



**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**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 RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Commodities	NA	10.550	\$ 0	\$ 1,566,415	\$ 0	\$ 1,921,477
School Breakfast Program	043786-05PU-2004	10.553	1,939,531	0	1,939,531	0
	043786-05PU-2005		5,063,423	0	5,063,423	0
Subtotal CFDA 10.533			7,002,954	0	7,002,954	0
National School Lunch Program	043786-LLP1-2004	10.555	495	0	495	0
	043786-LLP1-2005		35,894	0	35,894	0
	043786-LLP4-2004		4,676,332	0	4,676,332	0
	043786-LLP4-2005		13,058,259	0	13,827,478	0
	043786-VGS1-2004		14,190	0	14,190	0
Subtotal CFDA 10.555			17,785,170	0	18,554,389	0
Total Department of Agriculture - Nutrition Cluster			24,788,124	1,566,415	25,557,343	1,921,477
U.S. DEPARTMENT OF DEFENSE						
<i>Direct Assistance:</i>						
Junior ROTC	NA-04	12.000	0	0	5,266	0
Total U.S. Department of Defense			0	0	5,266	0
U.S. DEPARTMENT OF JUSTICE						
<i>Direct Assistance:</i>						
Community Prosecution	2003-GP-CX-0142	16.609	0	0	121,955	0
Total U.S. Department of Justice			0	0	121,955	0
U.S. DEPARTMENT OF LABOR						
<i>Passed Through the City of Cleveland:</i>						
Workforce Investment Act	SG60222A	17.258	3,134	0	18,791	0
	SG63876-03		92,409	0	104,831	0
Subtotal CFDA 17.258			95,543	0	123,622	0
WIA Youth Activities	SG58785A	17.259	0	0	1,586	0
	SG62227A		128,366	0	280,858	0
	SG62121A		977,852	0	631,835	0
	SG62228A		137,307	0	104,605	0
	SG63875		0	0	133,122	0
	SG64052		250,304	0	349,670	0
Subtotal CFDA 17.259			1,493,829	0	1,501,676	0
Youth Opportunity Grant	AM56151A	17.263	9,198	0	0	0
Total Passed Through the City of Cleveland			1,598,570	0	1,625,298	0
<i>Passed Through the Cuyahoga County:</i>						
Workforce Investment Act	CE11267-01,02,03	17.258	40,024	0	40,024	0
	CE0300544-01		57,751	0	78,360	0
Subtotal CFDA 17.258			97,775	0	118,384	0
Total U.S. Department of Labor			1,696,345	0	1,743,682	0
NATIONAL SCIENCE FOUNDATION						
<i>Direct Assistance</i>						
Cleveland Urban System Initiative	HER-0227082	47.076	1,528,222	0	1,457,805	0
Total National Science Foundation			1,528,222	0	1,457,805	0
U.S. ENVIRONMENTAL PROTECTION AGENCY						
<i>Direct Assistance</i>						
Indoor Air Quality Tools	A-97572701-0	66.034	0	0	13,122	0
Clean School Bus Project	XA-83148301		0	0	250,000	0
Total U.S. Environmental Protection Agency			0	0	263,122	0

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disburse- ments
U. S. DEPARTMENT OF EDUCATION						
<i>Direct Assistance:</i>						
Impact Aid	NA-04	84.041	95,210	0	95,210	0
Pell Grants	PO63 P034747 PO63 P044747	84.063	0	0	26,012	0
Subtotal CFDA 84.063			428,077	0	462,932	0
Crisis Management Program	Q184E040265	84.184E	9,192	0	9,192	0
Physical Education Program	S215F 020611	84.215F	0	0	80	0
Smaller Learning Communities	V215L 032033 V215L 042126	84.215L	922,217	0	940,939	0
Subtotal CFDA 84.215L			24,109	0	24,109	0
Voyager Literacy Program	U215K040225	84.215K	132,990	0	132,990	0
Teaching American History	U215X0140265	84.215X	117,879	0	117,879	0
Reform Demonstration	T290U01010 02 T290U01010 03	84.290U	0	0	8,999	0
Subtotal CFDA 84.290			200,037	0	223,923	0
Transition to Teaching	S350A010029	84.350A	0	0	6,870	0
Improving Literacy Through Libraries	S364A040131	84.364A	70,865	0	91,207	0
Total U. S. Department of Education Direct Assistance			2,000,576	0	2,140,342	0
<i>Passed Through Cuyahoga County:</i>						
Handicapped - State Grant	ESC-9014 ESC-9405 ESC-9820 NA-04	84.027	14,560	0	5,415	0
Subtotal CFDA 84.027			7,000	0	0	0
			20,000	0	10,868	0
			0	0	1,125	0
			41,560	0	17,408	0
Total Passed Through Cuyahoga County			41,560	0	17,408	0
<i>Passed Through Cuyahoga Community College:</i>						
Technology Challenge	R303 AA980063	84.303A	0	0	38,605	0
<i>Passed Through Ohio Department of Education:</i>						
Adult Basic and Literacy Education	043786AB-S1 05	84.002	1,499,711	0	1,488,577	0
Title 1 - ESEA	043786C1-S1 00 043786C1-S1 01 043786C1-S1 02 043786C1-S1 03 043786C1-S1 04 043786C1-S1 05 043786C1-SD 04 043786C1-SD 05 043786C1-SK 01 043786C1-SK 04 043786C1-SK 05	84.010	0	0	85	0
			0	0	12,918	0
			(24,070)	0	0	0
			0	0	11,207	0
			0	0	6,736,711	0
			43,309,577	0	41,115,224	0
			0	0	58,523	0
			372,138	0	316,326	0
			0	0	1,200	0
			0	0	39,421	0
Subtotal CFDA 84.010			1,651,605	0	1,387,168	0
			45,309,250	0	49,678,783	0
Special Education Cluster:						
Preschool Subsidy - Flowthru	043786 6B-SF 05	84.027	20,024,296	0	18,569,551	0
Successful Model	043786 6B-SA 04P 043786 6B-SD 04P 043786 6B-SD 05 043786 6B-PB 04P 043786 6B-PB 05	84.027	40,000	0	16,589	0
			46,414	0	48,170	0
			84,432	0	85,016	0
			0	0	14,621	0
			39,827	0	37,951	0
Subtotal CFDA 84.027			20,234,969	0	18,771,898	0
Handicapped - Preschool Grant	043786PG-S1 04P 043786PG-S1 05	84.173	0	0	10,743	0
			412,749	0	382,963	0
Subtotal CFDA 84.173			412,749	0	393,706	0
Total Special Education Cluster			20,647,718	0	19,165,604	0

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disburse- ments
U. S. DEPARTMENT OF EDUCATION (Continued)						
<i>Passed Through Ohio Department of Education:(Continued)</i>						
Vocational Education - Basic Grant-VI-B	043786 20-A0 05	84.048	2,000	0	1,600	0
	043786 20-A5 05		1,000	0	8,989	0
	043786 20-C1 02		0	0	51,862	0
	043786 20-C1 04		460,909	0	514,297	0
	043786 20-C1 05		2,841,278	0	6,022	0
	043786 20-C2 04		44,095	0	2,049,745	0
	043786 20-C2 05		303,899	0	274,664	0
Subtotal CFDA 84.048			3,653,181	0	2,907,179	0
Safe and Drug Free Community Service	043786 T4-S1 04P-118	84.184C	0	0	6,707	0
	043786 T4-S1 04-118		0	0	774	0
Subtotal CFDA 84.184 C			0	0	7,481	0
Drug Free Schools and Communities	043786 DR-S1 99	84.186	0	0	3,412	0
	043786 DR-S1 04		26,205	0	40,710	0
	043786 DR-S1 05		857,979	0	831,601	0
Subtotal CFDA 84.186			884,184	0	875,723	0
Homeless Care Education	043786 HC-S1 04	84.196	0	0	18,257	0
	043786 HC-S1 05		347,875	0	345,632	0
	043786HC-SP 04		18,931	0	27,045	0
Subtotal CFDA 84.196			366,806	0	390,934	0
21st Century Community Learning Centers	043786 T1-S1 04	84.287	80,943	0	165,848	0
	043786 T1-S1 05		955,541	0	962,930	0
Subtotal CFDA 84.287			1,036,484	0	1,128,778	0
Innovative Education Program Strategy-Title V	043786 C2-S1 04	84.298	0	0	122,701	0
	043786 C2-S1 05		448,704	0	667,522	0
Subtotal CFDA 84.298			448,704	0	790,223	0
Title II D Technology	043786 TJ-S1 04	84.318	0	0	365,991	0
	043786 TJ-S1 05		1,192,899	0	1,095,598	0
	043786 TJ-SL 04		(109,266)	0	90,069	0
	043786 TJ-SL 05		795,773	0	778,268	0
Subtotal CFDA 84.318			1,879,406	0	2,329,926	0
Advanced Placement Program	043786 AV-TF 04	84.330	19,396	0	3,640	0
Reform Demonstration	043786 RF-CC 05	84.332	0	0	30,252	0
	043786 RF-K2 03		97,434	0	97,434	0
	043786 RF-K2 04		36,462	0	39,608	0
	043786 RF-S2 03		110,700	0	130,933	0
	043786 RF-S3 03		20,209	0	18,107	0
	043786 RF-S3 04		21,870	0	63,218	0
Subtotal CFDA 84.332			286,675	0	379,552	0
Special Education Personnel Preparation	NA-04	84.352A	0	0	81,007	0
Reading First	043786 RS-S1 04	84.357	139,579	0	616,565	0
	043786 RS-S1 05		5,867,590	0	5,483,768	0
Subtotal CFDA 84.357			6,007,169	0	6,100,333	0
Title III - Limited English Proficiency	043786 T3-S1 04	84.365	305,033	0	96,763	0
	043786 T3-S1 05		857,538	0	781,662	0
	043786 T3-S2 05		77,415	0	69,589	0
Subtotal CFDA 84.365			1,239,986	0	948,014	0
Title II A Teacher Quality	043786 TR-S1 04	84.367	1,104,363	0	1,309,556	0
	043786 TR-S1 05		7,421,353	0	7,925,537	0
Subtotal CFDA 84.367			8,525,716	0	9,235,093	0
Total Pass Through Ohio Department of Education			91,845,946	0	95,566,860	0
Total U.S. Department of Education			93,846,522	0	97,707,202	0

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disburse- ments
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Education:</i>						
Refugee Impact Subsidy	043786 R1-S1 04	93.576	0	0	38,234	0
	043786 R1-S1 05		21,550	0	0	0
Subtotal CFDA 93.576			<u>21,550</u>	<u>0</u>	<u>38,234</u>	<u>0</u>
Total Passed Through Ohio Department of Education			21,550	0	38,234	0
<i>Passed Through Cuyahoga County:</i>						
Youth Development Initiative	CE12233-01	93.558	0	0	936	0
FAST Program	AD0513063	93.558	57,240	0	54,469	0
	CE0300416-01		59,520	0	17,696	0
Subtotal CFDA 93.558			<u>116,760</u>	<u>0</u>	<u>72,165</u>	<u>0</u>
Refugee Dollars and English as a Second Lang.	CE0766416C	93.566	24,600	0	145,700	0
Total Passed Through Cuyahoga County			<u>141,360</u>	<u>0</u>	<u>218,801</u>	<u>0</u>
<i>Passed Through Ohio Department of MR/DD:</i>						
State Children's Insurance Program (SCHIP)	NA-05	93.767	837,577	0	837,577	0
Medicaid Assistance Program (CAFS)	NA-05	93.778	8,899,832	0	8,899,832	0
Total Passed Through Ohio Department of MR/DD			<u>9,737,409</u>	<u>0</u>	<u>9,737,409</u>	<u>0</u>
<i>Passed Through City of Cleveland:</i>						
MomsFirst	NA-05	93.926	0	0	7,834	0
	SG61978A		42,129	0	0	0
	SG583939		288,515	0	302,096	0
	SG553104		1,115	0	1,115	0
Subtotal CFDA 93.926			<u>331,759</u>	<u>0</u>	<u>311,045</u>	<u>0</u>
Total Passed Through City of Cleveland			<u>331,759</u>	<u>0</u>	<u>311,045</u>	<u>0</u>
Total U.S. Department of Health and Human Services			<u>10,232,078</u>	<u>0</u>	<u>10,305,489</u>	<u>0</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America	043786 SV-S1 04	94.004	1,591	0	1,747	0
	043786 SV-S1 05		10,602	0	13,818	0
Subtotal CFDA 94.004			<u>12,193</u>	<u>0</u>	<u>15,565</u>	<u>0</u>
Total Corporation for National and Community Service			<u>12,193</u>	<u>0</u>	<u>15,565</u>	<u>0</u>
Total Federal Assistance			<u>\$ 132,103,484</u>	<u>\$ 1,566,415</u>	<u>\$ 137,177,429</u>	<u>\$ 1,921,477</u>

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and 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, 2005, the District had no significant food commodities in inventory.

NOTE C – RETURN OF RECEIPTS – NEGATIVE RECEIPT AMOUNTS

The District returned receipts in the amounts of \$24,070 from the Title I ESEA Grant and \$109,266 from the Title II D Technology Grant.

NA – Not Applicable

CFDA – Catalog of Federal Domestic Assistance

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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 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, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated December 16, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 16, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, 2005. In a separate letter to the District's management dated December 16, 2005, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program 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.

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**Internal Control Over Compliance
(Continued)**

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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated December 16, 2005.

Schedule of Federal Awards Expenditures

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Cleveland Municipal School District as of and for the year ended June 30, 2005, and have issued our report thereon dated December 16, 2005. Our audit was performed to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying federal awards receipts and expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information 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 intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 16, 2005

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505
 FOR THE YEAR ENDED JUNE 30, 2005**

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)?	Yes
(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?	No
(d)(1)(vii)	Major Programs (list)	CFDA# 84.010 – Title I - ESEA 84.063 – Pell Grants 84.287 – 21 st Century Community Learning Centers 84.365 – Title III – Limited English Proficiency 93.778 – Medicaid Assistance Program (CAFS) 84.186 – Drug Free Schools & Communities
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$3,000,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505
 FOR THE YEAR ENDED JUNE 30, 2005
 (Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2005-001
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Average Daily Membership (ADM) is the component of the State of Ohio school funding formula which has the largest impact on the level of funding. The District receives approximately \$5,169 per student and their gross award was \$422.4 million less deductions resulting in net funding of \$335.6 million for the 2004/2005 school year.

Pursuant to Ohio Rev. Code Section 3317.03 (E), a school district's attendance for ADM purposes is arrived at by determining the number of students *enrolled* during the first full school week in October. This code provision also defines "enrolled" as the number of students who are handicapped and receiving home instruction, in attendance, or not in attendance but have an excused absence for a valid legal reason.

Valid legal reasons for non-attendance from Ohio public schools are set forth in Ohio Admin. Code Section 3301-51-13. Any reason not delineated in this code provision is deemed unexcused and the pupil should not be reported as enrolled for that day for ADM purposes. Valid legal reasons for school non-attendance include personal illness, illness in the family, quarantine of the home, death of a relative, work being done at the home due to the absence of parents or guardians, observance of a religious holiday, or emergency circumstances which the school superintendent judges are good and sufficient cause.

Ohio Rev. Code Section 3317.031 requires that ADM records by homeroom be kept intact for at least five years.

State statute considers students with excused absences as includable for funding purposes and unexcused absences excludable for funding purposes. Therefore, it is incumbent on the District to maintain accurate student attendance records as well as establish systems which accurately collect, process, maintain and report attendance data in order to correctly maximize state funding. In order to accomplish this, the District's Department of ADM/Attendance has developed the Present and Accounted For: A Guide to Attendance and ADM manual. This comprehensive manual establishes forms and information on required school attendance plans, ADM documentation and recommended strategies.

The manual states that "Schools must keep excellent attendance records. Excused absences qualify for state funding. Therefore, it is imperative that parent notes are collected and phone records established for documentation purposes. All attendance information should be stored in the school's central file." The manual also mandates utilization of the Student Attendance Telephone Log to document all attendance phone calls to and from parents/guardians. It also states "Parent/guardian name must be identified and a reason for absence must be listed."

ADM week for the 2004/2005 school year took place October 4, 2004 through October 8, 2004. An analysis of the ADM data disclosed the following:

- There were 18,900 excused absences and only 229 unexcused absences for the 2004/2005 school year. The total population is 64,724 students and 323,618 attendance days (64,724 X 5 attendance days).
- When comparing attendance for the 2004/2005 ADM week with the week after said count there was a decrease of excused absences of approximately 19% to 25% for 90% of the District's 152 school locations.

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
 CUYAHOGA COUNTY
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505
 FOR THE YEAR ENDED JUNE 30, 2005
 (Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2005-001
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(Continued)

Based on the extraordinary numbers, a K through 8 school (Albert B. Hart) and a high school (Collinwood) were selected for testing in order to determine if excused absences are properly documented and constituted a valid legal reason.

For ADM week, Albert B. Hart had 4,144 attendance days, approximately 828 students and only 2 unexcused absences. Collinwood had 5,316 attendance days, approximately 1,062 students, and zero unexcused absences.

The results of the test of excused absences are as follows:

<u>School</u>	<u>Excused Absences</u>	<u>File Did Not Contain Any Documentation Supporting an Excused Absence</u>	<u>Valid Legal Reason for Excused Absence Not Documented</u>	<u>Identification of Parent/Guardian Contacted Supporting an Excused Absence Not Documented</u>
Albert B. Hart	344	18	42	19
Collinwood	<u>742</u>	<u>157</u>	<u>47</u>	<u>24</u>
Total	<u>1,086</u>	<u>175</u>	<u>89</u>	<u>43</u>

At Collinwood, we also noted 38 instances in which the records indicated a written excuse was received, but it was not in the file and could not be located.

For those instances in which no valid legal reason was documented, which would indicate the student should be classified as an excused absence, the support was limited to something written on the attendance record, such as "mom excused" or "dad excused". For those instances in which there was no indication as to who the school talked to determine the absence should be classified as excused, the support was limited to something written on the attendance record, such as "excused all day".

We also noted the Student Attendance Telephone Log, which has been in the ADM manual for several years, and an effective tool for documenting absences, was used occasionally at Albert B. Hart and rarely used at Collinwood. Given the condition of the records and the lack of adherence to the ADM manual's policies and procedures, it was apparent that management of the District had not been monitoring the detailed records documenting absences, despite the unusually low number of unexcused absences and large number of excused absences.

We recommend the ADM Department conduct annual training for every school on its policies and procedures manual. Once training has been conducted, the ADM and Internal Audit Departments should conduct on site reviews of the schools and verify adherence to their policies and procedures. The District should also monitor absences by school during ADM week and initially follow up on all the schools with an unusually low number of unexcused absences, or a ratio not consistent with the week before and the week after said count. Attendance ratios should not fluctuate throughout the school year unless extraordinary circumstances have been documented.

CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2005
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

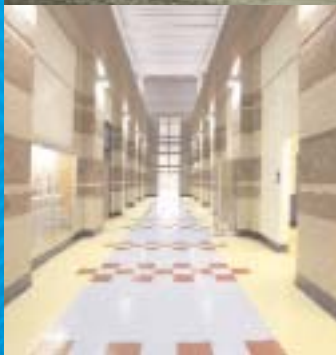
None

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
 CUYAHOGA COUNTY
 THE DISTRICT'S CORRECTIVE ACTION PLAN
 FOR THE YEAR ENDED JUNE 30, 2005**

Finding Number	Planned Corrective Action		
2005-001	<p>The District understands and accepts the legal duty to timely submit accurate and verifiable Average Daily Membership (ADM) data consistent with R.C. §3317.03 and OAC §3301-51-13.</p> <p>At this point the District cannot verify the school year 2003/2004 and 2004/2005 ADM unexcused absence figures cited by the Auditor in finding 2005-001.</p> <p>The District is in the process of reviewing each District school's October 2005 ADM data records as well as the District's October 2005 ADM verification. The District is further investigating management reporting systems to make certain that the District fulfills its legal duty relative to accurate and complete data submissions.</p> <p>Additionally, the District cannot agree with the Auditor's findings regarding AB Hart and Collinwood at this time. Immediately following the Auditor's review of the AB Hart and Collinwood ADM records, District administrative staff met with both Collinwood and AB Hart staff in an effort to reconcile the records at both schools and determine why the ADM school records appeared incomplete. The District located valid excused absence records for 16 of the 18 exceptions cited by the Auditor for AB Hart. The review of the Collinwood 2004 ADM records is ongoing.</p> <p>The District buttressed the existing ADM compliance procedures by establishing 20 compliance audit teams. Each District compliance team will include the following: (1) an attendance liaison; (2) an external compliance assessor; and, (3) a management level District staff person. Each team will systematically review the October 2005, ADM attendance records for at least 20 of the District's 103 schools.</p> <p>Once at the school, the team will work with a school's building administration and building secretary to determine if the school has maintained accurate October 2005 ADM records. Additionally, the team will determine if a particular school has systems in place that will accurately process, maintain, and report ADM data consistent with state law.</p> <p>Following the completion of the review of the three day October 2005 ADM, the teams, under the direction of five District team leaders, will report on the accuracy and completeness of each school's records. Subsequently, the five team leaders will report the findings to the District Director of Internal Audits, and the District Director of ADM/Attendance.</p>		

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY
THE DISTRICT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2005**

<p>Both Directors will review and confirm the findings, and issue a report to the Chief Executive Officer and Chief Financial Officer. Based on the findings, the District, where necessary will make appropriate modifications to the October 2005 ADM certification. This process will be completed by March 1, 2006. Following the completion of the October 2005 ADM certification, the District will systematically review the findings, and use the findings as a guide to take corrective actions at both the building and management level. Additionally, the District will use the findings as a guide when determining if additional safeguards are necessary to insure the accuracy of the ADM submissions, as well as to make certain that each District school has ADM data collection systems in place that are consistent with state law and District policy.</p>		
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CLEVELAND MUNICIPAL SCHOOL DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2005

Cleveland, Ohio

**Cleveland Municipal
School District** ★ Educating
Cleveland's
Children

www.cmsdnet.net

Comprehensive Annual Financial Report

Of the

Cleveland Municipal School District

For the

**FISCAL YEAR ENDED
JUNE 30, 2005**

Prepared by

Finance Department

Gerald Pace

Chief Financial Officer

Cover

The cover includes interior and exterior views from the three new school buildings (Riverside, Memorial and Andrew J. Rickoff) to be opened for the 2005-2006 school year.

