditures: | | | |
| <i>Current:</i> | | | |
| <i>Instruction:</i> | | | |
| Regular | 7,218 | 0 | 0 |
| Special | 0 | 0 | 0 |
| Vocational | 13,510 | 0 | 0 |
| Adult/Continuing | 0 | 0 | 0 |
| <i>Support Services:</i> | | | |
| Pupils | 606,617 | 0 | 0 |
| Instructional Staff | 5,708,204 | 1,871 | 0 |
| Administration | 536,076 | 0 | 0 |
| Fiscal | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 331,313 | 0 | 7,600 |
| Pupil Transportation | 8,552 | 0 | 0 |
| Central | 421,529 | 0 | 0 |
| Operation of Non-Instructional Services | 0 | 0 | 8,019,695 |
| Extracurricular Activities | 5,340 | 733,760 | 0 |
| Total Expenditures | 7,638,359 | 735,631 | 8,027,295 |
| Excess of Revenues Over (Under) Expenditures | (375,485) | 2,312,319 | (801,901) |
| Fund Balances Beginning of Year | 3,522,208 | 2,671,818 | 1,409,253 |
| Fund Balances at End of Year | \$ 3,146,723 | \$ 4,984,137 | \$ 607,352 |

| DPIA | Other State | Food Service | Adult Basic Education | Job Training Partnership Act (JTPA) |
|-------------------|-------------------|---------------------|-----------------------|-------------------------------------|
| \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 0 | 0 | 32,018 | 0 | 0 |
| 0 | 13,945 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 1,864,365 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 50,100,927 | 3,736,028 | 2,108,568 | 730,097 | 0 |
| 0 | 0 | 25,959,814 | 2,348,694 | 2,989,716 |
| <u>50,100,927</u> | <u>3,749,973</u> | <u>29,964,765</u> | <u>3,078,791</u> | <u>2,989,716</u> |
| 50,100,927 | 1,241,844 | 0 | 0 | 10,848 |
| 0 | 0 | 0 | 0 | 331,960 |
| 0 | 12,266 | 0 | 0 | 0 |
| 0 | 0 | 0 | 2,392,983 | 0 |
| 0 | 734,178 | 0 | 0 | 0 |
| 0 | 4,065,239 | 0 | 417,020 | 185,194 |
| 0 | 252,941 | 0 | 4,463 | 2,415,260 |
| 0 | 556 | 0 | 47,944 | 0 |
| 0 | 55,097 | 0 | 0 | 12,724 |
| 0 | 3,590 | 0 | 5,776 | 0 |
| 0 | 493,060 | 0 | 0 | 0 |
| 0 | 103 | 29,798,003 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| <u>50,100,927</u> | <u>6,858,874</u> | <u>29,798,003</u> | <u>2,868,186</u> | <u>2,955,986</u> |
| 0 | (3,108,901) | 166,762 | 210,605 | 33,730 |
| 0 | 3,710,471 | 3,302,224 | (998,404) | (151,140) |
| <u>\$ 0</u> | <u>\$ 601,570</u> | <u>\$ 3,468,986</u> | <u>\$ (787,799)</u> | <u>\$ (117,410)</u> |

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, 2003

| | 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> | | | |
| Unrestricted Grants-in-Aid | 0 | 0 | 0 |
| Restricted Grants-in-Aid | 0 | 0 | 0 |
| <i>Federal Sources:</i> | | | |
| Restricted Grants-in-Aid | 12,160,849 | 3,146,113 | 49,276,829 |
| Total Revenues | 12,160,849 | 3,146,113 | 49,276,829 |
| Expenditures: | | | |
| <i>Current:</i> | | | |
| <i>Instruction:</i> | | | |
| Regular | 0 | 0 | 1,215,870 |
| Special | 5,412,614 | 0 | 31,531,770 |
| Vocational | 0 | 1,512,296 | 0 |
| Adult/Continuing | 0 | 44,938 | 0 |
| <i>Support Services:</i> | | | |
| Pupils | 2,192,284 | 1,742,618 | 133,320 |
| Instructional Staff | 4,411,660 | 476,252 | 6,986,630 |
| Administration | 1,010,969 | 22,300 | 584,243 |
| Fiscal | 241,889 | 58,406 | 1,232,006 |
| Operation and Maintenance of Plant | 1,840 | 0 | 466,820 |
| Pupil Transportation | 234,142 | 11,490 | 6,497 |
| Central | 0 | 165,669 | 234,843 |
| Operation of Non-Instructional Services | 679,026 | 0 | 2,163,560 |
| Extracurricular Activities | 0 | 0 | 0 |
| Capital Outlay | 0 | 0 | 5,800 |
| Total Expenditures | 14,184,424 | 4,033,969 | 44,561,359 |
| Excess of Revenues Over (Under) Expenditures | (2,023,575) | (887,856) | 4,715,470 |
| Fund Balances Beginning of Year | (12,224) | 548,760 | (1,470,846) |
| Fund Balances at End of Year | \$ (2,035,799) | \$ (339,096) | \$ 3,244,624 |

| Improving Teacher Quality Title II-A | Miscellaneous Federal Grants | Other Federal | Total Nonmajor Special Revenue Funds |
|--|------------------------------------|---------------------|---|
| \$ 0 | \$ 0 | \$ 0 | \$ 2,186,039 |
| 0 | 0 | 0 | 217,166 |
| 0 | 0 | 0 | 125,559 |
| 0 | 0 | 0 | 570,391 |
| 0 | 0 | 194,228 | 8,930,882 |
| 0 | 0 | 0 | 430,166 |
| 0 | 0 | 0 | 63,856,191 |
| 8,569,992 | 7,490,691 | 2,952,545 | 114,895,243 |
| <u>8,569,992</u> | <u>7,490,691</u> | <u>3,146,773</u> | <u>191,211,637</u> |
| 0 | 315,617 | 48,939 | 52,941,263 |
| 7,381,052 | 263,034 | 354,483 | 45,274,913 |
| 0 | 155,581 | 0 | 1,693,653 |
| 0 | 7,688 | 112,786 | 2,558,395 |
| 0 | 991,893 | 84,293 | 6,485,203 |
| 1,812,728 | 4,234,377 | 2,929,221 | 31,228,396 |
| 87,873 | 9,965 | 62,372 | 4,986,462 |
| 177,886 | 83,505 | 39,577 | 1,881,769 |
| 4,834 | 12,362 | 26,985 | 919,575 |
| 0 | 5,826 | 15,348 | 291,221 |
| 0 | 0 | 11,605 | 1,326,706 |
| 0 | 484 | 95,185 | 40,756,056 |
| 0 | 0 | 0 | 739,100 |
| 0 | 0 | 0 | 5,800 |
| <u>9,464,373</u> | <u>6,080,332</u> | <u>3,780,794</u> | <u>191,088,512</u> |
| (894,381) | 1,410,359 | (634,021) | 123,125 |
| 0 | (1,418,670) | 447,816 | 11,561,266 |
| <u>\$ (894,381)</u> | <u>\$ (8,311)</u> | <u>\$ (186,205)</u> | <u>\$ 11,684,391</u> |

Cleveland Municipal School District

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2003

| | <u>Permanent Improvement</u> | <u>Building Renovation</u> | <u>School Net Plus</u> |
|---|----------------------------------|--------------------------------|----------------------------|
| <i>Assets</i> | | | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$ 14,917,304</u> | <u>\$ 13,941,465</u> | <u>\$ 107,100</u> |
| <i>Total Assets</i> | <u><u>\$ 14,917,304</u></u> | <u><u>\$ 13,941,465</u></u> | <u><u>\$ 107,100</u></u> |
| <i>Liabilities</i> | | | |
| Accounts Payable | <u>\$ 124,092</u> | <u>\$ 646,605</u> | <u>\$ 0</u> |
| <i>Total Liabilities</i> | <u>124,092</u> | <u>646,605</u> | <u>0</u> |
| <i>Fund Balance:</i> | | | |
| Reserved for Encumbrances | 2,615,508 | 5,259,982 | 0 |
| Unreserved, (Deficit), Reported in: | | | |
| Capital Projects Funds | <u>12,177,704</u> | <u>8,034,878</u> | <u>107,100</u> |
| <i>Total Fund Balances</i> | <u>14,793,212</u> | <u>13,294,860</u> | <u>107,100</u> |
| <i>Total Liabilities and Fund Balances</i> | <u><u>\$ 14,917,304</u></u> | <u><u>\$ 13,941,465</u></u> | <u><u>\$ 107,100</u></u> |

| Ohio School Net Telecommunications | School Facility Grant | Total Nonmajor Capital Projects Funds |
|---------------------------------------|--------------------------|--|
| \$ 172,360 | \$ 5,787,742 | \$ 34,925,971 |
| <u>\$ 172,360</u> | <u>\$ 5,787,742</u> | <u>\$ 34,925,971</u> |
| <u>\$ 0</u> | <u>\$ 797,758</u> | <u>\$ 1,568,455</u> |
| <u>0</u> | <u>797,758</u> | <u>1,568,455</u> |
| 71,995 | 4,981,282 | 12,928,767 |
| <u>100,365</u> | <u>8,702</u> | <u>20,428,749</u> |
| <u>172,360</u> | <u>4,989,984</u> | <u>33,357,516</u> |
| <u>\$ 172,360</u> | <u>\$ 5,787,742</u> | <u>\$ 34,925,971</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, 2003

| | <u>Permanent Improvement</u> | <u>Building Renovation</u> | <u>School Net Plus</u> |
|--|----------------------------------|--------------------------------|----------------------------|
| Revenues: | | | |
| <i>Local Sources:</i> | | | |
| Investment Income | \$ 170,486 | \$ 0 | \$ 0 |
| <i>State Sources:</i> | | | |
| Restricted Grants-in-Aid | <u>0</u> | <u>0</u> | <u>15,000</u> |
| Total Revenues | <u>170,486</u> | <u>0</u> | <u>15,000</u> |
| Expenditures: | | | |
| Current: | | | |
| <i>Support Services:</i> | | | |
| Instructional Staff | 0 | 0 | 2,320,778 |
| Operation and Maintenance of Plant | 0 | 6,654,535 | 0 |
| Central | 82,298 | 0 | 0 |
| Capital Outlay | <u>1,294,976</u> | <u>414,689</u> | <u>0</u> |
| Total Expenditures | <u>1,377,274</u> | <u>7,069,224</u> | <u>2,320,778</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(1,206,788)</u> | <u>(7,069,224)</u> | <u>(2,305,778)</u> |
| Other Financing Sources (Uses): | | | |
| General Obligation Bonds Issued | <u>16,000,000</u> | <u>0</u> | <u>0</u> |
| Total Other Financing Sources (Uses) | <u>16,000,000</u> | <u>0</u> | <u>0</u> |
| Net Change in Fund Balances | 14,793,212 | (7,069,224) | (2,305,778) |
| Fund Balances Beginning of Year | <u>0</u> | <u>20,364,084</u> | <u>2,412,878</u> |
| Fund Balances at End of Year | <u>\$ 14,793,212</u> | <u>\$ 13,294,860</u> | <u>\$ 107,100</u> |

