



OHIO AUDITOR OF STATE  
**KEITH FABER**





**CLEVELAND MUNICIPAL SCHOOL DISTRICT  
CUYAHOGA COUNTY  
JUNE 30, 2020**

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**CLEVELAND MUNICIPAL SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<b>Passed Through Ohio Department of Education:</b>		
Child Nutrition Cluster		
Non-Cash Assistance (Food Distribution):		
National School Lunch Program	10.555	1,290,519
School Breakfast Program	10.553	553,080
Non-Cash Assistance Subtotal		<u>1,843,599</u>
Cash Assistance:		
National School Lunch Program	10.555	13,417,855
School Breakfast Program	10.553	5,775,684
Cash Assistance Subtotal		<u>19,193,539</u>
Total Child Nutrition Cluster		<u>21,037,138</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>21,037,138</u></b>
<b>U.S. DEPARTMENT OF DEFENSE</b>		
<b>Direct Program</b>		
Junior ROTC -2020	12.000	317,198
<b>Total U.S. Department of Defense</b>		<b><u>317,198</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<b>Direct Program</b>		
Innovative Approaches to Literacy, Full-service Community Schools; and Promise Neighborhoods:		
Carol M. White Physical Education Program - 2017	84.215F	162,760
		<u>162,760</u>
<b>Passed Through Ohio Department of Education</b>		
Title I Grants to Local Educational Agencies - 2019	84.010	7,846,178
Title I Grants to Local Educational Agencies - 2019	84.010A	2,686,712
Title I Grants to Local Educational Agencies - 2020	84.010	5,000
Title I Grants to Local Educational Agencies - 2020	84.010A	33,138,445
Total Title I Grants to Local Educational Agencies		<u>43,676,335</u>
Special Education Cluster:		
Special Education Grants to States - 2017	84.027A	72,277
Special Education Grants to States - 2019	84.027A	1,636,189
Special Education Grants to States - 2020	84.027A	15,799,285
Total Special Education Grants to States		<u>17,507,751</u>
Special Education Preschool Grants - 2019	84.173A	87,604
Special Education Preschool Grants - 2020	84.173A	201,567
Total Special Education Preschool Grants		<u>289,171</u>
Total Special Education Cluster		<u>17,796,922</u>
Career and Technical Education - Basic Grants to States - 2019	84.048A	54,617
Career and Technical Education - Basic Grants to States - 2020	84.048A	1,216,506
Total Career and Technical Education - Basic Grants to States		<u>1,271,123</u>

**(Continued)**

**CLEVELAND MUNICIPAL SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>		
<b>Passed Through Ohio Department of Education (Continued)</b>		
Education for Homeless Children and Youth - 2019	84.196A	18,601
Education for Homeless Children and Youth - 2020	84.196A	367,951
Total Education for Homeless Children and Youth		386,552
School Improvement Grants - 2019	84.377A	468,526
School Improvement Grants - 2020	84.377A	4,810,829
Total School Improvement Grants		5,279,355
Student Support and Academic Enrichment - 2019	84.424A	70,161
Student Support and Academic Enrichment - 2020	84.424A	1,765,246
Total Student Support and Academic Enrichment		1,835,407
Special Education - State Personnel Development - 2020	84.323A	21,051
English Language Acquisition State Grants - 2017	84.365B	254
English Language Acquisition State Grants - 2019	84.365B	236,651
English Language Acquisition State Grants - 2020	84.365B	389,051
Total English Language Acquisition State Grants		625,956
Supporting Effective Instruction State Grants - 2019	84.367A	143,139
Supporting Effective Instruction State Grants - 2020	84.367A	1,211,324
Total Supporting Effective Instruction State Grants		1,354,463
Striving Readers Comprehensive Literacy - 2019	84.371C	1,875
Striving Readers Comprehensive Literacy - 2020	84.371C	39,653
Total Striving Readers Comprehensive Literacy		41,528
Temporary Emergency Impact Aid for Displaced Students	84.938C	73,208
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) - 2020	84.425D	1,237,824
<b>Total U.S. Department of Education</b>		<b>73,762,484</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
<b>Direct Program:</b>		
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance - 2018	93.079	114,786
School-Based HIV/STD Prevention and School-Based Surveillance - 2019	93.079	182,490
Total School-Based HIV/STD Prevention and School-Based Surveillance		297,276
<b>Passed Through the Educational Service Center of Cuyahoga County, Northeast Ohio:</b>		
Refugee and Entrant Assistance Discretionary Grants - 2019	93.566	5,731
Refugee and Entrant Assistance Discretionary Grants - 2020	93.566	62,895
Total Refugee and Entrant Assistance Discretionary Grants		68,626
Total U.S. Department of Health and Human Services		<b>365,902</b>
<b>Total Expenditures of Federal Awards</b>		<b>\$95,482,722</b>

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

**CLEVELAND MUNICIPAL SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of The Cleveland Municipal School District (the District's) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE E – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program(s) that benefitted from the use of those donated food commodities.

**NOTE F - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**CLEVELAND MUNICIPAL SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2020  
(CONTINUED)**

**NOTE G - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2020 to 2021 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Title I Grants to Local Educational Agencies	84.010	\$ 8,712,845
Special Education Grants to States	84.027	1,817,981
Student Support and Academic Enrichment	84.424A	998,011
Supporting Effective Instruction State Grants	84.367	806,879
English Language Acquisition State Grants	84.365	345,769
Special Education Preschool Grants	84.173	130,917

CFDA# - Catalog of Federal Domestic Assistance





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Cleveland Municipal School District  
Cuyahoga County  
1111 Superior Avenue E, Suite 1800  
Cleveland, Ohio 44114

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland Municipal School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 31, 2021, wherein we noted the financial impact of Covid-19 and the continuing emergency measures may impact subsequent periods of the District.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

***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 financial statements. However, opining 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*.

***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and / or corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 31, 2021



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615 Superior Avenue, NW  
Cleveland, Ohio 44113-1801  
(216) 787-3665 or (800) 626-2297  
NortheastRegion@ohioauditor.gov

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Cleveland Municipal School District  
Cuyahoga County  
1111 Superior Avenue E, Suite 1800  
Cleveland, Ohio 44114

To the Board of Education:

***Report on Compliance for each Major Federal Program***

We have audited the Cleveland Municipal School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could directly and materially affect each of the Cleveland Municipal School District's major federal programs for the year ended June 30, 2020. The Summary of Auditor's Results in the accompanying schedule of findings identifies the District's major federal programs.

***Management's Responsibility***

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' Government Auditing Standards; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on each Major Federal Program***

In our opinion, the Cleveland Municipal School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2020.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

***Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance***

We have also audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Cleveland Municipal School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our unmodified report thereon dated March 31, 2021, wherein we noted the financial impact of Covid-19 and the continuing emergency measures may impact subsequent periods of the District. We conducted our audit to opine on the District's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards presents additional analysis required by the Uniform Guidance and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 31, 2021

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**CLEVELAND MUNICIPAL SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: CFDA # 84.027 - Special Education Grants to States (IDEA, Part B) CFDA #84.173 - Special Education – Preschool Grants (IDEA Preschool) CFDA #84.010 - Title I Grants To Local Educational Agencies CFDA #84.367A - Supporting Effective Instruction State Grant
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$2,864,481 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

CLEVELAND MUNICIPAL SCHOOL DISTRICT  
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020  
(CONTINUED)

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

**1. Material Weakness- Financial Reporting**

**FINDING NUMBER 2020-001**

MATERIAL WEAKNESS

In our engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance related legal and contractual provisions.

The following errors occurred within the Hinkle filed financial report and were subsequently corrected in the final revised report by management:

Governmental Activities

- Deferred Outflows of Resources related to the Net Pension Liability were understated by \$5,054,594; Deferred Inflows of Resources related to the Net Pension Liability were overstated by \$47,254,803; and Pension Expense related to the Net Pension Liability was overstated by \$52,309,397.
- Deferred Outflows of Resources related to the Net OPEB Liability/Asset were understated by \$5,256,381; Deferred Inflows of Resources related to the Net OPEB Liability/ Asset were understated by \$7,250,552; and OPEB Expense was understated by \$1,994,171.
- Due Within One Year was overstated by \$34,736,193 and Other Amounts Due in More Than One Year were understated by \$34,736,193.
- Net Investment in Capital Assets was understated by \$4,938,480; Restricted Net Position was overstated by \$3,258,154; and Unrestricted Net Position was understated by \$45,376,746.

Governmental Funds Balance Sheet

- Equity in Pooled Cash and Cash Equivalents was overstated by \$3,222,855 for Classroom Facilities Fund and overstated \$35,298 for Permanent Improvement Fund.



**CLEVELAND MUNICIPAL SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2020  
(CONTINUED)**

These weaknesses resulted in the financial statements being materially misstated, and the potential for fraud and/or noncompliance with the Ohio Revised Code to go undetected.

We recommend the District establish controls over the review of financial statements and footnotes to ensure the amounts reported on the Hinkle System are accurate and complete.

**Official's Response:**

**Governmental Funds Balance Sheet**

- When preparing the financial statements for retainage, we inadvertently omitted two offsetting rows. This omission resulted in a material weakness due to the amount of the omission to the size of the fund. The finance department has noted this error in our internal review process to minimize the risk of omission in future audits.

**Governmental Activities**

- When preparing the financial statement for Compensation and Compensated Absences, we inadvertently flipped the amounts that were due in one year with the amounts due in more than one year. The Finance Department has noted this error in our internal review procedures to minimize the risk of errors in future audits.
- When preparing the entries for the Pension and OPEB Deferred Outflows/Inflows of Resources we inadvertently did not update the amortization properly. We used the identification of this error as an opportunity to build our capacity and deepen our knowledge of the pension liability calculations in partnership with the Auditor of State. We captured this additional knowledge and controls to our internal review procedures.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

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**Chief Executive Officer**  
Eric S. Gordon

**Board of Education**

Anne E. Bingham  
*Board Chair*

Robert M. Heard, Sr.  
*Vice Chair*

Louise P. Dempsey, Esq.  
Sara Elaqaad, J.D.  
Jasmine Fryer  
Denise W. Link  
Willetta A. Milam, J.D.  
Lisa Thomas, Ph.D.

**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2020**

**Finding Number:** 2020-001

**Planned Corrective Action:**

**Governmental Funds Balance Sheet**

- When preparing the financial statements for retainage, we inadvertently omitted two offsetting rows. This omission resulted in a material weakness due to the amount of the omission to the size of the fund. The finance department has noted this error in our internal review process to minimize the risk of omission in future audits.

**Governmental Activities**

- When preparing the financial statement for Compensation and Compensated Absences, we inadvertently flipped the amounts that were due in one year with the amounts due in more than one year. The Finance Department has noted this error in our internal review procedures to minimize the risk of errors in future audits.
- When preparing the entries for the Pension and OPEB Deferred Outflows/Inflows of Resources we inadvertently did not update the amortization properly. We used the identification of this error as an opportunity to build our capacity and deepen our knowledge of the pension liability calculations in partnership with the Auditor of State. We captured this additional knowledge and controls to our internal review procedures.

**Anticipated Completion Date:** 10/31/2021

**Responsible Contact Person:** Michael Bowen



# **Comprehensive Annual Financial Report**

of the

**Cleveland Municipal School District**

For the

**FISCAL YEAR ENDED  
JUNE 30, 2020**

Prepared by

**Finance Department**

Derek Richey  
Chief Financial Officer  
Michael Bowen  
Executive Director of Accounting  
Donte Hayes  
Director of Accounting

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# Introductory Section

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**Cleveland Municipal School District**  
*Comprehensive Annual Financial Report*  
*For the Fiscal Year Ended June 30, 2020*  
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**Derek Richey**  
Finance Department

**Chief Executive Officer**  
Eric S. Gordon

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Alex Johnson, Ph.D.  
Harlan M. Sands, J.D., MBA

March 31, 2021

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, 2020. This CAFR includes an opinion from the State Auditor and conforms to generally accepted accounting principles as applicable to governmental activities. 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 is accurate in all material respects and is 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 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.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis of 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 Auditor’s Report.

**The School District**

***The Board of Education and Administration***

The Board of Education of the 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 are appointed by the Mayor of the City of Cleveland.

The Chief Executive Officer leads the School District's academic work following the guidance of the Board and aligned with five State performance standards:

1. Vision, Continuous Improvement, and Focus of District Work: Superintendents establish a vision, expect continuous improvement and develop a focused plan for achieving district goals.
2. Communication and Collaboration: Superintendents establish processes to communicate and collaborate effectively.
3. Policies and Governance: Superintendents work with the Board of Education to identify, prioritize and set policies and governance procedures that maximize the success of all students.
4. Superintendents lead the creation of instructional systems designed for high student achievement.
5. Superintendents manage and organize the District's resources (human, fiscal, operational and material) to accomplish District goals.

The Chief Executive Officer of the School District has the responsibility for hiring, directing and assigning teachers and other employees, assigning the pupils to the proper schools, grades and performing such other duties as determined by the appointed Board. In May of 2011, the Board with the concurrence of the Mayor appointed Eric Gordon as the School District's Chief Executive Officer with a one-year contract effective July 1, 2011 through June 30, 2012. Mr. Gordon's second contract was renewed and expired after three years on June 30, 2015. His third contract was renewed and expired after four years on June 30, 2019. He was unanimously appointed to a fourth contract running through June 30 2023. Prior to being named the Chief Executive Officer, Mr. Gordon served as the School District's Chief Academic Officer since 2007.

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. On August 1, 2017 the School District formally announced the appointment of Derek Richey as the Chief Financial and Administrative Officer effective August 1, 2017. Derek Richey was the former Executive Director of Budgets and Grants for the School District, and previously served as the Director of Strategic Resource Use for the Metropolitan Nashville Public Schools.

### ***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 School District provides approximately 400,000 Cleveland residents 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 vocational education, special education and bilingual education programs. The School District's specialty schools provide advanced educational programs in fine arts, computer science, healthcare professions, law and municipal professions, business, and technical trades.

In fiscal year 2020, the School District was funded for 34,224 K-12 students according to the state foundation payment system (compared to 37,701 the previous year) in 66 K-8 schools, and 38 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 two transportation depots. Recent trend data indicates that the District has slowed the loss of students and district planning projections flat enrollment for 2021.

The School District has completed its seventeenth 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 commenced in 2001 to address the condition and age of the existing classroom facilities (which ranged from 25 to 113 years old).

### *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. The number of students attending charter/community schools was 15,306 for fiscal 2020 (compared to 15,222 the previous year), resulting in the payment, from the School District of state aid, of \$125.3 million.

### *Employee Relations*

As of June 30, 2020, the School District had 5,187 full and part-time employees (compared to 5,954 the previous year). The School District paid \$403.5 million in salaries and wages and \$160.4 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) are not members of any bargaining unit but are represented by the Cleveland Council Administrators and Supervisors; however, many of these individuals are employees on an at-will basis. Teachers and educational specialists, including aides, are represented by the Cleveland Teachers Union ("CTU").

In May 2019, the School District entered into a contract with CTU for a one-year period beginning July 1, 2019 and ending June 30, 2020. This contract provides for 1% wage increase effective January 1, 2020. Beginning in January 2018, CTU members, who participate in the wellness incentive will also pay monthly healthcare premium costs of \$75 for individual and \$170 for family coverage. CTU members who do not participate in the wellness incentive will pay 10% of the COBRA cost of the health insurance plan capped at \$100 for single coverage and \$220 for family coverage. The parties are currently in negotiations for a successor agreement. Members will also have the option to participate in the UH Choice option with monthly contributions of \$35 for single coverage and \$100 for family coverage for those participating in the wellness incentive and \$50 for single coverage and \$120 for family coverage for those who do not participate in the wellness incentive. The School District is currently in negotiations with the union for the current school year.

Classified employees (secretarial-clerical, custodial, maintenance, transportation and cafeteria staff) of the School District are represented for collective bargaining purposes by different unions, including:

- The International Brotherhood of Teamsters Local 407 (school bus drivers and bus attendants), have entered into a one-year contract with the District for the period July 1, 2019 through June 30, 2020 with a wage increase of 1% effective January 1, 2020. Beginning in January 2018, union members who participate in the wellness incentive will also pay monthly healthcare premium costs of \$75 for individual and \$170 for family coverage. Members who do not participate in the wellness incentive will pay 10% of the COBRA cost of the health insurance plan capped at \$100 for single coverage and \$220 for family coverage. Members will also have the option to participate in the UH Choice option with monthly contributions of \$35 for single coverage and \$100 for family coverage for those participating in the wellness incentive and \$50 for single coverage and \$120 for

family coverage for those who do not participate in the wellness incentive. The School District is currently in negotiations with the union for the current school year;

- The City, County, and State Truck Drivers Union Local 244 (truck drivers), now represented by Teamsters Local 436, have entered into a one-year contract with the District for the period July 1, 2019 through June 30, 2020 with a wage increase of 1% effective January 1, 2020. Beginning in January 2018, union members who participate in the wellness incentive will also pay monthly healthcare premium costs of \$75 for individual and \$170 for family coverage. Members who do not participate in the wellness incentive will pay 10% of the COBRA cost of the health insurance plan capped at \$100 for single coverage and \$220 for family coverage. Members will also have the option to participate in the UH Choice option with monthly contributions of \$35 for single coverage and \$100 for family coverage for those participating in the wellness incentive and \$50 for single coverage and \$120 for family coverage for those who do not participate in the wellness incentive. The School District is currently in negotiations with the union for the current school year;
- The National Conference of Fireman and Oilers Local 860 (assistant custodians, laborers, and mechanics), are still in contract negotiations with the District. Beginning in January 2018, union members who participate in the wellness incentive will also pay monthly healthcare premium costs of \$75 for individual and \$170 for family coverage. Members who do not participate in the wellness incentive will pay 10% of the COBRA cost of the health insurance plan capped at \$100 for single coverage and \$220 for family coverage. Members will also have the option to participate in the UH Choice option with monthly contributions of \$35 for single coverage and \$100 for family coverage for those participating in the wellness incentive and \$50 for single coverage and \$120 for family coverage for those who do not participate in the wellness incentive. The School District is currently in negotiations with the union for the current school year;
- The International Brotherhood of Teamsters Local 436 no longer represents the District's security officers, who are now represented by the Ohio Patrolmen's Benevolent Association (OPBA) and are still in contract negotiations with the District. Beginning in January 2018, union members who participate in the wellness incentive will also pay monthly healthcare premium costs of \$75 for individual and \$170 for family coverage. Members who do not participate in the wellness incentive will pay 10% of the COBRA cost of the health insurance plan capped at \$100 for single coverage and \$220 for family coverage. Members will also have the option to participate in the UH Choice option with monthly contributions of \$35 for single coverage and \$100 for family coverage for those participating in the wellness incentive and \$50 for single coverage and \$120 for family coverage for those who do not participate in the wellness incentive. The School District is currently in negotiations with the union for the current school year;
- The Service Employees International Union Local 1199 (clerical, food service and cleaning staff), have entered into a one-year contract with the District for the period July 1, 2019 through June 30, 2020 with wage a increase of 1% effective January 1, 2020. Beginning in January 2018, union members who participate in the wellness incentive will also pay monthly healthcare premium costs of \$75 for individual and \$170 for family coverage. Members who do not participate in the wellness incentive will pay 10% of the COBRA cost of the health insurance plan capped at \$100 for single coverage and \$220 for family coverage. Members will also have the option to participate in the UH Choice option with monthly contributions of \$35 for single coverage and \$100 for family coverage for those participating in the wellness incentive and \$50 for single coverage and \$120 for family coverage for those who do not participate in the wellness incentive. Beginning in January 2018, union members who earn \$27,040 or less, on an annualized basis, will pay 65% of the monthly contribution paid by District 1199 members, who earn more than \$27,040 on an annualized basis. For those employees whose annualized wage are \$27,040 or less, employee contribution shall be 6.5% of monthly healthcare premium costs capped at \$75 for individual and \$170 for family coverage. If at any time the employee's annualized wages exceed \$23,000, the employees contribution shall be increased to 10% effective the first month after the annualized wages exceed. The School District is currently in negotiations with the union for the current school year;

- The Cleveland Building Trades Council (trades people) and the carpenters union, have entered in to an one-year contract with the District for the period July 1, 2019 through June 30, 2020 with a wage increase of 1% effective January 1, 2020. Beginning in January 2018, union members who participate in the wellness incentive will also pay monthly healthcare premium costs of \$75 for individual and \$170 for family coverage. Members who do not participate in the wellness incentive will pay 10% of the COBRA cost of the health insurance plan capped at \$100 for single coverage and \$220 for family coverage. Members will also have the option to participate in the UH Choice option with monthly contributions of \$35 for single coverage and \$100 for family coverage for those participating in the wellness incentive and \$50 for single coverage and \$120 for family coverage for those who do not participate in the wellness incentive. The School District is currently in negotiations with the union for the current school year; and
- The National Conference of Fireman and Oilers Local 777 (custodians), are still in contract negotiations with the District. Beginning in January 2018, union members who participate in the wellness incentive will also pay monthly healthcare premium costs of \$75 for individual and \$170 for family coverage. Members who do not participate in the wellness incentive will pay 10% of the COBRA cost of the health insurance plan capped at \$100 for single coverage and \$220 for family coverage. Members will also have the option to participate in the UH Choice option with monthly contributions of \$35 for single coverage and \$100 for family coverage for those participating in the wellness incentive and \$50 for single coverage and \$120 for family coverage for those who do not participate in the wellness incentive. The School District is currently in negotiations with the union for the current school year.

## **The Reporting Entity**

The School District has reviewed its reporting entity definition in order to ensure conformance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34," and Statement No. 39, "Determining Whether Certain Organizations are Component Units." The basic financial statements include all organizations, activities and functions for which the School District is financially accountable.

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 Cleveland Public Library are related organizations whose relationships to the School District are described in Note 20 to the basic financial statements. The School District also participates in the Ohio Schools Council, which is a jointly governed organization. In 2001, the School District created the Bond Accountability Commission ("BAC"), which is also a jointly governed organization. These relationships are described in Note 21 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 property located within the School District. These two sources combined represent approximately 97 percent of the School District's fiscal year 2020 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 and public utility 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.

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.

Fiscal year 2020 property taxes are currently estimated by the Cuyahoga County Fiscal Officer based on a current collection rate of 88.3%, which was the same with for the previous year. The forecast through 2025 assumes a current collection rate of 88.3%. The Ohio Revised Code and Ohio Administrative Code mandate Cuyahoga County to conduct a re-appraisal every six years, an update every three years and annual valuation of improvements based upon building permits received from each city annually. In fiscal year 2019, the most recent re-appraisal valuations, the District saw an 11% increase for both residential and commercial properties. The next re-appraisal is scheduled for the year 2021.

State law grants tax relief to property owners (property tax rollbacks) in the form of a 10% reduction in real property tax bills. In addition, a 2.5% rollback is granted for owner occupied homesteads (total of 12.5%). The State reimburses the School District for the loss of real property taxes as a result of the rollback provisions. HB 66 eliminated the 10% rollback on commercial property; hence the School District will no longer receive a State reimbursement for those dollars, as it will receive those payments directly from commercial property owners. The new law states that the ten percent and two and one-half percent rollbacks will no longer apply to new levies that are enacted after August 31, 2013.