1380 East Sixth Street * Cleveland, Ohio 44114

Cleveland Board of Education



Lawrence W. Davis, *Chair*



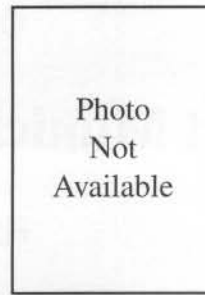
Grady P. Burrows, *Vice Chair*



Rashidah Abdulhaqq



Louise P. Dempsey



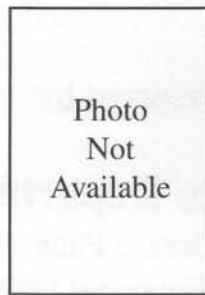
Shirley Hawk



Robert M. Heard, Sr.



Willetta A. Milam



John Moss



Gladys Santiago



Dr. Jerry Sue Thornton
ex officio



Dr. Michael Schwartz
ex officio



Barbara Byrd-Bennett
Chief Executive Officer



Gerald Pace
CFO

Introductory Section

Cleveland Municipal School District

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Barbara Byrd-Bennett
Chief Executive Officer

Board of Education
Lawrence W. Davis
Chair

Grady P. Burrows
Vice Chair

Rashidah Abdulhaqq
Louise P. Dempsey
Shirley Hawk
Robert M. Heard, Sr.
Willetta A. Milam
John Moss
Gladys Santiago

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

December 16, 2005

Members of the Board of Education
and the Citizens of Cleveland, Ohio

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, 2005. 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, 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.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The School District's MD&A can be found immediately following the independent accountants' report.

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 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 Ms. Barbara Byrd-Bennett as the School District's Chief Executive Officer with a four-year contract. The contract was extended for an additional three years and expired in September 2005. Ms. Byrd-Bennett notified the Board of her intention to leave the School District at the end of her extended contract but indicated her willingness to continue to serve the School District during the search for her successor. As of the date of this report, she has continued in her role of Chief Executive Officer.

The Chief Financial Officer/Treasurer is the chief fiscal officer of the Board and the School District. Under the current administrative structure, 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. In November 2004 Mr. Johnson resigned and was replaced with Mr. Gerald Pace, 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.

The purpose and responsibility of the School District is to provide an efficient educational system for the children enrolled in the public schools, whereby each child has access to programs and services that are appropriate to his or her needs. In addition to regular educational programs, the School District offers comprehensive programs in the areas of vocational education, special education and bilingual education. Through its specialty school programs, the School District offers advanced educational programs in such areas as fine arts, computer science, healthcare professions, law and municipal professions, business, and technical trades.

In fiscal year 2005, the School District enrolled 64,772 students (compared to 69,559 the previous year) in 62 elementary schools, 25 K-8 schools, 19 middle schools, and 19 senior high schools. In addition classes were provided in four 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), eight administration facilities (including a central kitchen and two leased sites) and three transportation depots.

The School District has completed its third year of a massive school facility construction/renovation project, which is described in more detail in the *Management's Discussion and Analysis* section. The project was begun in 2001 to address the condition and age of the existing classroom facilities (which range from 25 to 111 years old). At the beginning of the capital program, the School District master facility plan anticipated that 51 of its school buildings would be replaced and 59 significantly renovated, while 14 buildings would be inactivated due to projections of lower future student enrollment. Due to budgetary constraints and the student enrollment declining more quickly than anticipated (mainly due to increasing charter/community school enrollment), 11 schools were closed permanently, 9 schools were closed temporarily and 3 newly constructed buildings were opened as part of the budget adopted in June 2005 by the Board of Education for fiscal 2006.

Charter/Community Schools

Beginning in fiscal year 1999, State of Ohio legislation allowed for the creation of charter/community schools. By law the School District receives State Foundation Aid for students attending charter/community schools that are residents of the School District on a per pupil basis. That aid, which includes an imputed local match, is paid out to the charter/community schools for their operations on a one-for-one basis. The number of students attending charter/community schools has grown in the past six years to 9,687 for fiscal 2005, resulting in the payment from the School District of state aid of \$67.7 million. School District management expects this trend to continue at an increasing rate for the foreseeable future and has included increasing charter/community school enrollment growth into its financial forecasts, as described in the Current Issues section of the *Management's Discussion and Analysis*.

Employee Relations

As of June 30, 2005 the School District had 9,719 full and part-time employees (compared to 11,197 the previous year). In the fiscal year ended June 30, 2005, the School District paid \$445.3 million in salaries and wages and \$145.8 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 1199 (clerical, food service and cleaning staff); and the Cleveland Building Trades Council (tradesmen).

In July 2004, all labor contracts, except Local 407, were extended from June 30, 2005 to June 30, 2007, contingent on certain financial conditions. The labor contract for Local 407 was extended from June 30, 2004 to June 30, 2007. 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. In 2001 the District created the Bond Accountability Commission ("BAC"), which is also a jointly governed organization. On April 1, 2005 the BAC temporarily discontinued certain oversight operations while seeking new financial resources for these operations. These relationships are described in Note 20 to the basic financial statements.

The School District is an independent municipal school district and is not a component unit of another government. 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 96 percent of the School District's fiscal year 2005 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 levied at varying percentages 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
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	275,197	27,392	247,805	551,826	44.91
2000	303,926	38,962	264,964	552,041	48.00
2001	328,706	63,907	264,799	551,709	48.00
2002	341,697	63,461	278,236	551,827	50.42
2003	344,804	50,101	294,703	545,063	54.07
2004	359,958	57,679	302,279	544,982	55.47
2005	352,656	59,071	293,585	537,153	54.66

- (A) These amounts represent budget basis and exclude the proceeds of cash flow borrowing and sale of capital 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 decreased from 6.5% in 2004 to 6.3% in 2005, 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 re-emphasize student achievement. The document setting forth the roadmap for organizational success was documented in the School District's 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:

- Test scores have significantly improved across nearly all categories and grade levels, as measured by the required Ohio state proficiency tests.
- The State Superintendent designated 113 of the nearly 4,000 public schools across the State as “Schools of Promise” for demonstrating high achievement for all student groups. 9 of the 113 schools named for fiscal 2005 are from the School District.
- Completed conversions of all middle schools and most of the elementary schools into a grades K-8 configuration.
- The graduation rate increased for the 7th consecutive year, to more than 50%. Nearly 75% of these graduates continued on to college, post-secondary schools or the military.
- The District has completed its third year of the 12-year Master Facility Plan that will require approximately \$1.5 billion to repair, renovate and rebuild its school facilities. The original Master Facility Plan called for the construction/replacement of 51 schools, renovation of 59 existing facilities and inactivation for student use of 14 existing facilities.
- Nearly 610 construction projects were completed with the Warm, Safe Dry program (the first phase of the Master Facility Plan) in fiscal 2005. 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. In addition, major renovation work continued at John Hay High School and construction of three new K-8 facilities was completed. The three new schools will be open for the 2005-2006 school year.
- Certified teachers currently fill more than 99% 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 2007 with all seven unions that represent nearly 10,000 District employees, including classroom teachers.

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.

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 fourth 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 (FDIC) and/or the Securities Investor Protection Corporation (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 other 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).

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, 2005. 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, 2004. 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, 2004. 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.

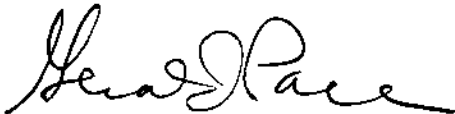
Acknowledgments

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,



Gerald Pace
Chief Financial Officer

Cleveland Municipal School District

Board Members

Appointed by Mayor of City of Cleveland

Name	Began Service as a Board Member	Present Term Expires June 30
Rashidah Abdulhaqq	1998	2007
Grady P. Burrows	2003	2009
Lawrence W. Davis (c)	2003	2007
Louise P. Dempsey	1998	2007
Dr. Sherona Garrett-Ruffin (a)	2003	
Magda Gomez (b)	2003	
Shirley Hawk (b)	2005	2009
Robert M. Heard, Sr. (a)	2004	2009
Margaret M. Hopkins (c), (d)	1998	
Willetta A. Milam	2003	2009
John Moss (d)	2005	2007
Gladys Santiago	2003	2007
Dr. Jerry Sue Thornton, ex-officio	1998	2007
Dr. Michael Schwartz, ex-officio	2001	2007

(a) Dr. Sherona Garrett-Ruffin resigned August 23, 2004. She was replaced with Robert M. Heard, Sr.

(b) Magda Gomez's term expired June 30, 2005. She was replaced with Shirley Hawk.

(c) Margaret M. Hopkins, Board Chairperson, resigned September 16, 2005.

Lawrence W. Davis was subsequently elected Board Chairperson.

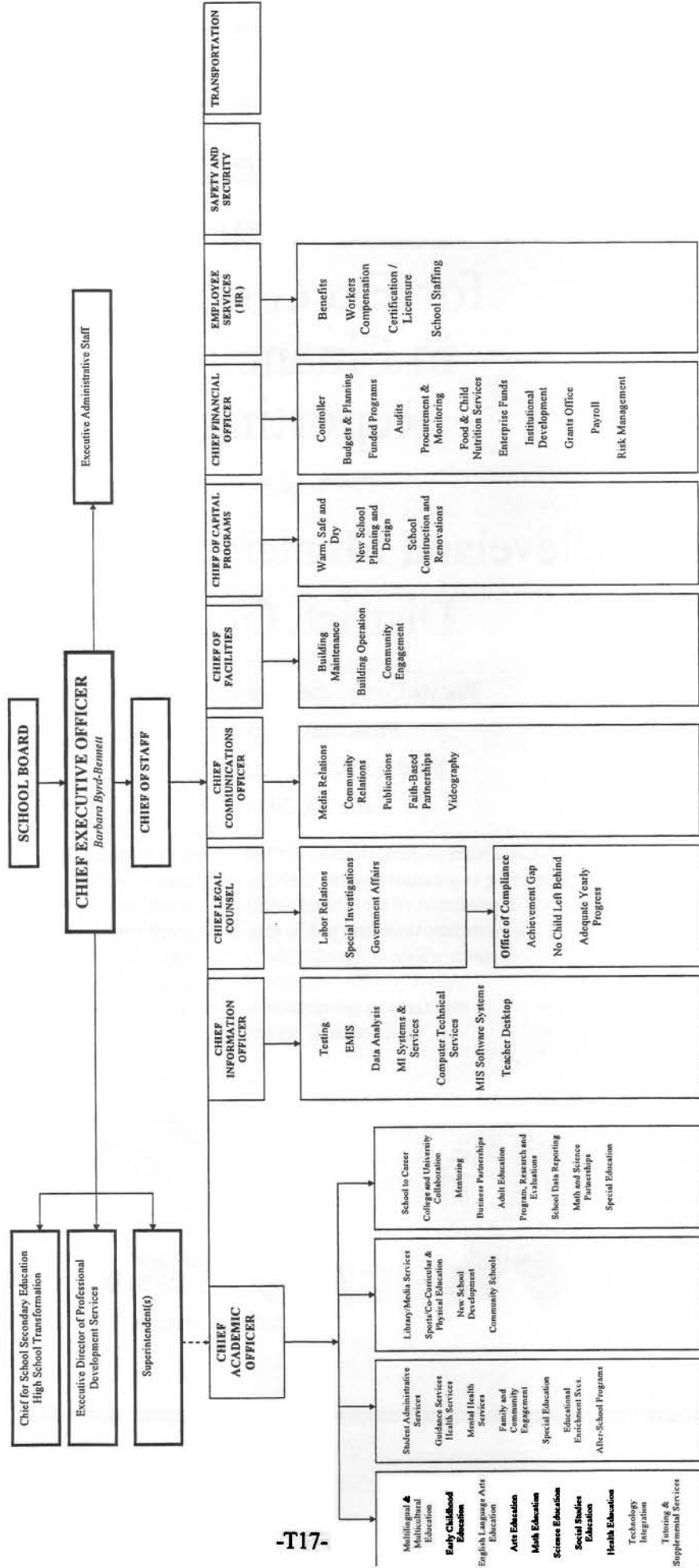
(d) John Moss was appointed November 9, 2005. He replaced Margaret M. Hopkins.

Cleveland Municipal School District

Senior Appointed Officials

Barbara Byrd-Bennett	Chief Executive Officer
Lisa Marie Ruda	Chief of Staff
Omega Brown	Chief of Employees Services and Transportation
Paul D. Flesher	Chief of Capital Programs
Nicholas Jackson	Chief of Business Administrative Services
Rebecca Lowry	Chief Academic Officer
Gerald Pace, Esquire	Chief Financial Officer
Alan 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
Marva Richards	Deputy Chief of Staff
Julie Evanoff, CPA	Controller
Dennis Kubick, CPA	Assistant Controller
Regis Balaban	Executive Director of Food and Child Nutrition Services
Patricia Barto	Executive Director of Early Childhood Education
David A. Coleman	Executive Director of Safety and Security
Anthony Masevice	Executive Director of Plans and Forecasts
Daniel H. Minnich	Executive Director of External Affairs
Linda J. N. Prosak	Executive Director of Institutional Advancement
Cheryl Shelton	Executive Director of Professional Development Services
Dr. Theresa Yeldell	Executive Director of Family and Community Engagement

CLEVELAND MUNICIPAL SCHOOL DISTRICT
Organizational Chart



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, 2004

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.



Nancy L. Zjelle

President

Jeffrey R. Enow

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, 2004

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

A handwritten signature in cursive script, appearing to read 'James Trombark'.

President

A handwritten signature in cursive script, appearing to read 'Anne W. Miller'.

Executive Director

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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, 2005, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund 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 16, 2005, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine 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 provide additional information 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.



Betty Montgomery
Auditor of State

December 16, 2005

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
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, 2005. 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 2005 are as follows:

- ❑ Total current and other assets increased by \$160.2 million and capital assets increased by \$75.4 million, resulting in a net increase in total assets of \$235.6 million in Governmental Activities.
- ❑ Total short-term liabilities decreased \$13.1 million and total long-term liabilities increased \$91.5 million, resulting in a net increase in total liabilities of \$78.4 million in Governmental Activities.
- ❑ Total net assets increased \$157.2 million in Governmental Activities.
- ❑ General revenues accounted for \$565.3 million in revenue or 63.9% of all revenues for Governmental Activities. Program specific revenues in the form of charges for services, sales, grants or contributions accounted for \$319.6 million or 36.1% of total revenues of \$884.9 million.
- ❑ Total program expenses were \$727.7 million in Governmental Activities.
- ❑ Among major funds, the General Fund had \$528.1 million in revenues and other financing sources and \$500.9 million in expenditures and other financing uses. The General Fund's fund balance increased by \$27.2 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, 2005
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 2005?" 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, 2005
Unaudited

The School District on a Government-Wide Basis

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

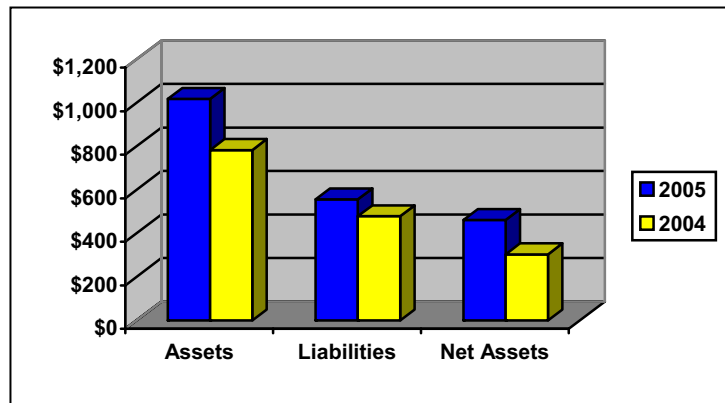
Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

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

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Assets		
Current and Other Assets	\$ 691.1	\$ 530.9
Capital Assets	<u>328.5</u>	<u>253.1</u>
Total Assets	<u>1,019.6</u>	<u>784.0</u>
Liabilities		
Current Liabilities	254.2	267.3
Long-Term Liabilities	<u>303.5</u>	<u>212.0</u>
Total Liabilities	<u>557.7</u>	<u>479.3</u>
Net Assets		
Invested in Capital		
Assets Net of Related Debt	117.4	153.1
Restricted for:		
Debt Service	53.7	51.8
Capital Projects	326.8	175.3
Other Purposes	11.4	18.2
Unrestricted	<u>(47.4)</u>	<u>(93.7)</u>
Total Net Assets	<u>\$ 461.9</u>	<u>\$ 304.7</u>

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

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



Current and other assets increased by \$160.2 million and capital assets increased by \$75.4 million, resulting in an overall increase in total assets of \$235.6 million. The increase in current and other assets is mostly attributable to a net increase in cash and investments of \$121.2 million and intergovernmental receivables of \$42.2 million. Cash and investments increased primarily with the issuance of \$125 million bonds for segments 2 and 3 of the construction/renovation program. The increase in intergovernmental receivables represents the balance due from the Ohio School Facilities Commission for segments 1 and 2. The primary reason for the significant growth in capital assets is the continuation of a massive new facility construction/renovation program. This is described further in the *Capital Assets* section following.

Current liabilities decreased by \$13.1 million and long-term liabilities increased by \$91.5 million, resulting in an overall increase in total liabilities of \$78.4 million. The decrease in current liabilities relates mainly to a decrease in notes payable of \$15.6 million due to debt repayments. The increase in long-term liabilities is due primarily to the issuance of new construction-related debt and is described further in the *Debt Administration* section following.

Total net assets increased \$157.2 million, demonstrating an overall improvement in the School District's financial position. This is mainly the result of a \$75.4 million increase in the capitalization of new facility construction/renovation assets, which will be allocated to expense over the useful life of those assets and the increase of \$42.2 million receivable due from the Ohio School Facilities Commission, which represents the balance due the School District for segments 1 and 2 of the construction/renovation program. In addition, there was a concerted effort by District management to control costs in anticipation of future budgetary constraints which resulted in an increase in unrestricted net assets of \$46.3 million.

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Table 2 shows the change in net assets for fiscal years 2005 and 2004.

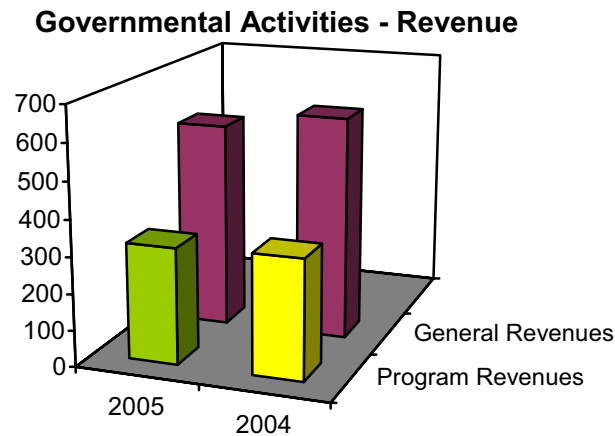
(Table 2)
Changes in Net Assets
(\$ In Millions)

	Governmental Activities	
	2005	2004
Revenues		
General Revenues:		
Property Taxes	\$ 225.2	\$ 262.6
Grants and Entitlements	330.3	346.8
Investments Income	7.4	2.9
Other	2.4	2.8
Program Revenues:		
Charges for Services	0.2	1.0
Operating Grants	210.0	206.7
Capital Grants	109.4	121.2
Total Revenues	884.9	944.0
Program Expenses		
Instruction	417.7	455.3
Support Services:		
Pupil and Instructional Staff	88.7	101.3
Board of Education, Administration, Fiscal and Business	57.7	57.3
Operation and Maintenance of Plant	56.3	62.2
Pupil Transportation	28.9	38.4
Central	14.9	16.7
Operation of Non-Instructional Services	44.0	43.8
Extracurricular Activities	5.9	7.1
Interest and Fiscal Charges	13.6	9.8
Total Expenses	727.7	791.9
Change in Net Assets	\$ 157.2	\$ 152.1

Cleveland Municipal School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2005
 Unaudited

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

	2005	2004
General Revenues	\$ 565.3	\$ 615.1
Program Revenues	319.6	328.9
Total Revenues	\$ 884.9	\$ 944.0



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 39.8% and 42.7% and grants made up 58.4% and 56.4% of general revenues for governmental activities for the School District in fiscal years 2005 and 2004, respectively.