| Ohio School Net Telecommunications | School Facility Grant | Total Nonmajor Capital Projects Funds |
|---------------------------------------|--------------------------|--|
| \$ 0 | \$ 0 | \$ 170,486 |
| <u>50,000</u> | <u>5,861,520</u> | <u>5,926,520</u> |
| <u>50,000</u> | <u>5,861,520</u> | <u>6,097,006</u> |
| 50,000 | 0 | 2,370,778 |
| 0 | 3,390,953 | 10,045,488 |
| 0 | 0 | 82,298 |
| <u>0</u> | <u>0</u> | <u>1,709,665</u> |
| <u>50,000</u> | <u>3,390,953</u> | <u>14,208,229</u> |
| <u>0</u> | <u>2,470,567</u> | <u>(8,111,223)</u> |
| <u>0</u> | <u>0</u> | <u>16,000,000</u> |
| <u>0</u> | <u>0</u> | <u>16,000,000</u> |
| 0 | 2,470,567 | 7,888,777 |
| <u>172,360</u> | <u>2,519,417</u> | <u>25,468,739</u> |
| <u>\$ 172,360</u> | <u>\$ 4,989,984</u> | <u>\$ 33,357,516</u> |

Cleveland Municipal School District

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

For the Fiscal Year Ended June 30, 2003

| | Beginning Balance July 1, 2002 | Additions | Deductions | Ending Balance June 30, 2003 |
|---|--------------------------------------|------------------|-------------------|------------------------------------|
| District Agency Fund | | | | |
| <i>Assets:</i> | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,465,095 | \$ 0 | \$ 214,872 | \$ 1,250,223 |
| <i>Liabilities:</i> | | | | |
| Payroll Withholdings | \$ 1,465,095 | \$ 0 | \$ 214,872 | \$ 1,250,223 |
| Student Managed Activity | | | | |
| <i>Assets:</i> | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 720,815 | \$ 75,992 | \$ 0 | \$ 796,807 |
| <i>Liabilities:</i> | | | | |
| Due to Students | \$ 720,815 | \$ 75,992 | \$ 0 | \$ 796,807 |
| All Agency Funds | | | | |
| <i>Assets:</i> | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 2,185,910 | \$ 75,992 | \$ 214,872 | \$ 2,047,030 |
| <i>Liabilities:</i> | | | | |
| Due To Students | \$ 720,815 | \$ 75,992 | \$ 0 | \$ 796,807 |
| Payroll Withholdings | 1,465,095 | 0 | 214,872 | 1,250,223 |
| Total Liabilities | \$ 2,185,910 | \$ 75,992 | \$ 214,872 | \$ 2,047,030 |

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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|---------------------|----------------------|---|
| Revenues: | | | |
| <i>Local Sources:</i> | | | |
| Taxes | \$ 24,834,201 | \$ 31,134,615 | \$ 6,300,414 |
| Investment Income | 461,582 | 461,582 | 0 |
| <i>State Sources:</i> | | | |
| Unrestricted Grants-in-Aid | 8,012,494 | 8,012,494 | 0 |
| Total Revenues | 33,308,277 | 39,608,691 | 6,300,414 |
| Expenditures: | | | |
| Current: | | | |
| <i>Support Services:</i> | | | |
| Fiscal | 98,000 | 57,758 | 40,242 |
| Debt Service: | | | |
| Principal Retirement | 5,000 | 5,000 | 0 |
| Interest and Fiscal Charges | 12,994,552 | 12,932,945 | 61,607 |
| Total Expenditures | 13,097,552 | 12,995,703 | 101,849 |
| Excess of Revenues Over (Under) Expenditures | 20,210,725 | 26,612,988 | 6,402,263 |
| Other Financing Sources (Uses): | | | |
| Other Financing Sources | 72,594,024 | 91,937,253 | 19,343,229 |
| Other Financing Uses | (125,182,448) | (125,182,448) | 0 |
| Operating Transfers In | 944,394 | 944,394 | 0 |
| Total Other Financing Sources (Uses) | (51,644,030) | (32,300,801) | 19,343,229 |
| Net Change in Fund Balances | (31,433,305) | (5,687,813) | 25,745,492 |
| Fund Balances Beginning of Year | 31,799,143 | 31,799,143 | 0 |
| Fund Balances at End of Year | \$ 365,838 | \$ 26,111,330 | \$ 25,745,492 |

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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|-------------------|---------------------|---|
| Revenues: | | | |
| <i>Local Sources:</i> | | | |
| Investment Income | \$ 127,425 | \$ 127,425 | \$ 0 |
| Tuition and Fees | 107,386 | 107,386 | 0 |
| Extracurricular Activities | 153,840 | 153,840 | 0 |
| Miscellaneous | 8,211,349 | 6,729,362 | (1,481,987) |
| Total Revenues | 8,600,000 | 7,118,013 | (1,481,987) |
| Expenditures: | | | |
| Current: | | | |
| <i>Instruction:</i> | | | |
| Regular | 19,931 | 6,798 | 13,133 |
| Vocational | 244,367 | 25,773 | 218,594 |
| <i>Support Services:</i> | | | |
| Pupils | 863,895 | 606,278 | 257,617 |
| Instructional Staff | 8,218,949 | 5,876,576 | 2,342,373 |
| Administration | 914,373 | 547,927 | 366,446 |
| Fiscal | 1,000 | 0 | 1,000 |
| Business | 5,000 | 0 | 5,000 |
| Operation and Maintenance of Plant | 437,902 | 355,425 | 82,477 |
| Pupil Transportation | 16,034 | 10,052 | 5,982 |
| Central | 848,834 | 421,140 | 427,694 |
| Extracurricular Activities | 39,960 | 5,460 | 34,500 |
| Total Expenditures | 11,610,245 | 7,855,429 | 3,754,816 |
| Excess of Revenues Over (Under) Expenditures | (3,010,245) | (737,416) | 2,272,829 |
| Fund Balances Beginning of Year | 3,021,392 | 3,021,392 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 514,629 | 514,629 | 0 |
| Fund Balances at End of Year | \$ 525,776 | \$ 2,798,605 | \$ 2,272,829 |

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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|---------------------|---------------------|---|
| Revenues: | | | |
| <i>Local Sources:</i> | | | |
| Taxes | \$ 2,061,697 | \$ 2,491,863 | \$ 430,166 |
| Investment Income | 12,900 | 12,900 | 0 |
| Extracurricular Activities | 887,100 | 418,845 | (468,255) |
| <i>State Sources:</i> | | | |
| Unrestricted Grants-in-Aid | 430,166 | 430,166 | 0 |
| Total Revenues | 3,391,863 | 3,353,774 | (38,089) |
| Expenditures: | | | |
| Current: | | | |
| <i>Support Services:</i> | | | |
| Instructional Staff | 2,169 | 2,037 | 132 |
| Extracurricular Activities | 1,382,533 | 760,725 | 621,808 |
| Total Expenditures | 1,384,702 | 762,762 | 621,940 |
| Excess of Revenues Over (Under) Expenditures | 2,007,161 | 2,591,012 | 583,851 |
| Fund Balances Beginning of Year | 2,135,172 | 2,135,172 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 3,719 | 3,719 | 0 |
| Fund Balances at End of Year | \$ 4,146,052 | \$ 4,729,903 | \$ 583,851 |

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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|-------------------|------------------|---|
| Revenues: | | | |
| <i>Local Sources:</i> | | | |
| Investment Income | \$ 44,823 | \$ 44,823 | \$ 0 |
| <i>State Sources:</i> | | | |
| Restricted Grants-in-Aid | 9,274,177 | 7,180,571 | (2,093,606) |
| Total Revenues | 9,319,000 | 7,225,394 | (2,093,606) |
| Expenditures: | | | |
| Current: | | | |
| <i>Support Services:</i> | | | |
| Operation and Maintenance of Plant | 113,187 | 45,595 | 67,592 |
| Operation of Non-Instructional Services | 10,422,270 | 9,113,776 | 1,308,494 |
| Total Expenditures | 10,535,457 | 9,159,371 | 1,376,086 |
| Excess of Revenues Over (Under) Expenditures | (1,216,457) | (1,933,977) | (717,520) |
| Other Financing Sources (Uses): | | | |
| Operating Transfers Out | (14,023) | 0 | 14,023 |
| Total Other Financing Sources (Uses) | (14,023) | 0 | 14,023 |
| Net Change in Fund Balances | (1,230,480) | (1,933,977) | (703,497) |
| Fund Balances Beginning of Year | 1,230,731 | 1,230,731 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 742,806 | 742,806 | 0 |
| Fund Balances at End of Year | \$ 743,057 | \$ 39,560 | \$ (703,497) |

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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|-------------------|-------------------|---|
| Revenues: | | | |
| <i>State Sources:</i> | | | |
| Restricted Grants-in-Aid | \$ 50,200,000 | \$ 50,100,927 | \$ (99,073) |
| Total Revenues | 50,200,000 | 50,100,927 | (99,073) |
| Expenditures: | | | |
| Current: | | | |
| <i>Instruction:</i> | | | |
| Regular | 50,100,927 | 50,100,927 | 0 |
| Total Expenditures | 50,100,927 | 50,100,927 | 0 |
| Excess of Revenues Over (Under) Expenditures | 99,073 | 0 | (99,073) |
| Fund Balances Beginning of Year | 0 | 0 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 0 | 0 | 0 |
| Fund Balances at End of Year | \$ 99,073 | \$ 0 | \$ (99,073) |