House Bill 66 phases out the tax on the tangible personal property of general businesses, telephone and telecommunications, and railroads. The tax on general business and railroad property was eliminated in 2009, and the tax on telephone and telecommunications property was eliminated in 2011. The tax is phased out by reducing the assessment rate on the property each year. HB 66 makes provision to replace revenue lost due to the phase out of the tangible personal property tax. Businesses are now subject to a commercial activity tax (CAT) that will provide some replacement income to school districts for the lost tangible property revenues.

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.

As before, foundation payments are calculated twice a month and for each payment a foundation letter is generated, that specifically references that payment and provides detailed information on the formula funding calculation, as well as the distribution of various other funds and transfers by which the foundation calculation is adjusted. In addition to the School Finance Payment Report (SFPR), which contains the foundation calculation details, a Statement of Settlement report is also provided, as before, that summarizes the payment information to school districts based on the SFPR calculation and adjustments as well as additional adjustments and transfers from outside of the foundation formula that are relevant to each payment.

The SFPR is a comprehensive document designed to walk the user through every step of the funding calculation with relative ease by referencing the data and the funding formula provided.

*Foundation Funding Components* that make up the foundation formula are:

- A. Opportunity Grant
- B. Targeted Assistance
- C. K-3 Literacy Funding
- D. Economic Disadvantaged Funding
- E. Limited English Proficiency Funding
- F. Gifted Education Funding
- G. Transportation Funding
- H. Special Education Additional Funding
- I. Career Tech Educational Funding
- J. Capacity Aid
- K. Graduation Bonus
- L. Third Grade Reading Bonus

For FY 2020 and 2021, the State froze all districts funding at their FY 2019 level. Additionally the State did add two additional funding components for FY 2020 and 2021 around Student Wellness and Success Funding and Enrollment Growth Supplement Funding.

There can be no assurance concerning future funding levels for or the details of State funding for school districts. As has been the case in the past, funding can also be subject to adjustment during a biennium. As indicated above, the General Assembly has the power to amend the system of State school funding. The School District cannot predict whether, when or in what form any future system of State school funding will be enacted into law.

### ***Local Economy***

The City of Cleveland is located on the southern shores of Lake Erie, and is the county seat of Cuyahoga County. The City is included in the Cleveland-Elyria-Mentor, OH Metropolitan Statistical Area (MSA), comprised of Cuyahoga, Lake, Lorain, Geauga, and Medina counties. This MSA is the 28<sup>th</sup> largest of 366 Metropolitan Areas in the United States, and the largest Metropolitan Area in the State of Ohio. Founded in 1796, Cleveland quickly established economic strengths in heavy industry, including oil, 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. While the City's economy has shifted more toward health care and financial services, its manufacturing base has assumed a smaller, yet still vital role. Competitive pressures in manufacturing have limited job creation, but the competitive position of Cleveland-based industrial companies has improved.

Cleveland's economic condition draws strength and stability from its evolving role as a focal point of a growing, changing and substantial regional economy. The City is located at the center of one of the nation's heaviest population concentrations. The Cleveland Metropolitan Area is a significant local market, housing 2.1 million people. Cleveland also provides superior links to the global markets. The Cleveland-Cuyahoga Port Authority handles the largest amount of overseas cargo on Lake Erie and includes a Foreign Trade Zone. The City is also well-served with extensive highways, and the Cleveland Hopkins International Airport which is serviced by all major airlines. The re-emergence of downtown Cleveland as a vibrant center for national and regional entertainment and major cultural activities signals a turning point in the City's overall fortunes and is paving the way for further economic expansion that will be significantly more entrepreneurial in scope.

#### *Downtown and Other Economic Development*

- In the fall of 2014, ODOT commenced construction on its Opportunity Corridor Project, a three-mile, approximately \$331 million road project that is designed to improve the transportation system and support planned economic development within the City in the areas between I-490/I-77 and University Circle. The Opportunity Corridor encompasses nearly 1,000 acres on the City's southeast side and is anchored by University Circle and the Cleveland Clinic. In addition to transportation benefits, it is "the community". The Opportunity Corridor Project supports an economic development plan of the City and Greater Cleveland Partnership for the area through enhanced mobility, direct access to freeways and the University Circle area, new frontage for potential development, improved visibility and improved multi-modal access. The Opportunity Corridor Project is being funded in part by bonds issued by the Ohio Turnpike and Infrastructure Commission. The Opportunity Corridor Project is divided into three stages: the first stage was completed in 2017; the second stage opened in November 2018; and the third stage commenced major construction in May 2019 with the closure of I-490 for two years. The targeted completion is in 2021. The City is in the early planning stages of the construction of a new police headquarters in this Opportunity Corridor.
- One of the central focus areas is the Health Tech Corridor, a three-block transit-oriented development running from Cleveland State University to University Circle, encompassing 1,600 acres. The Health Tech Corridor includes three colleges and universities and three major hospitals. In 2014, RTA completed a new transit station in University Circle on Cedar Avenue and completed construction of a new transit station on Mayfield Road in August 2015. These stations complement RTA's Health Line transportation system by connecting it to the City's second "downtown." The Health Line was key in the retention of Dealer Tire in the City's Midtown area. Dealer Tire recently opened their new Headquarters at the Victory Center, keeping their 450 employees in the City. They intend to add over 100 jobs in the next three years. The area also continues to provide a location for incubated health technology companies like Abeona, which has announced its intention to build a private gene manufacturing facility (one of 10 in the United States) in the Health Tech Corridor in 2018 with a second 20,000 square foot facility under construction at the same site. IBM Watson Health opened a new headquarters in the City at the intersection of the East 105<sup>th</sup> street and Cedar Avenue, along the Opportunity Corridor.
- Investment in the City's educational institutions continues. Cleveland State University opened Washkewicz Hall, its new \$60 million engineering building in December 2017. Cuyahoga Community College has undertaken a major construction and renovation project across all four of its campuses. This includes a \$10 million addition and renovation of its Advanced Technology and Training Center at the Metropolitan Campus downtown. This downtown project broke ground in June 2018 and opened in October of 2019.
- Hemingway Development and University Hospitals purchased a ten-acre brownfield site that the City assembled and cleaned up. University Hospitals is developing another Health Technology Campus to be anchored by University Hospital's 40,000 square foot Rainbow Center for Women and Children, which opened in June 2018. Hemingway is now leasing Link 59, its 60,000 square



foot speculative tech center. Dave's Supermarkets opened a new flagship 60,000 square foot grocery store on an adjacent site in February 2019. This provides major retail amenity to the Corridor, as well as the surrounding neighborhoods. A new Hilton Tru hotel opened in the area in 2019.

- In 2013, the Cleveland Clinic demolished a block of buildings across from its campus to make way for a new medical school in partnership with Case Western Reserve University. Originally planned as a 165,000 square foot medical education building, the project has now been expanded to become a Health Education Campus of in excess of 485,000 square feet and a cost over \$515 million. The project broke ground on October 1, 2015. The Cleveland Clinic opened its \$276 million 377,000 square foot Taussig Cancer Center in March of 2017. The Clinic is converting the former Cancer Center building into the 120,000-square-foot new home of the Cleveland Clinic Children's outpatient facility. The \$28 million renovated facility opened in September 2018.
- In 2014, MetroHealth Medical Center announced its campus transformation project. As part of the multi-year project, MetroHealth opened its \$86 million Critical Care Pavilion in 2016. A 1,500-space parking garage opened in November 2018, with demolition of the old garage completed over the winter. Construction of a new 11-story 270-room hospital began in April 2019 and is scheduled to be completed in 2022. The total cost for all phases of the campus transformation is anticipated to be approximately \$1 billion.
- The County's \$465 million Convention Center and Global Center for Health Innovation project in the City's downtown was completed in 2013. The project included an integrated facility for (i) exhibition space and showrooms for medical devices and equipment and related functions (the Global Center for Health Innovation) and (ii) exhibition, tradeshow and conference facilities, meeting rooms and related functions. Plug and Play, a Silicon Valley-based startup accelerator, has partnered with the Cleveland Clinic and Jumpstart to launch healthcare startups. The companies are housed in 10,000 square feet of the Global Center for Health Innovation, where Plug and Play has made a three-year commitment to provide mentorship to high-tech startups.
- In 2019, Sherwin Williams Company announced plans to build a new 1 million square foot headquarters downtown and a second research and development facility in the suburbs, replacing its dated existing facility. The headquarters will keep over 3,100 employees in downtown and employment is expected to grow by 400 in the next decade. The projects are both in the early planning stages, with the official groundbreaking tentatively scheduled for the Spring of 2021. Construction is expected to be completed by 2023.
- The \$275 million Cleveland Flats East Development Project Phase I was completed in 2013. This project consisted of an approximately 476,000 square foot, 18-story office tower, an approximate 550-space parking garage, a 150-room Aloft hotel, and approximately 31,000 square feet of restaurant and retail space. The \$146 million Phase II included 243 apartments and 80,000 square feet of ground floor restaurant and retail space, as well as 48,000 square feet of entertainment space. A 1,200 linear foot river walk has been completed and provides access to the riverfront. The Phase II grand opening was held in October 2015. The Metroparks has opened a seasonal water taxi service that connects both sides of the river with future plans to connect in the future to a lakefront beach Wendy Park, furthering the tourist draws to this area.
- The Ohio City neighborhood continues to grow and be a destination for residents and tourists. The neighborhood includes the City-owned West Side Market, the oldest continually operating market in the country, which recently celebrated its 100<sup>th</sup> anniversary. The West 25th Street Lofts Project created 83 loft style apartments and some rooftop penthouse units, as well as 9,100 square feet of commercial space. The last of the apartments were completed in December 2016. Total project cost was over \$60 million. The area has seen more than \$15 million in new investment to redevelop over 198,000 square feet of vacant or underutilized mixed use space, including historic renovations

and some new construction. The Snavely Group's \$60 million mixed use, mixed income development opened in 2018 and is currently leasing apartments. The success of the Ohio City investments has led to development moving along the retail corridor on Lorain Avenue, with investors buying buildings from West 25<sup>th</sup> Street to West 50<sup>th</sup> street with a variety of retail and commercial projects that include microbreweries, a home brewing supplier, an organic grocery store, restaurants and a shuffle board club. Harbor Bay Investments, a Chicago-based developer, has demolished the outdated shopping center across from the West Side Market. The new building will be home to nearly 300 apartments, 40,000 square feet of retail space and also offer underground parking and a green space, with an expected completion by the winter of 2021 or 2022. Many of the buildings are renovating long vacant apartments over the first floor retail space as the Ohio City housing market continues to draw new residents from all income levels looking to be in this walkable, transit-oriented community. MetroHealth recently opened a \$10 million 32,000-square foot facility providing outpatient and express care services to the area. MetroHealth also recently announced plans to construct a dental clinic on another site located in Ohio City. INTRO, a \$125+ million mixed-use project in Cleveland's Ohio City neighborhood, across from the historic West Side Market, broke ground earlier this year. The project will provide almost 300 apartments as well as retail space to major intersection in the City. The project will be constructed using an innovative mass timber design and will be one of the tallest buildings of that type in the United States.

- The City's Division of Animal Care and Control opened its new \$7.3 million kennel in March 2019. The new 20,000 square foot has three wings – animal care and control, clinic and classroom, and adoption – and was designed to incorporate current best practices for kennels. There is an on-site veterinarian clinic, play and visitation areas, and two new animal transport vehicles plus an additional veterinarian, an animal control supervisor, a full-time animal control officer, and five full-time animal care workers.

## **Major Initiatives**

### ***The Cleveland Plan (H.B. 525)***

Eight years ago, in July 2012, Governor John Kasich signed House Bill 525, also known as “The Cleveland Plan,” into law. Cleveland Mayor Frank Jackson, Governor Kasich, the General Assembly, the Cleveland Teacher's Union and the Cleveland business community collaborated to create a plan for the School District to improve standards, reward, retain, and recruit high-quality educators, and increase school autonomy and accountability.

The goal of this plan is to ensure that every child in Cleveland attends a high-quality school and that every neighborhood has a multitude of great schools from which families can choose. To reach this goal, Cleveland must transition from a traditional, single-course school district to a new system of district and charter schools that are held to the highest standards and work in partnership to create dramatic student achievement gains for every child. The plan is built upon growing the number of excellent schools in Cleveland, regardless of provider, and giving these schools autonomy over staff and budgets in exchange for high accountability for performance. It aims to create an environment that empowers and values principals and teachers as professionals and makes certain that our students are held to the highest expectations.

This plan is driven by a fierce sense of urgency. The intensity of global competition demands that students in Cleveland build the knowledge, skills and attributes that position them to be successful and competitive in the 21<sup>st</sup> Century global economy. The future must include many different kinds of schools that give children and their parents choices from an array of innovative options. Fundamentally, schools in Cleveland must break the one-size-fits-all premise of today's education system.

This plan recognizes that public education in Cleveland is at a crossroads. Recent reform efforts undertaken by the District and its partners have generated positive results for some students. The number of high-performing district and charter schools in Cleveland has grown from 14 in 2006 to 37 in 2011, enrolling more than 11,400 students. And the District now offers a more diverse set of options for students and families than ever before, including 13 new schools opened since 2006. However, the pace of change is not fast enough, nor deep enough to overcome the challenges facing the District. We have no other option but to reinvent our school system, as unacceptable academic performance, declining enrollment and an untenable financial situation threaten the very existence of public education in the city.

Cleveland's Plan for Transforming Schools is grounded in an emerging national approach known as the "Portfolio Strategy," which is showing promising results in cities such as Baltimore, Denver and New York. It has four major components:

**Grow the number of High-Performing District and Charter Schools in Cleveland:** The principal focus of this work is to significantly increase the number of high-performing schools while reducing and eventually eliminating low-performing schools. To do this, the District will employ four distinct strategies. (1) *Promote, expand and replicate existing high-performing District and charter schools.* Great schools, measured by a consistent standard of quality, will have full autonomy over school budgets, staff selection and assignment, academic and student support programs, school calendar and school schedules in exchange for high accountability standards and access to financial and other resources. (2) *Start new schools.* Cleveland will attract the best national education models to our city, invent our own schools that are unique to Cleveland and encourage local community partners and Cleveland teachers to co-create new and innovative school models. (3) *Refocus and strengthen mid-performing schools.* For those schools that meet minimum state standards and have some critical academic and social conditions in place, the District will employ precise, customized and differentiated interventions and investments and grant some levels of autonomy. (4) *Repurpose and address low-performing schools.* The lowest performing schools will be targeted for immediate and dramatic action, including closure and reassignment of students to better schools, closure and start-up of a new school, phase in of a new program and phase out of the old, or turning the school over to a capable charter operator.

**Focus District's Central Office on key roles and Transfer Authority and Resources to Schools:** Organizational roles and relationships will change in three fundamental ways. The primary focus of central office will be to oversee the portfolio of schools to ensure continuous improvement, provide system coordination for essential functions (enrollment, data systems, etc.) and provide some targeted services directly to schools. Secondly, schools will be given varying levels of autonomy based on their level of performance and will be accountable for delivering an excellent education. All schools will have to abide by certain state and federal requirements, such as state testing and serving students with disabilities and English language learners, among others. Finally, the District will shift to weighted per-pupil funding system for all schools and transfer a majority of spending control to schools based on the number and needs of the students they enroll. This will include the transfer of some locally generated tax revenues to high-performing charter schools, that are sponsored by or have agreements with the District.

**Invest and Phase in High-Levering System reforms across all schools:** Beyond investments in this new, performance-based system of schools, Cleveland will invest in several fundamental building blocks upon which this plan must be built: high-quality preschool education, college and workforce readiness, year-round calendar, talent recruitment and capacity building, academic technology enhancement and support for high-quality charter schools.

**Create the Cleveland Transformation Alliance to ensure accountability for all public schools:** The Cleveland Transformation Alliance, a public-private partnership with representatives from the District, the charter sector and the community, will be charged with ensuring the growth of the portfolio of high-performing District and charter schools in Cleveland. It will assume the following unique roles: ensure fidelity to the citywide education plan, assess the quality of all Cleveland schools, communicate to parents about quality school choices and serve as a watchdog for charter sector growth in Cleveland.

Cleveland's plan requires the right policy conditions including necessary changes in state policy, a fresh start in labor-management agreements and relationships and a financial sustainability plan. The long-term survival of the District is dependent upon the interwoven elements outlined in this plan.

### **The Seven Components of the Portfolio Strategy as Envisioned in *The Cleveland Plan*:**

The Portfolio strategy is a performance management model for districts that aim to create dramatic student achievement gains at scale. It centers on creating more high-quality schools regardless of provider, giving schools autonomy over staff and funding, and holding all schools accountable for performance. The Portfolio Strategy is built on 7 key components:

- Good options and choices for all families
- School Autonomy
- Pupil-Based Funding for all schools
- Talent seeking strategy
- Sources of support for schools
- Performance-based accountability for schools
- Extensive public engagement

### **Say Yes to Education**

In January 2019, Cleveland officially became the fourth Say Yes to Education community-wide chapter in the nation. The goals of the Say Yes Cleveland program is to increase education levels of Cleveland residents; boost and retain population in the city of Cleveland; improve college access for middle- and low-income families in Cleveland; and spur economic growth and expansion in the region. A key differentiator of the Say Yes communitywide strategy– and a reason Cleveland pursued the opportunity – is that it's not just a scholarship program. Its framework calls for all entities serving the community's children to share their data to better address students' individual needs and connect them to additional support services, academic and non-academic, from pre-K through postsecondary graduation. Some of the highlights of the program are:

- Over the next 25 years, eligible students living in Cleveland and attending District schools or partnering charter high school will have the opportunity to receive last dollar scholarships toward tuition for postsecondary education. The Say Yes scholarships will cover all remaining cost of tuition costs once federal and state aid is used. The scholarship program began with high school graduating class of 2019.
- Students can attend all state colleges and 116 private schools that have joined the Say Yes Compact. These include Ivy League universities and several Ohio schools, including Ashland, Baldwin-Wallace, Case-Western, Denison, Dayton, John Carroll, Kenyon, Notre Dame College, Oberlin, Ohio Northern, Ohio Wesleyan and Wooster.
- Aided by \$15 million in seed money from Say Yes to Education, the District will accelerate the rollout of critical core services to all district schools over the next four years, beginning with the 2019-2020 school year.
- Six local entities have agreed to work collaboratively with each other and with Say Yes to Education to provide support services to students: City of Cleveland, Cuyahoga County, The District, Cleveland Council of Administrators and Supervisors, Cleveland Teachers Union, and Cleveland Public Library.

## **COVID- 19 Pandemic**

In the Spring of 2020, all Ohio schools were closed for in person learning for the remainder of the school year. While the virus was not eradicated, the School District began its 2020-2021 school year in a remote learning environment. The Coronavirus also put on full display of the glaring inequities that scholars, families and our educators have faced for decades around inadequate access to food, affordable childcare, access to technology and reliable high-speed Internet. To combat these inequities, the District was required to purchase several personal devices and hot-spots to loan out to our scholars to use in a remote learning environment. Additionally the District food Service department has been running meal sites at each of the schools where families can pick up meals on daily or weekly basis.

While the exact impact on the School Districts resources is currently unquantifiable, the Pandemic could impact the School Districts collection of property taxes and state revenue. During the 2019-2020, the School District's state funding was reduced by \$5.3M. The School District has been actively monitoring its revenue collections and some of the steps the District has taken is suspension of hiring, except for specific critical positions and limited non-payroll spend to only emergency and critical items.

The Coronavirus Aid, Relief and Economic Security Act ("CARES Act), approved by the United States Congress and signed by the President on March 27, 2020, was supplemented to provide financial relief for municipal governments. The School District has been allocated about \$32.4 million to offset the costs associated with the pandemic.

### ***Cleveland Plan Progress***

Following implementation of *The Cleveland Plan*, the School District in the 2019-2020 school year, achieved the following benchmarks:

- *Expanded Quality Preschool:* adding 2,046 seats over four years to a grand total of 4,903 seats.
- *K-3 Literacy Improvement:* up 4.4% since measure was created in 2014.
- *Third Grade Reading Guarantee:* 85.3% of students were promoted to 4<sup>th</sup> grade this year, an increase of 1.4% from the previous year
- *Increased Graduation Rate:* Graduation Rates have increased 28.9% since the 2010-2011 school year. In 2019-2020 the graduation rate was 80.1%. This represents the fourth fastest growing rate in Ohio since 2011 and the fastest growing rate among state's large urban districts.
- *CMSD Postsecondary Enrollment Rates:* After the launch of Say Yes scholarships, CMSD graduates' postsecondary enrollment increased for the first time in five years.
- *Active Parent Engagement:* 90.8% of the District's parents met with their children's teachers last year. This has grown 4% from 2018.

## **Long-Term Financial Planning**

The Board of Education has assigned responsibility for annual and long-term financial planning to the Chief Financial Officer/Treasurer. The policies require that the first objective of financial management planning is to provide for the education of the School District's children. We are expected to use the best available techniques for budget development and management, as well as to engage in strategic, long-term financial planning which attempts to forecast the need for future educational and capital expenditures.

The School District prepares a Five Year Forecast along with assumptions prior to November 30<sup>th</sup> of each fiscal year and updates this forecast between April 1 and May 31<sup>st</sup> of each fiscal year.

## **Relevant Financial Policies**

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 Fiscal Officer 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 Fiscal Officer 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 are 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 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. Also, the District participates in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

### **Internal Controls**

Management of the School District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School District are protected from loss, theft or misuse. The internal control structure ensures that accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state, and county financial assistance, the School District is also responsible for maintaining a rigorous internal control structure that ensures full compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management, external auditors and the internal audit staff of the School District. The School District is required to undergo an annual audit in conformity with the provisions of the Uniform Guidance Title II Subtitle A Chapter 2 Part 200, Section 501. The information related to the Single Audit, including the schedule of federal awards expenditures, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations are included in a separate report.

## **Acknowledgments**

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

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Derek Richey', with a long horizontal flourish extending to the right.