The unusual nature of property tax legislation in the State of Ohio 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 several years 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.

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

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

Program Revenues

Operating grants comprise 65.7% of total program revenues of the School District. These grants, obtained mainly from the Federal Government, State of Ohio and the Ohio School Facilities Commission support specific educational programs and objectives as defined by these agencies as well as the capital programs. 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 <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Instruction	\$ 417.7	\$ (183.3)	\$ 455.3	\$ (216.3)
Support Services:				
Pupil and Instructional Staff	88.7	(50.6)	101.3	(63.2)
Board of Education, Administration, Fiscal and Business	57.7	(50.9)	57.3	(50.8)
Operation and Maintenance of Plant	56.3	(55.6)	62.2	(61.6)
Pupil Transportation	28.9	(28.2)	38.4	(37.6)
Central	14.9	(13.7)	16.7	(15.4)
Operation of Non-Instructional Services	44.0	(7.0)	43.8	(2.3)
Extracurricular Activities	5.9	(5.1)	7.1	(6.0)
Interest and Fiscal Charges	13.6	(13.6)	9.8	(9.8)
Total Expenses	\$ 727.7	\$ (408.0)	\$ 791.9	\$ (463.0)

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 57.4% of the total cost of services. When combined with pupil and instructional support these categories make up 69.6% 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. 43.9% of instruction

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activities are supported through taxes and other general revenues. Similarly, for all governmental activities general revenue support is 56.1%. 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 and other financing sources of \$967.5 million and expenditures and other financing uses of \$841.5 million, resulting in a net increase in fund balances of \$126.0 million.

The net changes in fund balances for the year were most significant in the General Fund and the Classroom Facilities Fund. The fund balance in the General Fund increased \$27.2 million. This was mainly attributable to a significantly lower level of expenditures (decrease of \$74.8 million from the prior fiscal year). The District adopted a deficit reduction plan for the fiscal year which resulted in reductions of staffing, purchased services and supplies. The decline in expenditures was partially offset by a decrease in General Fund revenues by approximately \$32.5 million from the prior fiscal year. The decrease resulted mainly from reductions in tax revenues and lower levels of state aid. The reduction in tax revenues is a result of the timing of the mailing of tax bills and the collections from the County Auditor. The lower level of State aid is due to higher deductions for charter schools and a lower School District student headcount. The Classroom Facilities fund balance increased \$101.3 million. This was mainly attributable to the issuance of new bonds, offset in part by the ongoing spending for the facility construction/renovation program. Funding of this program is described in more detail in the *Capital Assets and Debt Administration* section.

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 \$539.8 million, \$47.6 million below original budget estimates of \$587.4 million. This decrease in budget was made to reflect revised estimates of anticipated state aid collections. These revisions were made to reflect increased enrollments for the charter schools and decreased enrollment at the School District. Total actual revenues and other financing sources were \$539.8 million, which was approximately the same as the final budget estimate.

The final expenditure and other financing uses budgets was \$581.3 million. Total actual expenditures and other financing uses were \$575.7 million, or \$5.6 million below the final budget estimates. This was mainly due to a continuing 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.

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Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005 the School District had \$328.4 million invested in land and improvements, buildings and improvements, vehicles and equipment, and construction in progress. Table 4 shows fiscal 2005 balances compared to 2004:

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

	Governmental Activities	
	2005	2004
Land and Improvements	\$ 29.5	\$ 29.6
Buildings and Improvements	164.5	112.6
Vehicles and Equipment	15.4	17.7
Construction in Progress	119.0	93.2
Totals	\$ 328.4	\$ 253.1

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. Its cost at that time for the entire program was 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. As the program continues, factors such as enrollment projections, construction costs, locally funded non-matchable project components and inflation will affect the total scope of the program and the funds required to complete it.

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 (59 facilities) and others inactivated for student use (14 facilities). The complete program is currently estimated to take about twelve years. See Note 8 to the basic financial statements for additional information on capital assets.

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Debt Administration

At June 30, 2005 the School District had \$268.1 million in bonds, other long-term obligations and notes outstanding, \$39.2 million due within one year. Table 5 summarizes bonds and notes outstanding.

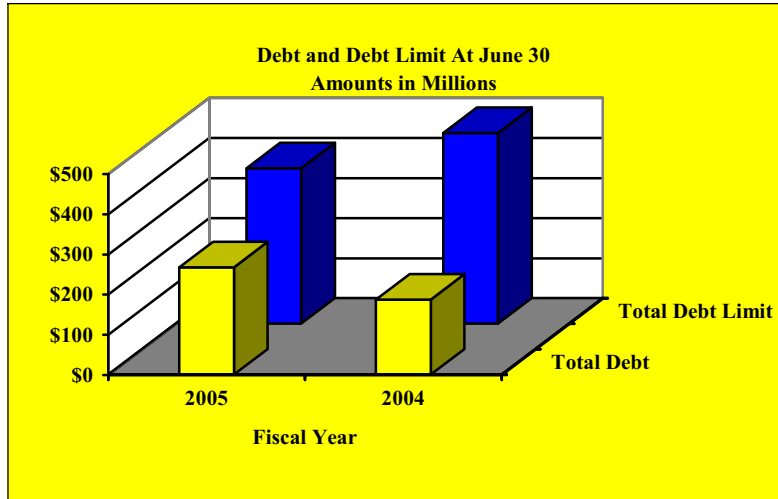
(Table 5)
 Outstanding Debt, at Year End
 (\$ In Millions)

	Governmental Activities 2005	Governmental Activities 2004
General Obligation Bonds and Notes:		
EPA Asbestos Abatement Notes	\$ 0.1	\$ 0.2
1994 Energy Conservation Improvement Bonds	0.0	0.9
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	9.8	10.4
2002 Library Refunding Bonds	23.3	38.2
2002 School Facilities Improvement Bonds	56.3	60.4
2004 School Facilities Improvement Bonds	117.6	0.0
Other Long-Term Obligations:		
Capital Lease Obligation	5.9	6.9
Note Payable:		
1997 Revenue Anticipation Notes	33.8	49.4
Total	\$ 268.1	\$ 187.7

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

	2005	2004
Total Debt	\$268.1	\$187.7
Total Debt Limit	\$387.7	\$476.5



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. In July 2004, the School District issued \$125,000,000 of School Improvement Bonds, the third installment. School District management anticipates the next installment of such debt will be issued in December 2005.

At June 30, 2005, the School District’s overall legal debt margin was \$385.9 million, with an unvoted debt margin of \$6.0 million. The School District’s short-term bond rating is “MIG1” and its long-term bond rating is “Baa1”, 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.

Cleveland Municipal School District
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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 was charged with recommending a funding system for public elementary and secondary education in Ohio and determining appropriate mechanisms for paying for such a system. Some of the elements recommended by the Task Force were incorporated into the State's biennial budget for public school districts (House Bill 66), which was adopted on June 30, 2005.

Financial Forecast – The School District is required to adopt a five-year financial forecast of revenues and expenditures each year. As the financial forecast originally showed a negative cash-basis fund balance deficit projected in fiscal years 2006 and beyond, the School District Board of Education attempted to pass operating levies in November 2004 and in August 2005. As neither levy attempt was successful, the School District Board of Education adopted a Deficit Reduction Plan to address this issue. The Deficit Reduction Plan incorporated into the budget adopted in June 2005 by the Board of Education for fiscal 2006 included further reductions to staffing, purchased services and supplies, and the closure of certain school buildings (eleven schools on a permanent basis and nine schools on a temporary basis). Schools closed on a temporary basis will be reactivated as needed for "swing space" during the on-going 12-year capital renovation program. In addition, the adopted budget included the opening of three newly constructed schools, completed as part of the ongoing massive school facility construction/renovation program.

Although the most recent forecast anticipates continuing reductions in School District student enrollment and continued increasing enrollment to charter schools, it projects a positive cash balance until fiscal year 2008 based upon budgetary cuts already made. The School District will ultimately need to consider the possibility of going back to the voters for an operating levy by fiscal 2007.

Employee Relations - Under agreements approved by all of the seven unions serving the District, the current contracts with employee groups have been extended until June 2007, with contingencies for wage increase re-negotiations in fiscal years 2006 and 2007 (no wage increases were approved in the budget adopted in June 2005 for fiscal year 2006). In addition, on January 1, 2005 the School District switched health care providers and added certain co-pay obligations to employees in order to reduce health care costs. The rest of the current contract language is essentially unchanged.

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. Gerald J. Pace, 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, 2005

	Total
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 207,584,844
Cash and Cash Equivalents with Fiscal Agents	3,082
Equity in Pooled Investments	107,688,716
Investments with Fiscal Agents	5,344,669
Receivables:	
Taxes	230,313,246
Accounts	658,008
Intergovernmental	138,543,884
Materials and Supplies Inventory	980,326
Nondepreciable Capital Assets	147,173,958
Depreciable Capital Assets, Net	181,262,779
Total Assets	1,019,553,512
Liabilities	
Accounts Payable	12,250,387
Accrued Wages and Benefits	74,825,068
Intergovernmental Payable	13,390,092
Deferred Revenue	106,815,526
Accrued Interest Payable	1,251,372
Unamortized Premium on Bond	9,297,009
Notes Payable	33,835,000
Claims Payable	2,555,661
Long-Term Obligations:	
Due Within One Year	34,912,538
Due in More Than One Year	268,531,823
Total Liabilities	557,664,476
Net Assets	
Invested in Capital Assets, Net of Related Debt	117,395,590
Restricted for:	
Debt Service	53,685,274
Capital Projects	326,783,809
Other Purposes	11,361,537
Unrestricted	(47,337,174)
Total Net Assets	\$ 461,889,036

See accompanying notes to the basic financial statements

Cleveland Municipal School District
Statement of Activities-Governmental Activities
For the Fiscal Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction:					
Regular	\$ 249,352,851	\$ 0	\$ 71,510,982	\$ 109,387,736	\$ (68,454,133)
Special	152,153,082	192,893	49,947,447	0	(102,012,742)
Vocational	12,683,615	0	968,521	0	(11,715,094)
Adult/Continuing	3,490,435	83,071	2,215,834	0	(1,191,530)
Other	150	0	0	0	(150)
Support Services:					
Pupils	33,877,518	0	5,702,967	0	(28,174,551)
Instructional Staff	54,824,175	0	32,431,931	14,867	(22,377,377)
Board of Education	223,199	0	11,126	0	(212,073)
Administration	43,927,480	0	5,347,769	0	(38,579,711)
Fiscal	12,234,280	0	1,402,369	0	(10,831,911)
Business	1,284,442	0	0	0	(1,284,442)
Operation and Maintenance of Plant	56,317,807	0	672,986	38,370	(55,606,451)
Pupil Transportation	28,867,256	0	635,920	0	(28,231,336)
Central	14,936,994	0	1,220,287	133	(13,716,574)
Operation of Non-Instructional Services	44,009,082	0	37,057,500	0	(6,951,582)
Extracurricular Activities	5,968,627	0	849,552	0	(5,119,075)
Interest and Fiscal Charges	13,588,410	0	0	0	(13,588,410)
Totals	\$ 727,739,403	\$ 275,964	\$ 209,975,191	\$ 109,441,106	(408,047,142)
General Revenues					
Property Taxes Levied For:					
					193,293,701
					29,573,166
					2,309,596
					7,362,433
					2,410,759
					330,273,507
					565,223,162
					157,176,020
					304,713,016
					\$ 461,889,036

See accompanying notes to the basic financial statements

Cleveland Municipal School District

*Balance Sheet
Governmental Funds
June 30, 2005*

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 58,941,084	\$ 29,082,124	\$ 69,649,830	\$ 47,212,110	\$ 204,885,148
Cash and Cash Equivalents with Fiscal Agents	0	3,082	0	0	3,082
Equity in Pooled Investments	0	0	99,341,467	8,347,249	107,688,716
Investments with Fiscal Agents	0	5,344,669	0	0	5,344,669
Receivables:					
Taxes	196,181,539	31,668,637	0	2,463,070	230,313,246
Accounts	229,823	0	0	428,185	658,008
Intergovernmental	1,168,407	0	133,617,928	3,757,549	138,543,884
Interfund	4,254,000	0	0	0	4,254,000
Materials and Supplies Inventory	702,401	0	0	277,925	980,326
Total Assets	\$ 261,477,254	\$ 66,098,512	\$ 302,609,225	\$ 62,486,088	\$ 692,671,079
Liabilities					
Accounts Payable	\$ 7,403,301	\$ 0	\$ 922,463	\$ 3,798,987	\$ 12,124,751
Accrued Wages and Benefits	56,547,135	0	0	12,803,211	69,350,346
Interfund Payable	0	0	0	4,254,000	4,254,000
Intergovernmental Payable	11,537,526	0	0	1,852,566	13,390,092
Deferred Revenue	172,619,633	26,063,870	133,343,285	12,482,592	344,509,380
Notes Payable	33,835,000	0	0	0	33,835,000
Total Liabilities	281,942,595	26,063,870	134,265,748	35,191,356	477,463,569
Fund Balance:					
Reserved for Encumbrances	4,805,598	0	57,075,448	8,834,047	70,715,093
Reserved for Inventory	702,401	0	0	277,925	980,326
Reserved for Property Taxes	22,404,297	5,456,262	0	395,586	28,256,145
Unreserved, (Deficit), Reported in:					
General Fund	(48,377,637)	0	0	0	(48,377,637)
Special Revenue Funds	0	0	0	(2,198,856)	(2,198,856)
Debt Service Funds	0	34,578,380	0	0	34,578,380
Capital Projects Funds	0	0	111,268,029	19,986,030	131,254,059
Total Fund Balances	(20,465,341)	40,034,642	168,343,477	27,294,732	215,207,510
Total Liabilities and Fund Balances	\$ 261,477,254	\$ 66,098,512	\$ 302,609,225	\$ 62,486,088	\$ 692,671,079

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, 2005*

Total Governmental Funds Balances \$ 215,207,510

*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 328,436,737

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

Property Taxes	93,997,974	
Grants	143,695,880	
Total	237,693,854	237,693,854

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. 18,399

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	228,351,113	
Capital Lease Obligations	5,940,034	
Compensated Absences	53,276,553	
Worker's Compensation Claims	15,876,661	
Accrued Wages and Benefits - Pension Obligation	5,474,722	
Accrued Interest Payable	1,251,372	
Unamortized Premium on Bond	9,297,009	
Total	(319,467,464)	(319,467,464)

Net Assets of Governmental Activities **\$ 461,889,036**

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, 2005

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
<i>Local Sources:</i>					
Taxes	\$ 192,404,159	\$ 30,150,691	\$ 0	\$ 2,345,173	\$ 224,900,023
Investment Income	2,287,580	998,452	3,540,532	535,869	7,362,433
Tuition and Fees	275,964	0	0	70,775	346,739
Extracurricular Activities	0	0	0	823,214	823,214
Miscellaneous	2,410,408	0	0	7,958,273	10,368,681
<i>State Sources:</i>					
Unrestricted Grants-in-Aid	318,544,077	3,802,811	0	287,388	322,634,276
Restricted Grants-in-Aid	4,601,593	0	62,245,080	76,470,033	143,316,706
<i>Federal Sources:</i>					
Unrestricted Grants-in-Aid	7,639,231	0	0	0	7,639,231
Restricted Grants-in-Aid	0	0	0	118,920,360	118,920,360
Total Revenues	528,163,012	34,951,954	65,785,612	207,411,085	836,311,663
Expenditures:					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	180,248,272	0	0	67,290,259	247,538,531
Special	98,351,579	0	0	54,063,746	152,415,325
Vocational	11,971,516	0	0	870,328	12,841,844
Adult/Continuing	1,303,098	0	0	2,216,349	3,519,447
Other	150	0	0	0	150
<i>Support Services:</i>					
Pupils	30,535,623	0	0	5,498,465	36,034,088
Instructional Staff	20,921,144	0	0	34,022,073	54,943,217
Board of Education	209,572	0	0	0	209,572
Administration	34,257,408	0	0	5,443,034	39,700,442
Fiscal	10,781,692	0	0	1,483,772	12,265,464
Business	1,289,034	0	0	0	1,289,034
Operation and Maintenance of Plant	55,264,067	0	0	4,928,740	60,192,807
Pupil Transportation	27,561,777	0	0	637,684	28,199,461
Central	14,160,350	0	0	957,970	15,118,320
Operation of Non-Instructional Services	1,679,917	0	0	42,371,606	44,051,523
Extracurricular Activities	5,185,372	0	0	875,981	6,061,353
Capital Outlay	96,199	0	75,647,087	5,661,538	81,404,824
<i>Debt Service:</i>					
Principal Retirement	2,483,523	26,495,000	0	0	28,978,523
Interest and Fiscal Charges	3,688,659	9,056,969	902,401	0	13,648,029
Total Expenditures	499,988,952	35,551,969	76,549,488	226,321,545	838,411,954
Excess of Revenues Over (Under) Expenditures	28,174,060	(600,015)	(10,763,876)	(18,910,460)	(2,100,291)
Other Financing Sources (Uses):					
Proceeds from Sale of Bonds	0	0	111,200,000	13,800,000	125,000,000
Premium from Sale of Bonds	0	0	3,066,194	0	3,066,194
Transfers In	0	3,108,186	0	0	3,108,186
Transfers Out	(944,394)	0	(2,163,792)	0	(3,108,186)
Total Other Financing Sources (Uses)	(944,394)	3,108,186	112,102,402	13,800,000	128,066,194
Net Change in Fund Balances	27,229,666	2,508,171	101,338,526	(5,110,460)	125,965,903
Fund Balances Beginning of Year	(47,695,007)	37,526,471	67,004,951	32,405,192	89,241,607
Fund Balances at End of Year	\$ (20,465,341)	\$ 40,034,642	\$ 168,343,477	\$ 27,294,732	\$ 215,207,510

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, 2005*

Net Change in Fund Balances - Total Governmental Funds \$ 125,965,903

*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.