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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|---------------------|-------------------|---|
| Revenues: | | | |
| <i>Local Sources:</i> | | | |
| Tuition and Fees | \$ 13,945 | \$ 13,945 | \$ 0 |
| <i>State Sources:</i> | | | |
| Restricted Grants-in-Aid | 7,198,055 | 4,178,665 | (3,019,390) |
| Total Revenues | 7,212,000 | 4,192,610 | (3,019,390) |
| Expenditures: | | | |
| Current: | | | |
| <i>Instruction:</i> | | | |
| Regular | 1,542,383 | 1,507,867 | 34,516 |
| Vocational | 12,266 | 12,266 | 0 |
| <i>Support Services:</i> | | | |
| Pupils | 826,575 | 815,242 | 11,333 |
| Instructional Staff | 4,593,580 | 4,159,052 | 434,528 |
| Administration | 252,377 | 252,232 | 145 |
| Fiscal | 1,085 | 556 | 529 |
| Operation and Maintenance of Plant | 66,037 | 55,097 | 10,940 |
| Pupil Transportation | 5,000 | 3,590 | 1,410 |
| Central | 1,108,024 | 558,247 | 549,777 |
| Operation of Non-Instructional Services | 138 | 103 | 35 |
| Total Expenditures | 8,407,465 | 7,364,252 | 1,043,213 |
| Excess of Revenues Over (Under) Expenditures | (1,195,465) | (3,171,642) | (1,976,177) |
| Other Financing Sources (Uses): | | | |
| Advances In | 190,000 | 190,000 | 0 |
| Total Other Financing Sources (Uses) | 190,000 | 190,000 | 0 |
| Net Change in Fund Balances | (1,005,465) | (2,981,642) | (1,976,177) |
| Fund Balances Beginning of Year | 2,793,639 | 2,793,639 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 1,039,818 | 1,039,818 | 0 |
| Fund Balances at End of Year | \$ 2,827,992 | \$ 851,815 | \$ (1,976,177) |

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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|---------------------|-------------------|---|
| Revenues: | | | |
| <i>Local Sources:</i> | | | |
| Investment Income | \$ 32,018 | \$ 32,018 | \$ 0 |
| Miscellaneous | 1,864,365 | 1,864,365 | 0 |
| <i>State Sources:</i> | | | |
| Restricted Grants-in-Aid | 2,108,568 | 2,108,568 | 0 |
| <i>Federal Sources:</i> | | | |
| Restricted Grants-in-Aid | 28,422,049 | 25,372,644 | (3,049,405) |
| Total Revenues | 32,427,000 | 29,377,595 | (3,049,405) |
| Expenditures: | | | |
| <i>Current:</i> | | | |
| Operation of Non-Instructional Services | 32,427,525 | 31,477,581 | 949,944 |
| Total Expenditures | 32,427,525 | 31,477,581 | 949,944 |
| Excess of Revenues Over (Under) Expenditures | (525) | (2,099,986) | (2,099,461) |
| Fund Balances Beginning of Year | 1,519 | 1,519 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 3,048,411 | 3,048,411 | 0 |
| Fund Balances at End of Year | \$ 3,049,405 | \$ 949,944 | \$ (2,099,461) |

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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|------------------|------------------|---|
| Revenues: | | | |
| <i>State Sources:</i> | | | |
| Restricted Grants-in-Aid | \$ 446,909 | \$ 446,909 | \$ 0 |
| <i>Federal Sources:</i> | | | |
| Restricted Grants-in-Aid | 3,217,268 | 2,348,694 | (868,574) |
| Total Revenues | 3,664,177 | 2,795,603 | (868,574) |
| Expenditures: | | | |
| Current: | | | |
| <i>Instruction:</i> | | | |
| Adult/Continuing | 3,006,323 | 2,386,620 | 619,703 |
| <i>Support Services:</i> | | | |
| Instructional Staff | 536,539 | 436,676 | 99,863 |
| Administration | 58,121 | 4,463 | 53,658 |
| Fiscal | 61,244 | 47,944 | 13,300 |
| Pupil Transportation | 49,827 | 5,776 | 44,051 |
| Total Expenditures | 3,712,054 | 2,881,479 | 830,575 |
| Excess of Revenues Over (Under) Expenditures | (47,877) | (85,876) | (37,999) |
| Other Financing Sources (Uses): | | | |
| Advances In | 746,000 | 746,000 | 0 |
| Advances Out | (710,177) | (710,177) | 0 |
| Total Other Financing Sources (Uses) | 35,823 | 35,823 | 0 |
| Net Change in Fund Balances | (12,054) | (50,053) | (37,999) |
| Fund Balances Beginning of Year | 13,289 | 13,289 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 37,418 | 37,418 | 0 |
| Fund Balances at End of Year | \$ 38,653 | \$ 654 | \$ (37,999) |

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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|-------------------|------------------|---|
| Revenues: | | | |
| <i>Federal Sources:</i> | | | |
| Restricted Grants-in-Aid | \$ 4,389,000 | \$ 3,218,798 | \$ (1,170,202) |
| Total Revenues | 4,389,000 | 3,218,798 | (1,170,202) |
| Expenditures: | | | |
| Current: | | | |
| <i>Instruction:</i> | | | |
| Regular | 17,000 | 13,223 | 3,777 |
| Special | 580,542 | 398,336 | 182,206 |
| <i>Support Services:</i> | | | |
| Instructional Staff | 204,926 | 179,792 | 25,134 |
| Administration | 2,517,473 | 2,485,742 | 31,731 |
| Operation and Maintenance of Plant | 11,292 | 11,292 | 0 |
| Total Expenditures | 3,331,233 | 3,088,385 | 242,848 |
| Excess of Revenues Over (Under) Expenditures | 1,057,767 | 130,413 | (927,354) |
| Other Financing Sources (Uses): | | | |
| Advances In | 136,000 | 136,000 | 0 |
| Advances Out | (369,823) | (369,823) | 0 |
| Total Other Financing Sources (Uses) | (233,823) | (233,823) | 0 |
| Net Change in Fund Balances | 823,944 | (103,410) | (927,354) |
| Fund Balances Beginning of Year | 8,463 | 8,463 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 95,356 | 95,356 | 0 |
| Fund Balances at End of Year | \$ 927,763 | \$ 409 | \$ (927,354) |

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Title VI-B Special Education Fund
For the Fiscal Year Ended June 30, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|-------------------|-------------------|---|
| Revenues: | | | |
| <i>Federal Sources:</i> | | | |
| Restricted Grants-in-Aid | \$ 13,872,000 | \$ 13,081,302 | \$ (790,698) |
| Total Revenues | 13,872,000 | 13,081,302 | (790,698) |
| Expenditures: | | | |
| Current: | | | |
| <i>Instruction:</i> | | | |
| Special | 5,368,906 | 5,342,955 | 25,951 |
| <i>Support Services:</i> | | | |
| Pupils | 1,985,732 | 1,985,731 | 1 |
| Instructional Staff | 4,424,927 | 4,424,927 | 0 |
| Administration | 891,773 | 891,773 | 0 |
| Fiscal | 243,892 | 241,889 | 2,003 |
| Operation and Maintenance of Plant | 1,840 | 1,840 | 0 |
| Pupil Transportation | 201,628 | 201,628 | 0 |
| Operation of Non-Instructional Services | 611,708 | 611,708 | 0 |
| Total Expenditures | 13,730,406 | 13,702,451 | 27,955 |
| Excess of Revenues Over (Under) Expenditures | 141,594 | (621,149) | (762,743) |
| Other Financing Sources (Uses): | | | |
| Advances In | 128,000 | 128,000 | 0 |
| Total Other Financing Sources (Uses) | 128,000 | 128,000 | 0 |
| Net Change in Fund Balances | 269,594 | (493,149) | (762,743) |
| Fund Balances Beginning of Year | 353,141 | 353,141 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 140,034 | 140,034 | 0 |
| Fund Balances at End of Year | \$ 762,769 | \$ 26 | \$ (762,743) |

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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|----------------------------|----------------------|---|
| Revenues: | | | |
| <i>Federal Sources:</i> | | | |
| Restricted Grants-in-Aid | \$ 4,890,000 | \$ 3,394,171 | \$ (1,495,829) |
| Total Revenues | 4,890,000 | 3,394,171 | (1,495,829) |
| Expenditures: | | | |
| Current: | | | |
| <i>Instruction:</i> | | | |
| Vocational | 1,600,589 | 1,568,241 | 32,348 |
| Adult/Continuing | 50,927 | 45,185 | 5,742 |
| <i>Support Services:</i> | | | |
| Pupils | 1,980,398 | 1,959,298 | 21,100 |
| Instructional Staff | 871,093 | 724,032 | 147,061 |
| Administration | 72,916 | 23,473 | 49,443 |
| Fiscal | 58,406 | 58,406 | 0 |
| Pupil Transportation | 14,030 | 11,490 | 2,540 |
| Central | 220,156 | 216,928 | 3,228 |
| Total Expenditures | 4,868,515 | 4,607,053 | 261,462 |
| Excess of Revenues Over (Under) Expenditures | 21,485 | (1,212,882) | (1,234,367) |
| Other Financing Sources (Uses): | | | |
| Advances In | 235,000 | 235,000 | 0 |
| Advances Out | (125,000) | (125,000) | 0 |
| Total Other Financing Sources (Uses) | 110,000 | 110,000 | 0 |
| Net Change in Fund Balances | 131,485 | (1,102,882) | (1,234,367) |
| Fund Balances Beginning of Year | 45 | 45 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | <u>1,102,938</u> | <u>1,102,938</u> | <u>0</u> |
| Fund Balances at End of Year | <u>\$ 1,234,468</u> | <u>\$ 101</u> | <u>\$ (1,234,367)</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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|---------------------|---------------------|---|
| Revenues: | | | |
| <i>Federal Sources:</i> | | | |
| Restricted Grants-in-Aid | \$ 62,320,000 | \$ 52,050,851 | \$ (10,269,149) |
| Total Revenues | 62,320,000 | 52,050,851 | (10,269,149) |
| Expenditures: | | | |
| Current: | | | |
| <i>Instruction:</i> | | | |
| Regular | 1,966,800 | 1,212,495 | 754,305 |
| Special | 38,559,422 | 31,638,624 | 6,920,798 |
| <i>Support Services:</i> | | | |
| Pupils | 222,237 | 143,477 | 78,760 |
| Instructional Staff | 9,597,231 | 8,123,720 | 1,473,511 |
| Administration | 1,237,476 | 612,253 | 625,223 |
| Fiscal | 1,569,153 | 1,232,470 | 336,683 |
| Operation and Maintenance of Plant | 542,440 | 513,064 | 29,376 |
| Pupil Transportation | 3,735,342 | 7,391 | 3,727,951 |
| Central | 243,966 | 242,173 | 1,793 |
| Operation of Non-Instructional Services | 3,089,063 | 2,212,406 | 876,657 |
| Capital Outlay | 8,332 | 5,800 | 2,532 |
| Total Expenditures | 60,771,462 | 45,943,873 | 14,827,589 |
| Excess of Revenues Over (Under) Expenditures | 1,548,538 | 6,106,978 | 4,558,440 |
| Other Financing Sources (Uses): | | | |
| Advances Out | (1,550,000) | (1,550,000) | 0 |
| Total Other Financing Sources (Uses) | (1,550,000) | (1,550,000) | 0 |
| Net Change in Fund Balances | (1,462) | 4,556,978 | 4,558,440 |
| Fund Balances Beginning of Year | 1,841 | 1,841 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 1,221,620 | 1,221,620 | 0 |
| Fund Balances at End of Year | \$ 1,221,999 | \$ 5,780,439 | \$ 4,558,440 |