Derek Richey  
Chief Financial Officer

# Cleveland Municipal School District

Board Members

Appointed by Mayor of City of Cleveland

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<b>Name</b>	<b>Began Service as a Board Member</b>	<b>Present Term Expires June 30</b>
Anne E. Bingham, Board Chair	2014	2021
Robert M. Heard, Vice Chair	2004	2021
Louise P. Dempsey, Esq.	1998	2023
Sara Elaqaad, J.D.	2019	2023
Jasmine Fryer	2017	2023
Denise Link	2007	2023
Willetta A. Milam	2003	2021
Lisa Thomas, Ph.D.	2011	2021
Kathleen C. Valdez, Esq.	2019	2023
Harlan Sands, JD, MBA. ex-officio		
Alex Johnson, Ph.D. ex-officio		



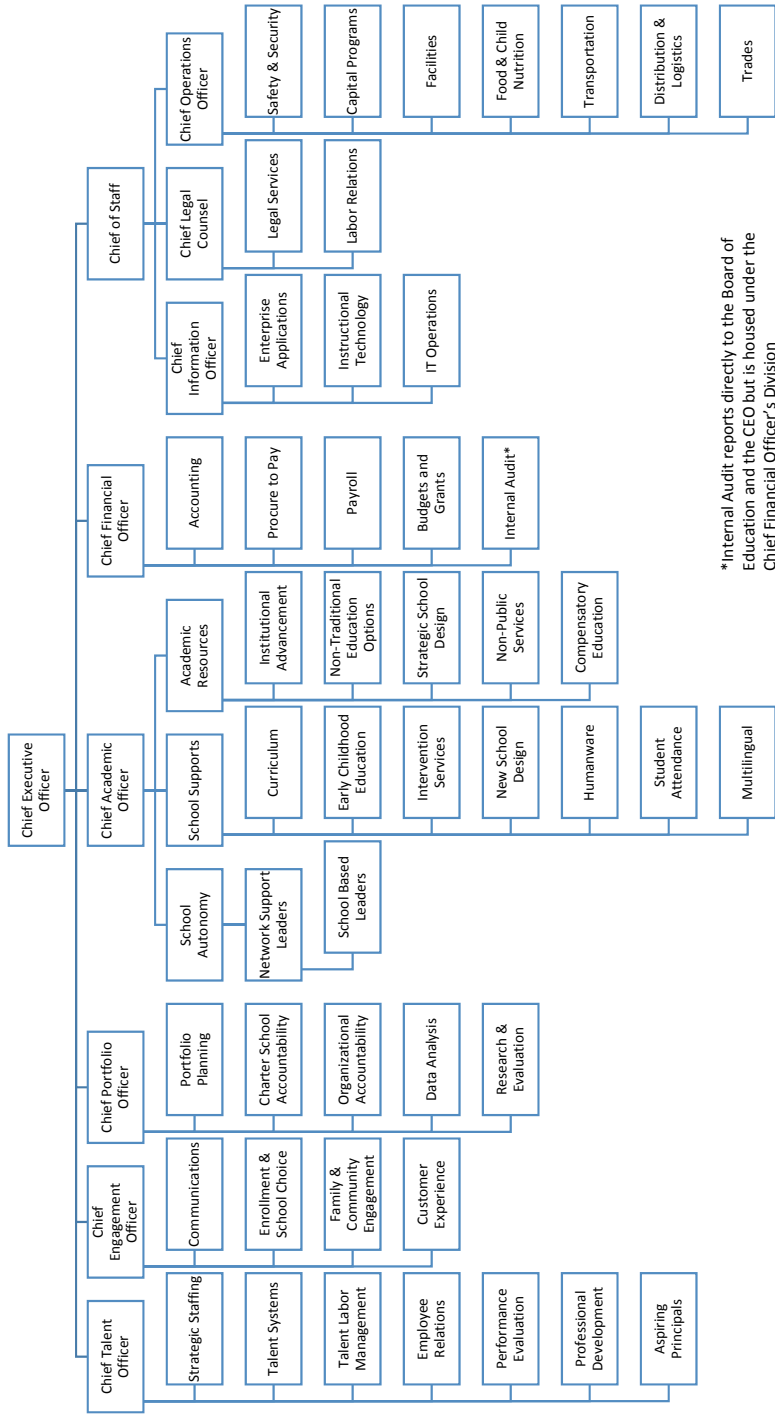
## Cleveland Municipal School District

### Senior Appointed Officials

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Eric Gordon	Chief Executive Officer
Trent Mosley	Chief Engagement Officer
Derek Richey	Chief Financial Officer
Curtis Timmons	Chief Information Officer
Patrick Zohn	Chief Operating Officer
Christine Fowler-Mack	Chief Portfolio Officer
Karen Thompson	Chief of Staff
Lori Ward	Chief Talent Officer
Diana Ehlert	Deputy Chief, Academic Resources
Gary Sautter	Deputy Chief, Capitol Programs
Dr. Roseanne Canfora	Deputy Chief, Communications
Chris Broughton	Interim Deputy Chief, Organizational Accountability
Lester Fultz	Deputy Chief, Safety and Security
Lisa Farmer-Cole	Deputy Chief, School Autonomy
Valentina Moxen	Deputy Chief, School Supports
Maria Carlson	Executive Director, Academics
Michael Bowen	Executive Director, Accounting & Treasury
LaTisha Grimes	Executive Director, Assessments Testing and Logistics
Angele Latham	Executive Director, Budgets
Matthew Rado	Executive Director, Charter Schools
Liz Nelson	Executive Director, Curriculum
Nicole Vitale	Executive Director, Early Childhood Education
Blessing Nwaozuzu	Executive Director, Enterprise Applications
Robert Kasler	Interim Executive Director, Facilities Development
Tracy Hill	Executive Director, Family and Community Engagement
William Stencil	Executive Director, Humanware
Shawn Braxton	Executive Director, Instructional Technology
Larry Johnston	Executive Director, Internal Auditor
Jessica Baldwin	Executive Director, Intervention Services
Carol Lockhart	Executive Director, Legal Services
Jose Gonzalez	Executive Director, Multilingual/Multicultural Services
Joe Micheller	Executive Director, New School Development
Gerard Leslie	Executive Director, Non-Traditional Education Options
Leo Serrano	Executive Director, Office of Institutional Advancement
Mychael Henderson	Executive Director, Payroll
Melissa Skelly	Executive Director, Policy and Planning
Nicolas D'Amico	Executive Director, Portfolio Office
Angela Foraker	Executive Director, Procurement
Rick McIntosh	Executive Director, School Choice and Enrollment
Laura Mulvaney	Executive Director, Strategic Staffing
Stephen Christian	Executive Director, Talent Systems
Eric Taylor	Executive Director, Transportation
Chris Burkhardt	Executive Director, Food Services
Erin Frew	Academic Superintendent, High School Network 1
Andrew Koonce	Academic Superintendent, K-8 Network 1
Lorenzo Russell	Network Support Leader, High School Network 2
Carina Freeman	Network Support Leader, K-8 Network 2
Allayna Ratliff	Network Support Leader, K-8 Network 3
Paul Hoover	Network Support Leader, Redesign Network
Kevin Burtzlaff	Board Attorney and Liason
Heather Grant	Director, Aspiring Principals Program
Tom Ott	Director, CMSD News Bureau
Marcia Zashin	Director, Compensatory Education
Shirrell Greene-Joe	Director, Customer Experience
Rick Novack	Director, Distribution & Logistics
Juanita Holt	Director, ESEA Intervention Services
Robert Zellers	Director, I.T. Security
Bernadette Repko	Director, Marketing and Advertising
Curtis Hutchinson	Director, Non-Public Services
JacquINETTE Brown	Director, Professional Development
Shirley Watts	Director, Project Management Office
Megan Traum	Director, Strategic School Design
Lorri Hobson	Director, Student Attendance

# Cleveland Municipal School District Organizational Chart



\*Internal Audit reports directly to the Board of Education and the CEO but is housed under the Chief Financial Officer's Division

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# Financial Section

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# OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12<sup>th</sup> Floor  
615 Superior Avenue, NW  
Cleveland, Ohio 44113-1801  
(216) 787-3665 or (800) 626-2297  
NortheastRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

Cleveland Municipal School District  
Cuyahoga County  
1111 Superior Avenue E, Suite 1800  
Cleveland, Ohio 44114

To the Board of Education:

### ***Report on the Financial Statements***

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Efficient • Effective • Transparent

**Opinion**

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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 24 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. 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 section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will also issue our report dated March 31, 2021, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance



Keith Faber  
Auditor of State  
Columbus, Ohio

March 31, 2021

**Cleveland Municipal School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020  
Unaudited

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The discussion and analysis of the School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. 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 2020 are as follows:

- ❑ Total current and other assets decreased by \$11.0 million, net OPEB assets increased \$1.6 million and capital assets increased by \$38.2 million, resulting in a net increase in total assets of \$28.8 million in Governmental Activities.
- ❑ Total short-term liabilities decreased by \$11.7 million and total long-term liabilities increased \$38.8 million, resulting in a net increase in total liabilities of \$27.1 million in Governmental Activities.
- ❑ Total net position decreased \$83.0 million in Governmental Activities. General revenues accounted for \$680.7 million in revenue or 79% of all revenues for Governmental Activities. Program specific revenues in the form of charges for services, sales, grants or contributions accounted for \$179.5 million or 21% of total revenues of \$860.2 million.
- ❑ Total program expenses were \$948.0 million in Governmental Activities.
- ❑ Among major funds, the General Fund had \$727.3 million in revenues and other financing sources and \$743.1 million in expenditures and other financing uses. The General Fund's fund balance decreased by \$15.8 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 The School District as an entire operating entity. The statements begin at a summary level and expand to detailed financial activities.

The *Statement of Net Position* 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, the Permanent Improvement 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, 2020  
Unaudited

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**Reporting the School District on a Government-Wide Basis**

*Statement of Net Position 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 2020?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into consideration 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 position and changes in those net positions. This change in net position 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.

All of the School District's programs and services are reported as Governmental Activities in the Statement of Net Position and the Statement of Activities. Governmental Activities consists of functions that are principally supported by taxes and intergovernmental revenues. Such activities include instruction, support services, operation and maintenance of plant, pupil transportation, operation of non-instructional services and extracurricular activities among others for the School District.

Currently, the School District has no Business-Type Activities, which include functions that are intended to recover all or a significant portion of their costs through user fees and charges.

**Reporting the School District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 12. 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, the Permanent Improvement 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Cleveland Municipal School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2020  
Unaudited

**Proprietary Funds** - Proprietary funds have historically operated as enterprise and internal service funds using the same basis of accounting as business-type activities. The School District has no enterprise funds. The internal service fund 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. Also, it is used to account for and finance the School District's self-insurance programs for employee medical benefits.

**The School District on a Government-Wide Basis**

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for FY 2020 compared to the FY 2019:

Table 1  
Net Position  
Governmental Activities  
(\$ In Millions)

	Governmental Activities		Change
	2020	2019	
<b>Assets</b>			
Current and Other Assets	\$ 620.1	\$ 631.1	\$ (11.0)
Net OPEB Asset	42.2	40.6	1.6
Capital Assets	1,002.4	964.2	38.2
<b>Total Assets</b>	<b>1,664.7</b>	<b>1,635.9</b>	<b>28.8</b>
<b>Deferred Outflows of Resources</b>			
Pension & OPEB	184.1	214.9	(30.8)
<b>Liabilities</b>			
Current Liabilities	100.1	111.8	(11.7)
Long-Term Liabilities	311.8	316.2	(4.4)
Net Pension & OPEB Liability	867.8	824.6	43.2
<b>Total Liabilities</b>	<b>1,279.7</b>	<b>1,252.6</b>	<b>27.1</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	279.4	206.3	73.1
Pension & OPEB	118.4	137.5	(19.1)
<b>Total Deferred Inflow &amp; Resources</b>	<b>397.8</b>	<b>343.8</b>	<b>54.0</b>
<b>Net Position</b>			
Net Investment in Capital Assets	740.4	836.7	(96.3)
Restricted for Debt Service	60.3	59.7	0.6
Restricted for Capital Projects	92.7	134.7	(42.0)
Restricted for Educational Special Trust	7.3	6.2	1.1
Restricted for Food Services	5.3	6.1	(0.8)
Restricted for Miscellaneous State Grants	1.5	1.0	0.5
Restricted for Other Purposes	2.1	15.2	(13.1)
Unrestricted	(738.2)	(805.2)	67.0
<b>Total Net Position</b>	<b>\$ 171.4</b>	<b>\$ 254.4</b>	<b>\$ (83.0)</b>

The net pension liability (NPL) is one of the largest liabilities reported by the School District at June 30, 2020, and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions*—

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For the Fiscal Year Ended June 30, 2020

Unaudited

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*an Amendment of GASB Statement 27.* In a prior period, the School District also adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB asset/liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these assets/liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

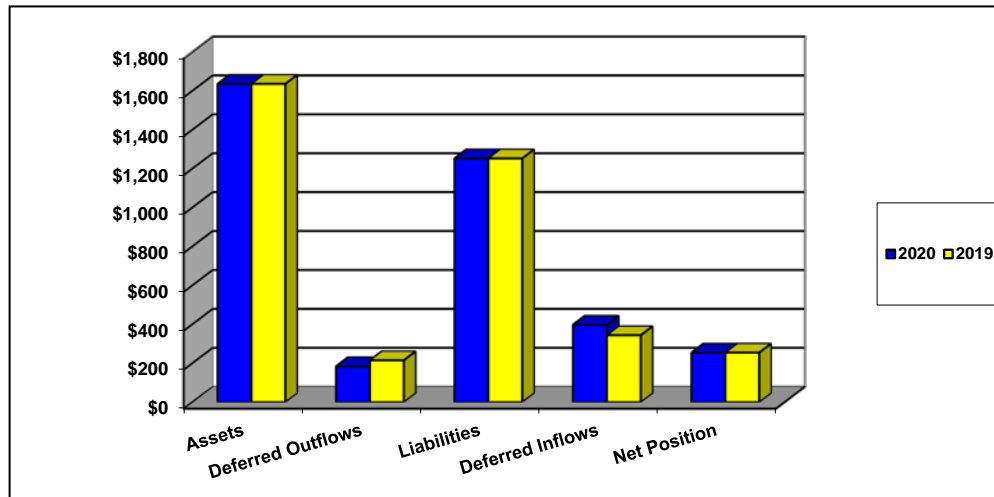
The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset for fiscal year 2020 that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

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Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability reported by the retirement boards. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB asset/liability, respectively, not accounted for as deferred inflows/outflows.

Graph 1  
 Net Position  
 Governmental Activities  
 (\$ In Millions)



Current and other assets decreased by \$11.0 million and net OPEB asset and capital assets increased by \$1.6 million and \$38.2 million, respectively, resulting in an overall increase in total assets of \$28.8 million. The decrease in current and other assets is mostly attributable to a combination of a decrease in cash and investments of \$16.1 million due to the spending down of reserves.

Current liabilities decreased by \$11.7 million and long-term liabilities (including Pension and OPEB) increased by \$38.8 million, resulting in an overall increase in liabilities of \$27.1 million. The decrease in current liabilities is due primarily to the reduction of intergovernmental payable by \$8.9 million. The net increase in long-term liabilities is due to the Net Pension and OPEB Liabilities increasing by \$43.2 million along with debt retirement payments during the year.

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There was a significant change in net pension/OPEB liability/asset for the School District. These fluctuations are due to changes in the actuarial liabilities/assets and related accruals that are passed through to the School District's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL/NOA and are described in more detail in their respective notes.

**Table 2 shows the change in net position for fiscal years 2020 and 2019.**

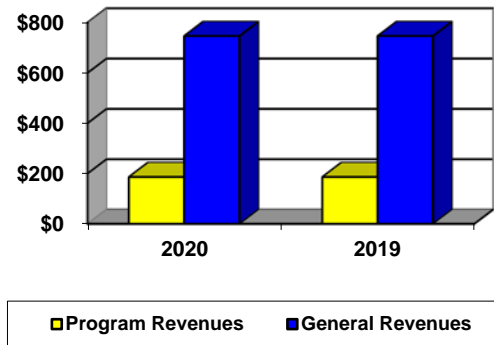
Governmental Activities (\$ In Millions)			
	Governmental Activities		Change
	2020	2019	
<b>Revenues</b>			
General Revenues:			
Property Taxes	\$ 239.0	\$ 285.5	\$ (46.5)
Investment Income	3.8	6.1	(2.3)
Miscellaneous	8.1	15.2	(7.1)
Grants and Entitlements	429.8	446.8	(17.0)
Program Revenues:			
Charges for Services	10.8	9.8	1.0
Operating Grants	166.9	168.6	(1.7)
Capital Grants	1.8	0.8	1.0
<b>Total Revenues</b>	<b>860.2</b>	<b>932.8</b>	<b>(72.6)</b>
<b>Program Expenses</b>			
Instruction	611.5	556.2	55.3
Support Services:			
Pupil and Instructional Staff	68.8	65.5	3.3
Board of Education, Administration, Fiscal and Business	76.4	78.2	(1.8)
Operation and Maintenance of Plant	73.0	66.9	6.1
Pupil Transportation	36.8	40.0	(3.2)
Central	24.6	29.0	(4.4)
Operation of Non-Instructional Services	36.2	39.7	(3.5)
Capital Outlay	3.3	0.0	3.3
Extracurricular Activities	4.4	5.7	(1.3)
Interest and Fiscal Charges	13.0	13.2	(0.2)
<b>Total Expenses</b>	<b>948.0</b>	<b>894.4</b>	<b>53.6</b>
Transfers	4.9	(2.9)	7.8
<b>Change in Net Position</b>	<b>(82.9)</b>	<b>35.5</b>	<b>(118.4)</b>

**Cleveland Municipal School District**  
 Management's Discussion and Analysis  
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Graph 2  
 Revenue for Governmental Activities  
 (\$ In Millions)

	2020	2019
General Revenues	\$ 680.7	\$ 753.5
Program Revenues	179.5	179.3
Total Revenues	\$ 860.2	\$ 932.8

**Governmental Activities - Revenue**



*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 35.1% and 38.2% and grants made up 63.1% and 59.3% of general revenues for governmental activities for the School District in fiscal years 2020 and 2019, 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 was 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 held steady over the last four years with the School District collecting on average 88.3% on current collections.

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

The voters of the City of Cleveland approved a new property tax levy in November 2012 (Issue 106), the first operating levy since 1996. This four year levy was approved to support The Cleveland Plan (H.B. 525)

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that was signed into law in July 2012. Fourteen mills will be allocated to the current expenses of the School District and one mill will be allocated to the current expenses of partnering community schools. The collection on that levy began in January 2013. This tax levy was renewed by the voters in November 2016.

The voters of the City of Cleveland approved a new property tax levy in November 2014 (Issue 4). This levy allowed for an additional property tax to provide funds for the acquisition, construction, enlargement, renovation, and financing of general permanent improvements at a rate not exceeding 0.5 mil for each one dollar of tax valuation. Collections cannot be used to support the general operations of the School District.

The primary source of grant revenue is State general operating aid known as the "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. Monies 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 and capital grants comprise 94.0% 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 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Instruction	611.5	\$ 515.7	556.2	\$ 470.5
Support Services:				
Pupil and Instructional Staff	68.8	42.8	65.5	42.7
Board of Education, Administration, Fiscal and Business	76.4	65.9	78.2	66.9
Operation and Maintenance of Plant	73.0	65.7	66.9	59.0
Pupil Transportation	36.8	34.1	40.0	35.5
Central	24.6	22.7	29.0	26.2
Operation of Non-Instructional Services	36.2	1.7	39.7	(3.3)
Extracurricular Activities	4.4	3.6	5.7	4.5
Interest and Fiscal Charges	13.0	13.0	13.2	13.2
Capital Outlay	3.3	3.3	0.0	0.0
<b>Total Expenses</b>	<b>\$ 948.0</b>	<b>\$ 768.5</b>	<b>\$ 894.4</b>	<b>\$ 715.2</b>

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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 governmental 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 64.5% of the total cost of services. When combined with pupil and instructional support these categories make up 72.6% of the total cost of services. This make-up is consistent with the general educational objectives of the School District.

### **The School District's Funds**

Information about the School District's major funds starts on page 20. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$901.6 million and expenditures and other financing uses of \$937.5 million, resulting in a net decrease in fund balances of \$35.9 million.

The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the general fund had a deficit of \$4.6 million, while total fund balance decreased to a \$3.6 million deficit. The decrease was caused by the delay in the collection of taxes as a result of the COVID-19 Pandemic.

The fund balance in the Debt Service Fund decreased \$1.1 million, the fund balance in the Permanent Improvement Fund decreased \$10.3 million and the fund balance in the Classroom Facilities Fund decreased \$5.6 million. The decrease in the Debt Service fund was due to the delay in tax collections due to the COVID-19 pandemic. The decreases in the Permanent Improvement Fund and Classroom Facilities Fund were the result of the District finishing the construction of two high schools. Funding of this program is described in more detail in the *Capital Assets and Debt Administration* section. The fund balance for Other Governmental Funds decreased by \$3.2 million.

### **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 General Fund is the most significant fund to be budgeted and is the main operating fund of the School District.

For the General Fund total actual revenues and other financing sources were \$750.7 million, which was \$2.5 million more than the final budget estimate. The School District received slightly more than what was expected in property tax and intergovernmental revenue during the fiscal year.

The final expenditure and other financing uses budget was \$778.2 million. Total actual expenditures and other financing uses was \$766.8 million, or \$11.4 million below the final budget estimates. The school district limited spending during the COVID-19 Pandemic to only emergency purchases.

The General Fund's ending unencumbered cash balance totaled \$15.1 million, which was \$13.9 million more than the final budgeted amount.



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Management's Discussion and Analysis  
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**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2020 the School District had \$1,002.4 million invested in capital assets net of accumulated depreciation. Table 4 shows fiscal year 2020 balances compared to 2019:

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

	Governmental Activities		Change
	2020	2019	
Land	\$ 31.8	\$ 31.8	\$ (0.0)
Land Improvements	0.1	0.1	0.0
Buildings and Improvements	863.0	859.8	3.2
Vehicles and Equipment	12.9	12.5	0.4
Intangible Assets	0.3	0.0	0.3
Construction in Progress	94.3	60.0	34.3
Totals	\$ 1,002.4	\$ 964.2	\$ 38.2

All capital assets, except for land and construction in progress, are reported net of depreciation.

In 2000, a Facilities Assessment Commission was established to review the condition of the School District's facilities. The 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 was revised in 2008 and then again in 2014, that addresses the needs of all buildings in the School District and the unique needs of the School District and its students. The Revised Master Facilities Plan has been approved by the School District's Board, the Ohio School Facilities Commission and the State Controlling Board. The Revised Master Facilities Plan calls for building an additional 22 schools and refurbishing 20 to 23 others. Projects were contingent on voters approving a November 2014 ballot issue that authorized \$200 million in bonds for the construction and a half-mill property tax for maintenance, which was passed. The State will add more than \$2 for every \$1 that the District contributes to construction. Since 2000, the School District has built 45 schools and fully renovated seven others.

Construction began in 2002 utilizing funding from several sources as described below under *Debt Administration*. Initial work focused mainly on making every facility warm, safe and dry. Concurrently, new facilities have been constructed and others significantly renovated and others inactivated for student use. See Note 12 to the basic financial statements for additional information on capital assets.

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 Management's Discussion and Analysis  
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**Debt Administration**

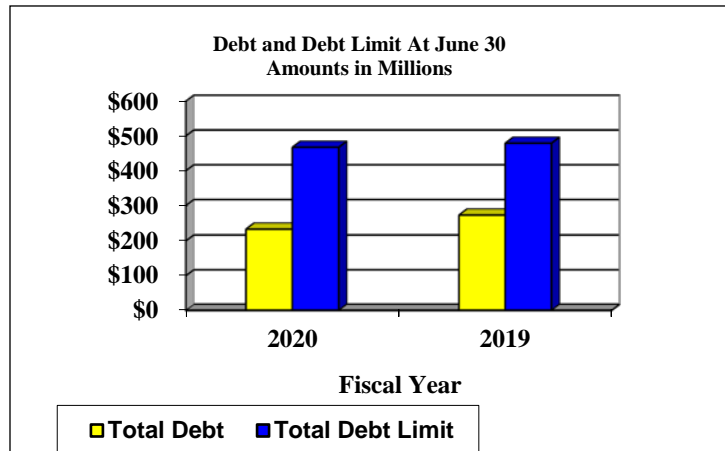
At June 30, 2020 the School District had \$265.7 million in bonds, notes and lease-purchase obligations outstanding, \$7.7 million due within one year. Table 5 summarizes bonds and notes outstanding.