Capital Assets Additions	85,783,331	
Current Year Depreciation	(10,421,214)	
Total	75,362,117	75,362,117

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		(36,096)
--	--	----------

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

Property Taxes	276,440	
Grants	48,327,320	
Total	48,603,760	48,603,760

Proceeds from the sale of bonds in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (125,000,000)

Premium from the sale of bonds in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (3,066,194)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 28,978,523

In the statement of activities, interest is accrued on outstanding bonds, whereas in government funds, an interest expenditure is reported when due. 59,619

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

Compensated Absences	2,262,627	
Accrued Wages and Benefits - Pension Obligation	2,547,761	
Worker's Compensation Claims	2,301,373	
Total	7,111,761	7,111,761

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. (803,373)

Change in Net Assets of Governmental Activities \$ 157,176,020

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, 2005

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
<i>Local Sources:</i>				
Taxes	\$ 196,547,524	\$ 198,607,052	\$ 198,607,052	\$ 0
Investment Income	2,399,140	2,399,140	2,399,140	0
Tuition and Fees	248,620	248,620	248,620	0
Miscellaneous	2,702,942	2,702,942	2,707,180	4,238
<i>State Sources:</i>				
Unrestricted Grants-in-Aid	368,257,536	318,544,077	318,544,077	0
Restricted Grants-in-Aid	4,601,593	4,601,593	4,601,593	0
<i>Federal Sources:</i>				
Unrestricted Grants-in-Aid	10,045,785	10,045,785	10,045,785	0
Total Revenues	584,803,140	537,149,209	537,153,447	4,238
Expenditures:				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	220,630,509	202,325,208	200,487,539	1,837,669
Special	95,115,627	107,248,386	107,133,407	114,979
Vocational	15,610,660	13,028,004	12,571,085	456,919
Adult/Continuing	2,379,195	1,576,081	1,472,373	103,708
Other	450	450	150	300
<i>Support Services:</i>				
Pupils	33,714,529	32,018,159	31,555,320	462,839
Instructional Staff	17,934,969	24,484,751	24,145,138	339,613
Board of Education	271,740	254,802	226,900	27,902
Administration	39,746,808	39,056,127	38,739,508	316,619
Fiscal	11,334,939	12,826,557	12,518,186	308,371
Business	1,376,943	1,355,484	1,338,512	16,972
Operation and Maintenance of Plant	59,635,326	61,078,399	60,690,615	387,784
Pupil Transportation	29,642,229	29,396,589	28,764,977	631,612
Central	21,540,511	21,243,676	21,033,832	209,844
Operation of Non-Instructional Services	2,083,206	1,958,210	1,946,609	11,601
Extracurricular Activities	5,532,117	6,037,707	5,900,475	137,232
Capital Outlay	703,485	268,884	216,949	51,935
<i>Debt Service:</i>				
Principal Retirement	17,141,763	18,088,569	18,088,523	46
Interest and Fiscal Charges	3,420,437	3,688,659	3,688,659	0
Total Expenditures	577,815,443	575,934,702	570,518,757	5,415,945
Excess of Revenues Over (Under) Expenditures	6,987,697	(38,785,493)	(33,365,310)	5,420,183
Other Financing Sources (Uses):				
Advances In	2,631,000	2,631,000	2,631,000	0
Advances Out	(1,500,000)	(4,380,000)	(4,254,000)	126,000
Transfers Out	(1,944,394)	(944,394)	(944,394)	0
Total Other Financing Sources (Uses)	(813,394)	(2,693,394)	(2,567,394)	126,000
Net Change in Fund Balances	6,174,303	(41,478,887)	(35,932,704)	5,546,183
Fund Balances Beginning of Year	3,780,048	3,780,048	3,780,048	0
<i>Prior Year Encumbrances Appropriated</i>	39,999,259	39,999,259	39,999,259	0
Fund Balances at End of Year	\$ 49,953,610	\$ 2,300,420	\$ 7,846,603	\$ 5,546,183

See accompanying notes to the basic financial statements

Cleveland Municipal School District

Statement of Fund Net Assets

Proprietary Fund

June 30, 2005

	Governmental Activities - Internal Service Fund
Assets:	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 2,699,696
Total Current Assets	<u>2,699,696</u>
Liabilities:	
<i>Current Liabilities:</i>	
Accounts Payable	125,636
Claims Payable	<u>2,555,661</u>
Total Current Liabilities	<u>2,681,297</u>
Net Assets:	
Unrestricted	<u>18,399</u>
Total Net Assets:	<u>\$ 18,399</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, 2005*

	Governmental Activities - Internal Service Fund
<i>Operating Revenues:</i>	
Charges for Services	\$ 500,000
<i>Total Operating Revenues</i>	500,000
<i>Operating Expenses:</i>	
Claims and Claim Adjustment Expenses	1,303,373
<i>Total Operating Expenses</i>	1,303,373
<i>Operating Income (Loss)</i>	(803,373)
<i>Change in Net Assets</i>	(803,373)
Net Assets Beginning of Year	821,772
<i>Net Assets End of Year</i>	\$ 18,399

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, 2005

	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	\$ 500,000
Cash Payments for Claims and Claim Adjustment Expenses	<u>(761,417)</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>(261,417)</u>
Net Decrease in Cash and Cash Equivalents	(261,417)
Cash and Cash Equivalents at Beginning of Year	<u>2,961,113</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 2,699,696</u>
<i>Reconciliation of Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</i>	
<i>Operating Income (Loss)</i>	<u>\$ (803,373)</u>
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</i>	
Increase in Accounts Payable	86,746
Increase in Claims Payable	<u>455,210</u>
<i>Total Adjustments</i>	<u>541,956</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$ (261,417)</u>
See accompanying notes to the basic financial statements	

Cleveland Municipal School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

Equity in Pooled Cash and Cash Equivalents \$ 1,191,877

Total Assets \$ 1,191,877

Liabilities

Due to Students \$ 815,781

Payroll Withholdings 376,096

Total Liabilities \$ 1,191,877

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, 2005

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. 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.

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.

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, capital projects and student related activities of the School District.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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 and the Bond Accountability Commission as jointly governed organizations. 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 provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

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. Any interfund services provided and used are not eliminated in the process of consolidation.

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

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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.

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.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust 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, one which accounts for student activities and one which accounts for various payroll withholding items.

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.

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 basis 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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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, the State’s share of the classroom facility project, 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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. The remaining state share of the classroom facility project for segments 1 and 2 has also been 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.

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.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 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 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 2005.

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" or "Equity in Pooled Investments" 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 2005, investments were limited to STAR Ohio, repurchase agreements, certificates of deposit, treasury notes and bills, federal agency securities, commercial paper, Allegiant Government Money Market Fund, Victory Federal Money Market Fund, AIM Government and Agency Portfolio Money Market Fund and Huntington U.S. Treasury Money Market Fund.

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

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. 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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

the investment could be sold for on June 30, 2005.

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, 2005, if any, 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. 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 capital 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.

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 or inactivated for educational purposes under the current capital facility plan have been adjusted so they are fully depreciated by the anticipated year of demolition or inactivation.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

J. 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.

K. 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, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "accrued wages and benefits" in the fund from which the employees who have accumulated leave are paid.

L. 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 governmental funds are recognized as a liability in the fund financial statements when due.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

M. 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.

N. 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, and property taxes, and 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.

O. 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.

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital 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.

Q. 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.

R. 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.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

S. 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 2005.

Note 3 - Accountability and Compliance

The following funds had deficit fund balances at June 30, 2005:

	Deficit Fund Balances
General Fund	\$ 20,465,341
Special Revenue Funds:	
Miscellaneous State	1,022,187
Food Service	2,564,893
Adult Basic Education	370,760
Title VI-B Special Education	1,949,887
Vocational Education	4,210,031
Improving Teacher Quality Title II-A	1,315,935
Miscellaneous Federal Grants	1,179,391
Other Federal	1,049,546
Capital Projects Funds:	
School Facility Grant	1,508,347

The deficit fund balance in the General Fund resulted from 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 2008 and beyond, the School District Board of Education will adopt a Deficit Reduction Plan to address this issue. The Plan will contain provisions to contain costs and will ultimately consider the possibility of having to go back to the voters for an additional operating levy in fiscal 2007.

The deficit fund balances in the Special Revenue Funds and the Capital Projects Fund 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.

For fiscal year 2005, the School District has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," GASB Statement No. 40, "Deposit and Investment Risk Disclosures," GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin No. 2004-2, Recognition of Pension and Other Post-employment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers."

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

GASB Statement No. 40 establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk and foreign currency risk.

GASB Statement No. 46 clarifies when net assets should be considered restricted based upon enabling legislation.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans.

The implementation of GASB Statement No. 39, GASB Statement No. 46 and GASB Technical Bulletin No. 2004-2 did not affect the presentation of the financial statements of the School District.

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, 2005.

Net Change in Fund Balance	
GAAP Basis	\$ 27,229,666
Net Adjustment for Revenue Accruals	8,990,435
Advances In	2,631,000
Net Adjustment for Expenditure Accruals	(3,833,033)
Principal Retirement	(15,605,000)
Advances Out	(4,254,000)
Adjustment for Encumbrances	(51,091,772)
Budget Basis	<u>\$ (35,932,704)</u>

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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. 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 and School District investment policy, 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);

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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.

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.

During March 2003, the GASB issued Statement #40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement #3)*. This statement addresses additional disclosure of cash and investment risks to which governments are exposed. Generally, this statement requires that state and local governments communicate key information about such risks in four principal areas: investment credit risks, including credit quality information issued by rating agencies; interest rate disclosures that include investment maturity information; interest rate sensitivity for investments that are highly sensitive to changes in interest rates; and foreign exchange exposures that would indicate the foreign investment's denomination. The provisions of Statement #40 are effective for financial statements for the fiscal year ended June 30, 2005.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District's deposits may not be returned to it. Protection of School District deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as qualified securities pledged by the financial institution holding the assets. By Ohio law, financial institutions must collateralize public deposits. The face 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 other designated third party trustees of the financial institutions.

At fiscal year end, the carrying amount of the School District's deposits was \$124,756,358 and the bank balance was \$139,533,799. Of the bank balance, \$675,363 was covered by federal depository insurance and \$138,858,436 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.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

B. Investments

As of June 30, 2005, the School District had the following investments:

	Fair/Carrying Value	Investment Maturities (in years)	
		Less than 1	1-5
Commercial Paper	\$ 2,806,255	\$ 2,806,255	
U.S. Agency Obligations	64,210,775	31,951,470	\$ 32,259,305
U.S. Discount Agency Obligations	46,016,353	46,016,353	
Money Market Mutual Funds	40,798,434	40,798,434	
Investment in STAR Ohio	43,225,013	43,225,013	
Total	<u>\$ 197,056,830</u>	<u>\$ 164,797,525</u>	<u>\$ 32,259,305</u>

Interest Rate Risk

Ohio Revised Code and School District investment policy limits security purchases to those that mature within five years of the settlement date. School District investment policy also limits commercial paper purchases to issues from companies incorporated in the United States which have assets in excess of \$500 million and whose issues are rated in the highest classification by at least two standard rating services. The commercial paper must mature within 180 days of settlement date and the total holding of commercial paper may not exceed 25% of the portfolio, under Ohio Revised Code and School District investment policy. Money market mutual funds must be rated in the highest classification by at least one standard rating service and invest exclusively in eligible securities listed above, under School District investment policy.

Credit Risk

The School District's investments at June 30, 2005 in FHLMC, FNMA, FFCB and FHLB agency securities were rated AAA and the discount agency securities were rated A-1+ by Standard & Poor's. Its investments in commercial paper were rated A-1+ by Standard & Poor's and P-1 by Moody's. Its investments in the Victory Federal Money Market Fund, Allegiant Government Money Market Fund, Huntington U.S. Treasury Money Market Fund, AIM Government and Agency Portfolio Money Market Fund and STAR Ohio were rated AAAM by Standard & Poor's.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. As of June 30, 2005, more than 5 percent of the School District's investments were in FHLMC agencies and discount agencies, in FNMA agencies and discount agencies, in FHLB agencies, in the Victory Federal Money Market Fund and in STAR Ohio. These investments are approximately 29%, 17%, 9%, 17%, and 22%, respectively, of the School District's total investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investments are held by its agents in the following ways:

Cleveland Municipal School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

1. In a safekeeping or trust account, with securities registered in the name of the School District;
2. In a brokerage account, which is insured by SIPC and other excess insurance; or
3. In a safekeeping account, collateralized with pooled collateral at 102% of the underlying value of the held security, but not in the School District's name.

As defined by GASB #40, the first and second categories above do not result in custodial credit risk to the School District, while category 3 does. Approximately \$37.9 million or 19% of the School District's total investments fall into the third category above. The School District's investment policy does not define how its agents may hold its securities.

Foreign Currency Risk

The School District does not have exposure for foreign exchange risk.

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 2005 for real and public utility property taxes represents collections of calendar 2004 taxes. Property tax payments received during calendar 2005 for tangible personal property (other than public utility property) is for calendar 2005 taxes.

2005 real property taxes are levied after April 1, 2005, on the assessed values as of January 1, 2005, 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. 2005 public utility property taxes became a lien December 31, 2004, are levied after April 1, 2005 and are collected in 2005 with real property taxes.

2005 tangible personal property taxes are levied after April 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

The assessed values upon which the fiscal year 2005 taxes were collected are (in thousands):

	2004 Second Half Collections		2005 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 4,903,040	81.94%	\$ 5,007,377	82.99%
Public Utility	357,470	5.98%	352,432	5.84%
Tangible Personal Property	723,018	12.08%	674,031	11.17%
Total	\$ 5,983,528	100.00%	\$ 6,033,840	100.00%

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30 and are intended to finance the fiscal year in which they are paid. This year, the expected June 2005 tangible personal property tax settlement was not received until July 2005.

The School District receives property taxes from Cuyahoga County. The County Auditor 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, 2005, are available to finance fiscal year 2005 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, 2005 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 2005 tangible personal property tax settlement was not received until July 2005. The late settlement and the amount available as an advance are recognized as revenue.

The amount available as an advance at June 30, 2005 was \$28,256,145. \$22,404,297 was available to the General Fund, \$5,456,262 to the Debt Service Fund and \$395,586 to a special revenue fund.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Note 7 - Receivables

Receivables at June 30, 2005, 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	\$ 63,912
Federal:Unrestricted Grants-In-Aid	1,068,624
Miscellaneous	35,871
Total General Fund	<u>1,168,407</u>
Capital Projects Funds:	
Classroom Facilities	133,617,928
School Facility Grant	1,508,347
	<u>135,126,275</u>
Special Revenue Funds:	
Miscellaneous State	433,366
Other State	66,287
Food Service	4,104
Adult Basic Education	156,488
Vocational Education	7,989
Improving Teacher Quality Title II-A	521,182
Miscellaneous Federal Grants	638,826
Other Federal	420,960
Total Special Revenue Funds	<u>2,249,202</u>
Total Intergovernmental Receivables	<u>\$ 138,543,884</u>

Cleveland Municipal School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance 6/30/2004	Additions	Deductions	Balance 6/30/2005
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 28,212,257	\$ 0	\$ 0	\$ 28,212,257
Construction in Progress	93,256,019	85,526,826	(59,821,144)	118,961,701
<i>Total Capital Assets, not being depreciated</i>	<u>121,468,276</u>	<u>85,526,826</u>	<u>(59,821,144)</u>	<u>147,173,958</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,604,128	0	0	2,604,128
Buildings and Improvements	340,467,828	59,821,144	0	400,288,972
Vehicles and Equipment	41,754,649	256,505	(5,210,581)	36,800,573
<i>Total Capital Assets, being depreciated</i>	<u>384,826,605</u>	<u>60,077,649</u>	<u>(5,210,581)</u>	<u>439,693,673</u>
Less Accumulated Depreciation:				
Land Improvements	(1,221,473)	(96,128)	0	(1,317,601)
Buildings and Improvements	(227,906,526)	(7,855,969)	0	(235,762,495)
Vehicles and Equipment	(24,056,166)	(2,469,117)	5,174,485	(21,350,798)
Total Accumulated Depreciation	<u>(253,184,165)</u>	<u>(10,421,214) *</u>	<u>5,174,485</u>	<u>(258,430,894)</u>
Total Capital Assets being depreciated, net	<u>131,642,440</u>	<u>49,656,435</u>	<u>(36,096)</u>	<u>181,262,779</u>
Governmental Activities Capital Assets, Net	<u>\$ 253,110,716</u>	<u>\$ 135,183,261</u>	<u>\$ (59,857,240)</u>	<u>\$ 328,436,737</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 7,069,349
Special	82,227
Support Services:	
Administration	1,858,200
Pupil Transportation	1,304,351
Operation of Non-Instructional Services	107,087
Total Depreciation Expense	<u>\$ 10,421,214</u>

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Construction in progress is composed of the following at June 30, 2005:

	Project Authorization	Expended to June 30, 2005	Committed
Regular Instruction	\$ 372,019,110	\$ 117,680,810	\$ 254,338,300
Support Services - Administration	2,673,780	1,280,891	1,392,889
Total	\$ 374,692,890	\$ 118,961,701	\$ 255,731,189

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

Coverage During Fiscal Year	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 three years, and there has been no significant reduction in insurance coverage from last year.

Because of the prohibitive cost of commercial insurance, the School District in 1987, established a self-insurance fund (an internal service fund) to account for and finance its uninsured risks of loss (insurance deductibles and/or self-insured retentions) and associated expenses attributing to liability and property damage claim settlements and judgments. Estimates of claims liabilities, based on historical cost information, for incurred claims (including incurred but not reported claims) as calculated by the School District's Risk Management Division for all outstanding unsettled claims total \$2,555,661 as of June 30, 2005, 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, 1996, through June 30, 2005, including the estimate for incurred but not reported (IBNR) claims totals \$15,876,661.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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 \$18,432,322 at June 30, 2005, 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
2004	\$ 17,030,189	\$ 10,703,644	\$ 7,455,348	\$ 20,278,485
2005	\$ 20,278,485	\$ 6,194,782	\$ 8,040,945	\$ 18,432,322

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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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 for the fiscal years ended June 30, 2005, 2004, and 2003 were \$10,445,769, \$10,663,742 and \$9,756,873, respectively. 39.46% has been contributed for fiscal year 2005, 100% for fiscal year 2004 and 2003. \$6,323,706 representing the unpaid contribution for fiscal year 2005 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 Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly available, stand alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

New members have a choice of three retirement plans, a Defined Benefit (“DB”) Plan, a Defined Contribution (“DC”) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and the employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

For fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2005, 2004, and 2003 were \$44,207,072, \$48,391,174 and \$35,683,753, respectively. 86.88% has been contributed for fiscal year 2005, and 100% for fiscal years 2004 and 2003.

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 of Ohio, (STRS Ohio), 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.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

STRS retirees and their dependents who participated in the DB or combined plans are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$3,400,544 during fiscal 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premiums. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. For the School District, the amount to fund health care benefits, including the surcharge of \$1,502,194, during the 2005 fiscal year equaled \$4,891,881.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available) were \$243,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

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. Employees may receive payment for up to 30 percent (varying by bargaining group) of accumulated sick leave of varying maximums up to \$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 (\$50,000 for certain classes of employees). The School District also provides medical/surgical and dental benefits primarily through Medical Mutual of Ohio, Qualchoice and Kaiser

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Permanente to all eligible employees.

Note 13 - Long Term Obligations

Changes in long-term obligations of the School District during fiscal year 2005 were as follows:

	Principal Outstanding 6/30/2004	Additions	Deductions	Principal Outstanding 6/30/2005	Due Within One Year
Government Activities:					
General Obligation Bonds and Notes:					
EPA Asbestos Abatement Notes	\$ 198,070	\$ 0	\$ 64,331	\$ 133,739	\$ 60,447
1994 Energy Conservation Improvement Bonds	865,000	0	865,000	0	0
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	10,374,805	0	607,431	9,767,374	639,428
2002 Library Refunding Bonds	38,250,000	0	15,000,000	23,250,000	2,990,000
2002 School Facilities Improvement Bonds	60,445,000	0	4,135,000	56,310,000	1,365,000
2004 School Facilities Improvement Bonds	0	125,000,000	7,360,000	117,640,000	16,715,000
Total General Obligation Bonds and Notes	131,382,875	125,000,000	28,031,762	228,351,113	21,769,875
Other Long-Term Obligations					
Compensated Absences	55,539,180	53,276,553	55,539,180	53,276,553	8,221,463
Workers' Compensation Claims	18,178,034	4,978,155	7,279,528	15,876,661	3,935,882
Capital Lease Obligation	6,886,795	0	946,761	5,940,034	985,319
Total Other Long-Term Obligations	80,604,009	58,254,708	63,765,469	75,093,248	13,142,664
Total Governmental Activities	\$ 211,986,884	\$ 183,254,708	\$ 91,797,231	\$ 303,444,361	\$ 34,912,539

On July 8, 2004, the Cleveland Municipal School District issued \$125,000,000 of School Facility Improvement Bonds, bearing interest at the rate of 2.00% - 5.25% per annum. The premium received on this bond issue of \$2,163,792 was transferred to the Debt Service Fund. The series 2004 bond issue is the second long-term financing drawdown of the \$335 million approved by voters on May 8, 2001 (Issue 14) related to the Cleveland Municipal School District's 12-year, \$1.5 billion capital plan. \$135 million of the approved \$335 million has not yet been issued. This debt will be retired from the Debt Service Fund.

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 \$35,000,000 School Facility Bond Anticipation Notes, Series 2001. \$40,000,000 of the new proceeds along with the \$35,000,000 that was refunded are being used to pay costs of renovating, rehabilitating, constructing, furnishing, equipping and otherwise improving school facilities and acquiring and improving their sites. This represents the first long-term drawdown of the \$335 million approved by voters on May 8, 2001 (Issue 14). This debt will be retired from the Debt Service Fund. As a result of the refunding, the District reduced its total debt service

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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.

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, 2005, the remaining \$18,733,321 of the School Improvement Bonds are considered defeased by assets of \$19,830,872, which approximates their fair value, held in irrevocable trust.

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 were 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, 2005

The School District's overall legal debt margin was \$385,880,242 with an unvoted debt margin of \$6,033,840 at June 30, 2005.

The School District is subject to federal arbitrage regulations. As of June 30, 2005 the District has not accrued any liability.