Cleveland Municipal School District

Schedule of Revenues, Expenditures and Changes

In Fund Balance - Budget (Non-GAAP) and Actual

Improving Teacher Quality Title II-A Fund

For the Fiscal Year Ended June 30, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|------------------|------------------|---|
| Revenues: | | | |
| <i>Federal Sources:</i> | | | |
| Restricted Grants-in-Aid | \$ 8,932,000 | \$ 8,597,308 | \$ (334,692) |
| Total Revenues | 8,932,000 | 8,597,308 | (334,692) |
| Expenditures: | | | |
| Current: | | | |
| <i>Instruction:</i> | | | |
| Special | 6,701,834 | 6,699,093 | 2,741 |
| <i>Support Services:</i> | | | |
| Instructional Staff | 2,033,982 | 1,847,594 | 186,388 |
| Administration | 124,624 | 70,585 | 54,039 |
| Fiscal | 190,327 | 177,886 | 12,441 |
| Operation and Maintenance of Plant | 70,000 | 69,834 | 166 |
| Total Expenditures | 9,120,767 | 8,864,992 | 255,775 |
| Excess of Revenues Over (Under) Expenditures | (188,767) | (267,684) | (78,917) |
| Other Financing Sources (Uses): | | | |
| Advances In | 268,000 | 268,000 | 0 |
| Total Other Financing Sources (Uses) | 268,000 | 268,000 | 0 |
| Net Change in Fund Balances | 79,233 | 316 | (78,917) |
| Fund Balances Beginning of Year | 0 | 0 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 0 | 0 | 0 |
| Fund Balances at End of Year | \$ 79,233 | \$ 316 | \$ (78,917) |

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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|---------------------|-------------------|---|
| Revenues: | | | |
| <i>Federal Sources:</i> | | | |
| Restricted Grants-in-Aid | \$ 12,000,000 | \$ 8,085,794 | \$ (3,914,206) |
| Total Revenues | 12,000,000 | 8,085,794 | (3,914,206) |
| Expenditures: | | | |
| Current: | | | |
| <i>Instruction:</i> | | | |
| Regular | 343,574 | 329,964 | 13,610 |
| Special | 600,320 | 254,920 | 345,400 |
| Vocational | 257,062 | 223,836 | 33,226 |
| Adult/Continuing | 16,292 | 16,285 | 7 |
| <i>Support Services:</i> | | | |
| Pupils | 1,047,035 | 982,423 | 64,612 |
| Instructional Staff | 8,126,800 | 6,390,216 | 1,736,584 |
| Administration | 22,081 | 20,839 | 1,242 |
| Fiscal | 131,140 | 83,505 | 47,635 |
| Business | 225 | 0 | 225 |
| Operation and Maintenance of Plant | 128,075 | 42,479 | 85,596 |
| Pupil Transportation | 10,300 | 5,826 | 4,474 |
| Central | 44,981 | 0 | 44,981 |
| Operation of Non-Instructional Services | 5,263 | 484 | 4,779 |
| Total Expenditures | 10,733,148 | 8,350,777 | 2,382,371 |
| Excess of Revenues Over (Under) Expenditures | 1,266,852 | (264,983) | (1,531,835) |
| Fund Balances Beginning of Year | 19,732 | 19,732 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 810,599 | 810,599 | 0 |
| Fund Balances at End of Year | \$ 2,097,183 | \$ 565,348 | \$ (1,531,835) |

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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|---------------------|-------------------|---|
| Revenues: | | | |
| <i>Local Sources:</i> | | | |
| Miscellaneous | \$ 197,998 | \$ 194,228 | \$ (3,770) |
| <i>Federal Sources:</i> | | | |
| Restricted Grants-in-Aid | 7,576,002 | 3,524,787 | (4,051,215) |
| Total Revenues | 7,774,000 | 3,719,015 | (4,054,985) |
| Expenditures: | | | |
| Current: | | | |
| <i>Instruction:</i> | | | |
| Regular | 252,679 | 36,704 | 215,975 |
| Special | 1,147,647 | 370,621 | 777,026 |
| Adult/Continuing | 142,455 | 105,237 | 37,218 |
| <i>Support Services:</i> | | | |
| Pupils | 123,602 | 79,485 | 44,117 |
| Instructional Staff | 3,672,908 | 2,800,234 | 872,674 |
| Administration | 1,023,942 | 605,139 | 418,803 |
| Fiscal | 73,873 | 39,577 | 34,296 |
| Operation and Maintenance of Plant | 21,112 | 21,112 | 0 |
| Pupil Transportation | 16,192 | 15,928 | 264 |
| Central | 11,770 | 11,700 | 70 |
| Operation of Non-Instructional Services | 150,491 | 120,096 | 30,395 |
| Total Expenditures | 6,636,671 | 4,205,833 | 2,430,838 |
| Excess of Revenues Over (Under) Expenditures | 1,137,329 | (486,818) | (1,624,147) |
| Other Financing Sources (Uses): | | | |
| Advances In | 123,000 | 123,000 | 0 |
| Advances Out | (67,000) | (67,000) | 0 |
| Total Other Financing Sources (Uses) | 56,000 | 56,000 | 0 |
| Net Change in Fund Balances | 1,193,329 | (430,818) | (1,624,147) |
| Fund Balances Beginning of Year | 774,486 | 774,486 | 0 |
| Prior Year Encumbrances Appropriated | 127,259 | 127,259 | 0 |
| Fund Balances at End of Year | \$ 2,095,074 | \$ 470,927 | \$ (1,624,147) |

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Permanent Improvement Fund
For the Fiscal Year Ended June 30, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|---------------------|----------------------|---|
| Revenues: | | | |
| <i>Local Sources:</i> | | | |
| Investment Income | \$ 0 | \$ 170,486 | \$ 170,486 |
| Total Revenues | 0 | 170,486 | 170,486 |
| Expenditures: | | | |
| Current: | | | |
| <i>Support Services:</i> | | | |
| Central | 82,299 | 82,298 | 1 |
| Capital Outlay | 6,757,919 | 4,220,484 | 2,537,435 |
| Total Expenditures | 6,840,218 | 4,302,782 | 2,537,436 |
| Excess of Revenues Over (Under) Expenditures | (6,840,218) | (4,132,296) | 2,707,922 |
| Other Financing Sources (Uses): | | | |
| General Obligation Bonds Issued | 16,000,000 | 16,000,000 | 0 |
| Total Other Financing Sources (Uses) | 16,000,000 | 16,000,000 | 0 |
| Net Change in Fund Balances | 9,159,782 | 11,867,704 | 2,707,922 |
| Fund Balances Beginning of Year | 0 | 0 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 0 | 0 | 0 |
| Fund Balances at End of Year | \$ 9,159,782 | \$ 11,867,704 | \$ 2,707,922 |

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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|---------------------|---------------------|---|
| Revenues: | | | |
| <i>State Sources:</i> | | | |
| Restricted Grants-in-Aid | \$ 5,381,000 | \$ 0 | \$ (5,381,000) |
| Total Revenues | 5,381,000 | 0 | (5,381,000) |
| Expenditures: | | | |
| <i>Current:</i> | | | |
| <i>Support Services:</i> | | | |
| Operation and Maintenance of Plant | 19,653,830 | 11,947,105 | 7,706,725 |
| Capital Outlay | 597,493 | 597,492 | 1 |
| Total Expenditures | 20,251,323 | 12,544,597 | 7,706,726 |
| Excess of Revenues Over (Under) Expenditures | (14,870,323) | (12,544,597) | 2,325,726 |
| Fund Balances Beginning of Year | 16,619,598 | 16,619,598 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 3,960,718 | 3,960,718 | 0 |
| Fund Balances at End of Year | \$ 5,709,993 | \$ 8,035,719 | \$ 2,325,726 |

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, 2003*

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|----------------------|----------------------|---|
| Revenues: | | | |
| <i>Local Sources:</i> | | | |
| Investment Income | \$ 831,604 | \$ 831,604 | \$ 0 |
| <i>State Sources:</i> | | | |
| Restricted Grants-in-Aid | 172,306,396 | 37,955,928 | (134,350,468) |
| Total Revenues | 173,138,000 | 38,787,532 | (134,350,468) |
| Expenditures: | | | |
| Capital Outlay | 210,754,101 | 52,212,744 | 158,541,357 |
| Total Expenditures | 210,754,101 | 52,212,744 | 158,541,357 |
| Excess of Revenues Over (Under) Expenditures | (37,616,101) | (13,425,212) | 24,190,889 |
| Other Financing Sources (Uses): | | | |
| General Obligation Bonds Issued | 24,000,000 | 24,000,000 | 0 |
| Total Other Financing Sources (Uses) | 24,000,000 | 24,000,000 | 0 |
| Net Change in Fund Balances | (13,616,101) | 10,574,788 | 24,190,889 |
| Fund Balances Beginning of Year | 26,862,430 | 26,862,430 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 8,458,560 | 8,458,560 | 0 |
| Fund Balances at End of Year | \$ 21,704,889 | \$ 45,895,778 | \$ 24,190,889 |