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

	Governmental Activities 2020	Governmental Activities 2019
<b>General Obligation Bonds and Notes:</b>		
2010 School Facilities Improvement Bonds	55.0	55.0
2012 School Facilities Improvement Bonds	8.6	10.5
2013 School Facilities Improvement Bonds	25.4	26.4
2015 School Facilities Improvement Bonds	126.1	129.3
2015 Qualified School Constuction Bonds	49.2	49.2
<b>Other Long-Term Obligations:</b>		
Lease-Purchase	1.4	4.0
<b>Total</b>	<b>\$ 265.7</b>	<b>\$ 274.4</b>

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

	2020	2019
Total Debt	\$ 265.7	\$ 274.4
Total Debt Limit	\$ 467.4	\$ 479.1



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

## Cleveland Municipal School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2020

Unaudited

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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 were used to support facility renovations at seven specific school sites. Another source, the \$11.5 million H.B. 264 Energy Conservation Notes was 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 was borrowed at that time, representing the second installment of the \$335 million approved borrowing capacity. In July 2004, the School District issued \$125 million of School Improvement Bonds, the third installment. In December 2005, the School District issued \$30 million of School Facility Bond Anticipation Notes, representing the fourth installment of the \$335 million approved borrowing capacity. In March 2007, the School District issued \$30 million of School Facility Bond Anticipation Notes, representing the fifth installment of the \$335 million approved borrowing capacity. In December 2007, the School District issued an additional \$5 million of new proceeds representing the sixth installment of the \$335 million approved borrowing capacity. In December 2008, the School District issued \$15 million of School Improvement Bond Anticipation Notes representing the seventh installment of the \$335 million approved borrowing capacity. In September 2010, the School District issued \$55 million of School Improvement Bond Anticipation notes representing the eighth and final installment of the \$335 million approved borrowing capacity.

In June 2015 the School District issued bonds for the purpose of constructing, renovating, remodeling, enlarging, furnishing, equipping and otherwise improving school district buildings and facilities and acquiring, clearing, equipping and otherwise improving school district building and facility sites in the principal amount of \$200 million to be repaid annually over 35 years, and levy a property tax outside the ten-mill limitation, estimated by the county fiscal officer to average over the bond repayment period 2 mills for each one dollar of tax valuation, which amounts to 20 cents for each one hundred dollars of tax valuation, to pay the annual debt charges on the bonds, and to pay debt charges on any notes issued in anticipation of those bonds.

Due to the School District's participation in the Credit Enhancement Program, Fitch, Moody's and S&P have assigned programmatic ratings of "AA", "Aa2", and "AA", respectively, to the School District's bonds.

The School District applied for underlying ratings from Fitch, S&P and Moody's. As a result of the application process, Fitch assigned an underlying rating of "BBB+" to the bonds, Moody's assigned an underlying rating of "A2" to the bonds, and S&P assigned an underlying rating of "BBB+" to the bonds. The School District's underlying ratings and the ratings with regard to the School District's participation in the Credit Enhancement Program have been published by the respective rating services.

At June 30, 2020, the School District's overall legal debt margin was \$233.9 million, with an unvoted debt margin of \$5.2 million. See Note 18 to the basic financial statements for additional information on all long-term obligations.

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Management's Discussion and Analysis  
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**Current Issues**

In November 2020, the voters of the city of Cleveland approved a ten year 20 mill operating levy. With the passing of the ten-year levy, the School District is projecting a positive unencumbered cash balance through fiscal year 2024. In addition, there are other ongoing issues to be addressed over the next five years as described below.

*State Foundation Payments* – The 2019-2020 biennium budget was passed in June 2019. During the budget process, there was a concerted effort to restructure the current school funding model under the Cupp-Patterson bill, but it failed to be included in the final budget. The School District will receive the same level of funding for the next two fiscal years as it received in fiscal year 2019 under the guarantee. Given the legislature's desire to reduce the guarantee base and its desire to provide more equity in school funding, the state funding formula guarantee beyond fiscal year 2021 is uncertain.

*Commercial Activity Tax* – HB 66 makes provisions to replace some revenue lost due to the phase out of the Tangible Personal Property Tax. Businesses are now subject to a Commercial Activity Tax (CAT) that will provide some replacement income to school districts for lost tangible property revenues.

*Homestead Exemption* – The recent budget bill (HB 119) included significant property tax reductions for senior citizens. The Homestead Exemption will allow senior citizen homeowners and permanently/totally disabled homeowners, regardless of income, to withhold \$25,000 of market value of their owner occupied home from property taxes. In 2015, individuals who turned 65 in 2014 or who become disabled after January 1, 2013, were be required to have Ohio Qualifying income (\$31,000 or less) in order to receive Homestead Exemption based upon age or disability.

*Financial Forecast* – The School District is required to adopt a five-year financial forecast of revenues and expenditures each year. A surplus was projected in fiscal years 2021 and beyond. The forecast includes several revenue and expense assumptions based upon recent legislation, historical trends, and future assumptions.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, 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. Michael Bowen, Executive Director of Accounting at Cleveland Municipal School District, 1111 Superior Avenue East, Cleveland, Ohio 44114 or by email [Michael.bowen@clevelandmetroschools.org](mailto:Michael.bowen@clevelandmetroschools.org)

# **BASIC FINANCIAL STATEMENTS**

**Cleveland Municipal School District**  
*Statement of Net Position-Governmental Activities*  
June 30, 2020

	Total
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 200,383,179
Cash and Cash Equivalents with Fiscal Agents	3,258,153
Receivables:	
Taxes	383,724,354
Accounts	3,706,932
Intergovernmental	26,309,229
Accrued Interest	74,646
Materials and Supplies Inventory	2,615,084
Nondepreciable Capital Assets	126,091,540
Depreciable Capital Assets, Net	876,346,775
Net OPEB Asset	42,205,883
<b>Total Assets</b>	1,664,715,775
<b>Deferred Outflows of Resources</b>	
Pension	159,588,782
OPEB	24,555,768
<b>Total Deferred Outflows of Resources</b>	184,144,550
<b>Liabilities</b>	
Accounts Payable	20,644,304
Accrued Wages and Benefits	40,253,326
Retainage Payable	3,258,153
Intergovernmental Payable	16,838,583
Matured Compensated Absences Payable	204,121
Accrued Interest Payable	1,049,563
Claims Payable	17,852,101
Long-Term Obligations:	
Due Within One Year	15,720,476
Due in More Than One Year:	
Net Pension Liability	781,584,016
Net OPEB Liability	86,211,771
Other Amounts Due in More Than One Year	296,045,594
<b>Total Liabilities</b>	1,279,662,008
<b>Deferred Inflows of Resources</b>	
Property Taxes	279,403,501
Pension	39,584,670
OPEB	78,797,310
<b>Total Deferred Inflows of Resources</b>	397,785,481
<b>Net Position</b>	
Net Investment in Capital Assets	740,395,317
Restricted	
Restricted for Debt Service	60,260,720
Restricted for Capital Programs	92,674,288
Restricted for Educational Special Trust	7,355,097
Restricted for Food Services	5,331,634
Restricted for Miscellaneous State Grants	1,519,012
Restricted for Other Purposes	2,103,418
Unrestricted	(738,226,650)
<b>Total Net Position</b>	\$ 171,412,836

See accompanying notes to the basic financial statements

**Cleveland Municipal School District**  
*Statement of Activities-Governmental Activities*  
For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Instruction:</b>					
Regular	\$ 387,038,590	\$ 4,931,484	\$ 24,571,513	\$ 0	\$ (357,535,593)
Special	207,870,189	2,194,943	53,534,696	0	(152,140,550)
Vocational	6,136,836	70,157	1,367,611	0	(4,699,068)
Other	10,482,791	228	9,300,545	0	(1,182,018)
<b>Support Services:</b>					
Pupils	44,642,558	464,370	13,245,969	0	(30,932,219)
Instructional Staff	24,178,327	148,038	12,160,218	0	(11,870,071)
Board of Education	219,695	2,768	16,239	0	(200,688)
Administration	57,260,727	697,724	6,939,516	0	(49,623,487)
Fiscal	17,783,050	138,896	2,578,337	0	(15,065,817)
Business	1,126,721	14,117	65,930	0	(1,046,674)
Operation and Maintenance of Plant	73,080,026	876,759	4,585,630	1,860,393	(65,757,244)
Pupil Transportation	36,810,361	450,514	2,165,738	0	(34,194,109)
Central	24,571,642	304,978	1,547,509	0	(22,719,155)
Operation of Non-Instructional Services	36,242,280	166,688	34,346,894	0	(1,728,698)
Extracurricular Activities	4,446,110	378,287	512,384	0	(3,555,439)
Interest and Fiscal Charges	13,012,599	0	0	0	(13,012,599)
Capital Outlay	3,258,153	0	0	0	(3,258,153)
<b>Totals</b>	<b>\$ 948,160,655</b>	<b>\$ 10,839,951</b>	<b>\$ 166,938,729</b>	<b>\$ 1,860,393</b>	<b>\$ (768,521,582)</b>

**General Revenues**

Property Taxes Levied For:	
General Purposes	220,405,211
Debt Service	16,158,257
Capital Outlay	1,170,697
Capital Projects	1,218,523
Investment Income	3,778,012
Miscellaneous	8,144,361
Grants and Entitlements not Restricted to Specific Programs	429,786,589
<b>Total General Revenues</b>	<b>680,661,650</b>
Transfers	4,856,076
Change in Net Position	(83,003,856)
<i>Net Position Beginning of Year</i>	<u>254,416,692</u>
<i>Net Position End of Year</i>	<u>\$ 171,412,836</u>

See accompanying notes to the basic financial statements

**Cleveland Municipal School District**

*Balance Sheet  
Governmental Funds  
June 30, 2020*

	General	Debt Service	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 26,947,798	\$ 50,409,278	\$ 75,895,896	\$ 3,333,426	\$ 26,603,612	\$ 183,190,010
Cash and Cash Equivalents with Fiscal Agents	0	0	35,298	3,222,855	0	3,258,153
Investments	0	0	0	0	0	0
Investments with Fiscal Agents	0	0	0	0	0	0
Receivables:						
Taxes	341,650,815	30,869,446	2,905,070	0	8,299,023	383,724,354
Accounts	2,088,459	0	0	0	1,618,473	3,706,932
Intergovernmental	5,572,504	0	0	13,171,293	7,565,432	26,309,229
Accrued Interest	74,646	0	0	0	0	74,646
Interfund	8,916,607	0	0	0	0	8,916,607
Materials and Supplies Inventory	997,198	0	0	0	1,617,886	2,615,084
<b>Total Assets</b>	<b>386,248,027</b>	<b>81,278,724</b>	<b>78,836,264</b>	<b>19,727,574</b>	<b>45,704,426</b>	<b>611,795,015</b>
<b>Liabilities</b>						
Accounts Payable	11,455,275	0	1,212,409	2,934,040	5,042,580	20,644,304
Accrued Wages and Benefits	35,892,262	0	17,809	0	4,343,255	40,253,326
Retainage Payable	0	0	35,298	3,222,855	0	3,258,153
Interfund Payable	0	0	0	0	8,916,607	8,916,607
Intergovernmental Payable	14,910,762	0	7,556	0	1,920,265	16,838,583
Matured Compensated Absences Payable	204,121	0	0	0	0	204,121
<b>Total Liabilities</b>	<b>62,462,420</b>	<b>0</b>	<b>1,273,072</b>	<b>6,156,895</b>	<b>20,222,707</b>	<b>90,115,094</b>
<b>Deferred Inflows of Resources</b>						
Property Taxes	252,964,213	19,968,441	1,717,735	0	4,753,112	279,403,501
Unavailable Revenue	74,392,887	9,065,440	839,439	13,171,293	6,481,817	103,950,876
<b>Total Deferred Inflow of Resources</b>	<b>327,357,100</b>	<b>29,033,881</b>	<b>2,557,174</b>	<b>13,171,293</b>	<b>11,234,929</b>	<b>383,354,377</b>
<b>Fund Balance:</b>						
Nonspendable	997,198	0	0	0	1,617,886	2,615,084
Restricted	0	52,244,843	75,006,018	399,386	20,656,200	148,306,447
Assigned	0	0	0	0	0	0
Unassigned	(4,568,691)	0	0	0	(8,027,296)	(12,595,987)
<b>Total Fund Balances</b>	<b>(3,571,493)</b>	<b>52,244,843</b>	<b>75,006,018</b>	<b>399,386</b>	<b>14,246,790</b>	<b>138,325,544</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 386,248,027</b>	<b>\$ 81,278,724</b>	<b>\$ 78,836,264</b>	<b>\$ 19,727,574</b>	<b>\$ 45,704,426</b>	<b>\$ 611,795,015</b>

See accompanying notes to the basic financial statements



**Cleveland Municipal School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2020*

<b>Total Governmental Funds Balances</b>		\$ 138,325,544
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		1,002,438,315
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Other Unavailable Revenue	84,297,703	
Grants	19,653,110	
<b>Total</b>	<b>103,950,813</b>	103,950,813
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 position.		(658,930)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(1,049,563)
The net pension and OPEB assets/liabilities are not due and payable in the current period; therefore, the asset/liabilities and related deferred inflows/outflows are not reported in governmental funds		
Net OPEB Asset	42,205,883	
Deferred outflows - pension	159,588,782	
Deferred outflows - OPEB	24,555,768	
Deferred inflows - pension	(39,584,670)	
Deferred inflows - OPEB	(78,797,310)	
Net Pension Liability	(781,584,016)	
Net OPEB Liability	(86,211,711)	
<b>Total</b>	<b>(759,827,274)</b>	(759,827,274)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(264,275,000)	
Compensated Absences	(42,857,903)	
Worker's Compensation Claims	(3,282,420)	
Capital Lease Obligations	(1,350,746)	
<b>Total</b>	<b>(311,766,069)</b>	(311,766,069)
<b>Net Position of Governmental Activities</b>		<b>\$ 171,412,836</b>

See accompanying notes to the basic financial statements 0

**Cleveland Municipal School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2020*

	General	Debt Service	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 225,600,163	\$ 15,629,220	\$ 1,204,888	\$ 0	\$ 3,131,636	\$ 245,565,907
Investment Income	1,863,098	623,979	1,153,830	110,344	451	3,751,702
Tuition and Fees	6,492,653	0	0	0	0	6,492,653
Extracurricular Activities	0	0	0	0	348,566	348,566
Contributions and Donations	0	0	0	0	5,714,215	5,714,215
Food Services	0	0	0	0	150,736	150,736
Miscellaneous	13,245,693	0	0	0	304,080	13,549,773
Intergovernmental	475,213,109	2,253,534	63,709	29,402,189	114,249,652	621,182,193
<b>Total Revenues</b>	<b>722,414,716</b>	<b>18,506,733</b>	<b>2,422,427</b>	<b>29,512,533</b>	<b>123,899,336</b>	<b>896,755,745</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	323,853,379	0	0	0	1,322,448	325,175,827
Special	170,058,466	0	0	0	41,822,674	211,881,140
Vocational	5,362,370	0	0	0	979,915	6,342,285
Other	18,742	0	0	0	10,459,529	10,478,271
Support Services:						
Pupils	32,983,928	0	0	0	11,051,342	44,035,270
Instructional Staff	10,934,698	0	0	0	12,669,297	23,603,995
Board of Education	230,003	0	0	0	3,177	233,180
Administration	54,074,722	0	0	0	3,708,857	57,783,579
Fiscal	10,634,841	459,809	183,017	0	5,879,750	17,157,417
Business	1,173,518	0	0	0	0	1,173,518
Operation and Maintenance of Plant	68,076,918	0	374,770	0	4,768,316	73,220,004
Pupil Transportation	35,574,985	0	0	0	54,359	35,629,344
Central	23,750,306	0	0	0	110,635	23,860,941
Operation of Non-Instructional Services	1,316,799	0	0	0	33,756,810	35,073,609
Extracurricular Activities	4,013,943	0	0	0	482,978	4,496,921
Capital Outlay	0	0	12,180,866	35,074,949	0	47,255,815
Debt Service:						
Principal Retirement	0	6,105,000	0	0	0	6,105,000
Interest and Fiscal Charges	0	13,012,599	0	0	0	13,012,599
<b>Total Expenditures</b>	<b>742,057,618</b>	<b>19,577,408</b>	<b>12,738,653</b>	<b>35,074,949</b>	<b>127,070,087</b>	<b>936,518,715</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,642,902)	(1,070,675)	(10,316,226)	(5,562,416)	(3,170,751)	(39,762,970)
<b>Other Financing Sources (Uses):</b>						
Transfers In	4,856,076	0	0	0	0	4,856,076
Transfers Out	(1,000,000)	0	0	0	0	(1,000,000)
<b>Total Other Financing Sources (Uses)</b>	<b>3,856,076</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,856,076</b>
Net Change in Fund Balances	(15,786,826)	(1,070,675)	(10,316,226)	(5,562,416)	(3,170,751)	(35,906,894)
Fund Balances at Beginning of Year	12,215,333	53,315,518	85,322,244	5,961,802	17,417,541	174,232,438
<b>Fund Balances at End of Year</b>	<b>\$ (3,571,493)</b>	<b>\$ 52,244,843</b>	<b>\$ 75,006,018</b>	<b>\$ 399,386</b>	<b>\$ 14,246,790</b>	<b>\$ 138,325,544</b>

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, 2020*

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**Net Change in Fund Balances - Total Governmental Funds** \$ (35,906,894)

***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	44,068,118	
Current Year Depreciation	(30,725,681)	
Total		13,342,437

Revenues in the statement of activities that do not provide current financial resources are not reported in the funds. These revenues were attributed to property taxes and intergovernmental receivables

Property Taxes	35,106,288	
Ohio School Facilities Grant	(29,402,189)	
Other Unavailable Revenue	(3,028,518)	
Total		2,675,581

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 6,105,000

Repayment of capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,668,096

In the statement of activities, interest is accrued on outstanding bonds and bond premiums are amortized over the terms of the bonds, whereas in the governmental funds the expenditure is reported when the bonds are issued:

Accrued Interest on Bonds		26,310
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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	(3,974,118)	
Worker's Compensation Claims	(339,709)	
Total		(4,313,827)

Contractually required contributions are reported as expenditures in governmental funds; however the statement of net position reports these amounts as deferred outflows:

Pension	54,691,533	
OPEB	523,658	
Total		55,215,191

Except for amount reported as deferred inflows/outflows, changes in the net pension and OPEB assets/liabilities are reported as pension and OPEB expense in the statement of activities:

Pension	(117,075,529)	
OPEB	(8,633,976)	
Total		(125,709,505)

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.

2,893,755

***Change in Net Position of Governmental Activities*** \$ (83,003,856)

See accompanying notes to the basic financial statements

**Cleveland Municipal School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	250,031,498	\$ 247,814,008	\$ 249,649,727	\$ 1,835,719
Investment Income	2,090,348	2,071,809	2,087,157	15,348
Tuition and Fees	10,356,463	10,264,613	10,340,649	76,036
Miscellaneous	8,760,792	8,683,094	8,747,415	64,321
Intergovernmental	473,008,697	475,373,991	475,873,172	499,181
<b>Total Revenues</b>	<b>744,247,798</b>	<b>744,207,515</b>	<b>746,698,120</b>	<b>2,490,605</b>
<b>Expenditures:</b>				
Current:				
<i>Instruction:</i>				
Regular	339,682,798	328,834,793	324,883,767	3,951,026
Special	180,964,893	178,900,454	173,294,107	5,606,347
Vocational	5,712,912	5,647,739	5,483,727	164,012
Other	23,015	22,752	21,956	796
<i>Support Services:</i>				
Pupils	35,157,492	34,756,418	33,758,184	998,234
Instructional Staff	11,826,622	11,691,704	11,521,700	170,004
Board of Education	261,994	259,005	255,168	3,837
Administration	59,285,056	58,808,735	58,767,020	41,715
Fiscal	11,227,136	11,099,058	10,922,231	176,827
Business	1,274,153	1,542,618	1,542,260	358
Operation and Maintenance of Plant	66,955,236	67,657,414	67,656,532	882
Pupil Transportation	38,029,010	37,595,177	37,296,722	298,455
Central	24,820,197	29,343,049	29,342,891	158
Operation of Non-Instructional Services	1,411,423	1,395,322	1,360,252	35,070
Extracurricular Activities	4,265,521	4,434,860	4,434,188	672
<b>Total Expenditures</b>	<b>780,897,458</b>	<b>771,989,098</b>	<b>760,540,705</b>	<b>11,448,393</b>
Deficiency of Revenues Under Expenditures	(36,649,660)	(27,781,583)	(13,842,585)	13,938,998
<b>Other Financing Sources (Uses):</b>				
Advances In	4,000,000	4,000,000	4,000,000	0
Advances Out	(5,224,518)	(5,224,518)	(5,224,518)	0
Transfers Out	(1,000,000)	(1,000,000)	(1,000,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(2,224,518)</b>	<b>(2,224,518)</b>	<b>(2,224,518)</b>	<b>0</b>
Net Change in Fund Balances	(38,874,178)	(30,006,101)	(16,067,103)	13,938,998
Fund Balances at Beginning of Year	13,612,497	13,612,497	13,612,497	0
<i>Prior Year Encumbrances Appropriated</i>	17,550,240	17,550,240	17,550,240	0
<b>Fund Balances at End of Year</b>	<b>\$ (7,711,441)</b>	<b>\$ 1,156,636</b>	<b>\$ 15,095,634</b>	<b>\$ 13,938,998</b>

See accompanying notes to the basic financial statements

# Cleveland Municipal School District

## Statement of Fund Net Position

### Proprietary Fund

June 30, 2020

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	Governmental Activities - Internal Service Fund
<b>Assets:</b>	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 17,193,171
<b>Liabilities:</b>	
<i>Current Liabilities:</i>	
Claims Payable	17,852,101
<b>Net Position:</b>	
Unrestricted	\$ (658,930)

See accompanying notes to the basic financial statements

**Cleveland Municipal School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2020*

	<u>Governmental Activities - Internal Service Fund</u>
<b>Operating Revenues:</b>	
Charges for Services	\$ 100,459,947
<b>Total Operating Revenues</b>	<u>100,459,947</u>
<b>Operating Expenses:</b>	
Claims and Claim Adjustment Expenses	<u>100,022,896</u>
<b>Total Operating Expenses</b>	<u>100,022,896</u>
<b>Operating Income (Loss)</b>	437,051
<b>Nonoperating Revenues (Expenses):</b>	
Transfers In	<u>1,000,000</u>
<i>Change in Net Position</i>	1,437,051
<i>Net Position Beginning of Year</i>	<u>(2,095,981)</u>
<b>Net Position End of Year</b>	<u><u>\$ (658,930)</u></u>

See accompanying notes to the basic financial statements

**Cleveland Municipal School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2020*

	<u>Governmental Activities - Internal Service Fund</u>
<b><i>Increase In Cash and Cash Equivalents:</i></b>	
<b><i>Cash Flows from Operating Activities:</i></b>	
Cash Received from Interfund Services Provided	\$ 100,459,947
Cash Payments for Claims and Claim Adjustment Expenses	<u>(96,952,241)</u>
<b><i>Net Cash Provided by Operating Activities</i></b>	<u>3,507,706</u>
<b><i>Cash Flows from Non-Capital Financing Activities</i></b>	
Cash Received through Transfers from Other Funds	<u>1,000,000</u>
<b><i>Net Increase in Cash and Cash Equivalents</i></b>	4,507,706
Cash and Cash Equivalents at Beginning of Year	<u>12,685,465</u>
<b><i>Cash and Cash Equivalents at End of Year</i></b>	<u><u>\$ 17,193,171</u></u>
 <b><i>Reconciliation of Income to Net Cash Provided by Operating Activities</i></b>	
Operating Income (Loss)	\$ 437,051
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</i>	
Increase in Claims Payable	<u>3,070,655</u>
<b><i>Net Cash Provided by Operating Activities</i></b>	<u><u>\$ 3,507,706</u></u>

See accompanying notes to the basic financial statements

**Cleveland Municipal School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2020*

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**Assets**

Equity in Pooled Cash and Cash Equivalents

\$ 504,498

**Liabilities**

Due to Students

\$ 504,498

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, 2020

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### **Note 1 - Description of the School District and Reporting Entity**

#### ***A. School District and Board of Education***

The Board of Education of the 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 government structure, which gives the Mayor the authority to continue appointing board members.