Principal and interest requirements to retire general obligation debt, including EPA notes and H.B. 264 Energy Conservation Notes, outstanding at June 30, 2005, are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2006	\$ 21,769,875	\$ 9,502,441	\$ 31,272,316
2007	8,075,513	8,952,934	17,028,447
2008	8,597,924	8,585,939	17,183,863
2009	8,735,248	8,192,521	16,927,769
2010	9,037,406	7,781,774	16,819,180
2011 - 2015	59,671,650	32,992,486	92,664,136
2016 - 2020	36,133,542	23,551,359	59,684,901
2021 - 2025	44,200,000	13,550,563	57,750,563
2026 - 2028	32,130,000	2,396,222	34,526,222
	<u>\$ 228,351,158</u>	<u>\$ 115,506,239</u>	<u>\$ 343,857,397</u>

In fiscal year 2002, the School District entered into an agreement to lease 102 buses. The cost was \$5,062,000 while the carrying value (cost less depreciation) is \$3,779,183. 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. The cost was \$5,369,629 while the carrying value (cost less depreciation) is \$3,609,584. 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. These leases will be repaid from the General Fund.

Cleveland Municipal School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

The following is a schedule of future lease payments and the present value of net minimum lease payments at June 30, 2005:

	Amount
2006	\$ 1,214,983
2007	1,214,983
2008	1,214,983
2009	1,214,983
2010	1,214,983
2011	607,492
Total minimum lease payments	6,682,407
Less:	
Amount representing interest	742,373
Present value of net minimum lease payments	\$ 5,940,034

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 6/30/2004	Issued	Retired	Balance 6/30/2005
General Fund:				
1997 4.60%-6.00%				
Revenue Anticipation Notes	\$ 49,440,000	\$ 0	\$ 15,605,000	\$ 33,835,000

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, 2005 are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2006	\$ 16,465,000	\$ 1,904,350	\$ 18,369,350
2007	17,370,000	998,775	18,368,775
	\$ 33,835,000	\$ 2,903,125	\$ 36,738,125

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, 2005

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. 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, 2005 consist of the following:

Transfers from General Fund to Debt Service Fund	\$ 944,394
Transfers from Classroom Facilities Fund to Debt Service Fund	<u>2,163,792</u>
Total Transfers	<u>\$ 3,108,186</u>

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

The Classroom Facilities Fund transferred the premium associated with the issuance of bond proceeds to the Debt Service Fund.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

Interfund balances at June 30, 2005, consist of the following individual fund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 4,254,000	\$ 0
Non-Major Special Revenue Funds:		
Miscellaneous State	0	731,000
Other State	0	39,000
Adult Basic Education	0	232,000
Improving Teacher Quality Title II-A	0	681,000
Other Federal	0	1,062,000
Total Non-Major Special Revenue Funds	<u>0</u>	<u>2,745,000</u>
Non-Major Capital Projects Funds:		
School Facility Grant	0	1,509,000
Total Non-Major Capital Projects Funds	<u>0</u>	<u>1,509,000</u>
Total All Funds	<u>\$ 4,254,000</u>	<u>\$ 4,254,000</u>

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

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

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.

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, 2005.

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.

Cleveland Municipal School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Total</u>
Set-Aside Balance Carried Forward at July 1, 2004	\$ (3,601,030)	\$ 0	
Current Year Set-Aside Requirement	10,382,946	10,382,946	
Qualifying Expenditures	<u>(8,090,160)</u>	<u>(92,509,466)</u>	
Total	<u>\$ (1,308,244)</u>	<u>\$ (82,126,520)</u>	
Cash Balance Carried Forward to Fiscal Year 2005-2006			\$ 0
Amount Restricted for Bus Purchases			<u>0</u>
Total Restricted Assets			<u>\$ 0</u>

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

Ohio Schools Council - 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 David Contrell, the Executive Secretary of the Ohio Schools Council at 6133 Rockside Road, #10, Independence, Ohio 44131.

Bond Accountability Commission - The Bond Accountability Commission was created by resolution by the Board of Education as an oversight committee charged with monitoring the use and spending of funds authorized by the passage of Issue 14 for rebuilding school facilities. The BAC is comprised of 19 members appointed by the Chief Executive Officer, Board Chairperson, and the Mayor of the City of Cleveland.

Other than the Board directing the Chief Executive Officer to secure initial external funding in the amount of \$200,000, the Board does not assume any ongoing financial interest or responsibility for the BAC and, as a result, is considered a jointly governed organization. On April 1, 2005 the BAC temporarily discontinued certain oversight operations while seeking new financial resources for these operations.

Note 21 – Subsequent Event

On November 1, 2005, the Board of Education authorized the issuance of \$30,000,000 of School Improvement Bond Anticipation Notes. On December 7, 2005 Moody's assigned a MIG 1 rating to the Bond Anticipation Notes, which will be issued in late December.

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 Fund- This fund accounts for monies received from private individuals, companies and foundations for specified activities or purposes.

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

State Funds

Auxiliary Services (NPSS) Fund - This fund accounts for State 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 State monies received to provide additional programming to disadvantaged pupils, as defined by the State of Ohio.

Miscellaneous State Grants – This fund is used to account for various monies received from State agencies which are not classified elsewhere.

Other State Funds - This fund accounts for all activity in other State funds including 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 and Alternate Schools.

Federal Funds

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

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.

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.

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.

Combining Statements - Nonmajor Funds (continued)

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

Improving Teacher Quality Title II-A Fund – Funding for professional development and other programs to ensure teachers meet high quality standards. This fund also accounts for monies used to hire additional classroom teachers in elementary grades, 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 Job Training Partnership Act (JTPA), NDEA Title II, Bilingual Education Program, Scientific Personnel Improvement, Transition for Refugee Children, Title VI, Emergency Immigrant Education Assistance Grant, Removal of Architecture Barriers to the Handicapped and Drug Free School Grant.

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 Fund - 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, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 29,875,746	\$ 17,336,364	\$ 47,212,110
Equity in Pooled Investments	0	8,347,249	8,347,249
Receivables:			
Taxes	2,463,070	0	2,463,070
Accounts	428,185	0	428,185
Intergovernmental	2,249,202	1,508,347	3,757,549
Accrued Interest	0	0	0
Materials and Supplies Inventory	277,925	0	277,925
Total Assets	\$ 35,294,128	\$ 27,191,960	\$ 62,486,088
Liabilities			
Accounts Payable	\$ 3,260,213	\$ 538,774	\$ 3,798,987
Accrued Wages and Benefits	12,786,848	16,363	12,803,211
Interfund Payable	2,745,000	1,509,000	4,254,000
Intergovernmental Payable	1,850,275	2,291	1,852,566
Deferred Revenue	10,974,245	1,508,347	12,482,592
Total Liabilities	31,616,581	3,574,775	35,191,356
Fund Balance:			
Reserved for Encumbrances	5,202,892	3,631,155	8,834,047
Reserved for Inventory	277,925	0	277,925
Reserved for Property Taxes	395,586	0	395,586
Unreserved, (Deficit), Reported in:			
Special Revenue Funds	(2,198,856)	0	(2,198,856)
Capital Projects Funds	0	19,986,030	19,986,030
Total Fund Balances	3,677,547	23,617,185	27,294,732
Total Liabilities and Fund Balances	\$ 35,294,128	\$ 27,191,960	\$ 62,486,088

Cleveland Municipal School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 2,345,173	\$ 0	\$ 2,345,173
Investment Income	174,346	361,523	535,869
Tuition and Fees	70,775	0	70,775
Extracurricular Activities	823,214	0	823,214
Miscellaneous	7,958,273	0	7,958,273
<i>State Sources:</i>			
Unrestricted Grants-in-Aid	287,388	0	287,388
Restricted Grants-in-Aid	76,416,663	53,370	76,470,033
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	118,920,360	0	118,920,360
Total Revenues	206,996,192	414,893	207,411,085
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	67,290,259	0	67,290,259
Special	54,063,746	0	54,063,746
Vocational	870,328	0	870,328
Adult/Continuing	2,216,349	0	2,216,349
<i>Support Services:</i>			
Pupils	5,498,465	0	5,498,465
Instructional Staff	32,349,523	1,672,550	34,022,073
Administration	5,443,034	0	5,443,034
Fiscal	1,483,772	0	1,483,772
Operation and Maintenance of Plant	1,063,834	3,864,906	4,928,740
Pupil Transportation	637,684	0	637,684
Central	942,970	15,000	957,970
Operation of Non-Instructional Services	42,371,606	0	42,371,606
Extracurricular Activities	875,981	0	875,981
Capital Outlay	0	5,661,538	5,661,538
Total Expenditures	215,107,551	11,213,994	226,321,545
Excess of Revenues Over (Under) Expenditures	(8,111,359)	(10,799,101)	(18,910,460)
Other Financing Sources (Uses):			
General Obligation Bonds Issued	0	13,800,000	13,800,000
Total Other Financing Sources (Uses)	0	13,800,000	13,800,000
Net Change in Fund Balances	(8,111,359)	3,000,899	(5,110,460)
Fund Balances Beginning of Year	11,788,906	20,616,286	32,405,192
Fund Balances at End of Year	\$ 3,677,547	\$ 23,617,185	\$ 27,294,732

Cleveland Municipal School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	Educational Special Trust	Other Local	Auxiliary Services (NPSS)
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 4,308,502	\$ 9,797,863	\$ 2,022,245
Receivables:			
Taxes	0	2,463,070	0
Accounts Intergovernmental	426,445	0	0
Materials and Supplies Inventory	0	0	0
Total Assets	\$ 4,734,947	\$ 12,260,933	\$ 2,022,245
Liabilities			
Accounts Payable	\$ 228,967	\$ 0	\$ 291,739
Accrued Wages and Benefits	193,492	0	389,167
Interfund Payable	0	0	0
Intergovernmental Payable	27,089	0	54,483
Deferred Revenue	0	2,055,311	0
Total Liabilities	449,548	2,055,311	735,389
Fund Balance:			
Reserved for Encumbrances	413,737	36,510	1,160,965
Reserved for Inventory	0	0	0
Reserved for Property Taxes	0	395,586	0
Unreserved, (Deficit), Reported in: Special Revenue Funds	3,871,662	9,773,526	125,891
Total Fund Balances	4,285,399	10,205,622	1,286,856
Total Liabilities and Fund Balances	\$ 4,734,947	\$ 12,260,933	\$ 2,022,245

DPIA	Miscellaneous State	Other State	Food Service	Adult Basic Education
\$ 0	\$ 857,889	\$ 1,412,708	\$ 418,856	\$ 8,502
0	0	0	0	0
0	0	0	1,740	0
0	433,366	66,287	4,104	156,488
0	0	0	277,925	0
<u>\$ 0</u>	<u>\$ 1,291,255</u>	<u>\$ 1,478,995</u>	<u>\$ 702,625</u>	<u>\$ 164,990</u>
\$ 0	\$ 69,070	\$ 48,751	\$ 876,411	\$ 0
0	784,749	138,542	1,997,527	211,412
0	731,000	39,000	0	232,000
0	109,865	19,397	318,895	29,597
0	618,758	213,902	74,685	62,741
0	2,313,442	459,592	3,267,518	535,750
0	757,359	103,025	84,323	4,343
0	0	0	277,925	0
0	0	0	0	0
0	(1,779,546)	916,378	(2,927,141)	(375,103)
0	(1,022,187)	1,019,403	(2,564,893)	(370,760)
<u>\$ 0</u>	<u>\$ 1,291,255</u>	<u>\$ 1,478,995</u>	<u>\$ 702,625</u>	<u>\$ 164,990</u>

(continued)

Cleveland Municipal School District
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2005

	Title VI-B Special Education	Vocational Education	Title I
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,523,851	\$ 981,566	\$ 7,071,727
Receivables:			
Taxes	0	0	0
Accounts	0	0	0
Intergovernmental	0	7,989	0
Materials and Supplies Inventory	0	0	0
Total Assets	\$ 1,523,851	\$ 989,555	\$ 7,071,727
Liabilities			
Accounts Payable	\$ 522,026	\$ 481,333	\$ 228,147
Accrued Wages and Benefits	1,263,182	127,726	5,526,915
Interfund Payable	0	0	0
Intergovernmental Payable	176,845	17,882	773,768
Deferred Revenue	1,511,685	4,572,645	0
Total Liabilities	3,473,738	5,199,586	6,528,830
Fund Balance:			
Reserved for Encumbrances	494,095	330,625	1,170,358
Reserved for Inventory	0	0	0
Reserved for Property Taxes	0	0	0
Unreserved, (Deficit), Reported in: Special Revenue Funds	(2,443,982)	(4,540,656)	(627,461)
Total Fund Balances	(1,949,887)	(4,210,031)	542,897
Total Liabilities and Fund Balances	\$ 1,523,851	\$ 989,555	\$ 7,071,727

Improving Teacher Quality Title II-A	Miscellaneous Federal Grants	Other Federal	Total Nonmajor Special Revenue Funds
\$ 159,818	\$ 287,033	\$ 1,025,186	\$ 29,875,746
0	0	0	2,463,070
0	0	0	428,185
521,182	638,826	420,960	2,249,202
0	0	0	277,925
<u>\$ 681,000</u>	<u>\$ 925,859</u>	<u>\$ 1,446,146</u>	<u>\$ 35,294,128</u>
\$ 38,251	\$ 105,309	\$ 370,209	\$ 3,260,213
1,105,864	680,856	367,416	12,786,848
681,000	0	1,062,000	2,745,000
154,821	95,320	72,313	1,850,275
16,999	1,223,765	623,754	10,974,245
<u>1,996,935</u>	<u>2,105,250</u>	<u>2,495,692</u>	<u>31,616,581</u>
115,431	153,864	378,257	5,202,892
0	0	0	277,925
0	0	0	395,586
<u>(1,431,366)</u>	<u>(1,333,255)</u>	<u>(1,427,803)</u>	<u>(2,198,856)</u>
<u>(1,315,935)</u>	<u>(1,179,391)</u>	<u>(1,049,546)</u>	<u>3,677,547</u>
<u>\$ 681,000</u>	<u>\$ 925,859</u>	<u>\$ 1,446,146</u>	<u>\$ 35,294,128</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, 2005

	Educational Special Trust	Other Local	Auxiliary Services (NPSS)
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 0	\$ 2,345,173	\$ 0
Investment Income	88,600	0	52,879
Tuition and Fees	63,011	0	0
Extracurricular Activities	0	823,214	0
Miscellaneous	6,560,009	0	293,682
<i>State Sources:</i>			
Unrestricted Grants-in-Aid	0	287,388	0
Restricted Grants-in-Aid	0	0	7,289,158
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	0	0	0
Total Revenues	<u>6,711,620</u>	<u>3,455,775</u>	<u>7,635,719</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	0	0	0
Special	881	0	0
Vocational	50,582	0	0
Adult/Continuing	0	0	0
<i>Support Services:</i>			
Pupils	320,975	0	0
Instructional Staff	3,804,653	0	224,123
Administration	334,469	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	277,759	455,716	31,464
Pupil Transportation	0	0	0
Central	182,038	0	0
Operation of Non-Instructional Services	556	0	7,358,756
Extracurricular Activities	19,795	856,186	0
Total Expenditures	<u>4,991,708</u>	<u>1,311,902</u>	<u>7,614,343</u>
Excess of Revenues Over (Under) Expenditures	1,719,912	2,143,873	21,376
Fund Balances Beginning of Year	<u>2,565,487</u>	<u>8,061,749</u>	<u>1,265,480</u>
Fund Balances at End of Year	<u>\$ 4,285,399</u>	<u>\$ 10,205,622</u>	<u>\$ 1,286,856</u>

DPIA	Miscellaneous State	Other State	Food Service	Adult Basic Education
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	32,867	0
0	0	7,764	0	0
0	0	0	0	0
0	0	0	1,104,232	0
0	0	0	0	0
59,071,113	5,168,313	2,861,550	1,379,354	647,175
0	0	0	21,788,640	1,760,503
<u>59,071,113</u>	<u>5,168,313</u>	<u>2,869,314</u>	<u>24,305,093</u>	<u>2,407,678</u>
59,071,113	3,970,717	623,114	0	0
0	0	0	0	0
0	0	38,286	0	0
0	0	253,134	0	1,808,612
0	114,661	463,743	0	0
0	759,851	889,189	0	549,001
0	0	189,455	0	272
0	269	0	0	40,364
0	97,227	21,279	0	0
0	6,509	325	0	0
0	111,464	649,468	0	0
0	0	200	29,061,354	0
0	0	0	0	0
<u>59,071,113</u>	<u>5,060,698</u>	<u>3,128,193</u>	<u>29,061,354</u>	<u>2,398,249</u>
0	107,615	(258,879)	(4,756,261)	9,429
0	(1,129,802)	1,278,282	2,191,368	(380,189)
<u>\$ 0</u>	<u>\$ (1,022,187)</u>	<u>\$ 1,019,403</u>	<u>\$ (2,564,893)</u>	<u>\$ (370,760)</u>

(continued)

Cleveland Municipal School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
For the Fiscal Year Ended June 30, 2005

	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	19,204,642	2,363,884	45,962,730
Total Revenues	<u>19,204,642</u>	<u>2,363,884</u>	<u>45,962,730</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	0	1,600	974,935
Special	8,549,700	0	36,985,023
Vocational	0	771,827	0
Adult/Continuing	0	9,731	0
<i>Support Services:</i>			
Pupils	2,722,756	436,646	0
Instructional Staff	5,061,215	1,625,368	7,752,943
Administration	1,562,679	78,197	557,014
Fiscal	336,555	4,455	716,795
Operation and Maintenance of Plant	0	38,552	2,173
Pupil Transportation	296,160	1,000	45,130
Central	0	0	0
Operation of Non-Instructional Services	886,949	294,029	4,489,739
Extracurricular Activities	0	0	0
Total Expenditures	<u>19,416,014</u>	<u>3,261,405</u>	<u>51,523,752</u>
Excess of Revenues Over (Under) Expenditures	(211,372)	(897,521)	(5,561,022)
Fund Balances Beginning of Year	<u>(1,738,515)</u>	<u>(3,312,510)</u>	<u>6,103,919</u>
Fund Balances at End of Year	<u>\$ (1,949,887)</u>	<u>\$ (4,210,031)</u>	<u>\$ 542,897</u>

Improving Teacher Quality Title II-A	Miscellaneous Federal Grants	Other Federal	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 2,345,173
0	0	0	174,346
0	0	0	70,775
0	0	0	823,214
0	0	350	7,958,273
0	0	0	287,388
0	0	0	76,416,663
9,218,094	11,826,920	6,794,947	118,920,360
<u>9,218,094</u>	<u>11,826,920</u>	<u>6,795,297</u>	<u>206,996,192</u>
0	1,977,698	671,082	67,290,259
7,297,368	0	1,230,774	54,063,746
0	9,633	0	870,328
0	0	144,872	2,216,349
0	1,379,569	60,115	5,498,465
2,046,450	8,181,116	1,455,614	32,349,523
57,318	253,899	2,409,731	5,443,034
142,721	181,854	60,759	1,483,772
0	67,237	72,427	1,063,834
0	269,552	19,008	637,684
0	0	0	942,970
20,400	158,801	100,822	42,371,606
0	0	0	875,981
<u>9,564,257</u>	<u>12,479,359</u>	<u>6,225,204</u>	<u>215,107,551</u>
(346,163)	(652,439)	570,093	(8,111,359)
<u>(969,772)</u>	<u>(526,952)</u>	<u>(1,619,639)</u>	<u>11,788,906</u>
<u>\$ (1,315,935)</u>	<u>\$ (1,179,391)</u>	<u>\$ (1,049,546)</u>	<u>\$ 3,677,547</u>

Cleveland Municipal School District
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2005

	Permanent Improvement	Building Renovation	School Net Plus
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 9,388,946	\$ 7,739,331	\$ 35,000
Equity in Pooled Investments	8,347,249	0	0
Receivables:			
Intergovernmental	0	0	0
Accrued Interest	0	0	0
Total Assets	\$ 17,736,195	\$ 7,739,331	\$ 35,000
Liabilities			
Accounts Payable	\$ 538,774	\$ 0	\$ 0
Accrued Wages and Benefits	16,363	0	0
Interfund Payable	0	0	0
Intergovernmental Payable	2,291	0	0
Deferred Revenue	0	0	0
Total Liabilities	557,428	0	0
Fund Balance:			
Reserved for Encumbrances	2,358,984	1,272,171	0
Unreserved, (Deficit), Reported in: Capital Projects Funds	14,819,783	6,467,160	35,000
Total Fund Balances	17,178,767	7,739,331	35,000
Total Liabilities and Fund Balances	\$ 17,736,195	\$ 7,739,331	\$ 35,000

Ohio School Net Telecommunications	School Facility Grant	Total Nonmajor Capital Projects Funds
\$ 172,434	\$ 653	\$ 17,336,364
0	0	8,347,249
0	1,508,347	1,508,347
<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 172,434</u>	<u>\$ 1,509,000</u>	<u>\$ 27,191,960</u>
\$ 0	\$ 0	\$ 538,774
0	0	16,363
0	1,509,000	1,509,000
0	0	2,291
<u>0</u>	<u>1,508,347</u>	<u>1,508,347</u>
<u>0</u>	<u>3,017,347</u>	<u>3,574,775</u>
0	0	3,631,155
<u>172,434</u>	<u>(1,508,347)</u>	<u>19,986,030</u>
<u>172,434</u>	<u>(1,508,347)</u>	<u>23,617,185</u>
<u>\$ 172,434</u>	<u>\$ 1,509,000</u>	<u>\$ 27,191,960</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, 2005