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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|----------------------------|--------------------------|---|
| Revenues: | | | |
| <i>State Sources:</i> | | | |
| Restricted Grants-in-Aid | \$ 1,500,000 | \$ 15,000 | \$ (1,485,000) |
| Total Revenues | 1,500,000 | 15,000 | (1,485,000) |
| Expenditures: | | | |
| <i>Current:</i> | | | |
| <i>Support Services:</i> | | | |
| Instructional Staff | 2,346,838 | 2,346,838 | 0 |
| Total Expenditures | 2,346,838 | 2,346,838 | 0 |
| Excess of Revenues Over (Under) Expenditures | (846,838) | (2,331,838) | (1,485,000) |
| Fund Balances Beginning of Year | 2,438,938 | 2,438,938 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | <u>0</u> | <u>0</u> | <u>0</u> |
| Fund Balances at End of Year | <u>\$ 1,592,100</u> | <u>\$ 107,100</u> | <u>\$ (1,485,000)</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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|-------------------|-------------------|---|
| Revenues: | | | |
| <i>State Sources:</i> | | | |
| Restricted Grants-in-Aid | \$ 50,000 | \$ 50,000 | \$ 0 |
| Total Revenues | 50,000 | 50,000 | 0 |
| Expenditures: | | | |
| <i>Current:</i> | | | |
| <i>Support Services:</i> | | | |
| Instructional Staff | 50,360 | 50,000 | 360 |
| Operation and Maintenance of Plant | 72,000 | 71,995 | 5 |
| Total Expenditures | 122,360 | 121,995 | 365 |
| Excess of Revenues Over (Under) Expenditures | (72,360) | (71,995) | 365 |
| Fund Balances Beginning of Year | 100,365 | 100,365 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 71,995 | 71,995 | 0 |
| Fund Balances at End of Year | \$ 100,000 | \$ 100,365 | \$ 365 |

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, 2003

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|---------------------|------------------|---|
| Revenues: | | | |
| <i>State Sources:</i> | | | |
| Restricted Grants-in-Aid | \$ 11,650,000 | \$ 5,861,520 | \$ (5,788,480) |
| Total Revenues | 11,650,000 | 5,861,520 | (5,788,480) |
| Expenditures: | | | |
| Current: | | | |
| <i>Support Services:</i> | | | |
| Operation and Maintenance of Plant | 9,977,185 | 8,624,057 | 1,353,128 |
| Total Expenditures | 9,977,185 | 8,624,057 | 1,353,128 |
| Excess of Revenues Over (Under) Expenditures | 1,672,815 | (2,762,537) | (4,435,352) |
| Fund Balances Beginning of Year | 1,323,490 | 1,323,490 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 1,447,749 | 1,447,749 | 0 |
| Fund Balances at End of Year | \$ 4,444,054 | \$ 8,702 | \$ (4,435,352) |

Statistical Section

Cleveland Municipal School District

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

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Program Revenues | | | | | | |
| Charges for Services | N/A | N/A | N/A | N/A | N/A | N/A |
| Operating Grants and Contributions | N/A | N/A | N/A | N/A | N/A | N/A |
| Capital Grants and Contributions | N/A | N/A | N/A | N/A | N/A | N/A |
| General Revenues | | | | | | |
| Local Sources: | | | | | | |
| Taxes | \$ 162,239,984 | \$ 154,824,367 | \$ 155,490,489 | \$ 187,021,369 | \$ 223,362,432 | \$ 233,513,561 |
| Investment Income | 3,181,851 | 4,755,345 | 5,844,675 | 6,685,375 | 11,544,482 | 13,767,095 |
| Tuition and Fees | 812,926 | 739,728 | 658,500 | 781,852 | 1,391,599 | 1,728,030 |
| Extracurricular Activities | 0 | 1,337,511 | 1,318,246 | 1,251,565 | 1,274,051 | 1,293,306 |
| Rentals | 0 | 222,615 | 158,452 | 162,355 | 125,406 | 104,352 |
| Miscellaneous | 3,781,862 | 3,089,107 | 3,878,521 | 3,268,605 | 4,706,558 | 2,536,103 |
| State Sources: | | | | | | |
| Unrestricted Grants-in-Aid (2) (3) | 200,534,826 | 229,120,768 | 239,618,796 | 232,505,491 | 270,945,514 | 322,814,426 |
| Restricted Grants-in-Aid (3) | 33,220,258 | 44,858,211 | 56,875,712 | 49,757,129 | 73,130,537 | 46,268,975 |
| Federal Sources: | | | | | | |
| Unrestricted Grants-in-Aid | 326,800 | 1,019,721 | 2,348,543 | 2,001,397 | 5,505,195 | 3,957,556 |
| Restricted Grants-in-Aid | 41,099,254 | 44,033,519 | 39,208,676 | 60,140,167 | 58,371,212 | 54,888,588 |
| Total | \$ 445,197,761 | \$ 484,000,892 | \$ 505,400,610 | \$ 543,575,305 | \$ 650,356,986 | \$ 680,871,992 |

(continued)

Cleveland Municipal School District

General Governmental

Revenues by Source (1) (continued)

Last Ten Fiscal Years

| | 2000 | | 2001 | | 2002 (4) | | 2003 (4) | |
|------------------------------------|-----------------------|--|-----------------------|-----------------------|-----------------------|----|-----------------------|-----------------------|
| | | | | | | | | |
| Program Revenues | | | | | | | | |
| Charges for Services | N/A | | N/A | \$ 804,375 | N/A | \$ | 529,043 | N/A |
| Operating Grants and Contributions | N/A | | N/A | 197,213,751 | N/A | | 208,914,717 | N/A |
| Capital Grants and Contributions | N/A | | N/A | 3,433,050 | N/A | | 5,109,270 | N/A |
| General Revenues | | | | | | | | |
| Local Sources: | | | | | | | | |
| Taxes | \$ 217,137,676 | | \$ 224,284,910 | 272,397,563 | \$ 259,607,843 | | 215,870,761 | \$ 213,602,787 |
| Investment Income | 16,861,000 | | 18,285,338 | 7,844,704 | 7,844,704 | | 4,688,605 | 4,688,605 |
| Tuition and Fees | 1,023,218 | | 1,532,003 | 0 | 928,493 | | 0 | 654,602 |
| Extracurricular Activities | 857,343 | | 705,765 | 0 | 474,299 | | 0 | 570,391 |
| Rentals | 100,771 | | 16,115 | 0 | 0 | | 0 | 0 |
| Miscellaneous | 1,826,986 | | 7,125,706 | 2,443,123 | 13,059,119 | | 4,324,953 | 13,255,835 |
| State Sources: | | | | | | | | |
| Unrestricted Grants-in-Aid (2) (3) | 316,361,566 | | 310,739,648 | 320,497,947 | 320,497,947 | | 302,965,559 | 302,965,559 |
| Restricted Grants-in-Aid (3) | 50,261,774 | | 75,892,321 | 0 | 88,546,257 | | 37,955,928 | 129,821,083 |
| Federal Sources: | | | | | | | | |
| Unrestricted Grants-in-Aid | 4,109,302 | | 5,303,880 | 5,206,702 | 5,206,702 | | 19,787,241 | 19,787,241 |
| Restricted Grants-in-Aid | 52,036,799 | | 65,045,715 | 0 | 95,141,262 | | 0 | 114,895,243 |
| Total | \$ 660,576,435 | | \$ 708,931,401 | \$ 809,841,215 | \$ 791,306,626 | | \$ 800,146,077 | \$ 800,241,346 |

(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, 1994 - 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) Effective beginning in 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

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Expenses/Expenditures | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular (2) | \$ 188,482,121 | \$ 177,385,226 | \$ 210,104,970 | \$ 179,097,325 | \$ 203,261,984 | \$ 233,987,148 |
| Special | 62,569,665 | 76,385,384 | 72,817,142 | 87,746,044 | 87,261,071 | 94,776,091 |
| Vocational | 17,654,319 | 17,973,567 | 17,412,555 | 16,366,961 | 17,023,889 | 16,942,842 |
| Adult/Continuing (2) | 3,665,102 | 3,587,840 | 3,570,206 | 3,683,513 | 3,913,542 | 3,788,063 |
| Other (2) | 8,289,808 | 2,704,509 | 1,726,811 | 2,999,947 | 2,950,684 | 1,855,733 |
| Support Services: | | | | | | |
| Pupils | 21,518,810 | 21,247,422 | 16,087,440 | 17,691,394 | 21,921,900 | 24,779,405 |
| Instructional Staff | 22,059,691 | 23,630,141 | 22,733,960 | 24,023,707 | 30,181,237 | 31,414,445 |
| Board of Education | 140,888 | 124,123 | 73,636 | 55,704 | 47,747 | 108,155 |
| Administration (2) | 32,860,741 | 33,327,350 | 32,017,140 | 33,631,621 | 36,596,789 | 37,130,298 |
| Fiscal | 7,264,042 | 6,395,376 | 9,059,791 | 7,257,818 | 7,951,092 | 8,709,423 |
| Business | 908,690 | 1,293,156 | 4,422,478 | 1,850,968 | 932,006 | 2,663,827 |
| Operations and Maintenance of Plant (2) | 45,010,849 | 46,578,974 | 46,484,000 | 47,602,874 | 50,974,217 | 57,138,998 |
| Pupil Transportation | 28,033,575 | 26,155,973 | 24,815,117 | 26,027,138 | 25,620,574 | 33,277,000 |
| Central | 14,779,892 | 12,951,371 | 10,073,814 | 12,392,000 | 14,503,295 | 22,424,027 |
| Operation of Non-Instructional Services | 2,866,440 | 7,248,078 | 8,651,473 | 9,985,024 | 12,709,080 | 13,954,888 |
| Extracurricular Activities | 3,266,901 | 2,976,629 | 2,747,296 | 4,161,582 | 5,046,897 | 5,934,577 |
| Capital Outlay | 1,683,777 | 7,996,372 | 7,390,638 | 9,359,126 | 22,923,467 | 18,020,328 |
| Intergovernmental | 0 | 0 | 0 | 19,472 | 10,355 | 0 |
| Debt Service | 32,660,566 | 25,510,002 | 27,859,189 | 26,256,765 | 27,952,642 | 21,965,715 |
| Total | \$ 493,715,877 | \$ 493,471,493 | \$ 518,047,656 | \$ 510,208,983 | \$ 571,782,468 | \$ 628,870,963 |

(continued)