#### ***B. 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 the School District, this includes general operations, food service, capital projects and student related activities of the School District.

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

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

The Cleveland Public Library and the City of Cleveland have been defined as related organizations and the Ohio Schools Council and the Bond Accountability Commission as jointly governed organizations. These organizations are discussed further in Note 20 and Note 21 to the basic financial statements.

### **Note 2 - Summary of Significant Accounting Policies**

The financial statements of the Cleveland Municipal School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

# Cleveland Municipal School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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## ***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net position 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 position 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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity program 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 governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

## ***B. Fund Accounting***

The School District uses funds to maintain its financial records during the 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 are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

## Cleveland Municipal School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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***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.

***Permanent Improvement Fund*** The permanent improvement fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements.

***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 to 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 Fund Type*** Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows and are classified as either enterprise or internal service. The School District only has internal service funds.

***Internal Service Funds*** The 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 internal service fund 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 and self-insurance programs for employee medical benefits.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust 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 has one agency fund, which accounts for student activities.

### ***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 position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

***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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

## Cleveland Municipal School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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Like the government-wide statements, the internal service funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund 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 the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected 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 the 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 (See Note 8). 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 Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB related liabilities. The deferred outflows or resources related to pension and OPEB are explained in Note 14 and 15.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future

## Cleveland Municipal School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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period and will not be recognized until that time. For the School District, deferred inflows of resources included property taxes, pension, OPEB Plans and unavailable revenue. Property Taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net pension. (See Note 14 and 15).

***Expenses/Expenditures*** 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.

### ***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 that was in effect at the time the final appropriations were passed by the Board of Education.

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 Cash Equivalents***

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

## Cleveland Municipal School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" or "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 2020, investments were limited to STAR Ohio, Star Plus and federal agency securities.

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 2020. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2020.

Under existing Ohio statute, interest earnings are allocated to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$1,863,098 which includes \$1,375,643 assigned from other School District funds.

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. Fund Balance***

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable:*** The nonspendable fund balance category included amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

***Restricted:*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

***Committed:*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes

## Cleveland Municipal School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Education, separate from the authorization to raise the underlying revenue; therefore, compliance with these restraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amount represents intended uses established by the Board of Education or the Chief Financial Officer which has been delegated that authority by the CEO.

**Unassigned:** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for a specific purpose for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

### ***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2020 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

### ***I. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consisted of donated and purchased food and materials and supplies held for consumption.

### ***J. Capital Assets***

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position 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 acquisition values as of the date received. The School District maintains a capitalization threshold of fifty thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance

**Cleveland Municipal School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Intangible assets identified pursuant to GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, have been classified separately from other assets capitalized by the School District. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land Improvements	25 years
Buildings and Improvements	25 - 50 years
Vehicles and Equipment	7 - 15 years
Internal Generated Software	5-10 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.

***K. Inter-fund Balances***

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

***L. Pensions and Other Postemployment Benefits (OPEB)***

For purposes of measuring the net pension/OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to pension/OPEB, and pension/OPEB expense; information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

***M. 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.

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 a five year history of the School District’s actual payments.

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



## Cleveland Municipal School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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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. The General Fund is typically used to liquidate the compensated absences.

### ***N. Bond Premium***

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are reported as another financing source when received.

### ***O. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources and are reported as obligations of the funds. However, claims and judgments and compensated absences, contractually required pension obligations, and capital lease obligations 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

### ***P. Net Position***

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position for other purposes included resources restricted for non-public schools and community involvement.

The government-wide statement of net position reports \$169,244,169 of restricted net position, none of which is restricted by enabling legislation.

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

### ***Q. Internal Activity***

Transfers between governmental activities are eliminated on the government-wide financial statements. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Inter-fund payments for services provided and used are not eliminated.

## **Cleveland Municipal School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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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 and after nonoperating revenues/expenses in the proprietary 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. Operating Revenue and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as non-operating.

### ***S. Contribution 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.

### ***T. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current fiscal year.

### ***U. 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 in 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, 2020

**Note 3 – Accountability and Compliance**

*Accountability*

The following funds had deficit fund balances as of June 30, 2020:

<b>General Fund</b>	\$ 3,571,493
<b>Special Revenue Funds</b>	
Other Local	312,579
Other State	125,079
ESSER	329,958
Title VI-B Special Education	1,075,573
Vocational Education	93,699
Title I	998,844
Improving Teacher Quality Title II-A	189,217
Other Federal	4,902,347
	<u>8,027,296</u>
<b>Grand Total</b>	<u><u>\$ 11,598,789</u></u>

The deficits in the special revenue funds resulted from the recognition of accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

*Compliance*

Ohio Revised Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission.

As of June 30, 2020, the following District fund had appropriations that exceeded the amount certified as available by the budget commission

<u>Fund</u>	<u>Final Amended Certificate</u>	<u>Final Appropriation</u>	<u>Variance</u>
Classroom Facilities	\$ 52,585,196	\$ 96,128,667	\$ (43,543,471)

**Note 4 – Fund Balances**

Fund balance is classified in five categories (1) Nonspendable, (2) Restricted, (3) Committed, (4) Assigned and (5) Unassigned. Nonspendable fund balances include amounts that are not in spendable form or are legally required to remain intact. Restricted fund balances include amounts that have external restrictions by either grantors, debt covenants, laws or other governments. Committed fund balances include amounts that are committed to a specific purpose by board ordinance. Assigned fund balances include amounts to be used for a specific purpose. Unassigned fund balances include amounts that have not been assigned to any purpose.

**Cleveland Municipal School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Debt Service	Permanent Improvement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>						
Inventory	\$ 997,198	\$ 0	\$ 0	\$ 0	\$ 1,617,886	\$ 2,615,084
<i>Restricted for</i>						
Debt Service Payments	0	52,244,843	0	0	0	52,244,843
Capital Improvements	0	0	75,006,018	399,386	0	75,405,404
Education Special Trust	0	0	0	0	7,355,097	7,355,097
Classroom Facilities Maintenance	0	0	0	0	3,784,318	3,784,318
Partnering Community Schools	0	0	0	0	754,198	754,198
Food Service Operations	0	0	0	0	3,944,369	3,944,369
Other Purposes	0	0	0	0	4,818,218	4,818,218
<i>Total Restricted</i>	<u>0</u>	<u>52,244,843</u>	<u>75,006,018</u>	<u>399,386</u>	<u>20,656,200</u>	<u>148,306,447</u>
<i>Assigned to:</i>						
Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assigned</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Unassigned (Deficit)</i>	<u>(4,568,691)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(8,027,296)</u>	<u>(12,595,987)</u>
<i>Total Fund Balances</i>	<u>\$ (3,571,493)</u>	<u>\$ 52,244,843</u>	<u>\$ 75,006,018</u>	<u>\$ 399,386</u>	<u>\$ 14,246,790</u>	<u>\$ 138,325,544</u>

For the purposes in the above chart, the Restricted Fund Balance for Other Purposes consists of Public School Support, Other Grants, District Managed Activity, Auxiliary Services, Miscellaneous State Grants, Management Information Systems, Public School Preschool, Data Communications for School Buildings, Interactive Distance Learning, Vocational Education Enhancement, Alternative Schools, Miscellaneous Federal Grants and School Maintenance and Operational Assistance.

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

**Cleveland Municipal School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
4. Investments are reported at cost (budget basis) rather than fair value (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis for the general fund.

	Net Change in Fund Balance
GAAP Basis	\$ (15,779,804)
Net Adjustment for Revenue Accruals	19,427,328
Advances In	4,000,000
Net Adjustment for Expenditure Accruals	(2,919,063)
Advances Out	(5,224,518)
Adjustment for Encumbrances	(15,571,046)
Budget Basis	<u><u>\$ (16,067,103)</u></u>

**Note 6 - Deposits and Investments**

The School District has chosen to follow State statutes in order to classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the School District treasury. Active 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 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 or deposit accounts including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible

## Cleveland Municipal School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial 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);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest 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 or transfer from the custodian.

# Cleveland Municipal School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

## Deposits with Financial Institutions

Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," the School District's bank balance was \$51,147,727 at fiscal year-end. Of the bank balance, \$1,260,347 was covered by federal depository insurance and \$49,887,380 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.

Custodial credit risk is the risk that, in the event of a bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio Law requires that deposits either be insured or protected by (1) eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2020, the District's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although the statutory requirements for deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

## Investments

Investments are reported at fair value. The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in federal agency securities (FHLB, FHLMC, and FNMA), commercial paper, U.S. Treasury bills, U.S. Treasury notes, and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs). As of June 30, 2020, the School District had the following investments:

	Maturity		
	Less Than One Year	More Than One Year But Less Than Five Years	Total
U.S. Agency Obligations	\$ 10,994,340	\$ -	\$ 10,994,340
STAR Ohio-Net Asset Value	149,489,765	-	149,489,765
Total Portfolio	<u>\$ 160,484,105</u>	<u>\$ -</u>	<u>\$ 160,484,105</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 40 percent of the portfolio, under Ohio Revised Code and School

## Cleveland Municipal School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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, 2020 in FHLMC, FFCB, and agency securities were rated AAA by Standard & Poor's. The investments in STAR Ohio were rated AAAM by Standard & Poor's. The School District has an investment policy to minimize credit risk by diversifying assets by issuer, ensuring that required minimum credit quality ratings exist and maintaining adequate collateralization of certificates of deposits.

**Concentration of Credit Risk** The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2020:

Investments	Percentage of Investments
FHLMC	3.74%
FARM	1.24%
FFCB	1.87%
STAR Ohio	93.15%

### Note 8 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school district in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility located in the School District. Real property tax revenue received in calendar 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. 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.

Public utility property tax revenue received in calendar 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2019, were levied after April 1, 2020 and are collected in 2020 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.



**Cleveland Municipal School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

The amount available as an advance at June 30, 2020 was \$18,477,031, which is comprised of \$15,249,883 in the general fund, \$1,835,565 in the debt service fund, \$347,896 in the permanent improvement fund, \$695,791 in the partnering community school fund, and \$347,896 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2020 was \$48,926,638, which is comprised of \$40,214,026 in the general fund, \$5,043,431 in the debt service fund, \$917,295 in the permanent improvement fund, and \$1,834,591 in the partnering community school fund and \$917,295 in the classroom facilities maintenance special revenue fund.

Accrued property taxes receivable includes real property and public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2020 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

On an full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

The assessed values upon which the fiscal year 2020 taxes were collected are:

	<u>2019 Second Half</u>		<u>2020 First Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 4,883,583	91.74%	\$ 4,722,560	90.94%
Public Utility Property	439,426	8.26	470,690	9.06
Total	<u>\$ 5,323,009</u>	<u>100.00%</u>	<u>\$ 5,193,250</u>	<u>100.00%</u>
Full voted tax rate per \$1,000 of assessed valuation	\$	79.30	\$	79.30

**Note 9 – Tax Abatements**

School District property taxes were reduced under Enterprise Zone agreements entered into by an overlapping government – the City of Cleveland. As a result of the agreements, the School District had \$23,467,408 in taxes abated for the tax year 2019/collection year 2020.

**Note 10 - Receivables**

Receivables at June 30, 2020 consist 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 fiscal year guarantee of federal funds. All receivables are expected to be collected within one year except delinquent property taxes.

A summary of the principal items of intergovernmental receivables follows:

## Cleveland Municipal School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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Governmental Activities	Amount
Ohio Department of Education	\$ 1,303,839
Cuyahoga County	4,243,000
The Centers for Families and Children	0
Ohio Medicaid	17,679
Cuyahoga Community College	7,986
Ohio School Facilities Grant	13,171,293
Cleveland Metroparks	0
Other School Districts	0
Council for Economic Opportunities	0
Educational Special Trust	100,852
Miscellaneous State Grants and Subsidies	151,065
Race to the Top	0
Other State Grants and Subsidies	20,525
US Department of Agriculture	279,494
ESSER	1,237,824
Title VI-B Special Education Grant and Subsidies	1,372,655
Vocational Education Grant and Subsidies	158,550
Title I Grant and Subsidies	3,032,613
Improving Teacher Quality Title II-A Grant and Subsidies	416,162
Miscellaneous Federal Grants and Subsidies	144,775
Other Federal Grants and Subsidies	650,917
	<u>\$ 26,309,229</u>

### Note 11 – 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 conditions specified in the grant agreements which are 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, 2020.

#### B. School Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year-end. ODE has finalized the impact of enrollment adjustments to the June 30, 2020 foundation funding for the School District. These adjustments were insignificant for the School District.

**Cleveland Municipal School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

**C. 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 12 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance 6/30/19	Additions	Deletions	Balance 6/30/20
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 31,814,081	\$ 0	\$ 0	\$ 31,814,081
Construction in Progress	60,006,978	43,928,373	(9,657,892)	94,277,459
<i>Total Capital Assets, not being Depreciated</i>	<u>91,821,059</u>	<u>43,928,373</u>	<u>(9,657,892)</u>	<u>126,091,540</u>
<i>Capital Assets, being Depreciated</i>				
Land Improvements	1,523,444	0	0	1,523,444
Buildings and Improvemets	1,299,639,145	9,657,892	0	1,309,297,037
Vehicles and Equipment	32,037,366	139,745	0	32,177,111
Internal Generated Software	5,878,735	0	0	5,878,735
<i>Total Capital Assets, being Depreciated</i>	<u>1,339,078,690</u>	<u>9,797,637</u>	<u>0</u>	<u>1,348,876,327</u>
Less: Accumulated Depreciation:				
Land Improvements	(1,472,960)	(11,549)	74,225	(1,410,284)
Buildings and Improvements	(439,794,127)	(29,939,812)	23,475,311	(446,258,628)
Vehicles and Equipment	(19,521,357)	(764,225)	1,009,742	(19,275,840)
Internal Generated Software	(5,868,643)	(10,095)	293,937	(5,584,801)
<i>Total Accumulated Depreciation</i>	<u>(466,657,087)</u>	<u>(30,725,681) *</u>	<u>24,853,215</u>	<u>(472,529,553)</u>
<i>Total Capital Assets, being Depreciated, Net</i>	<u>872,421,603</u>	<u>(20,928,044)</u>	<u>24,853,215</u>	<u>876,346,774</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 964,242,662</u>	<u>\$ 23,000,329</u>	<u>\$ 15,195,323</u>	<u>\$ 1,002,438,314</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 29,744,913
Special	62,511
Support Services:	
Administration	128,577
Operation and Maintenance of Plant	39,625
Pupil Transportation	750,055
Total Depreciation Expense	<u>\$ 30,725,681</u>

**Cleveland Municipal School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

Construction in progress is composed of the following at June 30, 2020:

	<u>Project Authorization</u>	<u>Expended to June 30, 2020</u>	<u>Committed</u>
Regular Instruction	\$ 133,516,708	\$ 94,277,459	\$ 39,239,249

**Note 13 - Risk Management**

**A. Property and Liability**

The School District is exposed to various loss potentials including but not limited to: torts, 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:

<u>Coverage During Fiscal Year</u>	<u>Aggregate Liability Limits</u>	<u>Self- Insured Retention</u>
<b>Coverage A - School Liability</b>	\$ 12,000,000	\$ 500,000
General Liability		
Automobile Liability		
Law Enforcement Liability		
Nurse' Professional Liability		
Ohio Stop Gap Liability		
<b>Coverage B - Educators Liability</b>	\$ 12,000,000	\$ 500,000
School Leaders Errors & Omissions (includes lawyer professional liability)		
Employment Practices Liability		
Sexual Harassment		
Sexual Misconduct/Abuse		
Employee Benefits Liability		

<u>Coverage During Fiscal Year</u>	<u>Aggregate Liability Limits</u>	<u>Deductible</u>
Property (Physical Damage) Insurance	\$ 300,000,000	\$ 500,000
Boiler and Machinery	150,000,000	250,000
Commerical Crime Insurance	2,000,000	100,000
Public Officials Bond (Treasurer Bond)	1,000,000	N/A
Builders's Risk	30,000,000	50,000
Student Athletic	2,000,000	N/A
Terrorism	10,000,000	25,000
Cyber Risk	5,000,000	100,000
Healthcare Professional Liability	3,000,000	10,000

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.

# Cleveland Municipal School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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 \$1,822,175 as of June 30, 2020, and are recorded in the Liability Self-Insurance internal service fund.

## ***B. Employee Health Benefits***

The School District has elected to provide medical and prescription drug benefits through a self insured program utilizing providers Medical Mutual of Ohio, Aetna Insurance, and University Hospitals (UH Choice) companies. The maintenance of these benefits is accounted for in the Employee Benefits Self-Insurance internal service fund. Specific stop loss threshold covered per person is \$350,000 a claim and there is an unlimited maximum, which is in compliance with the Federal Healthcare Reform.

## ***C. Workers' Compensation***

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, 2010, through June 30, 2020, including the estimate for incurred but not reported (IBNR) claims totals \$3,282,420.

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 reported at June 30, 2020 for liability and property damage claim settlements and judgments, medical and prescription drug benefits and workers' compensation is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for fiscal years 2019 and 2020 are as follows:

	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2019	\$ 14,534,630	\$ 102,729,923	\$ 102,483,107	\$ 14,781,446
2020	14,781,446	103,530,602	100,459,947	17,852,101

## **Note 14 – Defined Benefit Pension Plans**

### ***A. Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services

## Cleveland Municipal School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

### ***B. Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Cleveland Municipal School District**

Notes to the Basic Financial Statements  
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Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the based benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.05 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$16,799,671 for fiscal year 2020. Of this amount, \$1,424,104 is reported as an intergovernmental payable.

***C. Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that

## Cleveland Municipal School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 year of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty and after termination of employment.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.



**Cleveland Municipal School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

The School District’s contractually required contribution to STRS was \$37,891,862 for fiscal year 2020. Of this amount, \$4,638,800 is reported as an intergovernmental payable.

***D. Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer’s share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of Net Pension Liability:			
Current Measurement Date	3.64428330%	2.54829514%	
Prior Measurement Date	3.20954640%	2.52819162%	
Change in Proportionate Share	<u>0.43473690%</u>	<u>0.02010352%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 218,043,860	\$ 563,540,156	\$ 781,584,016
Pension Expense	\$ 41,180,322	\$ 75,895,207	\$ 117,075,529

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District’s proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2020 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Cleveland Municipal School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 5,529,113	\$ 4,588,155	\$ 10,117,268
Changes of Assumptions	0	66,198,672	66,198,672
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	15,440,346	13,140,963	28,581,309
School District Contributions Subsequent to the Measurement Date	<u>16,799,671</u>	<u>37,891,862</u>	<u>54,691,533</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 37,769,130</u></b>	<b><u>\$ 121,819,652</u></b>	<b><u>\$ 159,588,782</u></b>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 0	\$ 2,439,455	\$ 2,439,455
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,798,859	27,542,789	30,341,648
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	<u>2,170,670</u>	<u>4,632,897</u>	<u>6,803,567</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 4,969,529</u></b>	<b><u>\$ 34,615,141</u></b>	<b><u>\$ 39,584,670</u></b>

\$54,691,533 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2021	\$ 14,852,405	\$ 34,571,023	\$ 49,423,428
2022	(253,519)	11,103,779	10,850,260
2023	(186,250)	(20,316)	(206,566)
2024	<u>1,587,294</u>	<u>3,658,163</u>	<u>5,245,457</u>
	<b><u>\$ 15,999,930</u></b>	<b><u>\$ 49,312,649</u></b>	<b><u>\$ 65,312,579</u></b>

***E. Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of

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each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, Including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
COLA or Ad Hoc COLA	2.50 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** Total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School District's Proportionate Share of the Net Pension Liability	\$ 305,557,400	\$ 218,043,860	\$ 144,652,805

**F. Actuarial Assumptions - STRS**

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent, effective July 1, 2017

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Post-retirement mortality rates for healthy retirees are based on RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016; pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 Percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the July 1, 2019 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation*	Long Term Expected Real Rate of Return**
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2019.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were

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calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net Pension Liability	\$ 823,551,156	\$ 563,540,156	\$ 343,427,524

**Note 15 - Defined Benefit OPEB Plans**

**A. Net OPEB Asset/Liability**

The net OPEB asset/liability reported on the statement of net position represents an asset or liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB asset/liability represents the School District’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB asset/liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the asset/liability is solely that of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees, which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB asset/liability. Resulting adjustments to the net OPEB asset/liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net OPEB asset/liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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### ***B. Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$523,658.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$523,658 for fiscal year 2020, which is reported as an intergovernmental payable.

### ***C. Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

***D. OPEB Assets/Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB***

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	3.42819010%	2.54829514%	
Prior Measurement Date	<u>3.05970770%</u>	<u>2.52819162%</u>	
 Change in Proportionate Share	 <u>0.36848240%</u>	 <u>0.02010352%</u>	
 Proportionate Share of the:			
Net OPEB Liability	86,211,771	0	86,211,771
Net OPEB (Asset)	0	(42,205,883)	(42,205,883)
OPEB Expense	3,660,122	(12,294,098)	(8,633,976)

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	1,265,518	3,826,286	5,091,804
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	206,941	0	206,941
Changes of Assumptions	6,296,787	887,157	7,183,944
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	8,231,966	3,317,455	11,549,421
School District Contributions Subsequent to the Measurement Date	<u>523,658</u>	<u>0</u>	<u>523,658</u>
<b>Total Deferred Outflows of Resources</b>	<u>\$16,524,870</u>	<u>\$8,030,898</u>	<u>\$24,555,768</u>



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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	18,940,140	2,147,285	21,087,425
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	0	2,650,807	2,650,807
Changes of Assumptions	4,831,052	46,273,850	51,104,902
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	<u>3,954,176</u>	<u>0</u>	<u>3,954,176</u>
<b>Total Deferred Outflows of Resources</b>	<u>\$27,725,368</u>	<u>\$51,071,942</u>	<u>\$78,797,310</u>

\$523,658 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2021	(4,147,778)	(9,447,217)	(13,594,995)
2022	(1,985,244)	(9,447,216)	(11,432,460)
2023	(1,924,505)	(8,384,803)	(10,309,308)
2024	(1,934,389)	(8,012,110)	(9,946,499)
2025	(1,324,679)	(7,890,343)	(9,215,022)
2026	<u>(407,561)</u>	<u>140,645</u>	<u>(266,916)</u>
Total	<u>(11,724,156)</u>	<u>(43,041,044)</u>	<u>(54,765,200)</u>

**E. Actuarial Assumptions - SERS**

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and

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any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented as follows:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption:	
Pre-Medicare	7.00 to 4.75 percent
Medicare	5.25 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan (See Note 14).