	Permanent Improvement	Building Renovation	School Net Plus
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 361,523	\$ 0	\$ 0
<i>State Sources:</i>			
Restricted Grants-in-Aid	0	38,370	15,000
Total Revenues	<u>361,523</u>	<u>38,370</u>	<u>15,000</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Instructional Staff	0	0	1,672,550
Operation and Maintenance of Plant	138,122	387,098	0
Central	0	0	15,000
Capital Outlay	5,661,538	0	0
Total Expenditures	<u>5,799,660</u>	<u>387,098</u>	<u>1,687,550</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,438,137)</u>	<u>(348,728)</u>	<u>(1,672,550)</u>
Other Financing Sources (Uses):			
General Obligation Bonds Issued	13,800,000	0	0
Total Other Financing Sources (Uses)	<u>13,800,000</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	8,361,863	(348,728)	(1,672,550)
Fund Balances Beginning of Year	<u>8,816,904</u>	<u>8,088,059</u>	<u>1,707,550</u>
Fund Balances at End of Year	<u>\$ 17,178,767</u>	<u>\$ 7,739,331</u>	<u>\$ 35,000</u>

Ohio School Net Telecommunications	School Facility Grant	Total Nonmajor Capital Projects Funds
\$ 0	\$ 0	\$ 361,523
<u>0</u>	<u>0</u>	<u>53,370</u>
<u>0</u>	<u>0</u>	<u>414,893</u>
0	0	1,672,550
0	3,339,686	3,864,906
0	0	15,000
<u>0</u>	<u>0</u>	<u>5,661,538</u>
<u>0</u>	<u>3,339,686</u>	<u>11,213,994</u>
<u>0</u>	<u>(3,339,686)</u>	<u>(10,799,101)</u>
<u>0</u>	<u>0</u>	<u>13,800,000</u>
<u>0</u>	<u>0</u>	<u>13,800,000</u>
0	(3,339,686)	3,000,899
<u>172,434</u>	<u>1,831,339</u>	<u>20,616,286</u>
<u>\$ 172,434</u>	<u>\$ (1,508,347)</u>	<u>\$ 23,617,185</u>

Cleveland Municipal School District
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2005

	Beginning Balance July 1, 2004	Additions	Deductions	Ending Balance June 30, 2005
District Agency Fund				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,106,801	\$ 0	\$ 730,705	\$ 376,096
<i>Liabilities:</i>				
Payroll Withholdings	\$ 1,106,801	\$ 0	\$ 730,705	\$ 376,096
 Student Managed Activity				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 752,713	\$ 63,068	\$ 0	\$ 815,781
<i>Liabilities:</i>				
Due to Students	\$ 752,713	\$ 63,068	\$ 0	\$ 815,781
 All Agency Funds				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,859,514	\$ 63,068	\$ 730,705	\$ 1,191,877
<i>Liabilities:</i>				
Due To Students	\$ 752,713	\$ 63,068	\$ 0	\$ 815,781
Payroll Withholdings	1,106,801	0	730,705	376,096
Total Liabilities	\$ 1,859,514	\$ 63,068	\$ 730,705	\$ 1,191,877

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, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 31,423,842	\$ 31,423,842	\$ 0
Investment Income	701,938	701,938	0
<i>State Sources:</i>			
Unrestricted Grants-in-Aid	3,832,867	3,802,811	(30,056)
Total Revenues	<u>35,958,647</u>	<u>35,928,591</u>	<u>(30,056)</u>
Expenditures:			
Debt Service:			
Principal Retirement	26,495,000	26,495,000	0
Interest and Fiscal Charges	9,056,970	9,056,969	1
Total Expenditures	<u>35,551,970</u>	<u>35,551,969</u>	<u>1</u>
Excess of Revenues Over (Under) Expenditures	406,677	376,622	(30,055)
Other Financing Sources (Uses):			
Transfers In	3,108,186	3,108,186	0
Total Other Financing Sources (Uses)	<u>3,108,186</u>	<u>3,108,186</u>	<u>0</u>
Net Change in Fund Balances	3,514,863	3,484,808	(30,055)
Fund Balances Beginning of Year	30,640,740	30,640,740	0
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 34,155,603</u>	<u>\$ 34,125,548</u>	<u>\$ (30,055)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Classroom Facilities Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 3,898,071	\$ 3,898,071	\$ 0
<i>State Sources:</i>			
Restricted Grants-in-Aid	145,835,735	62,333,854	(83,501,881)
Total Revenues	<u>149,733,806</u>	<u>66,231,925</u>	<u>(83,501,881)</u>
Expenditures:			
Capital Outlay	330,101,401	135,394,514	194,706,887
Debt Service:			
Debt Issuance Costs	902,401	902,401	0
Total Expenditures	<u>331,003,802</u>	<u>136,296,915</u>	<u>194,706,887</u>
Excess of Revenues Over (Under) Expenditures	(181,269,996)	(70,064,990)	111,205,006
Other Financing Sources (Uses):			
Proceeds from Sale of Bonds	111,200,000	111,200,000	0
Premium from Sale of Bonds	3,066,194	3,066,194	0
Operating Transfers Out	(2,163,792)	(2,163,792)	0
Total Other Financing Sources (Uses)	<u>112,102,402</u>	<u>112,102,402</u>	<u>0</u>
Net Change in Fund Balances	(69,167,594)	42,037,412	111,205,006
Fund Balances Beginning of Year	2,162,583	2,162,583	0
<i>Prior Year Encumbrances Appropriated</i>	67,204,722	67,204,722	0
Fund Balances at End of Year	<u>\$ 199,711</u>	<u>\$ 111,404,717</u>	<u>\$ 111,205,006</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Educational Special Trust Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 88,600	\$ 88,600	\$ 0
Tuition and Fees	69,669	69,669	0
Miscellaneous	7,041,731	6,503,310	(538,421)
Total Revenues	<u>7,200,000</u>	<u>6,661,579</u>	<u>(538,421)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	28,971	0	28,971
Special	1,015	1,002	13
Vocational	220,599	60,685	159,914
<i>Support Services:</i>			
Pupils	965,743	369,969	595,774
Instructional Staff	7,203,753	4,246,789	2,956,964
Administration	448,336	340,004	108,332
Business	5,000	0	5,000
Operation and Maintenance of Plant	336,336	301,801	34,535
Pupil Transportation	3,949	0	3,949
Central	403,451	195,337	208,114
Operation of Non-Instructional Services	951	556	395
Extracurricular Activities	59,722	20,645	39,077
Total Expenditures	<u>9,677,826</u>	<u>5,536,788</u>	<u>4,141,038</u>
Excess of Revenues Over (Under) Expenditures	(2,477,826)	1,124,791	3,602,617
Fund Balances Beginning of Year	2,246,446	2,246,446	0
<i>Prior Year Encumbrances Appropriated</i>	<u>257,514</u>	<u>257,514</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 26,134</u>	<u>\$ 3,628,751</u>	<u>\$ 3,602,617</u>

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, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 2,447,867	\$ 2,438,944	\$ (8,923)
Extracurricular Activities	875,000	823,214	(51,786)
<i>State Sources:</i>			
Unrestricted Grants-in-Aid	292,388	287,388	(5,000)
Total Revenues	<u>3,615,255</u>	<u>3,549,546</u>	<u>(65,709)</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Operation and Maintenance of Plant	4,900,000	492,658	4,407,342
Extracurricular Activities	1,563,114	856,436	706,678
Capital Outlay	1,100,000	0	1,100,000
Total Expenditures	<u>7,563,114</u>	<u>1,349,094</u>	<u>6,214,020</u>
Excess of Revenues Over (Under) Expenditures	(3,947,859)	2,200,452	6,148,311
Fund Balances Beginning of Year	7,559,970	7,559,970	0
<i>Prior Year Encumbrances Appropriated</i>	<u>250</u>	<u>250</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 3,612,361</u>	<u>\$ 9,760,672</u>	<u>\$ 6,148,311</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Auxiliary Services Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 52,879	\$ 52,879	\$ 0
Miscellaneous	293,682	293,682	0
<i>State Sources:</i>			
Restricted Grants-in-Aid	8,903,439	7,289,158	(1,614,281)
Total Revenues	<u>9,250,000</u>	<u>7,635,719</u>	<u>(1,614,281)</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Instructional Staff	280,668	197,856	82,812
Operation and Maintenance of Plant	153,720	80,121	73,599
Operation of Non-Instructional Services	10,640,736	9,012,236	1,628,500
Total Expenditures	<u>11,075,124</u>	<u>9,290,213</u>	<u>1,784,911</u>
Excess of Revenues Over (Under) Expenditures	(1,825,124)	(1,654,494)	170,630
Fund Balances Beginning of Year	626,706	626,706	0
<i>Prior Year Encumbrances Appropriated</i>	<u>1,216,771</u>	<u>1,216,771</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 18,353</u>	<u>\$ 188,983</u>	<u>\$ 170,630</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
DPIA Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 59,071,113	\$ 59,071,113	\$ 0
Total Revenues	<u>59,071,113</u>	<u>59,071,113</u>	<u>0</u>
Expenditures:			
<i>Current:</i>			
<i> Instruction:</i>			
Regular	59,071,113	59,071,113	0
Total Expenditures	<u>59,071,113</u>	<u>59,071,113</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	0	0	0
Fund Balances Beginning of Year	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Miscellaneous State Grants Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 6,041,000	\$ 5,036,016	\$ (1,004,984)
Total Revenues	<u>6,041,000</u>	<u>5,036,016</u>	<u>(1,004,984)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	4,846,453	4,287,031	559,422
<i>Support Services:</i>			
Pupils	125,631	122,091	3,540
Instructional Staff	1,129,020	948,342	180,678
Fiscal	1,095	269	826
Operation and Maintenance of Plant	103,061	89,021	14,040
Pupil Transportation	62,500	59,009	3,491
Central	112,363	111,464	899
Total Expenditures	<u>6,380,123</u>	<u>5,617,227</u>	<u>762,896</u>
Excess of Revenues Over (Under) Expenditures	(339,123)	(581,211)	(242,088)
Other Financing Sources (Uses):			
Advances In	731,000	731,000	0
Advances Out	(897,000)	(897,000)	0
Total Other Financing Sources (Uses)	<u>(166,000)</u>	<u>(166,000)</u>	<u>0</u>
Net Change in Fund Balances	(505,123)	(747,211)	(242,088)
Fund Balances Beginning of Year	623	623	0
<i>Prior Year Encumbrances Appropriated</i>	<u>747,282</u>	<u>747,282</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 242,782</u>	<u>\$ 694</u>	<u>\$ (242,088)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Other State Funds
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Tuition and Fees	\$ 7,764	\$ 7,764	\$ 0
<i>State Sources:</i>			
Restricted Grants-in-Aid	3,264,236	2,981,911	(282,325)
Total Revenues	<u>3,272,000</u>	<u>2,989,675</u>	<u>(282,325)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	698,839	674,553	24,286
Vocational	61,039	60,139	900
Adult/Continuing	238,522	237,568	954
<i>Support Services:</i>			
Pupils	561,929	489,874	72,055
Instructional Staff	1,039,706	944,227	95,479
Administration	273,275	178,782	94,493
Operation and Maintenance of Plant	72,000	21,279	50,721
Pupil Transportation	1,470	325	1,145
Central	1,584,773	683,127	901,646
Operation of Non-Instructional Services	200	200	0
Total Expenditures	<u>4,531,753</u>	<u>3,290,074</u>	<u>1,241,679</u>
Excess of Revenues Over (Under) Expenditures	(1,259,753)	(300,399)	959,354
Other Financing Sources (Uses):			
Advances In	39,000	39,000	0
Advances Out	(29,000)	(29,000)	0
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>0</u>
Net Change in Fund Balances	(1,249,753)	(290,399)	959,354
Fund Balances Beginning of Year	1,023,955	1,023,955	0
<i>Prior Year Encumbrances Appropriated</i>	<u>493,960</u>	<u>493,960</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 268,162</u>	<u>\$ 1,227,516</u>	<u>\$ 959,354</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Food Service Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 32,867	\$ 32,867	\$ 0
Miscellaneous	1,122,598	1,122,598	0
<i>State Sources:</i>			
Restricted Grants-in-Aid	1,379,354	1,379,354	0
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	24,815,181	24,788,123	(27,058)
Total Revenues	<u>27,350,000</u>	<u>27,322,942</u>	<u>(27,058)</u>
Expenditures:			
<i>Current:</i>			
Operation of Non-Instructional Services	28,511,016	28,354,622	156,394
Total Expenditures	<u>28,511,016</u>	<u>28,354,622</u>	<u>156,394</u>
Excess of Revenues Over (Under) Expenditures	(1,161,016)	(1,031,680)	129,336
Fund Balances Beginning of Year	444,109	444,109	0
<i>Prior Year Encumbrances Appropriated</i>	743,965	743,965	0
Fund Balances at End of Year	<u>\$ 27,058</u>	<u>\$ 156,394</u>	<u>\$ 129,336</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Adult Basic Education Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 647,175	\$ 647,175	\$ 0
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	1,905,825	1,693,028	(212,797)
Total Revenues	<u>2,553,000</u>	<u>2,340,203</u>	<u>(212,797)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Adult/Continuing	1,824,145	1,802,472	21,673
<i>Support Services:</i>			
Instructional Staff	543,604	541,051	2,553
Administration	3,428	2,053	1,375
Fiscal	42,533	40,364	2,169
Total Expenditures	<u>2,413,710</u>	<u>2,385,940</u>	<u>27,770</u>
Excess of Revenues Over (Under) Expenditures	139,290	(45,737)	(185,027)
Other Financing Sources (Uses):			
Advances In	232,000	232,000	0
Advances Out	(195,000)	(195,000)	0
Total Other Financing Sources (Uses)	<u>37,000</u>	<u>37,000</u>	<u>0</u>
Net Change in Fund Balances	176,290	(8,737)	(185,027)
Fund Balances Beginning of Year	43	43	0
<i>Prior Year Encumbrances Appropriated</i>	9,015	9,015	0
Fund Balances at End of Year	<u>\$ 185,348</u>	<u>\$ 321</u>	<u>\$ (185,027)</u>

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, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 20,744,000	\$ 20,689,278	\$ (54,722)
Total Revenues	<u>20,744,000</u>	<u>20,689,278</u>	<u>(54,722)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Special	9,095,604	9,065,462	30,142
<i>Support Services:</i>			
Pupils	3,012,584	2,707,470	305,114
Instructional Staff	5,113,950	5,111,621	2,329
Administration	1,830,724	1,644,237	186,487
Fiscal	373,276	336,555	36,721
Pupil Transportation	385,890	385,448	442
Operation of Non-Instructional Services	902,118	902,028	90
Total Expenditures	<u>20,714,146</u>	<u>20,152,821</u>	<u>561,325</u>
Excess of Revenues Over (Under) Expenditures	29,854	536,457	506,603
Other Financing Sources (Uses):			
Advances Out	(44,000)	(44,000)	0
Total Other Financing Sources (Uses)	<u>(44,000)</u>	<u>(44,000)</u>	<u>0</u>
Net Change in Fund Balances	(14,146)	492,457	506,603
Fund Balances Beginning of Year	338	338	0
<i>Prior Year Encumbrances Appropriated</i>	<u>61,247</u>	<u>61,247</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 47,439</u>	<u>\$ 554,042</u>	<u>\$ 506,603</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Vocational Education Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 3,949,000	\$ 3,653,181	\$ (295,819)
Total Revenues	<u>3,949,000</u>	<u>3,653,181</u>	<u>(295,819)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	20,000	17,019	2,981
Vocational	985,873	947,373	38,500
Adult/Continuing	9,833	9,809	24
<i>Support Services:</i>			
Pupils	571,312	546,193	25,119
Instructional Staff	1,832,843	1,788,522	44,321
Administration	161,324	96,262	65,062
Fiscal	4,652	4,455	197
Operation and Maintenance of Plant	34,166	34,166	0
Pupil Transportation	5,450	1,000	4,450
Central	4,197	0	4,197
Operation of Non-Instructional Services	361,295	313,012	48,283
Total Expenditures	<u>3,990,945</u>	<u>3,757,811</u>	<u>233,134</u>
Excess of Revenues Over (Under) Expenditures	(41,945)	(104,630)	(62,685)
Other Financing Sources (Uses):			
Advances Out	(289,000)	(289,000)	0
Total Other Financing Sources (Uses)	<u>(289,000)</u>	<u>(289,000)</u>	<u>0</u>
Net Change in Fund Balances	(330,945)	(393,630)	(62,685)
Fund Balances Beginning of Year	351	351	0
<i>Prior Year Encumbrances Appropriated</i>	<u>524,213</u>	<u>524,213</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 193,619</u>	<u>\$ 130,934</u>	<u>\$ (62,685)</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, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 77,800,000	\$ 45,962,730	\$ (31,837,270)
Total Revenues	<u>77,800,000</u>	<u>45,962,730</u>	<u>(31,837,270)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	3,003,574	1,165,771	1,837,803
Special	57,959,621	36,990,586	20,969,035
<i>Support Services:</i>			
Pupils	84,777	0	84,777
Instructional Staff	12,744,143	8,042,638	4,701,505
Administration	2,030,087	586,180	1,443,907
Fiscal	1,646,248	716,795	929,453
Operation and Maintenance of Plant	30,192	2,173	28,019
Pupil Transportation	3,787,754	45,130	3,742,624
Central	5,473	0	5,473
Operation of Non-Instructional Services	8,007,117	4,460,321	3,546,796
Capital Outlay	2,532	0	2,532
Total Expenditures	<u>89,301,518</u>	<u>52,009,594</u>	<u>37,291,924</u>
Excess of Revenues Over (Under) Expenditures	(11,501,518)	(6,046,864)	5,454,654
Fund Balances Beginning of Year	9,233,335	9,233,335	0
<i>Prior Year Encumbrances Appropriated</i>	<u>2,324,932</u>	<u>2,324,932</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 56,749</u>	<u>\$ 5,511,403</u>	<u>\$ 5,454,654</u>

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, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 10,403,000	\$ 8,525,717	\$ (1,877,283)
Total Revenues	10,403,000	8,525,717	(1,877,283)
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Special	8,244,292	7,160,483	1,083,809
<i>Support Services:</i>			
Instructional Staff	2,532,805	2,007,226	525,579
Administration	114,539	63,191	51,348
Fiscal	218,658	142,721	75,937
Operation of Non-Instructional Services	147,284	20,400	126,884
Total Expenditures	11,257,578	9,394,021	1,863,557
Excess of Revenues Over (Under) Expenditures	(854,578)	(868,304)	(13,726)
Other Financing Sources (Uses):			
Advances In	681,000	681,000	0
Advances Out	(284,000)	(284,000)	0
Total Other Financing Sources (Uses)	397,000	397,000	0
Net Change in Fund Balances	(457,578)	(471,304)	(13,726)
Fund Balances Beginning of Year	666	666	0
<i>Prior Year Encumbrances Appropriated</i>	471,528	471,528	0
Fund Balances at End of Year	\$ 14,616	\$ 890	\$ (13,726)

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, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 14,942,000	\$ 11,317,732	\$ (3,624,268)
Total Revenues	<u>14,942,000</u>	<u>11,317,732</u>	<u>(3,624,268)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	2,097,375	2,089,528	7,847
Vocational	17,224	9,643	7,581
<i>Support Services:</i>			
Pupils	1,438,518	1,402,474	36,044
Instructional Staff	11,143,247	8,265,981	2,877,266
Administration	300,023	273,602	26,421
Fiscal	301,370	181,854	119,516
Business	225	0	225
Operation and Maintenance of Plant	518,109	23,868	494,241
Pupil Transportation	273,792	269,752	4,040
Central	41,717	0	41,717
Operation of Non-Instructional Services	188,174	173,272	14,902
Total Expenditures	<u>16,319,774</u>	<u>12,689,974</u>	<u>3,629,800</u>
Excess of Revenues Over (Under) Expenditures	(1,377,774)	(1,372,242)	5,532
Other Financing Sources (Uses):			
Advances Out	(142,000)	(142,000)	0
Total Other Financing Sources (Uses)	<u>(142,000)</u>	<u>(142,000)</u>	<u>0</u>
Net Change in Fund Balances	(1,519,774)	(1,514,242)	5,532
Fund Balances Beginning of Year	873	873	0
<i>Prior Year Encumbrances Appropriated</i>	<u>1,554,379</u>	<u>1,554,379</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 35,478</u>	<u>\$ 41,010</u>	<u>\$ 5,532</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Other Federal Funds
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Miscellaneous	\$ 1,000	\$ 350	\$ (650)
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	9,934,000	5,641,076	(4,292,924)
Total Revenues	<u>9,935,000</u>	<u>5,641,426</u>	<u>(4,293,574)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	815,232	660,621	154,611
Special	2,947,434	1,368,640	1,578,794
Adult/Continuing	144,872	144,872	0
<i>Support Services:</i>			
Pupils	132,638	61,233	71,405
Instructional Staff	2,709,371	1,502,697	1,206,674
Administration	3,650,496	2,571,101	1,079,395
Fiscal	89,266	60,759	28,507
Operation and Maintenance of Plant	15,977	2,626	13,351
Pupil Transportation	23,322	23,162	160
Operation of Non-Instructional Services	132,295	103,397	28,898
Capital Outlay	339,302	125,628	213,674
Total Expenditures	<u>11,000,205</u>	<u>6,624,736</u>	<u>4,375,469</u>
Excess of Revenues Over (Under) Expenditures	(1,065,205)	(983,310)	81,895
Other Financing Sources (Uses):			
Advances In	1,062,000	1,062,000	0
Advances Out	(751,000)	(751,000)	0
Total Other Financing Sources (Uses)	<u>311,000</u>	<u>311,000</u>	<u>0</u>
Net Change in Fund Balances	(754,205)	(672,310)	81,895
Fund Balances Beginning of Year	590,151	590,151	0
<i>Prior Year Encumbrances Appropriated</i>	320,988	320,988	0
Fund Balances at End of Year	<u>\$ 156,934</u>	<u>\$ 238,829</u>	<u>\$ 81,895</u>