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

| | 2000 | 2001 | | 2002 (3) | | 2003 (3) | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| | | Full Accrual | Modified Accrual | Full Accrual | Modified Accrual | Full Accrual | Modified Accrual |
| Expenses/Expenditures | | | | | | | |
| Current: | | | | | | | |
| Instruction: | | | | | | | |
| Regular (2) | \$ 253,119,426 | \$ 239,454,508 | \$ 285,812,361 | \$ 267,806,654 | \$ 292,996,927 | \$ 279,487,310 | |
| Special | 89,282,118 | 114,694,607 | 134,372,522 | 134,340,753 | 133,693,977 | 133,544,331 | |
| Vocational | 18,193,372 | 17,407,927 | 17,515,053 | 17,511,631 | 17,726,322 | 17,687,269 | |
| Adult/Continuing (2) | 4,848,478 | 4,971,848 | 5,687,512 | 5,674,172 | 5,836,915 | 5,829,809 | |
| Other (2) | 1,334,029 | 1,745,463 | 3,015,312 | 3,015,312 | 649,876 | 649,876 | |
| Support Services: | | | | | | | |
| Pupils | 25,420,577 | 27,256,542 | 45,797,274 | 32,530,531 | 43,833,809 | 42,077,898 | |
| Instructional Staff | 34,331,720 | 46,378,563 | 64,764,521 | 64,694,935 | 63,960,109 | 64,123,973 | |
| Board of Education | 187,039 | 211,884 | 288,859 | 277,862 | 304,039 | 289,091 | |
| Administration (2) | 44,562,207 | 41,378,477 | 52,787,800 | 49,145,584 | 55,540,796 | 53,270,115 | |
| Fiscal | 3,609,819 | 10,208,253 | 1,606,735 | 9,476,226 | 12,688,426 | 12,700,693 | |
| Business | 467,520 | 1,480,088 | 1,146,699 | 1,141,199 | 1,275,129 | 1,243,797 | |
| Operations and Maintenance of Plant (2) | 59,434,441 | 64,007,087 | 61,649,791 | 84,859,246 | 67,222,113 | 76,805,490 | |
| Pupil Transportation | 32,668,584 | 38,190,326 | 40,111,930 | 43,060,114 | 39,750,255 | 38,221,943 | |
| Central | 24,238,631 | 23,102,425 | 18,755,847 | 18,403,231 | 20,175,678 | 20,047,777 | |
| Operation of Non-Instructional Services | 14,415,830 | 12,740,364 | 43,155,357 | 43,042,767 | 43,804,093 | 42,915,460 | |
| Extracurricular Activities | 7,617,561 | 8,047,977 | 7,955,139 | 7,892,613 | 7,611,100 | 7,593,763 | |
| Capital Outlay | 10,831,630 | 22,020,994 | 0 | 4,031,805 | 0 | 21,213,426 | |
| Intergovernmental | 0 | 0 | 0 | 0 | 0 | 0 | |
| Debt Service | 21,505,401 | 21,063,034 | 12,759,118 | 22,167,967 | 16,890,272 | 21,559,085 | |
| Total | \$ 646,068,383 | \$ 694,360,367 | \$ 797,181,830 | \$ 809,072,602 | \$ 823,959,836 | \$ 839,261,106 | |

(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) 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) Effective beginning in 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

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

| Collection Year (2) | Current | | Percent Collected (1) | Collected Delinquencies | | Total Collected | Total Collected As Percent Of Current Tax Levy | Outstanding Delinquent Taxes | | Outstanding Delinquent Taxes As Percent Of Billed |
|---------------------|---------------------|-------------------|-----------------------|-------------------------|---------------|-----------------|--|------------------------------|-------------|---|
| | Tax Levy Billed (1) | Current Collected | | Collected | Delinquencies | | | By Year (3) | By Year (3) | |
| 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 | | |
| 2002 | 270,791 | 233,553 | 86.2 | 20,463 | 254,016 | 93.8 | 82,878 | 30.6 | | |

Notes:

- (1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental Revenue.
- (2) Represents collection year. 2003 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 Actual Value | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | |
| | | | | | | | | | |
| 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 |
| 2003 | 4,609,619 | 13,170,340 | 357,125 | 405,824 | 852,234 | 3,705,365 | 5,818,978 | 17,281,529 | 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 to 2002 and 23% for 2003.

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 | | | | | |
| 1994 | 12.70 | 16.80 | 3.00 | 44.70 | 3.40 | 80.60 | 20.50 | 12.80 | 2.80 | 18.00 | |
| 1995 | 12.70 | 16.60 | 3.00 | 44.70 | 3.40 | 80.40 | 26.40 | 12.80 | 2.80 | 18.40 | |
| 1996 | 12.70 | 16.60 | 3.00 | 44.70 | 3.40 | 80.40 | 26.40 | 12.80 | 2.80 | 18.70 | |
| 1997 | 12.70 | 16.60 | 3.00 | 58.20 | 2.80 | 93.30 | 25.10 | 12.80 | 2.80 | 18.90 | |
| 1998 | 12.70 | 16.60 | 3.00 | 58.20 | 2.80 | 93.30 | 25.10 | 12.80 | 2.80 | 18.90 | |
| 1999 | 12.70 | 15.30 | 4.00 | 58.20 | 2.80 | 93.00 | 25.10 | 12.80 | 2.80 | 19.10 | |
| 2000 | 12.70 | 15.30 | 4.00 | 58.20 | 2.60 | 92.80 | 25.10 | 12.80 | 2.80 | 19.00 | |
| 2001 | 12.70 | 16.20 | 4.00 | 58.20 | 2.40 | 93.50 | 24.70 | 12.80 | 2.80 | 19.60 | |
| 2002 | 12.70 | 16.20 | 4.00 | 58.70 | 6.10 | 97.70 | 20.30 | 12.80 | 2.80 | 19.60 | |
| 2003 | 12.70 | 16.20 | 4.00 | 58.70 | 6.10 | 97.70 | 20.50 | 12.80 | 2.80 | 20.10 | |

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 |
|------|-------------------|-----------------------|--------------------------|-------------------------------|-----------------------|--|----------------------------------|
| 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 |
| 2003 | 478,403 | 5,818,978 | 148,685 | 29,516 | 119,169 | 2.05 | 249 |

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, 2003

| 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) | \$ 212,850,000 | \$ 26,120,414 | \$ 186,729,586 | 100.00% | \$ 186,729,586 |
| Overlapping Debt: | | | | | |
| City of Cleveland (3) | 318,650,000 | 119,964 | 318,530,036 | 97.90 | 311,840,905 |
| Cuyahoga County (3) | 199,787,636 | 460,451 | 199,327,185 | 20.38 | 40,622,880 |
| Village of Bratenahl (3) | 1,100,000 | 219,458 | 880,542 | 100.00 | 880,542 |
| City of Garfield Heights (3) | 29,193,000 | 71,436 | 29,121,564 | 5.73 | 1,668,666 |
| Greater Cleveland Regional Transit Authority (3) | 136,310,000 | 102,387 | 136,207,613 | 20.38 | 27,759,112 |
| Total Overlapping Debt | <u>685,040,636</u> | <u>973,696</u> | <u>684,066,940</u> | | <u>382,772,104</u> |
| Total | <u>\$ 897,890,636</u> | <u>\$ 27,094,110</u> | <u>\$ 870,796,526</u> | | <u>\$ 569,501,690</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 \$266,284, capital lease obligations of \$7,796,508 and H.B. 264 Energy Conservation Note of \$10,951,840.
- (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, 2003

| | |
|---|-----------------------|
| Assessed Value | \$ 5,818,978,000 |
| Debt Limit - 9% of Assessed Value (1) | <u>523,708,020</u> |
| Amount of Debt Applicable to Debt Limit: | |
| General Obligation Bond | 148,685,000 |
| Revenue Anticipation Notes | 64,165,000 |
| Amount Available in Debt Service Fund | <u>(29,516,467)</u> |
| Total | 183,333,533 |
| Exemptions: | |
| Revenue Anticipation Notes | 64,165,000 |
| QZAB - Arts Academy | 5,750,000 |
| QZAB - Technology Academy | 5,500,000 |
| QZAB - Literacy Academy | <u>10,000,000</u> |
| Total | 85,415,000 |
| Amount of Debt Subject to the Limit | <u>97,918,533</u> |
| Total Debt Margin | <u>\$ 425,789,487</u> |
| Debt Margin - .10% of Assessed Value (1) | <u>\$ 5,818,978</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>\$ 5,818,978</u> |
| Additional Limit for Unvoted Energy Conservation Bonds: | |
| Debt Limited - 1% of Assessed Valuation | \$ 58,189,780 |
| Energy Conservation Bonds | <u>2,520,000</u> |
| Additional Unvoted Debt Margin | <u>\$ 55,669,780</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 | | |
| 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 |
| 2003 | 2,098 | 4,338 | 6,436 | 839,261 | 0.8 |

Notes:

(1) Includes general obligation bonds only.

(2) Includes all governmental fund types. Effective beginning in 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

Schedule of Insurance in Force
June 30, 2003

| Company | Policy Period | | Details of Coverage | Liability Limits | Retention/Deductible | Annual Premium |
|---|---------------|---------|---|------------------|----------------------|----------------|
| | From | To | | | | |
| XL Winterthur International | 7/1/03 | 6/30/04 | Boiler Inspection | N/A | N/A | \$ 21,000 |
| National Union Fire Insurance Co. (AIG) | 7/1/03 | 6/30/04 | School Leaders Errors and Omissions | \$ 1,000,000 | \$ 250,000 | \$ 54,447 |
| National Union Fire Insurance Co. (AIG) | 7/1/03 | 6/30/04 | Employed Lawyers' Professional Liability | \$ 1,000,000 | \$ 25,000 | \$ 22,575 |
| Travelers Casualty & Surety Co. of Americ | 7/20/03 | 7/20/04 | Treasurer's Blanket Fidelity Bond | \$ 1,000,000 | \$ 10,000 | \$ 3,690 |
| National Union Fire Insurance Co. (AIG) | 7/1/03 | 6/30/04 | Employees' Blanket Fidelity Bond | \$ 1,000,000 | \$ 25,000 | \$ 22,500 |
| American Empire Surplus Line Ins. Co. | 7/1/03 | 6/30/04 | Nurses' Professional Liability | \$ 2,000,000 | \$ 500 | \$ 8,500 |
| Clarendon America Insurance Co. | 7/1/03 | 8/30/04 | General Liability, Automobile Liability and Physical Damage | \$ 5,000,000 | \$ 1,000,000 (1) | \$ 584,792 |
| Travelers Property & Casualty Ins. Co. | 6/30/03 | 6/30/04 | Property Insurance | \$ 75,000,000 | \$ 500,000 | \$ 859,872 |

N/A - Not Applicable
(AIG) American International Group
(TIG) Transamerica 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) |
|------|---------------------------|--------------------------------|--------------------------------|---|---|
| 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) |
| 2003 | 2,364 | 71,613 | 63,736 | 89.00 | (1.76) |