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from

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the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025; therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22 percent) and higher (4.22 percent) than the current discount rate (3.22 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percent lower (6.00 percent decreasing to 3.75 percent) and one percent higher (8.00 percent decreasing to 5.75 percent) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's Proportionate Share of the Net OPEB Liability	\$ 104,644,740	\$ 86,211,771	\$ 71,555,403
	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rate (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
Share District's Proportionate Share of the Net OPEB Liability	\$ 69,073,092	\$ 86,211,711	\$ 108,950,647

***F. Actuarial Assumptions – STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented as follows:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends:	
Medical:	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug:	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 initial, 4 percent ultimate

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Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan (see Note 14).

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019; therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset/Liability to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB asset/liability as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2019, calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (36,014,316)	\$ (42,205,883)	\$ (47,411,541)
	1% Decrease	Current Trend Rate	1% Increase
Share District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (47,859,531)	\$ (42,205,883)	\$ (35,281,528)

## Cleveland Municipal School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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### Note 16 – 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 Consumer Life Insurance in the amount of \$10,000 for each employee (\$50,000 for certain classes of employees). The School District also provides medical and prescription drug benefits through Medical Mutual of Ohio, Aetna and UH Choice, dental benefits through MetLife and vision through Spectera and Union Eye Care to all eligible employees.

### Note 17 - 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 acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District may still establish a budget reserve, if it so chooses; however, the requirement is no longer mandatory. The School District is also required to set aside money for any unspent portions of a bus purchase subsidy received annually from the State.

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

	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of June 30, 2019	\$ -
Current Year Set-Aside Requirement	6,646,423
Current Year Offsets:	
Tax Levy for Classroom Facilities and Maintenance	(1,930,207)
Qualifying Disbursements	(60,280,993)
Totals	<u>(55,564,777)</u>
Set-Aside Balances Carried Forward to Future Fiscal Years	<u>(55,564,777)</u>

**Cleveland Municipal School District**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

**Note 18 – Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2019 were as follows:

	Balance Outstanding 06/30/19	Additions	Deletions	Balance Outstanding 06/30/20	Amounts Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
2010 School Facilities Improvement Bonds	55,000,000	0	0	55,000,000	0
2012 School Facilities Improvement Refunding Bonds	10,495,000	0	1,940,000	8,555,000	2,015,000
2013 School Facilities Improvement Refunding Bonds	26,405,000	0	1,005,000	25,400,000	1,045,000
2015 School Facilities Improvement Bonds	129,280,000	0	3,160,000	126,120,000	3,315,000
2015 Qualified School Construction Bond	49,200,000	0	0	49,200,000	0
<b>Total General Obligation Bonds and Notes</b>	<b>270,380,000</b>	<b>0</b>	<b>6,105,000</b>	<b>264,275,000</b>	<b>6,375,000</b>
<b>Net Pension Liability</b>					
SERS	183,816,667	34,227,193	0	218,043,860	0
STRS	555,892,572	7,647,584	0	563,540,156	0
<b>Total Net Pension Liability</b>	<b>739,709,239</b>	<b>41,874,777</b>	<b>0</b>	<b>781,584,016</b>	<b>0</b>
<b>Other Post-Employment Benefits (OPEB)</b>					
SERS	84,884,557	1,327,214	0	86,211,771	0
STRS	0	0	0	0	0
<b>Total OPEB</b>	<b>84,884,557</b>	<b>1,327,214</b>	<b>0</b>	<b>86,211,771</b>	<b>0</b>
<b>Other Long-Term Obligations:</b>					
Compensated Absences	38,883,785	9,485,230	5,511,112	42,857,903	5,511,112
Workers' Compensation Claims	2,942,711	2,823,327	2,483,618	3,282,420	2,483,618
Direct Borrowing - Lease Obligation	4,018,842	0	2,668,096	1,350,746	1,350,746
<b>Total Other Long Term Obligations</b>	<b>45,845,338</b>	<b>12,308,557</b>	<b>10,662,826</b>	<b>47,491,069</b>	<b>9,345,476</b>
<b>Total Governmental Activities</b>	<b>\$ 1,140,819,134</b>	<b>\$ 55,510,548</b>	<b>\$ 16,767,826</b>	<b>\$ 1,179,561,856</b>	<b>\$ 15,720,476</b>

On June 10, 2015, the School District issued \$200,000,000 of General Obligation School Improvement Bonds consisting of \$150,800,000 of Tax Exempt School Improvement Bonds, Series 2015A and \$49,200,000 of Federally Taxable Qualified School Construction Bonds, Series 2015B bearing interest at the rate of 2.00% - 5.02% per annum. The premium received on this bond issue was \$9,277,561 and after deducting the bond issuance costs, \$8,500,106 was transferred to the Debt Service Fund. Issue 4, which was approved by voters on November 4, 2014, will allow for construction of 20-22 new schools and the refurbishing of 20-23 schools. This debt will be retired from the Debt Service Fund.

On January 29, 2013, the School District issued \$45,600,000 of School Improvement Refunding Bonds, Series 2013, at a true interest cost of approximately 3%. Proceeds of this bond issue (including a portion of the original issue premium), together with \$12,000,000 of cash on hand in the District's bond retirement

## Cleveland Municipal School District

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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fund, for a total of \$63,366,472.36, was deposited in an escrow fund that is being used ultimately to pay principal and interest on \$59,020,000 in aggregate principal amount of certain of the District's School Improvement Bonds, Series 2004, through June 1, 2014, the date of optional early redemption of those Series 2004 Bonds. As a result, those Series 2004 Bonds were defeased and considered no longer outstanding for purposes of the District's direct debt limitations.

On January 11, 2012, the School District issued \$20,855,000 of School Improvement Refunding Bonds, Series 2012, at a true interest cost of approximately 3%. Proceeds of this bond issue (including a portion of the original issue premium), together with \$8,000,000 of cash on hand in the District's bond retirement fund, for a total of \$29,998,078, was deposited in an escrow fund which will be used to pay principal of and interest on \$28,600,000 in aggregate principal amount of certain of the District's Various Purpose Improvement and Refunding Bonds, Series 2002, through December 1, 2012, the date of optional early redemption of those Series 2002 Bonds. As a result, those Series 2002 Bonds were defeased and considered no longer outstanding for purposes of the District's direct debt limitations.

On December 21, 2010, the School District utilized cash on hand to defease \$14,675,000 principal amount of outstanding 2002 School Facilities Improvement Bonds. The School District placed \$15,848,185 from the debt service fund in an escrow account which was used to pay principal and interest on the defeased bonds. As a result, the bonds are considered defeased and the liability for those bonds was removed from long-term debt. The defeasance will result in a reduction in future debt service of \$25,172,925.

On September 29, 2010, the School District issued \$55,000,000 of School Improvement Bonds, bearing interest at the rate of 5.20% per annum. The series 2010 bond issue is the third long term financing bond issue related to the School District's participation in the Ohio School Facilities Assistance Program. The District made mandatory sinking fund payments to an escrow fund, which is part of the District's Bond Retirement Fund, held by The Bank of New York Mellon Trust Company, N.A., as escrow agent, in the amount of \$3,016,357 on December 1<sup>st</sup> of each year starting in 2010, reducing the outstanding principal amount of this series of bonds by that aggregate amount pursuant to Sections 133.01 and 133.04 of the Revised Code.

Compensated absences and workers' compensation costs will be paid from the fund from which the employee is paid which, for the School District, is primarily the general fund.

The School District's overall legal debt margin was \$233,884,394 with an unvoted debt margin of \$5,193,251 at June 30, 20.

The School District is subject to federal arbitrage regulations. As of June 30, 2020 the District has not accrued any liability.

**Cleveland Municipal School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2020, are as follows:

Fiscal Year Ending June 30, 2020	Principal	Interest	Total
General Obligation Bonds			
2021	6,375,000	12,758,431	19,133,431
2022	6,725,000	12,453,331	19,178,331
2023	7,035,000	12,161,631	19,196,631
2024	7,375,000	11,831,294	19,206,294
2025	7,775,000	11,525,756	19,300,756
2026-2030	98,235,000	40,821,280	139,056,280
2031-2050	130,755,000	64,060,573	194,815,573
Total	<u>\$ 264,275,000</u>	<u>\$ 165,612,296</u>	<u>\$ 429,887,296</u>

In fiscal year 2014, the School District entered into an agreement to lease 225 buses. The cost of this lease was \$19,068,000. This agreement is, in substance, a lease purchase (capital lease) and is classified as a long-term lease obligation in the financial statements. \$17,929,613 was added to vehicles and equipment. In the event of default, as defined by the lease agreement, the amounts payable by the School District may become due. If payments are not made, the lessor may retake possession of the buses and hold the School District liable for amounts payable.

The following is a schedule of future lease payments and present value of net minimum lease payments as June 30, 2020:

Fiscal Year Ending June 30, 2020	Principal	Interest	Total
Direct Borrowing - Lease Obligation			
2021	1,350,746	11,255	1,362,001
Total	<u>\$1,350,746</u>	<u>\$11,255</u>	<u>\$1,362,001</u>



**Cleveland Municipal School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

**Note 19 – Interfund Transfers and Balances**

**A. Transfers**

Transfers made during the year ended June 30, 2020 were as follows:

Transfers To	Transfers Out		Totals
	General	Districts Agency Fund	
Major Governmental Funds:			
General Fund	\$ 0	\$ 4,856,076	\$ 4,856,076
Non-Major Governmental Funds:			
Self Insurance Fund	\$ 1,000,000	\$ 0	\$ 1,000,000
Totals	\$ 1,000,000	\$ 4,856,076	\$ 5,856,076

The purpose of the transfer from the General Fund to the Self Insurance Fund was to fund future liabilities that might occur in that fund.

The purpose of the transfer from the District Agency Fund to the General Fund was to refund the General Fund monies it used in fiscal year 2019 for payroll withholding taxes.

**B. Interfund Balances**

Interfund balances at June 30, 2020, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable
	General
Non-Major Governmental Funds:	
Other Local	\$ 1,327,356
Other State	66,322
ESSER	1,237,824
Title VI-B Special Education	1,337,515
Vocational Education	492,000
Improving Teacher Quality Title II-A	582,393
Miscellaneous Federal Grants	500,000
Other Federal	3,373,197
Totals	\$ 8,916,607

The interfund receivable and payable are due to the timing of the receipt of grant monies by the nonmajor funds. The School District expects to receive the grant monies and repay the advance within the next fiscal year.

## **Cleveland Municipal School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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### **Note 20 - Related Organizations**

#### ***A. Cleveland Public Library***

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

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

#### ***B. City of Cleveland***

In November 1998, the Mayor of the City of Cleveland was given appointment authority for the 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. The Board 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 21 - Jointly Governed Organizations**

#### ***A. Ohio Schools' Council Association***

The Ohio Schools Council (Council) is a jointly governed organization among various school districts in northern Ohio. 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 the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite #10, Independence, Ohio 44131.

#### ***B. Bond Accountability Commission***

The Bond Accountability Commission (BAC) is an independent nonprofit agency that monitors the Cleveland Municipal School District's construction and renovation program and the spending of Issue 14 tax money approved by voters in May 2001.

**Cleveland Municipal School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

As a commission created by the Board, the BAC is a “public body” subject to the Ohio Sunshine Law as set forth in Section 121.22 of the Ohio Revised Code, and shall conduct its business in accordance with the provisions of the Sunshine Law, including, but not limited to, establishing a reasonable method of notifying the public of the time, place and purpose of its meetings, and preparing, filing and maintaining minutes of its meetings. 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. In fiscal year 2018, the District extended the contract with the BAC for three years in the amount of \$309,588. Annual reports can be obtained by contacting Laura Chalker, Administrator Bond Accountability Commission c/o Cuyahoga Community College, 2900 Community College Avenue MBA, Room 221, Cleveland, Ohio 44115.

**Note 22 – Construction and Other Significant Commitments**

Projects	Committed Amount	Amount Paid	Remaining on Commitment
Segment 1	\$ 218,634,102	\$ 218,634,102	\$ 0
Segment 2	99,998,886	99,998,886	0
Segment 3	132,209,511	132,209,511	0
Segment 4	135,924,569	135,924,569	0
Segment 5	194,273,777	194,232,040	41,737
Segment 6	32,942,565	30,637,762	2,304,803
Segment 7	204,115,531	192,205,308	11,910,223
Local Funding Initiatives	229,480,515	219,112,436	10,368,079
<b>Total</b>	<b>\$ 1,247,579,456</b>	<b>\$ 1,222,954,614</b>	<b>\$ 24,624,842</b>

Segment 1 consisted of the warm, safe, dry and security updates to all buildings in addition to the construction of five buildings and renovation of three buildings. Segment 2, 3, 4, 5, 6 and 7 consisted of the construction of forty-three buildings, the renovation of five buildings and the demolishing of twenty-four buildings. Local Funding Initiatives consisted of various projects throughout the School District.

**Note 23 – Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the fiscal year were as follows (The difference in the General Fund amount related to Note 5 is due to our GASB 54 interpretation):

<b>Governmental:</b>	
General Fund	\$ 15,571,046
Permanent Improvement Fund	10,368,079
Classroom Facilities Fund	14,256,775
Other Governmental Funds	13,338,354
<b>Total Governmental</b>	<b>\$ 53,534,254</b>

## **Cleveland Municipal School District**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2020

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### **Note 24 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other employee benefit plans in which the School District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

### **Note 25 – Subsequent Event**

On November 23, 2020, the voters of the City of Cleveland passed a new 10 year 20 mill operating levy. 15 Mills were renewed as part of the original levy passed in 2012 and 5 Mills were new millage not previously passed. This levy was approved to continue to support the Cleveland Plan that was signed into law July 7, 2012. 18.5 mills will be allocated to the current expenses of the District and 1.5 mills will be allocated to the current expenses of partnering community schools. Based on current tax collection rates, the levy is expected to generate \$91.8 million for the District, of which \$3.9 will be distributed to partnering community schools. Collections will begin in calendar year 2021.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**Cleveland Municipal School District**  
 Required Supplementary Information  
 Schedule of the School District's Proportionate Share of the Net Pension Liability  
 School Employees Retirement System of Ohio  
 Last Seven Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net Pension Liability	3.64428330%	3.20954640%	3.39209950%	3.28691765%
School District's Proportionate Share of the Net Pension Liability	218,043,860	183,816,667	202,670,452	240,517,797
School District's Covered-Employee Payroll	122,404,852	100,300,222	121,042,457	96,357,436
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	178.1%	183.3%	167.4%	249.6%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%	62.98%

See Accompanying Notes to the Required Supplementary Information

(1) Information prior to 2014 is not available.

Amounts are presented as of the School District's measurement date which is the prior fiscal year end.

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<u>2016</u>	<u>2015</u>	<u>2014</u>
3.19451700%	3.02406900%	3.02406900%
182,282,237	153,046,411	179,831,678
94,913,384	87,603,918	82,710,748
192.1%	174.7%	217.4%
69.16%	71.70%	65.52%

**Cleveland Municipal School District**  
 Required Supplementary Information  
 Schedule of the School District's Proportionate Share of the Net Pension Liability  
 State Teachers Retirement System of Ohio  
 Last Seven Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net Pension Liability	2.54829514%	2.52819162%	2.43498990%	2.42079156%
School District's Proportionate Share of the Net Pension Liability	563,540,156	555,892,572	578,437,070	810,311,904
School District's Covered-Employee Payroll	293,811,314	294,089,321	259,652,429	253,700,519
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	191.8%	189.0%	222.8%	319.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.31%	75.30%	66.80%

See Accompanying Notes to the Required Supplementary Information

(1) Information prior to 2014 is not available.

Amounts are presented as of the School District's measurement date which is the prior fiscal year end.



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<u>2016</u>	<u>2015</u>	<u>2014</u>
2.49956532%	2.57306004%	2.57306004%
690,806,743	625,857,249	745,517,166
264,163,707	264,526,215	257,756,744
261.5%	236.6%	289.2%
72.10%	74.70%	69.30%

**Cleveland Municipal School District**  
Required Supplementary Information  
Schedule of the School District's Contributions  
School Employees Retirement System of Ohio  
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 16,799,671	\$ 16,524,655	\$ 13,540,530	\$ 16,945,944
Contributions in Relation to the Contractually Required Contribution	<u>(16,799,671)</u>	<u>(16,524,655)</u>	<u>(13,540,530)</u>	<u>(16,945,944)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District Covered-Employee Payroll	119,997,656	122,404,852	100,300,222	121,042,457
Contributions as a Percentage of Covered- Employee Payroll	14.00%	13.50%	13.50%	14.00%

See Accompanying Notes to the Required Supplementary Information

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 7,475,192	\$ 12,509,584	\$ 12,141,903	\$ 11,447,168	\$ 11,818,410	\$ 11,137,020
<u>(7,475,192)</u>	<u>(12,509,584)</u>	<u>(12,141,903)</u>	<u>(11,447,168)</u>	<u>(11,818,410)</u>	<u>(11,137,020)</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
53,394,229	94,913,384	87,603,918	82,710,748	87,869,221	88,600,000
14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

**Cleveland Municipal School District**  
Schedule of the School District's Contributions  
State Teachers Retirement System of Ohio  
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 37,891,862	\$ 41,133,584	\$ 41,172,505	\$ 36,351,340
Contributions in Relation to the Contractually Required Contribution	<u>(37,891,862)</u>	<u>(41,133,584)</u>	<u>(41,172,505)</u>	<u>(36,351,340)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District Covered-Employee Payroll	270,656,157	293,811,314	294,089,321	259,652,429
Contributions as a Percentage of Covered- Employee Payroll	14.00%	14.00%	14.00%	14.00%

See Accompanying Notes to the Required Supplementary Information

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 35,518,073	\$ 36,982,919	\$ 34,388,408	\$ 33,508,377	\$ 37,477,345	\$ 40,479,746
<u>(35,518,073)</u>	<u>(36,982,919)</u>	<u>(34,388,408)</u>	<u>(33,508,377)</u>	<u>(37,477,345)</u>	<u>(40,479,746)</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
253,700,519	264,163,704	264,526,215	257,756,744	288,287,270	311,382,660
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

**Cleveland Municipal School District**  
 Required Supplementary Information  
 Schedule of the School District's Proportionate Share of the Net OPEB Liability  
 School Employees Retirement System of Ohio  
 Last Four Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	3.42819010%	3.05970770%	3.23236710%	3.16413311%
School District's Proportionate Share of the Net OPEB Liability	86,211,771	84,884,557	86,748,240	90,189,498
School District's Covered-Employee Payroll (2)	122,404,852	100,300,222	121,042,457	53,394,229
School District's Proportionate Share of the OPEB Liability as a Percentage of its Covered-Employee Payroll	70.43%	84.63%	71.67%	168.91%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

See Accompanying Notes to the Required Supplementary Information

(1) Information prior to 2017 is not available.

(2) Schools Districts' covered payroll is the same for Pension and OPEB

Amounts are presented as of the School District's measurement date which is the prior fiscal year end.

**Cleveland Municipal School District**  
 Required Supplementary Information  
 Schedule of the School District's Proportionate Share of the Net OPEB Liability/(Asset)  
 State Teachers Retirement System of Ohio  
 Last Four Fiscal Years (1)

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability/(Asset)	2.54829514%	2.52819162%	2.43498990%	2.42079156%
School District's Proportionate Share of the Net OPEB Liability/(Asset)	(42,205,883)	(40,625,461)	95,004,321	129,464,562
School District's Covered-Employee Payroll (2)	293,811,314	294,089,321	259,652,429	253,700,519
School District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered-Employee Payroll	-14.36%	-13.81%	36.59%	51.03%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	176.00%	47.10%	37.30%

See Accompanying Notes to the Required Supplementary Information

(1) Information prior to 2017 is not available.

(2) School Districts' covered payroll is the same for Pension and OPEB

Amounts are presented as of the School District's measurement date which is the prior fiscal year end.

**Cleveland Municipal School District**  
 Required Supplementary Information  
 Schedule of the School District's Contributions - OPEB  
 School Employees Retirement System of Ohio  
 Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution (2)	\$ 523,658	\$ 1,268,133	\$ 1,282,343	\$ 791,147
Contributions in Relation to the Contractually Required Contribution	<u>(523,658)</u>	<u>(1,268,133)</u>	<u>(1,282,343)</u>	<u>(791,147)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District Covered-Employee Payroll (1)	119,997,650	122,404,852	100,300,222	121,042,457
Contributions as a Percentage of Covered- Employee Payroll	0.44%	1.04%	1.28%	0.65%

(1) School Districts' covered payroll is the same for Pension and OPEB

(2) Includes Surcharge

See Accompanying Notes to the Required Supplementary Information



2016	2015	2014	2013	2012	2011
\$ 888,656	\$ 778,290	\$ 142,159	\$ 133,572	\$ 486,789	\$ 1,342,438
(888,656)	(778,290)	(142,159)	(133,572)	(486,789)	(1,342,438)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
53,394,225	94,913,381	87,603,918	82,710,751	87,869,219	88,600,000
1.66%	0.82%	0.16%	0.16%	0.55%	1.52%

See Accompanying Notes to the Required Supplementary Information

See Accompanying Notes to the Required Supplementary Information

**Cleveland Municipal School District**  
Schedule of the School District's Contributions  
State Teachers Retirement System of Ohio - OPEB  
Last Ten Fiscal Years

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District Covered-Employee Payroll (1)	270,656,157	293,811,314	294,089,321	259,652,429
OPEB Contributions as a Percentage of Covered- Employee Payroll	0.00%	0.00%	0.00%	0.00%

(1) School Districts' covered payroll is the same for Pension and OPEB

See Accompanying Notes to the Required Supplementary Information

2016	2015	2014	2013	2012	2011
\$ 0	\$ 0	\$ 2,645,262	\$ 2,577,567	\$ 2,882,873	\$ 3,113,827
0	0	(2,645,262)	(2,577,567)	(2,882,873)	(3,113,827)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
253,700,521	264,163,704	264,526,215	257,756,744	288,287,270	3,113,826,660
0.00%	0.00%	1.00%	1.00%	1.00%	0.10%

See Accompanying Notes to the Required Supplementary Information

**Cleveland Municipal School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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**Note 1 - Net Pension Liability**

***Changes in Assumptions - SERS***

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc COLA. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented as follows:

	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016 and prior</u>
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation

Beginning with fiscal year 2017, mortality assumptions use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

***Changes in Benefit Terms - SERS***

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

***Changes in Assumptions – STRS***

Beginning with fiscal year 2018, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2017 and prior are presented as follows:

**Cleveland Municipal School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

	<b>Fiscal Year 2018</b>	<b>Fiscal Year 2017 and prior</b>
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments	0.00 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

Beginning with fiscal year 2018, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For fiscal year 2017 and prior actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022 – Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

**Note 2 - Net OPEB Liability/(Asset)**

***Changes in Assumptions – SERS***

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

**Municipal Bond Index Rate:**

Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

**Single Equivalent Interest Rate, net of plan investment expense,  
including price inflation**

Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Cleveland Municipal School District**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2020*

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***Changes in Benefit Terms - SERS***

There have been no changes to the benefit provisions.

***Changes in Assumptions – STRS***

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

***Changes in Benefit Terms – STRS***

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

## **Combining Statements and Individual Fund Schedules Fund Descriptions – Non major Governmental Funds**

### *Non-major Special Revenue Funds*

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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.