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, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 362,000	\$ 361,523	\$ (477)
Total Revenues	362,000	361,523	(477)
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Operation and Maintenance of Plant	119,468	119,468	0
Capital Outlay	12,567,927	9,397,255	3,170,672
Total Expenditures	12,687,395	9,516,723	3,170,672
Excess of Revenues Over (Under) Expenditures	(12,325,395)	(9,155,200)	3,170,195
Other Financing Sources (Uses):			
General Obligation Bonds Issued	13,800,000	13,800,000	0
Total Other Financing Sources (Uses)	13,800,000	13,800,000	0
Net Change in Fund Balances	1,474,605	4,644,800	3,170,195
Fund Balances Beginning of Year	4,625,287	4,625,287	0
<i>Prior Year Encumbrances Appropriated</i>	5,543,850	5,543,850	0
Fund Balances at End of Year	\$ 11,643,742	\$ 14,813,937	\$ 3,170,195

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, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 88,000	\$ 38,370	\$ (49,630)
Total Revenues	<u>88,000</u>	<u>38,370</u>	<u>(49,630)</u>
Expenditures:			
<i>Current:</i>			
Operation and Maintenance of Plant	8,195,190	1,680,392	6,514,798
Capital Outlay	5,888	5,888	0
Total Expenditures	<u>8,201,078</u>	<u>1,686,280</u>	<u>6,514,798</u>
Excess of Revenues Over (Under) Expenditures	(8,113,078)	(1,647,910)	6,465,168
Fund Balances Beginning of Year	6,223,722	6,223,722	0
<i>Prior Year Encumbrances Appropriated</i>	<u>1,891,348</u>	<u>1,891,348</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 1,992</u>	<u>\$ 6,467,160</u>	<u>\$ 6,465,168</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
School Net Plus Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 15,000	\$ 15,000	\$ 0
Total Revenues	<u>15,000</u>	<u>15,000</u>	<u>0</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Instructional Staff	1,672,550	1,672,550	0
Operation and Maintenance of Plant	35,000	0	35,000
Central	15,000	15,000	0
Total Expenditures	<u>1,722,550</u>	<u>1,687,550</u>	<u>35,000</u>
Excess of Revenues Over (Under) Expenditures	(1,707,550)	(1,672,550)	35,000
Fund Balances Beginning of Year	1,707,550	1,707,550	0
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 0</u>	<u>\$ 35,000</u>	<u>\$ 35,000</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, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 0	\$ 74	\$ 74
Total Revenues	<u>0</u>	<u>74</u>	<u>74</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Instructional Staff	100,360	0	100,360
Operation and Maintenance of Plant	72,074	74	72,000
Total Expenditures	<u>172,434</u>	<u>74</u>	<u>172,360</u>
Excess of Revenues Over (Under) Expenditures	(172,434)	0	172,434
Fund Balances Beginning of Year	172,434	172,434	0
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 0</u>	<u>\$ 172,434</u>	<u>\$ 172,434</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
School Facility Grant Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Operation and Maintenance of Plant	3,707,676	3,707,676	0
Total Expenditures	<u>3,707,676</u>	<u>3,707,676</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	(3,707,676)	(3,707,676)	0
Other Financing Sources (Uses):			
Advances In	1,509,000	1,509,000	0
Total Other Financing Sources (Uses)	<u>1,509,000</u>	<u>1,509,000</u>	<u>0</u>
Net Change in Fund Balances	(2,198,676)	(2,198,676)	0
Fund Balances Beginning of Year	452,885	452,885	0
<i>Prior Year Encumbrances Appropriated</i>	<u>1,746,444</u>	<u>1,746,444</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 653</u>	<u>\$ 653</u>	<u>\$ 0</u>

Statistical Section

Cleveland Municipal School District

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

	1996	1997	1998	1999	2000	2001
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	\$ 155,490,489	\$ 187,021,369	\$ 223,362,432	\$ 233,513,561	\$ 217,137,676	\$ 224,284,910
Investment Income	5,844,675	6,685,375	11,544,482	13,767,095	16,861,000	18,285,338
Tuition and Fees	658,500	781,852	1,391,599	1,728,030	1,023,218	1,532,003
Extracurricular Activities	1,318,246	1,251,565	1,274,051	1,293,306	857,343	705,765
Rentals	158,452	162,355	125,406	104,352	100,771	16,115
Miscellaneous	3,878,521	3,268,605	4,706,558	2,536,103	1,826,986	7,125,706
State Sources:						
Unrestricted Grants-in-Aid (2)	239,618,796	232,505,491	270,945,514	322,814,426	316,361,566	310,739,648
Restricted Grants-in-Aid	56,875,712	49,757,129	73,130,537	46,268,975	50,261,774	75,892,321
Federal Sources:						
Unrestricted Grants-in-Aid	2,348,543	2,001,397	5,505,195	3,957,556	4,109,302	5,303,880
Restricted Grants-in-Aid	39,208,676	60,140,167	58,371,212	54,888,588	52,036,799	65,045,715
Total	\$ 505,400,610	\$ 543,575,305	\$ 650,356,986	\$ 680,871,992	\$ 660,576,435	\$ 708,931,401

(continued)

Cleveland Municipal School District

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

	2002 (3)		2003 (3)		2004 (3)		2005 (3)	
	Full Accrual	Modified Accrual	Full Accrual	Modified Accrual	Full Accrual	Modified Accrual	Full Accrual	Modified Accrual
Program Revenues								
Charges for Services	\$ 804,375	N/A	\$ 529,043	N/A	\$ 994,043	N/A	\$ 275,964	N/A
Operating Grants and Contributions	197,213,751	N/A	208,914,717	N/A	206,680,517	N/A	209,975,191	N/A
Capital Grants and Contributions	3,433,050	N/A	5,109,270	N/A	121,233,985	N/A	109,441,106	N/A
General Revenues								
Local Sources:								
Taxes	272,397,563	\$ 259,607,843	215,870,761	\$ 213,602,787	262,582,746	\$ 246,794,199	225,176,463	\$ 224,900,023
Investment Income	7,844,704	7,844,704	4,688,605	4,688,605	2,945,010	2,945,010	7,362,433	7,362,433
Tuition and Fees	0	928,493	0	654,602	0	1,079,586	0	346,739
Extracurricular Activities	0	474,299	0	570,391	0	1,044,014	0	823,214
Rentals	0	0	0	0	0	0	0	0
Miscellaneous	2,443,123	13,059,119	4,324,953	13,255,835	2,840,826	9,521,102	2,410,759	10,368,681
State Sources:								
Unrestricted Grants-in-Aid (2)	320,497,947	320,497,947	302,965,559	302,965,559	335,747,598	335,747,598	322,634,276	322,634,276
Restricted Grants-in-Aid	0	88,546,257	37,955,928	129,821,083	0	109,333,452	0	143,316,706
Federal Sources:								
Unrestricted Grants-in-Aid	5,206,702	5,206,702	19,787,241	19,787,241	11,022,960	11,022,960	7,639,231	7,639,231
Restricted Grants-in-Aid	0	95,141,262	0	114,895,243	0	118,784,282	0	118,920,360
Total	\$ 809,841,215	\$ 791,306,626	\$ 800,146,077	\$ 800,241,346	\$ 944,047,685	\$ 836,272,203	\$ 884,915,423	\$ 836,311,663

(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, 1995 - 2000.
(3) Effective beginning in the year ended June 30, 2002, Food Service, Consumer Services Rotary and Child Care Center which had been classified as Enterprise Funds, were reclassified to Special Revenue Funds. 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

	1996	1997	1998	1999	2000	2001
Expenses/Expenditures						
Current:						
Instruction:						
Regular	\$ 210,104,970	\$ 179,097,325	\$ 203,261,984	\$ 233,987,148	\$ 253,119,426	\$ 239,454,508
Special	72,817,142	87,746,044	87,261,071	94,776,091	89,282,118	114,694,607
Vocational	17,412,555	16,366,961	17,023,889	16,942,842	18,193,372	17,407,927
Adult/Continuing	3,570,206	3,683,513	3,913,542	3,788,063	4,848,478	4,971,848
Other	1,726,811	2,999,947	2,950,684	1,855,733	1,334,029	1,745,463
Support Services:						
Pupils	16,087,440	17,691,394	21,921,900	24,779,405	25,420,577	27,256,542
Instructional Staff	22,733,960	24,023,707	30,181,237	31,414,445	34,331,720	46,378,563
Board of Education	73,636	55,704	47,747	108,155	187,039	211,884
Administration	32,017,140	33,631,621	36,596,789	37,130,298	44,562,207	41,378,477
Fiscal	9,059,791	7,257,818	7,951,092	8,709,423	3,609,819	10,208,253
Business	4,422,478	1,850,968	932,006	2,663,827	467,520	1,480,088
Operations and Maintenance of Plant	46,484,000	47,602,874	50,974,217	57,138,998	59,434,441	64,007,087
Pupil Transportation	24,815,117	26,027,138	25,620,574	33,277,000	32,668,584	38,190,326
Central	10,073,814	12,392,000	14,503,295	22,424,027	24,238,631	23,102,425
Operation of Non-Instructional Services	8,651,473	9,985,024	12,709,080	13,954,888	14,415,830	12,740,364
Extracurricular Activities	2,747,296	4,161,582	5,046,897	5,934,577	7,617,561	8,047,977
Capital Outlay	7,390,638	9,359,126	22,923,467	18,020,328	10,831,630	22,020,994
Intergovernmental	0	19,472	10,355	0	0	0
Debt Service	27,859,189	26,256,765	27,952,642	21,965,715	21,505,401	21,063,034
<i>Total</i>	<u>\$ 518,047,656</u>	<u>\$ 510,208,983</u>	<u>\$ 571,782,468</u>	<u>\$ 628,870,963</u>	<u>\$ 646,068,383</u>	<u>\$ 694,360,367</u>

(continued)

Cleveland Municipal School District

General Governmental

Expenses/Expenditures by Function (1) (continued)

Last Ten Fiscal Years

	2002 (2)		2003 (2)		2004 (2)		2005 (2)	
	Full Accrual	Modified Accrual	Full Accrual	Modified Accrual	Full Accrual	Modified Accrual	Full Accrual	Modified Accrual
Expenses/Expenditures								
Current:								
Instruction:								
Regular	\$ 285,812,361	\$ 267,806,654	\$ 292,996,927	\$ 279,487,310	\$ 290,987,320	\$ 282,588,920	\$ 249,352,851	\$ 247,538,531
Special	134,372,522	134,340,753	133,693,977	133,544,331	143,004,004	142,508,629	152,153,082	152,415,325
Vocational	17,515,053	17,511,631	17,726,322	17,687,269	15,994,184	15,999,270	12,683,615	12,841,844
Adult/Continuing	5,687,512	5,674,172	5,836,915	5,829,809	5,094,891	5,102,664	3,490,435	3,519,447
Other	3,015,312	3,015,312	649,876	649,876	198,400	198,400	150	150
Support Services:								
Pupils	45,797,274	32,530,531	43,833,809	42,077,898	45,012,097	41,479,432	33,877,518	36,034,088
Instructional Staff	64,764,521	64,694,935	63,960,109	64,123,973	56,236,589	56,192,266	54,824,171	54,943,213
Board of Education	288,859	277,862	304,039	289,091	259,950	252,707	223,203	209,576
Administration	52,787,800	49,145,584	55,540,796	53,270,115	45,084,175	44,542,970	43,927,480	39,700,442
Fiscal	1,606,735	9,476,226	12,688,426	12,700,693	10,893,531	10,896,259	12,234,280	12,265,464
Business	1,146,699	1,141,199	1,275,129	1,243,797	1,091,725	1,082,675	1,284,442	1,289,034
Operations and Maintenance of Plant	61,649,791	84,859,246	67,222,113	76,805,490	62,223,013	70,515,379	56,317,807	60,192,807
Pupil Transportation	40,111,930	43,060,114	39,750,255	38,221,943	38,379,675	37,217,500	28,867,256	28,199,461
Central	18,755,847	18,403,231	20,175,678	20,047,777	16,698,556	16,639,171	14,936,994	15,118,320
Operation of Non-Instructional Services	43,155,357	43,042,767	43,804,093	42,915,460	43,837,168	44,336,368	44,009,082	44,051,523
Extracurricular Activities	7,955,139	7,892,613	7,611,100	7,593,763	7,051,078	7,034,194	5,968,627	6,061,353
Capital Outlay	0	4,031,805	0	21,213,426	0	54,594,406	0	81,404,824
Intergovernmental	0	0	0	0	0	0	0	0
Debt Service	12,759,118	22,167,967	16,890,272	21,559,085	9,830,504	39,728,921	13,588,410	42,626,552
<i>Total</i>	\$ 797,181,830	\$ 809,072,602	\$ 823,959,836	\$ 839,261,106	\$ 791,876,860	\$ 870,910,131	\$ 727,739,403	\$ 838,411,954

Notes:

- (1) Includes General Fund, Special Revenue Capital Projects and Debt Service Funds for modified accrual and all governmental activities for full accrual
- (2) Effective beginning in the year ended June 30, 2002, Food Service, Consumer Services Rotary and Child Care Center which had been classified as Enterprise Funds, were reclassified to Special Revenue Funds. Also the Education Special Trust Fund which had been classified as an Expendable Trust Fund, was reclassified to a Special Revenue Fund.

Source: School District Financial Records

(concluded)

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

Collection Year (2)	Current		Percent Collected (1)	Delinquencies		Total Collected	Total Collected As Percent Of Current Tax Levy		Outstanding Delinquent Taxes By Year		Outstanding Delinquent Taxes As Percent Of Billed
	Tax Levy Billed (1)	Current Collected		Collected	Delinquencies		As Percent Of Current Tax Levy	Outstanding Delinquent Taxes	By Year		
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			
2003	263,003	232,417	88.4	17,296	249,713	94.9	99,809	37.9			
2004	259,350	231,188	89.1	23,533	254,721	98.2	98,295	37.9			

Notes:

- (1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental Revenue.
- (2) Represents collection year. 2005 information cannot be presented because all collections have not been made by June 30.

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		
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
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	34
2001	4,656,974	13,305,640	453,054	514,834	989,442	3,957,768	6,099,470	17,778,242	34
2002	4,689,984	13,399,954	370,677	421,224	980,692	3,922,768	6,041,353	17,743,946	34
2003	4,609,619	13,170,340	357,125	405,824	852,234	3,705,365	5,818,978	17,281,529	34
2004	4,903,040	14,008,686	357,470	406,216	723,018	3,143,557	5,983,528	17,558,459	34
2005	5,007,377	14,306,791	352,432	400,491	674,031	2,930,570	6,033,840	17,637,852	34

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 1996 collection year to 2002 and 23% for 2003 through 2005.

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	Building Maintenance	Bond Retirement					
1996	12.70	16.60	3.00	44.70	0.00	3.40	80.40	26.40	12.80	2.80	18.70
1997	12.70	16.60	3.00	58.20	0.00	2.80	93.30	25.10	12.80	2.80	18.90
1998	12.70	16.60	3.00	58.20	0.00	2.80	93.30	25.10	12.80	2.80	18.90
1999	12.70	15.30	4.00	58.20	0.00	2.80	93.00	25.10	12.80	2.80	19.10
2000	12.70	15.30	4.00	58.20	0.00	2.60	92.80	25.10	12.80	2.80	19.00
2001	12.70	16.20	4.00	58.20	0.00	2.40	93.50	24.70	12.80	2.80	19.60
2002	12.70	16.20	4.00	58.20	0.50	6.10	97.70	20.30	12.80	2.80	19.60
2003	12.70	16.20	4.00	58.20	0.50	6.10	97.70	20.50	12.80	2.80	20.10
2004	12.70	18.00	6.80	58.20	0.50	6.10	102.30	14.00	12.80	2.80	20.10
2005	12.70	18.30	6.80	58.20	0.50	6.10	102.60	14.00	18.50	2.80	21.10

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
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
2004	478,403	5,983,528	120,810	37,526	83,284	1.39	174
2005	478,403	6,033,840	218,450	40,035	178,415	2.96	373

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, 2005

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)	\$ 197,200,000	\$ 34,429,875	\$ 162,770,125	100.00%	\$ 162,770,125
Overlapping Debt:					
City of Cleveland (3)	409,585,000	12,816,670	396,768,330	97.78	387,960,073
Cuyahoga County (3)	249,645,029	2,186,190	247,458,839	19.69	48,724,645
Village of Bratenahl (3)	920,000	239,413	680,587	100.00	680,587
City of Garfield Heights (3)	31,404,000	69,000	31,335,000	5.78	1,811,163
Greater Cleveland Regional Transit Authority (3)	147,025,000	1,155,256	145,869,744	19.69	28,721,753
Total Overlapping Debt	838,579,029	16,466,529	822,112,500		467,898,221
Total	\$ 1,035,779,029	\$ 50,896,404	\$ 984,882,625		\$ 630,668,346

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 \$133,739, capital lease obligations of \$5,940,034, H.B. 264 Energy Conservation Note of \$9,767,374 and QZAB debt of \$21,250,000.

(3) City of Cleveland, Cuyahoga County, Village of Bratenahl, City of Garfield Heights and the Greater Cleveland Regional Transit Authority operate on a calendar year.

Source: Cuyahoga County Auditor

Cleveland Municipal School District

Computation of Legal Debt Margin

June 30, 2005

Assessed Value	\$ 6,033,840,000
Debt Limit - 9% of Assessed Value (1)	<u>543,045,600</u>
Amount of Debt Applicable to Debt Limit:	
General Obligation Bond	218,450,000
Revenue Anticipation Notes	33,835,000
Amount Available in Debt Service Fund	<u>(40,034,642)</u>
Total	212,250,358
Exemptions:	
Revenue Anticipation Notes	33,835,000
QZAB - Arts Academy	5,750,000
QZAB - Technology Academy	5,500,000
QZAB - Literacy Academy	<u>10,000,000</u>
Total	55,085,000
Amount of Debt Subject to the Limit	<u>157,165,358</u>
Total Debt Margin	<u>\$ 385,880,242</u>
Debt Margin - .10% of Assessed Value (1)	<u>\$ 6,033,840</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>\$ 6,033,840</u>
Additional Limit for Unvoted Energy Conservation Bonds:	
Debt Limited - 1% of Assessed Valuation	<u>\$ 60,338,400</u>
Additional Unvoted Debt Margin	<u>\$ 60,338,400</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		
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
2004	27,875	5,022	32,897	870,910	3.8
2005	26,495	9,057	35,552	838,411	4.2

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 Enterprise Funds, were reclassified to Special Revenue Funds. 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, 2005

Company	Policy Period		Details of Coverage	Per Occurrence		Annual Premium
	From	To		Liability Limits	Retention/Deductible	
XL Insurance America, Inc.	7/1/2004	7/1/2005	Boiler Inspection	NA	NA	\$ 21,000
National Union Fire Insurance Co. (AIG)	7/1/2004	7/1/2005	School Leaders Errors and Omissions	\$ 1,000,000	\$ 250,000	\$ 49,002
National Union Fire Insurance Co. (AIG)	7/1/2004	7/1/2005	Employed Lawyers' Professional Liability	\$ 1,000,000	\$ 25,000	\$ 20,318
Travelers Casualty & Surety Co. of America	7/20/2004	7/20/2005	Public Officials Bond (Treasurer Bond)	\$ 1,000,000	None	\$ 3,690
National Union Fire Insurance Co. (AIG)	7/1/2004	7/1/2005	Employees' Blanket Crime	\$ 1,000,000	\$ 25,000	\$ 24,000
American Empire Surplus Line Ins. Co.	7/1/2004	7/1/2005	Nurses' Professional Liability	\$ 1,000,000	\$ 500	\$ 85,000
Clarendon America Insurance Co.	7/1/2003	9/1/2004	General Liability, Automobile Liability and Physical Damage	\$ 5,000,000	\$ 1,000,000 (1)	\$ 584,792
Clarendon America Insurance Co.	9/1/2004	9/1/2005	General Liability, Automobile Liability and Physical Damage	\$ 5,000,000	\$ 1,000,000 (1)	\$ 350,970
Lexington Insurance Co. (AIG)	6/30/2004	6/30/2005	Property Insurance	\$ 75,000,000	\$ 500,000	\$ 450,000

N/A - Not Applicable
(AIG) American 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)
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	68,378	93.80	3.55
2003	2,364	71,613	68,462	95.60	0.12
2004	2,505	69,559	67,264	96.70	(1.75)
2005 (1)	2,238	64,772		0.00	0.00

Source: Office of Research, Evaluation and Assessment

(1) Average daily attendance for 2005 not yet available.