Source: Office of Research, Evaluation and Assessment

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

| | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|
| <i>Average Daily Membership</i> | <u>72,728</u> | <u>69,211</u> | <u>71,054</u> | <u>71,344</u> | <u>73,312</u> |
| <i>Instruction:</i> | | | | | |
| Regular | \$ 2,592 | \$ 2,563 | \$ 2,957 | \$ 2,510 | \$ 2,773 |
| Special | 860 | 1,103 | 1,025 | 1,230 | 1,190 |
| Vocational | 243 | 260 | 244 | 229 | 232 |
| Adult/Continuing | 50 | 52 | 50 | 52 | 54 |
| Other | <u>114</u> | <u>39</u> | <u>24</u> | <u>42</u> | <u>40</u> |
| <i>Total Instruction</i> | <u>3,859</u> | <u>4,017</u> | <u>4,300</u> | <u>4,063</u> | <u>4,289</u> |
| <i>Support Services:</i> | | | | | |
| Pupils | 296 | 307 | 226 | 248 | 299 |
| Instructional Staff | 303 | 341 | 321 | 337 | 412 |
| Board of Education | 2 | 2 | 1 | 1 | 1 |
| Administration | 452 | 482 | 451 | 471 | 499 |
| Fiscal | 100 | 92 | 128 | 102 | 108 |
| Business | 13 | 19 | 62 | 26 | 13 |
| Operations and Maintenance of Plant | 619 | 672 | 654 | 667 | 695 |
| Pupil Transportation | 385 | 378 | 349 | 365 | 349 |
| Central | <u>203</u> | <u>187</u> | <u>142</u> | <u>174</u> | <u>198</u> |
| <i>Total Support Services</i> | <u>2,373</u> | <u>2,480</u> | <u>2,334</u> | <u>2,391</u> | <u>2,574</u> |
| <i>Total Operation of Non-Instructional Service</i> | 40 | 105 | 122 | 140 | 173 |
| <i>Total Extracurricular Activities</i> | 45 | 43 | 39 | 58 | 69 |
| <i>Total Capital Outlay</i> | 23 | 116 | 104 | 131 | 313 |
| <i>Total Debt Service</i> | <u>449</u> | <u>369</u> | <u>392</u> | <u>368</u> | <u>381</u> |
| <i>Total Expenditures</i> | <u><u>\$ 6,789</u></u> | <u><u>\$ 7,130</u></u> | <u><u>\$ 7,291</u></u> | <u><u>\$ 7,151</u></u> | <u><u>\$ 7,799</u></u> |

(continued)

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

| | 1999 | 2000 | 2001 | 2002 (1) | 2003 (1) |
|--|-----------------|-----------------|-----------------|------------------|------------------|
| <i>Average Daily Membership</i> | <u>76,170</u> | <u>76,323</u> | <u>74,193</u> | <u>72,898</u> | <u>71,613</u> |
| <i>Instruction:</i> | | | | | |
| Regular | \$ 3,072 | \$ 3,316 | \$ 3,227 | \$ 3,674 | \$ 3,903 |
| Special | 1,244 | 1,170 | 1,546 | 1,843 | 1,865 |
| Vocational | 223 | 238 | 235 | 240 | 247 |
| Adult/Continuing | 50 | 64 | 67 | 78 | 81 |
| Other | <u>24</u> | <u>17</u> | <u>23</u> | <u>41</u> | <u>9</u> |
| <i>Total Instruction</i> | <u>4,613</u> | <u>4,805</u> | <u>5,098</u> | <u>5,876</u> | <u>6,105</u> |
| <i>Support Services:</i> | | | | | |
| Pupils | 325 | 333 | 367 | 446 | 588 |
| Instructional Staff | 412 | 450 | 625 | 887 | 895 |
| Board of Education | 1 | 2 | 3 | 4 | 4 |
| Administration | 487 | 584 | 558 | 674 | 744 |
| Fiscal | 114 | 47 | 138 | 130 | 177 |
| Business | 35 | 6 | 20 | 16 | 17 |
| Operations and Maintenance of Plant | 751 | 779 | 863 | 1,164 | 1,061 |
| Pupil Transportation | 437 | 428 | 515 | 591 | 534 |
| Central | <u>295</u> | <u>318</u> | <u>311</u> | <u>252</u> | <u>280</u> |
| <i>Total Support Services</i> | <u>2,857</u> | <u>2,947</u> | <u>3,400</u> | <u>4,164</u> | <u>4,301</u> |
| <i>Total Operation of Non-Instructional Services</i> | 183 | 189 | 172 | 590 | 599 |
| <i>Total Extracurricular Activities</i> | 78 | 100 | 108 | 108 | 106 |
| <i>Total Capital Outlay</i> | 237 | 142 | 297 | 55 | 307 |
| <i>Total Debt Service</i> | <u>288</u> | <u>282</u> | <u>284</u> | <u>304</u> | <u>301</u> |
| <i>Total Expenditures</i> | <u>\$ 8,256</u> | <u>\$ 8,465</u> | <u>\$ 9,359</u> | <u>\$ 11,097</u> | <u>\$ 11,719</u> |

(concluded)

Source: School District Financial Records

(1) Effective beginning in 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

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| AVERAGE DAILY MEMBERSHIP | | | | | | | | | | |
| Sec. Paid lunch - price per meal | 72,728 | 69,211 | 71,054 | 71,344 | 73,312 | 76,170 | 76,323 | 74,193 | 72,898 | 71,613 |
| 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 |
| Adult lunch - price per meal | ALC | ALC | ALC | ALC | ALC | ALC | ALC | ALC | ALC | ALC |
| Elem. 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 |
| 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 | 177 | 180 | 178 | 176 | 179 | 174 | 177 | 179 | 178 | 178 |
| Sec. Free lunches served | 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 | 2,339,714 |
| Elem. Free lunches served | 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 | 5,084,740 |
| Sec. Daily average free lunches | 10,071 | 10,209 | 10,616 | 10,969 | 11,040 | 10,567 | 10,567 | 13,876 | 14,271 | 13,144 |
| Elem. Daily average free lunches | 30,456 | 29,992 | 27,430 | 27,230 | 30,419 | 30,690 | 28,825 | 28,474 | 28,274 | 28,566 |
| Sec. Reduced lunches served | 64,713 | 65,929 | 62,223 | 58,703 | 72,363 | 65,241 | 122,810 | 156,042 | 165,027 | 159,419 |
| Elem. Paid lunches served | 188,185 | 218,984 | 224,190 | 220,189 | 213,205 | 203,727 | 365,133 | 488,415 | 508,883 | 480,599 |
| Reduced lunches served | 217,046 | 221,506 | 200,440 | 200,628 | 252,438 | 278,389 | 386,256 | 406,169 | 403,640 | 405,497 |
| Paid lunches served | 214,770 | 223,402 | 209,863 | 210,251 | 250,624 | 260,973 | 734,311 | 842,151 | 849,876 | 849,470 |
| Sec. Daily average reduced lunches | 366 | 366 | 350 | 334 | 404 | 375 | 694 | 872 | 927 | 896 |
| Elem. Daily average paid lunches | 1,063 | 1,217 | 1,259 | 1,251 | 1,191 | 1,171 | 2,063 | 2,729 | 2,859 | 2,700 |
| Reduced lunches | 1,226 | 1,231 | 1,126 | 1,140 | 1,410 | 1,600 | 2,182 | 2,269 | 2,268 | 2,278 |
| Paid lunches | 1,213 | 1,241 | 1,179 | 1,195 | 1,400 | 1,500 | 4,149 | 4,705 | 4,775 | 4,772 |
| Sec. Total lunches served | 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 | 2,979,732 |
| Elem. Total lunches served | 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 | 6,339,707 |
| Sec. Daily average lunches served | 11,500 | 11,792 | 12,225 | 12,554 | 12,635 | 12,113 | 13,324 | 17,476 | 18,057 | 16,740 |
| Elem. Daily average lunches served | 32,895 | 32,464 | 29,735 | 29,565 | 33,229 | 33,790 | 35,156 | 35,448 | 35,316 | 35,616 |
| Sec. Number of schools serving | 39 | 39 | 37 | 37 | 37 | 37 | 37 | 39 | 37 | 33 |
| Elem. Number of schools serving | 89 | 89 | 79 | 79 | 80 | 80 | 80 | 79 | 81 | 85 |

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

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| AVERAGE DAILY MEMBERSHIP | | | | | | | | | | |
| Sec. Paid breakfast - price per meal | 72,728 | 69,211 | 71,054 | 71,344 | 73,312 | 76,170 | 76,323 | 74,193 | 72,898 | 71,613 |
| Reduced breakfast - price per meal | \$ 0.55 | \$ 0.55 | \$ 0.55 | \$ 0.55 | \$ 0.55 | \$ 0.55 | \$ 0.55 | \$ 0.55 | \$ 0.55 | \$ 0.55 |
| Adult 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. ALC | 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 |
| 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 | 177 | 180 | 178 | 176 | 179 | 174 | 177 | 179 | 178 | 178 |
| Sec. Free breakfasts served | 327,639 | 332,827 | 357,928 | 398,055 | 428,494 | 433,229 | 444,460 | 652,756 | 734,887 | 759,087 |
| Elem. Free breakfasts served | 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 | 3,658,527 |
| Sec. Daily average free breakfasts | 1,851 | 1,849 | 2,011 | 2,262 | 2,394 | 2,490 | 2,511 | 3,647 | 4,129 | 4,265 |
| Elem. Daily average free breakfasts | 21,562 | 21,169 | 19,645 | 19,544 | 21,639 | 22,098 | 21,907 | 21,173 | 20,704 | 20,553 |
| Sec. Reduced breakfasts served | 7,415 | 6,438 | 7,809 | 6,520 | 5,462 | 6,324 | 25,158 | 35,359 | 44,429 | 48,362 |
| Elem. Paid breakfasts served | 24,565 | 23,915 | 28,516 | 27,647 | 27,204 | 29,117 | 64,124 | 97,404 | 122,990 | 134,323 |
| Sec. Reduced breakfasts served | 93,779 | 99,644 | 152,238 | 149,910 | 168,518 | 166,918 | 188,426 | 171,309 | 163,174 | 164,135 |
| Elem. Paid breakfasts served | 76,079 | 82,500 | 263,640 | 259,486 | 292,429 | 289,955 | 288,015 | 296,764 | 288,225 | 286,897 |
| Sec. Daily average reduced breakfasts | 42 | 36 | 44 | 37 | 31 | 36 | 142 | 198 | 250 | 272 |
| Elem. Daily average paid breakfasts | 139 | 133 | 160 | 157 | 152 | 167 | 362 | 544 | 691 | 754 |
| Sec. Daily average reduced breakfasts | 530 | 554 | 855 | 852 | 941 | 959 | 1,065 | 957 | 917 | 922 |
| Elem. Daily average paid breakfasts | 430 | 458 | 1,481 | 1,474 | 1,634 | 1,666 | 1,627 | 1,658 | 1,619 | 1,612 |
| Sec. Total breakfasts served | 359,619 | 363,180 | 394,253 | 432,222 | 461,160 | 468,670 | 533,742 | 785,519 | 902,306 | 941,772 |
| Elem. Total breakfasts served | 3,986,353 | 3,992,516 | 3,912,625 | 3,849,125 | 4,334,362 | 4,302,010 | 4,353,908 | 4,258,047 | 4,136,790 | 4,109,559 |
| Sec. Daily average breakfasts served | 2,032 | 2,018 | 2,215 | 2,456 | 2,577 | 2,693 | 3,015 | 4,388 | 5,069 | 5,291 |
| Elem. Daily average breakfasts served | 22,522 | 22,181 | 21,981 | 21,870 | 24,214 | 24,723 | 24,599 | 23,788 | 23,240 | 23,087 |
| Sec. Number of schools serving | 39 | 39 | 37 | 37 | 37 | 37 | 37 | 39 | 37 | 33 |
| Elem. Number of schools serving | 89 | 89 | 79 | 79 | 80 | 80 | 80 | 79 | 81 | 85 |