#### **Local Funds:**

*Educational Special Trust Fund* – This fund accounts for monies received from private individuals, companies and foundations for specified activities for purposes. This fund also accounts for monies being placed from the general fund for the Qualified Zone Academy Bonds into a escrow account held by a trustee in order to repay the obligation at maturity.

*Classroom Facilities Maintenance Fund* – This fund accounts for the proceeds of a levy for the maintenance of facilities.

*Partnering Community School* – This fund reflects resources that belong to the Community Schools that partner with the District.

*Other Local Funds* – This fund accounts for all activity in other local funds including Public School Support, Other Grants, and District Managed 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.

*Student Wellness and Success Fund* – This fund accounts for State funds to help districts and schools support their students' academic achievement through mental health counseling, wrap-around services, mentoring and after-school programs.

*Miscellaneous State Grants Fund* – This fund is used to account for various monies received from State agencies which are not classified elsewhere including all money for students who resides in the district but are enrolled in a community school.

*Other State Funds* – This fund accounts for all activity in other State funds including Management Information Systems, Public School Preschool, Data Communications for School Buildings, Interactive Video Distance Learning, Vocational Education Enhancement and Alternative Schools.

**Fund Descriptions – Non major Governmental Funds (continued)**

***Non-major Special Revenue Funds (continued)***

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**Federal Funds:**

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

***Elementary and Secondary School Emergency Relief (ESSER) Fund*** – This fund accounts for Federal monies used to assist schools and districts as a result of the coronavirus (COVID-19) pandemic. Funds can support any allowable activity under existing federal funds (Title I, Individuals with Disabilities Education Act (IDEA), Perkins, etc.), expenses directly related to the pandemic, as well as “other activities that are necessary to maintain the operation of continuity of services.”

***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 restrictive 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.

***Title I*** – 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 Grants 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 School Maintenance and Operational Assistance, Title II Technology, Title I Subsidiary A, Title I Subsidiary G, Nutrition Education Training Program, Bilingual Education Program, Transition for Refugee Children, and IDEA Preschool Grant for the Handicapped.



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**Cleveland Municipal School District**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds*  
*June 30, 2020*

	Educational Special Trust	Classroom Facilities Maintenance	Partnering Community Schools
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 7,120,616	\$ 3,644,187	\$ 58,407
Receivables:			
Taxes	0	2,738,787	5,560,236
Accounts	291,117	0	0
Intergovernmental	100,852	0	0
Materials and Supplies Inventory	0	0	0
<b>Total Assets</b>	<b>\$ 7,512,585</b>	<b>\$ 6,382,974</b>	<b>\$ 5,618,643</b>
<b>Liabilities</b>			
Accounts Payable	\$ 67,562	\$ 207,765	\$ 0
Accrued Wages and Benefits	61,899	0	0
Interfund Payable	0	0	0
Intergovernmental Payable	28,027	0	0
<b>Total Liabilities</b>	<b>157,488</b>	<b>207,765</b>	<b>0</b>
<b>Deferred Inflows of Resources</b>			
Property Taxes	0	1,567,544	3,185,568
Unavailable Revenue	0	823,347	1,678,877
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>2,390,891</b>	<b>4,864,445</b>
<b>Fund Balance:</b>			
Nonspendable	0	0	0
Restricted	7,355,097	3,784,318	754,198
Unassigned	0	0	0
<b>Total Fund Balances (Deficit)</b>	<b>7,355,097</b>	<b>3,784,318</b>	<b>754,198</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 7,512,585</b>	<b>\$ 6,382,974</b>	<b>\$ 5,618,643</b>

Other Local	Auxiliary Services (NPSS)	Student Wellness	Miscellaneous State Grants	Other State	Food Service
\$ 1,014,777	\$ 3,503,256	\$ 1,418,297	\$ 1,383,028	\$ 7,918	\$ 4,256,638
0	0	0	0	0	0
1,327,356	0	0	0	0	0
0	0	0	151,065	20,525	279,494
0	0	0	0	0	1,617,886
<u>\$ 2,342,133</u>	<u>\$ 3,503,256</u>	<u>\$ 1,418,297</u>	<u>\$ 1,534,093</u>	<u>\$ 28,443</u>	<u>\$ 6,154,018</u>
\$ 0	\$ 410,166	\$ 632,577	\$ 847	\$ 0	\$ 171,598
0	199,328	234,785	12,951	60,015	230,913
1,327,356	0	0	0	66,322	0
0	88,576	87,561	1,283	23,028	189,252
<u>1,327,356</u>	<u>698,070</u>	<u>954,923</u>	<u>15,081</u>	<u>149,365</u>	<u>591,763</u>
0	0	0	0	0	0
1,327,356	0	0	80,297	4,157	0
<u>1,327,356</u>	<u>0</u>	<u>0</u>	<u>80,297</u>	<u>4,157</u>	<u>0</u>
0	0	0	0	0	1,617,886
0	2,805,186	463,374	1,438,715	0	3,944,369
(312,579)	0	0	0	(125,079)	0
<u>(312,579)</u>	<u>2,805,186</u>	<u>463,374</u>	<u>1,438,715</u>	<u>(125,079)</u>	<u>5,562,255</u>
<u>\$ 2,342,133</u>	<u>\$ 3,503,256</u>	<u>\$ 1,418,297</u>	<u>\$ 1,534,093</u>	<u>\$ 28,443</u>	<u>\$ 6,154,018</u>

(continued)

**Cleveland Municipal School District**  
*Combining Balance Sheet*  
*Nonmajor Special Revenue Funds (continued)*  
*June 30, 2020*

	ESSER	Title VI-B Special Education
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 7,022
Receivables:		
Taxes	0	0
Accounts	0	0
Intergovernmental	1,237,824	1,372,655
Materials and Supplies Inventory	0	0
<b>Total Assets</b>	<u>1,237,824</u>	<u>1,379,677</u>
<b>Liabilities</b>		
Accounts Payable	325,063	0
Accrued Wages and Benefits	4,345	676,686
Interfund Payable	1,237,824	1,337,515
Intergovernmental Payable	550	357,947
<b>Total Liabilities</b>	<u>1,567,782</u>	<u>2,372,148</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes	0	0
Unavailable Revenue	0	83,102
<b>Total Deferred Inflows of Resources</b>	<u>0</u>	<u>83,102</u>
<b>Fund Balance:</b>		
Nonspendable	0	0
Restricted	0	0
Unassigned	(329,958)	(1,075,573)
<b>Total Fund Balances (Deficit)</b>	<u>(329,958)</u>	<u>(1,075,573)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 1,237,824</u>	<u>\$ 1,379,677</u>

Vocational Education	Title I	Improving Teacher Quality Title II-A	Miscellaneous Federal Grants	Other Federal	Total Nonmajor Other Governmental Funds
\$ 245,067	\$ 2,394,682	\$ 1	\$ 709,762	\$ 839,954	\$ 26,603,612
0	0	0	0	0	8,299,023
0	0	0	0	0	1,618,473
158,550	3,032,613	416,162	144,775	650,917	7,565,432
0	0	0	0	0	1,617,886
<u>403,617</u>	<u>5,427,295</u>	<u>416,163</u>	<u>854,537</u>	<u>1,490,871</u>	<u>45,704,426</u>
0	1,733,998	0	45,006	1,447,998	5,042,580
3,695	2,549,142	16,804	53,444	239,248	4,343,255
492,000	0	582,393	500,000	3,373,197	8,916,607
1,621	1,024,412	6,183	13,103	98,722	1,920,265
<u>497,316</u>	<u>5,307,552</u>	<u>605,380</u>	<u>611,553</u>	<u>5,159,165</u>	<u>20,222,707</u>
0	0	0	0	0	4,753,112
0	1,118,587	0	132,041	1,234,053	6,481,817
0	1,118,587	0	132,041	1,234,053	11,234,929
0	0	0	0	0	1,617,886
0	0	0	110,943	0	20,656,200
(93,699)	(998,844)	(189,217)	0	(4,902,347)	(8,027,296)
<u>(93,699)</u>	<u>(998,844)</u>	<u>(189,217)</u>	<u>110,943</u>	<u>(4,902,347)</u>	<u>14,246,790</u>
<u>\$ 403,617</u>	<u>\$ 5,427,295</u>	<u>\$ 416,163</u>	<u>\$ 854,537</u>	<u>\$ 1,490,871</u>	<u>\$ 45,704,426</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, 2020

	Educational Special Trust	Classroom Facilities Maintenance	Partnering Community Schools
<b>Revenues:</b>			
Taxes	\$ 0	\$ 1,108,523	\$ 2,023,113
Investment Income	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	5,714,215	0	0
Food Services	0	0	0
Miscellaneous	0	0	0
Intergovernmental	50,914	2,043,517	366,307
<b>Total Revenues</b>	<u>5,765,129</u>	<u>3,152,040</u>	<u>2,389,420</u>
<b>Expenditures:</b>			
Current:			
<i>Instruction:</i>			
Regular	221,362	0	0
Special	13,512	0	0
Vocational	0	0	0
Other	566,011	0	0
<i>Support Services:</i>			
Pupils	178,486	0	0
Instructional Staff	3,338,348	0	0
Board of Education	0	0	0
Administration	1,274	0	0
Fiscal	3,214	0	3,905,122
Operation and Maintenance of Plant	0	4,205,319	0
Pupil Transportation	52,924	0	0
Central	77,232	0	0
Operation of Non-Instructional Services	24,044	0	0
Extracurricular Activities	230,648	0	0
<b>Total Expenditures</b>	<u>4,707,055</u>	<u>4,205,319</u>	<u>3,905,122</u>
Net Change in Fund Balances	1,058,074	(1,053,279)	(1,515,702)
Fund Balances (Deficit) at Beginning of Year	<u>6,297,023</u>	<u>4,837,597</u>	<u>2,269,900</u>
<b>Fund Balances (Deficit) at End of Year</b>	<u>\$ 7,355,097</u>	<u>\$ 3,784,318</u>	<u>\$ 754,198</u>

Other Local	Auxiliary Services (NPSS)	Student Wellens	Miscellaneous State Grants	Other State	Food Service
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	0	451
348,566	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	150,736
0	0	0	0	292,351	11,729
0	8,947,455	8,896,763	2,072,452	1,115,612	18,448,515
<u>348,566</u>	<u>8,947,455</u>	<u>8,896,763</u>	<u>2,072,452</u>	<u>1,407,963</u>	<u>18,611,431</u>
8,735	0	7,120	320,581	582,410	0
0	0	0	0	39,839	0
0	0	0	109,591	617	0
0	0	0	1,009,105	0	0
0	18,647	6,392,454	92,373	0	0
0	0	605,423	(4,653)	496,670	0
0	0	0	0	0	0
5,493	0	1,428,392	3,968	156,968	0
0	0	0	0	0	0
0	0	0	83,092	0	0
0	0	0	0	0	0
0	0	0	0	0	0
136	9,024,409	0	37,707	0	19,293,525
250,952	0	0	218	0	0
<u>265,316</u>	<u>9,043,056</u>	<u>8,433,389</u>	<u>1,651,982</u>	<u>1,276,504</u>	<u>19,293,525</u>
83,250	(95,601)	463,374	420,470	131,459	(682,094)
(395,829)	2,900,787	0	1,018,245	(256,538)	6,244,349
<u>\$ (312,579)</u>	<u>\$ 2,805,186</u>	<u>\$ 463,374</u>	<u>\$ 1,438,715</u>	<u>\$ (125,079)</u>	<u>\$ 5,562,255</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, 2020*

	ESSER	Title VI-B Special Education	Vocational Education
<b>Revenues:</b>			
Taxes	\$ 0	\$ 0	\$ 0
Investment Income	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Food Services	0	0	0
Miscellaneous	0	0	0
Intergovernmental	1,237,824	17,333,744	1,268,576
<b>Total Revenues</b>	<u>1,237,824</u>	<u>17,333,744</u>	<u>1,268,576</u>
<b>Expenditures:</b>			
Current:			
<i>Instruction:</i>			
Regular	0	0	0
Special	0	11,998,455	0
Vocational	0	24,438	845,269
Other	1,226,449	0	0
<i>Support Services:</i>			
Pupils	25,046	1,859,732	0
Instructional Staff	2,573	927,360	304,386
Board of Education	0	0	3,177
Administration	4,205	1,194,654	59,597
Fiscal	10,827	464,426	0
Operation and Maintenance of Plant	102,697	0	0
Pupil Transportation	0	0	14,024
Central	2,239	0	0
Operation of Non-Instructional Services	192,586	249,312	0
Extracurricular Activities	1,160	0	0
<b>Total Expenditures</b>	<u>1,567,782</u>	<u>16,718,377</u>	<u>1,226,453</u>
Net Change in Fund Balances	(329,958)	615,367	42,123
Fund Balances (Deficit) at Beginning of Year	<u>0</u>	<u>(1,690,940)</u>	<u>(135,822)</u>
<b>Fund Balances (Deficit) at End of Year</b>	<u>\$ (329,958)</u>	<u>\$ (1,075,573)</u>	<u>\$ (93,699)</u>



Title I	Improving Teacher Quality Title II-A	Miscellaneous Federal Grants	Other Federal	Total Nonmajor Other Governmental Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,131,636
0	0	0	0	451
0	0	0	0	348,566
0	0	0	0	5,714,215
0	0	0	0	150,736
0	0	0	0	304,080
43,139,397	1,372,983	2,555,930	5,399,663	114,249,652
<u>43,139,397</u>	<u>1,372,983</u>	<u>2,555,930</u>	<u>5,399,663</u>	<u>123,899,336</u>
19,425	0	417,204	(254,389)	1,322,448
29,161,619	0	0	609,249	41,822,674
0	0	0	0	979,915
2,460,274	0	645,993	4,551,697	10,459,529
1,535,611	0	913,568	35,425	11,051,342
2,700,478	1,049,704	564,997	2,684,011	12,669,297
0	0	0	0	3,177
837,875	0	0	16,431	3,708,857
1,328,533	61,983	78,720	26,925	5,879,750
376,696	0	0	512	4,768,316
(27,239)	0	0	14,650	54,359
0	1,000	30,164	0	110,635
4,524,145	155,208	149,371	106,367	33,756,810
0	0	0	0	482,978
<u>42,917,417</u>	<u>1,267,895</u>	<u>2,800,017</u>	<u>7,790,878</u>	<u>127,070,087</u>
221,980	105,088	(244,087)	(2,391,215)	(3,170,751)
<u>(1,220,824)</u>	<u>(294,305)</u>	<u>355,030</u>	<u>(2,511,132)</u>	<u>17,417,541</u>
<u>\$ (998,844)</u>	<u>\$ (189,217)</u>	<u>\$ 110,943</u>	<u>\$ (4,902,347)</u>	<u>\$ 14,246,790</u>

**Combining Statements**  
**Fund Descriptions – Internal Service Funds**

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Internal Service Funds are established to account for the providing of goods or services by one department to other departments of the School District on a cost reimbursement basis. The following is the School District's internal service fund types:

**Internal Service Funds**

***Liability Self-Insurance Fund*** – This fund accounts for the self-insurance of 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.

***Employee Benefits Self-Insurance Fund*** – This fund accounts for the medical benefits self-insurance program for employees of the School District. Monthly fees are paid and any balance on hand is held until used.

**Cleveland Municipal School District**  
*Combining Statement of Fund Net Position*  
*Internal Service Funds*  
*June 30, 2020*

	Liability Self-Insurance	Employee Benefits Self-Insurance	Totals
<b>Assets</b>			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$ 2,025,840	\$ 15,167,331	\$ 17,193,171
<b>Liabilities</b>			
<i>Current Liabilities:</i>			
Claims Payable	1,822,175	16,029,926	17,852,101
<b>Net Position</b>			
Unrestricted	\$ 203,665	\$ (862,595)	\$ (658,930)

**Cleveland Municipal School District**  
*Combining Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Internal Service Funds*  
*For the Fiscal Year Ended June 30, 2020*

	Liability Self-Insurance	Employee Benefits Self-Insurance	Totals
<b>Operating Revenues:</b>			
Charges for Services	\$ 144,051	\$ 100,315,896	\$ 100,459,947
<b>Operating Expenses:</b>			
Claims and Claim Adjustment Expenses	666,164	99,356,732	100,022,896
<b>Operating Income (Loss)</b>	(522,113)	959,164	437,051
<b>Nonoperating Revenues (Expenses):</b>			
Transfers In	1,000,000	0	1,000,000
Change in Net Position	477,887	959,164	1,437,051
Net Position at Beginning of Year	(274,222)	(1,821,759)	(2,095,981)
<b>Net Position at End of Year</b>	<b>\$ 203,665</b>	<b>\$ (862,595)</b>	<b>\$ (658,930)</b>

**Cleveland Municipal School District**  
*Combining Statement of Cash Flows*  
*Internal Service Funds*  
For the Fiscal Year Ended June 30, 2020

	Liability Self-Insurance	Employee Benefits Self-Insurance	Totals
<b><i>Increase (Decrease) In Cash and Cash Equivalents:</i></b>			
<b><i>Cash Flows from Operating Activities:</i></b>			
Cash Received from Interfund Services Provided	\$ 144,052	\$ 100,315,895	\$ 100,459,947
Cash Payments for Claims and Claim Adjustment Expenses	(539,923)	(96,412,318)	(96,952,241)
<b><i>Net Cash Provided (Used) by Operating Activities</i></b>	(395,871)	3,903,577	3,507,706
<b><i>Cash Flows from Non-Capital Financing Activities</i></b>			
Cash Received through Transfers from Other Funds	1,000,000	0	1,000,000
<b><i>Net Increase (Decrease) in Cash and Cash Equivalents</i></b>	604,129	3,903,577	4,507,706
Cash and Cash Equivalents at Beginning of Year	1,421,711	11,263,754	12,685,465
<b><i>Cash and Cash Equivalents at End of Year</i></b>	<u>\$ 2,025,840</u>	<u>\$ 15,167,331</u>	<u>\$ 17,193,171</u>
<b><i>Reconciliation of Income to Net Cash Provided (Used) by Operating Activities</i></b>			
Operating Income (Loss)	\$ (522,113)	\$ 959,164	\$ 437,051
<b><i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</i></b>			
Increase (Decrease) in Claims Payable	126,241	2,944,414	3,070,655
<b><i>Net Cash Provided by Operating Activities</i></b>	<u>\$ (395,872)</u>	<u>\$ 3,903,578</u>	<u>\$ 3,507,706</u>

## **Combining Statements**

### **Fund Descriptions – Fiduciary Funds**

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Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The following is the School District's fiduciary fund type:

#### **Agency Funds**

*District Agency Fund* – This fund reflects resources which accounts for various payroll withholding items.

*Student Managed Activity* – This fund reflects resources that belong to the student bodies of the various schools.

**Cleveland Municipal School District**  
*Combining Statement of Changes in Assets and Liabilities*  
*All Agency Funds*  
*For the Fiscal Year Ended June 30, 2020*

	Beginning Balance July 1, 2019	Additions	Deductions	Ending Balance June 30, 2020
<b>District Agency Fund</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 0	\$ 4,856,076	\$ 4,856,076	\$ 0
<b>Liabilities:</b>				
Payroll Withholdings	0	4,856,076	4,856,076	0
<b>Student Managed Activity</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 564,145	\$ 358,292	\$ 417,939	\$ 504,498
<b>Liabilities:</b>				
Due to Students	564,145	358,292	417,939	504,498
<b>All Agency Funds</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 564,145	\$ 5,214,368	\$ 5,274,015	\$ 504,498
<b>Total Assets</b>	<b>564,145</b>	<b>5,214,368</b>	<b>5,274,015</b>	<b>504,498</b>
<b>Liabilities:</b>				
Due To Students	564,145	358,292	417,939	504,498
Payroll Withholdings	0	4,856,076	4,856,076	0
<b>Total Liabilities</b>	<b>\$ 564,145</b>	<b>\$ 5,214,368</b>	<b>\$ 5,274,015</b>	<b>\$ 504,498</b>