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

	1996	1997	1998	1999	2000
<i>Average Daily Membership</i>	<u>71,054</u>	<u>71,344</u>	<u>73,312</u>	<u>76,170</u>	<u>76,323</u>
<i>Instruction:</i>					
Regular	\$ 2,957	\$ 2,510	\$ 2,773	\$ 3,072	\$ 3,316
Special	1,025	1,230	1,190	1,244	1,170
Vocational	244	229	232	223	238
Adult/Continuing	50	52	54	50	64
Other	<u>24</u>	<u>42</u>	<u>40</u>	<u>24</u>	<u>17</u>
<i>Total Instruction</i>	<u>4,300</u>	<u>4,063</u>	<u>4,289</u>	<u>4,613</u>	<u>4,805</u>
<i>Support Services:</i>					
Pupils	226	248	299	325	333
Instructional Staff	321	337	412	412	450
Board of Education	1	1	1	1	2
Administration	451	471	499	487	584
Fiscal	128	102	108	114	47
Business	62	26	13	35	6
Operations and Maintenance of Plant	654	667	695	751	779
Pupil Transportation	349	365	349	437	428
Central	<u>142</u>	<u>174</u>	<u>198</u>	<u>295</u>	<u>318</u>
<i>Total Support Services</i>	<u>2,334</u>	<u>2,391</u>	<u>2,574</u>	<u>2,857</u>	<u>2,947</u>
<i>Total Operation of Non-Instructional Services</i>	122	140	173	183	189
<i>Total Extracurricular Activities</i>	39	58	69	78	100
<i>Total Capital Outlay</i>	104	131	313	237	142
<i>Total Debt Service</i>	<u>392</u>	<u>368</u>	<u>381</u>	<u>288</u>	<u>282</u>
<i>Total Expenditures</i>	<u>\$ 7,291</u>	<u>\$ 7,151</u>	<u>\$ 7,799</u>	<u>\$ 8,256</u>	<u>\$ 8,465</u>

(continued)

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

	2001	2002 (1)	2003 (1)	2004 (1)	2005 (1)
<i>Average Daily Membership</i>	<u>74,193</u>	<u>72,898</u>	<u>71,613</u>	<u>69,559</u>	<u>64,772</u>
<i>Instruction:</i>					
Regular	\$ 3,227	\$ 3,674	\$ 3,903	\$ 4,063	\$ 3,822
Special	1,546	1,843	1,865	2,049	2,353
Vocational	235	240	247	230	198
Adult/Continuing	67	78	81	73	54
Other	<u>23</u>	<u>41</u>	<u>9</u>	<u>3</u>	<u>0</u>
<i>Total Instruction</i>	<u>5,098</u>	<u>5,876</u>	<u>6,105</u>	<u>6,418</u>	<u>6,427</u>
<i>Support Services:</i>					
Pupils	367	446	588	596	556
Instructional Staff	625	887	895	808	848
Board of Education	3	4	4	4	3
Administration	558	674	744	640	613
Fiscal	138	130	177	157	189
Business	20	16	17	15	20
Operations and Maintenance of Plant	863	1,164	1,061	1,014	929
Pupil Transportation	515	591	534	535	435
Central	<u>311</u>	<u>252</u>	<u>280</u>	<u>239</u>	<u>233</u>
<i>Total Support Services</i>	<u>3,400</u>	<u>4,164</u>	<u>4,300</u>	<u>4,008</u>	<u>3,826</u>
<i>Total Operation of Non-Instructional Services</i>	172	590	599	637	680
<i>Total Extracurricular Activities</i>	108	108	106	101	94
<i>Total Capital Outlay</i>	297	55	307	785	1,257
<i>Total Debt Service</i>	<u>284</u>	<u>304</u>	<u>301</u>	<u>571</u>	<u>658</u>
<i>Total Expenditures</i>	<u>\$ 9,359</u>	<u>\$ 11,097</u>	<u>\$ 11,718</u>	<u>\$ 12,520</u>	<u>\$ 12,942</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 Enterprise Funds, were reclassified to Special Revenue Funds. 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

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
AVERAGE DAILY MEMBERSHIP	71,054	71,344	73,312	76,170	76,323	74,193	72,898	71,613	69,559	64,772
Sec. Paid lunch - price per meal	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Reduced lunch - price per meal	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
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	178	176	179	174	177	179	178	178	179	175
Sec. Free lunches served	1,889,670	1,930,506	1,976,202	1,838,637	1,886,314	2,483,836	2,540,259	2,339,714	2,218,703	1,847,319
Elem. Free lunches served	4,882,461	4,792,532	5,444,987	5,339,982	5,101,947	5,096,791	5,032,709	5,084,740	4,829,826	4,615,533
Sec. Daily average free lunches	10,616	10,969	11,040	10,567	10,567	13,876	14,271	13,144	12,395	10,566
Elem. Daily average free lunches	27,430	27,230	30,419	30,690	28,825	28,474	28,274	28,566	26,982	26,374
Sec. Reduced lunches served	62,223	58,703	72,363	65,241	122,810	156,042	165,027	159,419	153,176	131,688
Elem. Paid lunches served	224,190	220,189	213,205	203,727	365,133	488,415	508,883	480,599	456,801	406,025
Sec. Reduced lunches served	200,440	200,628	252,438	278,389	386,256	406,169	403,640	405,497	389,714	370,699
Elem. Paid lunches served	209,863	210,251	250,624	260,973	734,311	842,151	849,876	849,470	804,820	781,873
Sec. Daily average reduced lunches	350	334	404	375	694	872	927	896	855	753
Elem. Daily average paid lunches	1,259	1,251	1,191	1,171	2,063	2,729	2,859	2,700	2,552	2,319
Sec. Daily average reduced lunches	1,126	1,140	1,410	1,600	2,182	2,269	2,268	2,278	2,177	2,118
Elem. Daily average paid lunches	1,179	1,195	1,400	1,500	4,149	4,705	4,775	4,772	4,496	4,468
Sec. Total lunches served	2,176,083	2,209,398	2,261,770	2,107,605	2,374,257	3,128,293	3,214,169	2,979,732	2,828,680	2,385,032
Elem. Total lunches served	5,292,764	5,203,411	5,948,049	5,879,344	6,222,514	6,345,111	6,286,225	6,339,707	6,024,360	5,768,105
Sec. Daily average lunches served	12,225	12,554	12,635	12,113	13,324	17,476	18,057	16,740	15,802	13,628
Elem. Daily average lunches served	29,735	29,565	33,229	33,790	35,156	35,448	35,316	35,616	33,655	32,960
Sec. Number of schools serving	37	37	37	37	37	39	37	33	31	27
Elem. Number of schools serving	79	79	80	80	80	79	81	85	87	90

Notes:

Sec. - Secondary School
Elem. - Elementary School
ALC - Priced a la carte

Source: School District Food Service Division

The number of free students in the lunch program is 73% while the number of reduced students in the lunch program is 9%.

Cleveland Municipal School District
 School Breakfast Program
 Last Ten Fiscal Years

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
AVERAGE DAILY MEMBERSHIP	71,054	71,344	73,312	76,170	76,323	74,193	72,898	71,613	69,559	64,772
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	ALC	ALC	ALC	ALC	ALC	ALC	ALC	ALC	ALC	ALC
Elem. 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	178	176	179	174	177	179	178	178	179	175
Sec. Free breakfasts served	357,928	398,055	428,494	433,229	444,460	652,756	734,887	759,087	912,390	978,456
Elem. Free breakfasts served	3,496,747	3,439,729	3,873,415	3,845,137	3,877,467	3,789,974	3,685,391	3,658,527	3,415,357	2,998,755
Sec. Daily average free breakfasts	2,011	2,262	2,394	2,490	2,511	3,647	4,129	4,265	5,097	5,591
Elem. Daily average free breakfasts	19,645	19,544	21,639	22,098	21,907	21,173	20,704	20,553	19,080	17,136
Sec. Reduced breakfasts served	7,809	6,520	5,462	6,324	25,158	35,359	44,429	48,362	59,672	63,798
Elem. Paid breakfasts served	28,516	27,647	27,204	29,117	64,124	97,404	122,990	134,323	162,623	165,659
Sec. Reduced breakfasts served	152,238	149,910	168,518	166,918	188,426	171,309	163,174	164,135	154,287	137,878
Elem. Paid breakfasts served	263,640	259,486	292,429	289,955	288,015	296,764	288,225	286,897	275,854	251,531
Sec. Daily average reduced breakfasts	44	37	31	36	142	198	250	272	333	364
Elem. Daily average paid breakfasts	160	157	152	167	362	544	691	754	909	947
Sec. Daily average reduced breakfasts	855	852	941	959	1,065	957	917	922	862	788
Elem. Daily average paid breakfasts	1,481	1,474	1,634	1,666	1,627	1,658	1,619	1,612	1,541	1,437
Sec. Total breakfasts served	394,253	432,222	461,160	468,670	533,742	785,519	902,306	941,772	1,134,685	1,207,913
Elem. Total breakfasts served	3,912,625	3,849,125	4,334,362	4,302,010	4,353,908	4,258,047	4,136,790	4,109,559	3,845,498	3,388,164
Sec. Daily average breakfasts served	2,215	2,456	2,577	2,693	3,015	4,388	5,069	5,291	6,339	6,902
Elem. Daily average breakfasts served	21,981	21,870	24,214	24,723	24,599	23,788	23,240	23,087	21,483	19,361
Sec. Number of schools serving	37	37	37	37	37	39	37	33	31	27
Elem. Number of schools serving	79	79	80	80	80	79	81	85	87	90

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.
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
2004	1,132,800	73,700	6.5	5.8	5.6
2005	1,115,800	70,600	6.3	6.2	5.0

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	24,406	Health Care (Hospital and Outpatient Clinic)
University Hospitals Health System	14,504	Health Care
Progressive Corporation	8,161	Insurance Provider
KeyCorp	6,504	Bank-Based Financial Services
National City Corporation	6,046	Financial Holding Company
MetroHealth System	5,400	Health Care System
Ford Motor Company	5,347	Automobile Manufacturer
Case Western Reserve University	5,328	Higher Education
Tops Markets, LLC	3,277	Retail Grocery Chain
Giant Eagle Incorporated	3,109	Grocery Store Chain
Continental Airlines	3,105	Airlines
UHHS/CSAHS-Cuyahoga Incorporated	2,885	Healthcare
General Motors Corporated	2,707	Automobile Manufacturer
Sherwin-Williams Company	2,538	Paints and Coatings
GE Consumer and Industrial	2,457	Manufacturer of Lighting Products
MBNA America Bank	2,250	Banking
American Greetings Corporation	2,200	Manufacturer - Greeting Cards
UPS	2,190	Parcel Delivery
Charter One Bank	2,114	Bank
Lincoln Electric Company	2,075	Manufacturer - Arc Welding Products

Source: Crain's Cleveland Business, 2005 Book of Lists
"Largest Cuyahoga County Employers".

Cleveland Municipal School District
Major Taxpayers

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

Name	Nature of Business	Approximate Assessed Valuation	Percent of Total District Assessed Valuation
Cleveland Electric Illuminating Company	Electric Utility	\$ 143,327,100	2.38%
SBC Ameritech	Telecommunications	81,740,330	1.35%
ZML - Cleveland Public Square, LLC	Commercial Real Estate	47,232,500	0.78%
NPW LTD Partnership	Commercial Real Estate	35,560,000	0.59%
ISG Cleveland Inc.	Steel Manufacturing	34,267,430	0.57%
Cleveland Clinic Foundation	Health Care	29,700,590	0.49%
Ohio Bell Telephone	Communications	28,464,420	0.47%
National City Center, LLC	Commercial Real Estate	28,000,000	0.46%
American Transmission Services	Power Transmission	23,349,450	0.39%
Bishop James Hickey	Commercial Real Estate	22,366,800	0.37%
Total Ten Largest		<u>\$ 474,008,620</u>	<u>7.85%</u>
Total District Assessed Valuation		<u>\$ 6,033,840,000</u>	

Source: Cuyahoga County Auditor - 2004 Tax Collection Year.
2005 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		Commercial		
	Total Estimated Actual Value (1) (Amounts in 000's)	Bank Deposits at June 30 (2) (Amounts in 000's)	Construction		
			Permits Issued (3)	Estimated Cost of Construction (3)	
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
2003	17,558,458	93,879,318	9,471		496,597,015
2004	17,637,852	105,769,931	10,020		558,278,403

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.

2005 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 (4)	1977	72,320	1.09
Almira	1916	60,458	2.09
Andrew J. Rickoff (5)	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	1.57
Corlett (4)	1915	58,292	2.98
Cranwood (4)	1957	44,574	4.12
Daniel E. Morgan	1959	51,272	2.37
Denison	1972	52,351	2.40
Douglas MacArthur (4)	1967	31,000	3.00
East Clark (5)	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 (5)	1922	31,763	8.16
Giddings	1970	49,607	2.46
Gracemount	1947	48,515	3.03
Harvey Rice (5)	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 (4)	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
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 (5)	1971	43,027	3.33
Moses Cleaveland	1925	64,687	3.86
Mound	1904	36,642	1.43
Mount Auburn (4)	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 (4)	1964	48,613	2.14
Tremont	1917	100,396	2.80
Union	1969	49,426	1.68
Valley View (4)	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
		3,214,521	191.08
K-8 Schools:			
Alexander G. Bell	1971	68,840	1.42
Alexander Hamilton (4)	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
Hannah Gibbons (to be demolished in FY 2005)	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 (5)	1963	57,737	1.89
Mary M. Bethune (5)	1964	48,613	2.60
Paul Revere	1925	80,996	4.92
Robert H. Jamison	1966	140,000	2.60
Robinson G. Jones (5)	1951	38,311	4.30
Sunbeam	1923	63,368	4.40
		1,802,850	85.87
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 - Halle	*	*	*
Cleveland Learning Center - Jessie Owens	*	*	*
Collinwood CompuTech	*	*	*
F. D. Roosevelt	1976	154,766	7.21
Garrett Morgan Cleveland School of Science	1940	76,835	4.83
Margaret A. Ireland Complex	*	*	*
Luiz Munoz Marin	1976	119,689	5.00
Nathan Hale	1929	106,855	12.90
Nathaniel Hawthorne/Riverside student swing space	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 (4)	1903	75,624	1.85
		1,603,892	97.73
Senior High Schools:			
Cleveland Learning Center - Halle (4)	1904	49,337	2.29
Cleveland Learning Center - Jessie Owens	1914	39,000	2.00
Cleveland School of the Arts	1910	81,430	2.36
Collinwood	1924	297,759	5.68
East	1975	272,153	13.37
East Technical	1972	320,370	11.14
Glenville	1966	248,023	5.07
Health Careers Center	1980	67,000	1.75
James F. Rhodes	1932	164,931	10.09
Jane Addams Business Careers	1968	157,428	4.00
John F. Kennedy	1965	252,023	12.65
John Hay (closed for renovation)	1929	186,352	8.60
John Marshall	1932	256,924	12.03

* Statistics included with Senior High School Category.

(continued)

Cleveland Municipal School District
Miscellaneous Statistical Data (Continued)

	Constructed	Capacity/ Sq. Ft.	Acreage
Senior High Schools (Continued):			
Lincoln-West	1970	337,548	5.49
Margaret A. Ireland Complex	1962	57,958	3.09
Martin L. King Jr	1972	179,544	10.55
Max S. Hayes Vocational	1957	209,273	6.89
South (includes Washington Park)	1968	278,715	63.71
SuccessTech Academy	**	**	**
		<u>3,455,768</u>	<u>180.76</u>
All Instruction Sites:			
Elementary Schools		3,214,521	191.08
K-8		1,802,850	85.87
Middle Schools		1,603,892	97.73
Senior High Schools		3,455,768	180.76
Total instruction sites		<u>10,077,031</u>	<u>555.44</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:			
Bratenahl Professional Development Center	2004	14,000	7.50
Central Kitchen	1967	35,180	1.62
Woodland Distribution Center (2)	1968	199,014	3.06
Ridge (Hall) - Trades (1)	1986	25,000	5.00
Transportation:			
Ridge Road (1)	1986	29,480	5.89
Lake Center	1987	19,630	8.50
Cuyahoga Heights	1987	17,680	7.78
		<u>339,984</u>	<u>39.35</u>
Total administrative and service sites		<u>617,516</u>	<u>42.26</u>
SITES LEASED BY CMSD:			
Instruction:			
Corlett Building at Cleveland State University (swing space for John Hay)		N/A	N/A
St. Paul Catholic School in City of Euclid (swing space for Hannah Gibbons)		N/A	N/A
		<u>N/A</u>	<u>N/A</u>
Administrative:			
Family Life Resource Center		N/A	N/A
Multilingual-Multicultural Office		N/A	N/A
		<u>N/A</u>	<u>N/A</u>
Total sites leased by CMSD		<u>N/A</u>	<u>N/A</u>

(continued)

Cleveland Municipal School District
Miscellaneous Statistical Data (Continued)

	<u>Constructed</u>	<u>Capacity/ Sq. Ft.</u>	<u>Acreage</u>
CLOSED FACILITIES AND VACANT SITES:			
Closed Facilities:			
Woodhill-Quincy (2)	1971	69,754	2.09
Total Closed or Leased to Others Facilities		<u>69,754</u>	<u>2.09</u>
Vacant Sites:			
A. Benesch - old site			1.44
C.W. Chestnut			2.05
East Madison			3.60
East Tech - old site			4.94
John Burroughs			1.47
Kennard			5.46
Warner			1.42
National Screw			<u>1.42</u>
Total Vacant Sites			<u><u>20.38</u></u>
SITES UNDER CONSTRUCTION:			
Andrew Rickoff K-8 School			1.44
Miles Park K-8 School			4.40
Riverside K-8 School			2.50
John Adams High School			12.30
Memorial K-8 School			4.50
Total Sites Under Construction			<u><u>25.14</u></u>
GRAND TOTAL			
Facilities and/or Sites:			
Instruction		10,077,031	555.44
Administrative and Service		617,516	42.26
Sites Leased by CMSD		N/A	N/A
Closed Facilities		69,754	2.09
Vacant Sites		N/A	20.38
Sites Under Construction		N/A	<u>25.14</u>
Total		<u><u>10,764,301</u></u>	<u><u>645.31</u></u>

(concluded)

Notes:

- (1) Purchased during 1986.
- (2) Gift.
- (3) N/A - Not Available.
- (4) Building was permanently inactivated for instructional activity starting in the 2005-2006 school year based on Board of Education resolution in June, 2005.
- (5) Building was temporarily inactivated for instructional activity starting in the 2005-2006 school year based on Board of Education resolution in June, 2005.

Source: School District Building Management and Operations Division

Cleveland Municipal School District
Teacher Education and Experience

<u>Years of Experience</u>	<u>Number of Teachers</u>	<u>Percentage of Total</u>
0-5	790	18.50%
6-10	1,323	30.98%
11 and Over	<u>2,157</u>	<u>50.52%</u>
	<u><u>4,270</u></u>	<u><u>100.00%</u></u>

Note: The student per teacher ratio for the 2005-2005 school year was 24.3.

Note: Data is the number of full and part-time teachers

Source: School District Personnel Records

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Barbara Byrd-Bennett
Chief Executive Officer

Board of Education

Lawrence W. Davis, *Chair*
Grady P. Burrows, *Vice Chair*

Rashidah Abdulhaqq
Louise P. Dempsey
Shirley Hawk
Robert M. Heard, Sr.
Willetta A. Milam
John M. Moss
Gladys Santiago

Dr. Michael Schwartz, *ex officio*
Dr. Jerry Sue Thornton, *ex officio*



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CLEVELAND MUNICIPAL SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 23, 2006**