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. |
| 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 |
| 2002 | 1,113,000 | 72,700 | 6.5 | 5.7 | 5.8 |
| 2003 | 1,137,200 | 80,100 | 7.0 | 6.3 | 6.4 |

Source: Ohio Bureau of Employment Services, Labor Market Review

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 | 23,360 | Health Care (Hospital and Outpatient Clinic) |
| University Hospitals Health System | 14,111 | Health Care |
| KeyCorp | 7,655 | Bank-Based Financial Services |
| Progressive Corporation | 6,468 | Insurance Provider |
| Ford Motor Company | 6,252 | Automotive |
| National City Corporation | 5,590 | Financial Services |
| MetroHealth System | 5,267 | Health Care System |
| Case Western Reserve University | 5,060 | Higher Education |
| SBC Ameritech | 4,343 | Communications |
| Continental Airlines | 3,492 | Airline |
| Giant Eagle Incorporated | 3,491 | Wholesale and Retail Food Distribution |
| General Motors Corporation | 2,950 | Automotive |
| UHHS/CSAHS - Cuyahoga Incorporated | 2,709 | Health Care |
| Sherwin Williams Company | 2,505 | Manufacturer |
| Tops Friendly Markets | 2,416 | Grocery Retail Chain |
| Lincoln Electric Company | 2,411 | Manufacturer |
| United Parcel Service | 2,310 | Package Delivery |
| MBNA America Bank | 2,250 | Banking |
| American Greetings Corporation | 2,177 | Manufacturer - Consumer Goods |
| Nestle USA, Prepared Foods Division | 1,913 | Frozen Food Manufacturer |

Source: Crain's Cleveland Business, 2003 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:

| <u>Name</u> | <u>Nature of Business</u> | <u>Approximate Assessed Valuation</u> | <u>Percent of Total District Assessed Valuation</u> |
|-------------------------------------|---------------------------|---------------------------------------|---|
| Cleveland Electric Illuminating Co. | Electric Utility | \$ 139,133,450 | 2.39% |
| SBC Ameritech | Phone Utility | 82,569,490 | 1.42% |
| ISG Cleveland Inc. | Steel Manufacturing | 71,256,730 | 1.22% |
| ZML - Cleveland Public Square, LLC | Real Estate | 47,232,500 | 0.81% |
| NPW LTD Partnership | Real Estate | 36,610,000 | 0.63% |
| GSA | Construction | 35,000,000 | 0.60% |
| Ohio Bell Telephone | Telecommunications | 29,917,890 | 0.51% |
| 600 Superior Place Partnership | Real Estate | 25,970,770 | 0.45% |
| CG Erieview, LLC | Real Estate | 25,202,210 | 0.43% |
| American Transmission System | Power Transmission | 24,285,030 | 0.42% |
| Total Ten Largest | | <u>\$ 517,178,070</u> | <u>8.90%</u> |
| Total District Assessed Valuation | | <u>\$ 5,818,978,000</u> | |

Source: Cuyahoga County Auditor - 2002 Tax Collection Year.
2003 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) |
| 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 |
| 2002 | 17,281,529 | 99,508,177 | 10,427 | 382,584,866 |

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.

2003 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: | Constructed | Capacity/ Sq. Ft. | Acreage |
|---------------------|-------------|----------------------|---------|
| Elementary Schools: | | | |
| Adlai Stevenson | 1967 | 41,000 | 3.62 |
| 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 |
| Brooklawn | 1957 | 28,545 | 4.36 |
| 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 Orr | 1955 | 30,283 | 1.39 |
| 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 |
| Douglas MacArthur | 1967 | 31,000 | 3.00 |
| East Clark | 1894 | 56,755 | 1.54 |
| Emile B. deSauze | 1966 | 48,860 | 3.72 |
| Euclid Park | 1922 | 43,182 | 3.78 |
| Fullerton | 1974 | 36,468 | 2.63 |
| Garfield | 1922 | 31,763 | 8.16 |
| Giddings | 1970 | 49,607 | 2.46 |
| Gracemount | 1947 | 48,515 | 3.03 |
| Harvey Rice | 1903 | 82,414 | 5.87 |
| Henry W. Longfellow | 1924 | 50,616 | 4.58 |
| Iowa Maple | 1951 | 57,842 | 2.30 |
| 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 |

(continued)

Cleveland Municipal School District
Miscellaneous Statistical Data (Continued)

| | Constructed | Capacity/ Sq. Ft. | Acreage |
|---|-------------|----------------------|---------------|
| Elementary Schools (Continued): | | | |
| Marion Sterling | 1973 | 51,896 | 3.99 |
| McKinley | 1922 | 46,724 | 2.13 |
| Michael R. White | 1921 | 64,598 | 4.56 |
| Miles | 1912 | 79,630 | 3.33 |
| Miles Park | 1971 | 43,027 | 3.33 |
| 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 |
| Robert Fulton | 1929 | 65,360 | 3.14 |
| Scranton | 1973 | 51,447 | 1.37 |
| Stephen E. Howe | 1964 | 48,613 | 2.14 |
| Tremont | 1917 | 100,396 | 2.80 |
| Union | 1969 | 49,426 | 1.68 |
| Valley View | 1951 | 25,882 | 3.67 |
| 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>3,272,479</u> | <u>193.85</u> |
| K-8 Schools: | | | |
| Alexander G. Bell | 1971 | 68,840 | 1.42 |
| Alexander Hamilton | 1928 | 88,719 | 2.06 |
| Audubon | 1922 | 136,025 | 3.12 |
| Benjamin Franklin | 1923 | 83,260 | 10.40 |
| Bolton | 1971 | 44,110 | 2.17 |
| Buckeye-Woodland | 1975 | 52,493 | 1.60 |
| Charles A. Mooney | 1964 | 152,607 | 4.54 |
| Charles H. Lake | 1961 | 55,823 | 3.66 |
| Clara Westropp Fundamental Education Center | 1967 | 106,582 | 11.46 |
| Dike Montessori | 1971 | 47,472 | 1.95 |
| Empire Computech | 1915 | 75,003 | 3.30 |
| Forest Hill Parkway | 1967 | 41,110 | 3.35 |
| George Washington Carver | 1954 | 45,913 | 3.52 |
| H. Barbara Booker | 1972 | 48,677 | 1.57 |
| Hanna Gibbons | 1960 | 21,831 | 1.50 |
| Harry E. Davis | 1962 | 147,095 | 4.62 |

(continued)

Cleveland Municipal School District
Miscellaneous Statistical Data (Continued)

| | Constructed | Capacity/ Sq. Ft. | Acreage |
|--|-------------|----------------------|--------------|
| K-8 Schools (Continued): | | | |
| John D. Rockefeller | 1961 | 51,683 | 2.89 |
| Margaret Spellacy | 1969 | 106,582 | 2.03 |
| Mary B. Martin | 1963 | 57,737 | 1.89 |
| Mary M. Bethune | 1964 | 48,613 | 2.60 |
| Paul Revere | 1925 | 80,996 | 4.92 |
| Riverside | 1935 | 38,836 | 2.45 |
| Robert H. Jamison | 1966 | 140,000 | 2.60 |
| Robinson G. Jones | 1951 | 38,311 | 4.30 |
| Sunbeam | 1923 | 63,368 | 4.40 |
| | | <u>1,841,686</u> | <u>88.32</u> |
| Middle Schools: | | | |
| A.B. Hart | 1932 | 116,465 | 3.80 |
| Charles W. Elliot | 1954 | 90,497 | 3.58 |
| Joseph M. Gallagher | 1976 | 118,425 | 12.90 |
| Carl F. Shuler | 1958 | 100,500 | 3.97 |
| Carl and Louis Stokes | 1940 | 120,451 | 4.62 |
| 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 |
| Luiz Munoz Marin | 1976 | 119,689 | 5.00 |
| 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>1,642,892</u> | <u>99.73</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 |
| East Technical Annex | 1929 | 186,352 | 8.60 |
| 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 Marshall | 1932 | 256,924 | 12.03 |

* Statistics included with Senior High School Category.

(continued)

Cleveland Municipal School District
Miscellaneous Statistical Data (Continued)

| | <u>Constructed</u> | <u>Capacity/ Sq. Ft.</u> | <u>Acreage</u> |
|--|--------------------|------------------------------|----------------|
| Senior High Schools (Continued): | | | |
| Lincoln-West | 1970 | 337,548 | 5.49 |
| Martin L. King Jr | 1972 | 179,544 | 10.55 |
| Max S. Hayes Vocational | 1957 | 209,273 | 6.89 |
| South | 1968 | 278,715 | 63.71 |
| | | <u>3,358,810</u> | <u>175.67</u> |
| All Instruction Sites: | | | |
| Elementary Schools | | 3,272,479 | 193.85 |
| K-8 | | 1,841,686 | 88.32 |
| Middle Schools | | 1,642,892 | 99.73 |
| Senior High Schools | | 3,358,810 | 175.67 |
| 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

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**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

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
APRIL 1, 2004**