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



**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Debt Service Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
<i>Local Sources:</i>			
Taxes	\$ 20,000,000	\$ 18,837,086	\$ (1,162,914)
Investment Income	500,000	433,659	(66,341)
<i>State Sources:</i>			
Unrestricted Grants-in-Aid	1,500,000	2,253,534	753,534
<b>Total Revenues</b>	<u>22,000,000</u>	<u>21,524,279</u>	<u>(475,721)</u>
<b>Expenditures:</b>			
<i>Support Services:</i>			
Fiscal	1,000,000	459,809	540,191
<i>Debt Service:</i>			
Principal Retirement	6,200,000	6,105,000	95,000
Interest and Fiscal Charges	15,800,000	13,012,599	2,787,401
<b>Total Expenditures</b>	<u>23,000,000</u>	<u>19,577,408</u>	<u>3,422,592</u>
Net Change in Fund Balances	(1,000,000)	1,946,871	2,946,871
Fund Balances at Beginning of Year	<u>48,462,407</u>	<u>48,462,407</u>	<u>0</u>
<b>Fund Balances at End of Year</b>	<u>\$ 47,462,407</u>	<u>\$ 50,409,278</u>	<u>\$ 2,946,871</u>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Permanent Improvement Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 2,000,000	\$ 1,774,287	\$ (225,713)
Investment Income	1,000,000	1,183,457	183,457
Intergovernmental	0	63,709	63,709
<b>Total Revenues</b>	<b>3,000,000</b>	<b>3,021,453</b>	<b>21,453</b>
<b>Expenditures:</b>			
<i>Support Services:</i>			
Fiscal	481,088	178,131	302,957
Operation and Maintenance of Plant	956,851	354,291	602,560
Capital Outlay	35,903,003	23,661,781	12,241,222
<b>Total Expenditures</b>	<b>37,340,942</b>	<b>24,194,203</b>	<b>13,146,739</b>
Net Change in Fund Balances	(34,340,942)	(21,172,750)	13,168,192
Fund Balances at Beginning of Year	66,394,923	66,394,923	0
<i>Prior Year Encumbrances Appropriated</i>	20,340,942	20,340,942	0
<b>Fund Balances at End of Year</b>	<b>\$ 52,394,923</b>	<b>\$ 65,563,115</b>	<b>\$ 13,168,192</b>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Classroom Facilities Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Investment Income	\$ 500,000	\$ 149,930	\$ (350,070)
Intergovernmental	29,500,000	29,402,189	(97,811)
<b>Total Revenues</b>	<u>30,000,000</u>	<u>29,552,119</u>	<u>(447,881)</u>
<b>Expenditures:</b>			
<i>Support Services:</i>			
Capital Outlay	109,128,667	59,837,811	49,290,856
<b>Total Expenditures</b>	<u>109,128,667</u>	<u>59,837,811</u>	<u>49,290,856</u>
Net Change in Fund Balances	(79,128,667)	(30,285,692)	48,842,975
Fund Balances at Beginning of Year	(53,543,471)	(53,543,471)	0
<i>Prior Year Encumbrances Appropriated</i>	76,128,667	76,128,667	0
<b>Fund Balances at End of Year</b>	<u>\$ (56,543,471)</u>	<u>\$ (7,700,496)</u>	<u>\$ 48,842,975</u>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Educational Special Trust Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Contributions and Donations	\$ 5,500,000	\$ 5,747,306	\$ 247,306
Intergovernmental	0	50,914	50,914
<b>Total Revenues</b>	<b>5,500,000</b>	<b>5,798,220</b>	<b>298,220</b>
<b>Expenditures:</b>			
<i>Instruction:</i>			
Regular	361,771	250,578	111,193
Special	20,255	14,029	6,226
Other	869,398	602,182	267,216
<i>Support Services:</i>			
Pupils	338,314	234,331	103,983
Instructional Staff	5,984,944	4,145,428	1,839,516
Administration	8,166	5,656	2,510
Fiscal	5,056	3,502	1,554
Operation and Maintenance of Plant	549	380	169
Pupil Transportation	110,281	76,385	33,896
Central	94,533	65,478	29,055
Operation of Non-Instructional Services	37,673	26,094	11,579
Extracurricular Activities	427,315	295,977	131,338
<b>Total Expenditures</b>	<b>8,258,255</b>	<b>5,720,020</b>	<b>2,538,235</b>
Excess of Revenues Over (Under) Expenditures	(2,758,255)	78,200	2,836,455
Fund Balances at Beginning of Year	4,511,010	4,511,010	0
<i>Prior Year Encumbrances Appropriated</i>	1,472,064	1,472,064	0
<b>Fund Balances at End of Year</b>	<b>\$ 3,224,819</b>	<b>\$ 6,061,274</b>	<b>\$ 2,836,455</b>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Classroom Facilities Maintenance Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 1,500,000	\$ 1,677,922	\$ 177,922
Intergovernmental	2,000,000	2,043,517	43,517
<b>Total Revenues</b>	<u>3,500,000</u>	<u>3,721,439</u>	<u>221,439</u>
<b>Expenditures:</b>			
<i>Support Services:</i>			
Operation and Maintenance of Plant	6,370,347	6,098,548	271,799
<b>Total Expenditures</b>	<u>6,370,347</u>	<u>6,098,548</u>	<u>271,799</u>
Excess of Revenues Over (Under) Expenditures	(2,870,347)	(2,377,109)	493,238
Fund Balances at Beginning of Year	2,677,710	2,677,710	0
<i>Prior Year Encumbrances Appropriated</i>	<u>1,470,347</u>	<u>1,470,347</u>	<u>0</u>
<b>Fund Balances at End of Year</b>	<u>\$ 1,277,710</u>	<u>\$ 1,770,948</u>	<u>\$ 493,238</u>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Partnering Community Schools*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 4,000,000	\$ 3,161,913	\$ (838,087)
Intergovernmental	500,000	366,307	(133,693)
<b>Total Revenues</b>	<u>4,500,000</u>	<u>3,528,220</u>	<u>(971,780)</u>
<b>Expenditures:</b>			
<i>Support Services:</i>			
Fiscal	4,298,807	3,905,135	393,672
<b>Total Expenditures</b>	<u>4,298,807</u>	<u>3,905,135</u>	<u>393,672</u>
Excess of Revenues Over (Under) Expenditures	201,193	(376,915)	(578,108)
Fund Balances at Beginning of Year	336,502	336,502	0
<i>Prior Year Encumbrances Appropriated</i>	98,807	98,807	0
<b>Fund Balances at End of Year</b>	<u>\$ 636,502</u>	<u>\$ 58,394</u>	<u>\$ (578,108)</u>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Other Local Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Extracurricular Activities	\$ 1,200,000	\$ 348,566	\$ (851,434)
<b>Total Revenues</b>	<u>1,200,000</u>	<u>348,566</u>	<u>(851,434)</u>
<b>Expenditures:</b>			
<i>Instruction:</i>			
Regular	287,913	11,706	276,207
<i>Support Services:</i>			
Administration	35,627	7,820	27,807
Operation and Maintenance of Plant	882	136	746
Extracurricular Activities	1,178,215	362,321	815,894
<b>Total Expenditures</b>	<u>1,502,637</u>	<u>381,983</u>	<u>1,120,654</u>
Net Change in Fund Balances	(302,637)	(33,417)	269,220
Fund Balances at Beginning of Year	(544,013)	(544,013)	0
<i>Prior Year Encumbrances Appropriated</i>	165,170	165,170	0
<b>Fund Balances at End of Year</b>	<u>\$ (681,480)</u>	<u>\$ (412,260)</u>	<u>\$ 269,220</u>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Auxiliary Services (NPSS) Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 10,000,000	\$ 8,947,455	\$ (1,052,545)
<b>Total Revenues</b>	<u>10,000,000</u>	<u>8,947,455</u>	<u>(1,052,545)</u>
<b>Expenditures:</b>			
Current:			
Support Services:			
Pupils	100,000	21,611	78,389
Operation of Non-Instructional Services	13,488,213	10,988,516	2,499,697
<b>Total Expenditures</b>	<u>13,588,213</u>	<u>11,010,127</u>	<u>2,578,086</u>
Excess of Revenues Over (Under) Expenditures	(3,588,213)	(2,062,672)	1,525,541
Net Change in Fund Balances	(3,588,213)	(2,062,672)	1,525,541
Fund Balances at Beginning of Year	1,451,728	1,451,728	0
<i>Prior Year Encumbrances Appropriated</i>	2,288,213	2,288,213	0
<b>Fund Balances at End of Year</b>	<u>\$ 151,728</u>	<u>\$ 1,677,269</u>	<u>\$ 1,525,541</u>



**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Student Wellness Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 8,896,763	\$ 8,896,763	\$ 0
<b>Total Revenues</b>	<u>8,896,763</u>	<u>8,896,763</u>	<u>0</u>
<b>Expenditures:</b>			
<i>Instruction:</i>			
Regular	8,470	7,120	1,350
<i>Support Services:</i>			
Pupils	7,221,308	6,070,108	1,151,200
Instructional Staff	720,242	605,423	114,819
Administration	946,743	1,145,815	(199,072)
<b>Total Expenditures</b>	<u>8,896,763</u>	<u>7,828,466</u>	<u>1,068,297</u>
Net Change in Fund Balances	0	1,068,297	1,068,297
Fund Balances at Beginning of Year	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	0	0	0
<b>Fund Balances at End of Year</b>	<u>\$ 0</u>	<u>\$ 1,068,297</u>	<u>\$ 1,068,297</u>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Miscellaneous State Grants Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 3,000,000	\$ 2,067,718	\$ (932,282)
<b>Total Revenues</b>	<u>3,000,000</u>	<u>2,067,718</u>	<u>(932,282)</u>
<b>Expenditures:</b>			
<i>Instruction:</i>			
Regular	370,755	333,181	37,574
Vocational	130,361	230,823	(100,462)
Other	1,933,091	1,753,035	180,056
<i>Support Services:</i>			
Pupils	112,736	94,774	17,962
Instructional Staff	81,373	79,860	1,513
Administration	4,720	3,968	752
Operation and Maintenance of Plant	99,920	84,000	15,920
Operation of Non-Instructional Services	44,853	37,707	7,146
Extracurricular Activities	260	268	(8)
<b>Total Expenditures</b>	<u>2,778,069</u>	<u>2,617,616</u>	<u>160,453</u>
Net Change in Fund Balances	221,931	(549,898)	(771,829)
Fund Balances at Beginning of Year	1,022,734	1,022,734	0
<i>Prior Year Encumbrances Appropriated</i>	<u>628,019</u>	<u>628,019</u>	<u>0</u>
<b>Fund Balances at End of Year</b>	<u>\$ 1,872,684</u>	<u>\$ 1,100,855</u>	<u>\$ (771,829)</u>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Other State Funds*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Miscellaneous	300,000	292,351	(7,649)
Intergovernmental	\$ 1,328,000	\$ 1,272,285	\$ (55,715)
<b>Total Revenues</b>	<b>1,628,000</b>	<b>1,564,636</b>	<b>(63,364)</b>
<b>Expenditures:</b>			
<i>Instruction:</i>			
Regular	637,887	724,892	(87,005)
Special	35,285	39,839	(4,554)
Vocational	6,000	5,013	987
<i>Support Services:</i>			
Instructional Staff	452,041	494,174	(42,133)
Administration	139,025	156,968	(17,943)
<b>Total Expenditures</b>	<b>1,270,238</b>	<b>1,420,886</b>	<b>(150,648)</b>
Deficiency of Revenues Under Expenditures	357,762	143,750	(214,012)
<b>Other Financing Sources (Uses):</b>			
Advances In	26,000	26,000	0
Advances Out	(813,000)	(813,000)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(787,000)</b>	<b>(787,000)</b>	<b>0</b>
Net Change in Fund Balances	(429,238)	(643,250)	(214,012)
Fund Balances at Beginning of Year	578,060	578,060	0
<i>Prior Year Encumbrances Appropriated</i>	40,015	40,015	0
<b>Fund Balances at End of Year</b>	<b>\$ 188,837</b>	<b>\$ (25,175)</b>	<b>\$ (214,012)</b>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Food Service Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Investment Income	\$ 0	\$ 451	\$ 451
Food Services	200,000	150,736	(49,264)
Miscellaneous	0	12,792	12,792
Intergovernmental	22,800,000	19,966,054	(2,833,946)
<b>Total Revenues</b>	<u>23,000,000</u>	<u>20,130,033</u>	<u>(2,869,967)</u>
<b>Expenditures:</b>			
<i>Support Services:</i>			
Operation of Non-Instructional Services	27,479,270	25,390,605	2,088,665
<b>Total Expenditures</b>	<u>27,479,270</u>	<u>25,390,605</u>	<u>2,088,665</u>
Net Change in Fund Balances	(4,479,270)	(5,260,572)	(781,302)
Fund Balance at Beginning of Year	2,851,015	2,851,015	0
<i>Prior Year Encumbrances Appropriated</i>	<u>2,472,617</u>	<u>2,472,617</u>	<u>0</u>
<b>Fund Balances at End of Year</b>	<u>\$ 844,362</u>	<u>\$ 63,060</u>	<u>\$ (781,302)</u>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Elementary and Secondary School Emergency Relief (ESSER) Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 2,275,482	\$ 0	\$ (2,275,482)
<b>Total Revenues</b>	<u>2,275,482</u>	<u>0</u>	<u>(2,275,482)</u>
<b>Expenditures:</b>			
<i>Instruction:</i>			
Other	3,088,089	1,092,146	1,995,943
<i>Support Services:</i>			
Pupils	70,818	25,046	45,772
Instructional Staff	7,275	2,573	4,702
Administration	11,019	3,897	7,122
Fiscal	30,613	10,827	19,786
Operation and Maintenance of Plant	280,691	99,270	181,421
Central	6,332	2,239	4,093
Operation of Non-Instructional Services	5,163	1,826	3,337
<b>Total Expenditures</b>	<u>3,500,000</u>	<u>1,237,824</u>	<u>2,262,176</u>
Excess of Revenues Over (Under) Expenditures	(1,224,518)	(1,237,824)	(13,306)
<b>Other Financing Sources (Uses):</b>			
Advances In	1,224,518	1,224,518	0
<b>Total Other Financing Sources (Uses)</b>	<u>1,224,518</u>	<u>1,224,518</u>	<u>0</u>
Net Change in Fund Balances	0	(13,306)	(13,306)
Fund Balances at Beginning of Year	0	0	0
<b>Fund Balances at End of Year</b>	<u>\$ 0</u>	<u>\$ (13,306)</u>	<u>\$ (13,306)</u>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Title VI-B Special Education Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 19,250,000	\$ 17,028,395	\$ (2,221,605)
<b>Total Revenues</b>	<u>19,250,000</u>	<u>17,028,395</u>	<u>(2,221,605)</u>
<b>Expenditures:</b>			
<i>Instruction:</i>			
Special	13,291,513	12,139,704	1,151,809
Vocational	26,848	27,518	(670)
Other	66,993	60,979	6,014
<i>Support Services:</i>			
Pupils	2,440,447	2,283,762	156,685
Instructional Staff	1,065,344	969,706	95,638
Administration	1,359,991	1,237,903	122,088
Fiscal	510,230	464,426	45,804
Operation of Non-Instructional Services	390,214	415,194	(24,980)
<b>Total Expenditures</b>	<u>19,151,580</u>	<u>17,599,192</u>	<u>1,552,388</u>
Excess of Revenues Over (Under) Expenditures	98,420	(570,797)	(669,217)
Fund Balances at Beginning of Year	(1,069,791)	(1,069,791)	0
<i>Prior Year Encumbrances Appropriated</i>	<u>136,198</u>	<u>136,198</u>	<u>0</u>
<b>Fund Balances at End of Year</b>	<u>\$ (835,173)</u>	<u>\$ (1,504,390)</u>	<u>\$ (669,217)</u>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Vocational Education Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 1,758,000	\$ 1,218,480	\$ (539,520)
<b>Total Revenues</b>	<u>1,758,000</u>	<u>1,218,480</u>	<u>(539,520)</u>
<b>Expenditures:</b>			
<i>Instruction:</i>			
Vocational	1,354,000	1,320,546	33,454
<i>Support Services:</i>			
Instructional Staff	491,981	319,313	172,668
Administration	100,647	64,996	35,651
Pupil Transportation	21,716	14,174	7,542
<b>Total Expenditures</b>	<u>1,968,344</u>	<u>1,719,029</u>	<u>249,315</u>
Deficiency of Revenues Under Expenditures	(210,344)	(500,549)	(290,205)
<b>Other Financing Sources (Uses):</b>			
Advances In	492,000	492,000	0
Advances Out	(126,000)	(126,000)	0
<b>Total Other Financing Sources (Uses)</b>	<u>366,000</u>	<u>366,000</u>	<u>0</u>
Net Change in Fund Balances	155,656	(134,549)	(290,205)
Fund Balances at Beginning of Year	(150,250)	(150,250)	0
<i>Prior Year Encumbrances Appropriated</i>	<u>81,957</u>	<u>81,957</u>	<u>0</u>
<b>Fund Balances at End of Year</b>	<u>\$ 87,363</u>	<u>\$ (202,842)</u>	<u>\$ (290,205)</u>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Title I Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 43,500,000	\$ 42,634,084	\$ (865,916)
<b>Total Revenues</b>	<u>43,500,000</u>	<u>42,634,084</u>	<u>(865,916)</u>
<b>Expenditures:</b>			
<i>Instruction:</i>			
Regular	20,427	19,425	1,002
Special	30,185,745	28,714,670	1,471,075
Other	3,755,882	5,084,483	(1,328,601)
<i>Support Services:</i>			
Pupils	1,720,074	1,637,371	82,703
Instructional Staff	2,602,133	2,862,283	(260,150)
Administration	906,003	861,582	44,421
Fiscal	1,397,030	1,328,533	68,497
Operation and Maintenance of Plant	82,162	78,134	4,028
Pupil Transportation	157,027	149,328	7,699
Operation of Non-Instructional Services	5,056,636	4,974,016	82,620
<b>Total Expenditures</b>	<u>45,883,119</u>	<u>45,709,825</u>	<u>173,294</u>
Net Change in Fund Balances	(2,383,119)	(3,075,741)	(692,622)
Fund Balances at Beginning of Year	2,857,177	2,857,177	0
<i>Prior Year Encumbrances Appropriated</i>	<u>536,898</u>	<u>536,898</u>	<u>0</u>
<b>Fund Balances at End of Year</b>	<u>\$ 1,010,956</u>	<u>\$ 318,334</u>	<u>\$ (692,622)</u>



**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Improving Teacher Quality Title II-A Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 2,100,000	\$ 1,151,887	\$ (948,113)
<b>Total Revenues</b>	<u>2,100,000</u>	<u>1,151,887</u>	<u>(948,113)</u>
<b>Expenditures:</b>			
<i>Support Services:</i>			
Instructional Staff	1,343,931	1,114,843	229,088
Fiscal	74,897	61,983	12,914
Operation of Non-Instructional Services	217,852	190,189	27,663
<b>Total Expenditures</b>	<u>1,636,680</u>	<u>1,367,015</u>	<u>269,665</u>
Excess of Revenues Over (Under) Expenditures	463,320	(215,128)	(678,448)
<b>Other Financing Sources (Uses):</b>			
Advances Out	(652,000)	(652,000)	0
<b>Total Other Financing Sources (Uses)</b>	<u>(652,000)</u>	<u>(652,000)</u>	<u>0</u>
Net Change in Fund Balances	(188,680)	(867,128)	(678,448)
Fund Balances at Beginning of Year	183,597	183,597	0
<i>Prior Year Encumbrances Appropriated</i>	<u>88,585</u>	<u>88,585</u>	<u>0</u>
<b>Fund Balances at End of Year</b>	<u>\$ 83,502</u>	<u>\$ (594,946)</u>	<u>\$ (678,448)</u>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Miscellaneous Federal Grants Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 4,600,000	\$ 3,341,384	\$ (1,258,616)
<b>Total Revenues</b>	<u>4,600,000</u>	<u>3,341,384</u>	<u>(1,258,616)</u>
<b>Expenditures:</b>			
<i>Instruction:</i>			
Regular	710,407	415,708	294,699
Other	1,070,286	671,567	398,719
<i>Support Services:</i>			
Pupils	1,556,649	958,174	598,475
Instructional Staff	952,530	610,690	341,840
Fiscal	134,550	78,720	55,830
Central	17,947	161,500	(143,553)
Operation of Non-Instructional Services	255,308	151,205	104,103
<b>Total Expenditures</b>	<u>4,697,677</u>	<u>3,047,564</u>	<u>1,650,113</u>
Excess of Revenues Over Expenditures	(97,677)	293,820	391,497
<b>Other Financing Sources (Uses):</b>			
Advances In	500,000	500,000	0
<b>Total Other Financing Sources (Uses)</b>	<u>500,000</u>	<u>500,000</u>	<u>0</u>
Net Change in Fund Balances	402,323	793,820	391,497
Fund Balances at Beginning of Year	(517,247)	(517,247)	0
<i>Prior Year Encumbrances Appropriated</i>	134,053	134,053	0
<b>Fund Balances at End of Year</b>	<u>\$ 19,129</u>	<u>\$ 410,626</u>	<u>\$ 391,497</u>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Other Federal Funds*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 9,480,000	\$ 7,000,684	\$ (2,479,316)
<b>Total Revenues</b>	<u>9,480,000</u>	<u>7,000,684</u>	<u>(2,479,316)</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	264	241	23
Special	916,043	647,396	268,647
Other	3,662,979	3,791,787	(128,808)
Support Services:			
Pupils	52,753	57,421	(4,668)
Instructional Staff	3,973,122	3,026,024	947,098
Administration	17,395	17,459	(64)
Fiscal	27,172	26,925	247
Operation and Maintenance of Plant	9,149	8,892	257
Pupil Transportation	16,051	14,650	1,401
Operation of Non-Instructional Services	151,184	109,996	41,188
<b>Total Expenditures</b>	<u>8,826,112</u>	<u>7,700,791</u>	<u>1,125,321</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	653,888	(700,107)	(1,353,995)
<b>Other Financing Sources (Uses):</b>			
Advances In	1,682,000	2,982,000	1,300,000
Advances Out	(2,409,000)	(2,409,000)	0
<b>Total Other Financing Sources (Uses)</b>	<u>(727,000)</u>	<u>573,000</u>	<u>1,300,000</u>
Net Change in Fund Balances	(73,112)	(127,107)	(53,995)
Fund Balances at Beginning of Year	(77,160)	(77,160)	0
Prior Year Encumbrances Appropriated	883,859	883,859	0
<b>Fund Balances at End of Year</b>	<u>\$ 733,587</u>	<u>\$ 679,592</u>	<u>\$ (53,995)</u>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenses and Changes*  
*In Fund Equity - Budget (Non-GAAP Basis) and Actual*  
*Liability Self-Insurance Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Miscellaneous	\$ 0	\$ 144,051	\$ 144,051
<b>Total Revenues</b>	<u>0</u>	<u>144,051</u>	<u>144,051</u>
<b>Expenses:</b>			
Current:			
<i>Support Services:</i>			
Administration	\$ 1,123,042	\$ 628,342	\$ 494,700
<b>Total Expenses</b>	<u>1,123,042</u>	<u>628,342</u>	<u>494,700</u>
Excess of Revenues Over (Under) Expenditures	(1,123,042)	(484,291)	638,751
<b>Other Financing Sources (Uses):</b>			
Transfers In	1,000,000	1,000,000	0
<b>Total Other Financing Sources (Uses)</b>	<u>1,000,000</u>	<u>1,000,000</u>	<u>0</u>
Net Change in Fund Equity	(123,042)	515,709	638,751
Fund Equity at Beginning of Year	1,298,459	1,298,459	0
<i>Prior Year Encumbrances Appropriated</i>	<u>123,252</u>	<u>123,252</u>	<u>0</u>
<b>Fund Equity at End of Year</b>	<u>\$ 1,298,669</u>	<u>\$ 1,937,420</u>	<u>\$ 638,751</u>

**Cleveland Municipal School District**  
*Schedule of Revenues, Expenses and Charges*  
*In Fund Equity - Budget (Non-GAAP Basis) and Actual*  
*Employee Benefits Self-Insurance Fund*  
*For the Fiscal Year Ended June 30, 2020*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>			
Charges for Services	\$ 112,000,000	\$ 100,315,896	\$ (11,684,104)
<b>Total Revenues</b>	<u>112,000,000</u>	<u>100,315,896</u>	<u>(11,684,104)</u>
<b>Expenses:</b>			
Support Services:			
Central	112,000,000	96,412,318	15,587,682
<b>Total Expenses</b>	<u>112,000,000</u>	<u>96,412,318</u>	<u>15,587,682</u>
Net Change in Fund Equity	0	3,903,578	3,903,578
Fund Equity at Beginning of Year	<u>11,263,754</u>	<u>11,263,754</u>	<u>0</u>
<b>Fund Equity at End of Year</b>	<u>\$ 11,263,754</u>	<u>\$ 15,167,332</u>	<u>\$ 3,903,578</u>

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# Statistical Section

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## STATISTICAL SECTION

This part of the Cleveland Municipal School District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in financial statements, note disclosures, and required supplementary information says about the School District overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	<b>S2</b>
These schedules contain trend information to help the reader understand how the School District’s financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>S16</b>
These schedules contain information to help the reader assess the affordability of the School District’s most significant local revenue source of Property Tax and Foundation payments.	
<b>Debt Capacity</b>	<b>S22</b>
These schedules present information to help the reader assess the affordability of the School District’s current levels of outstanding debt, and the ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	<b>S27</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District’s financial activities take place.	
<b>Operating Information</b>	<b>S29</b>
These schedules contain service data to help the reader understand how the information in the School District’s financial report relates to the services the School District provides and the activities it performs.	

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The School District implemented GASB Statement 54 for the year ended June 30, 2011; schedules presenting government wide net position information include information beginning in that year. GASB 54 changed the classification of the governmental fund balance, but did not change the government wide net position. The School District implemented GASB 68 for the year ended June 30, 2015 and implemented GASB 75 for the year ended June 30, 2018.

**Cleveland Municipal School District**

Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

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	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 (a)</u>
<b>Net Position</b>				
Net Investment in Capital Assets	\$ 503,951,883	\$ 518,814,295	\$ 558,674,014	\$ 619,248,160
Restricted				
Restricted Debt Service	48,223,777	51,217,114	42,713,939	49,735,043
Restricted Capital Programs	260,606,827	278,969,178	184,352,359	84,864,225
Restricted Special Revenue	77,722,493	58,944,626	47,468,206	47,730,652
Unrestricted	58,715,005	73,262,646	113,553,821	(720,669,457)
<b>Total Net Position</b>	<u>\$ 949,219,985</u>	<u>\$ 981,207,859</u>	<u>\$ 946,762,339</u>	<u>\$ 80,908,623</u>

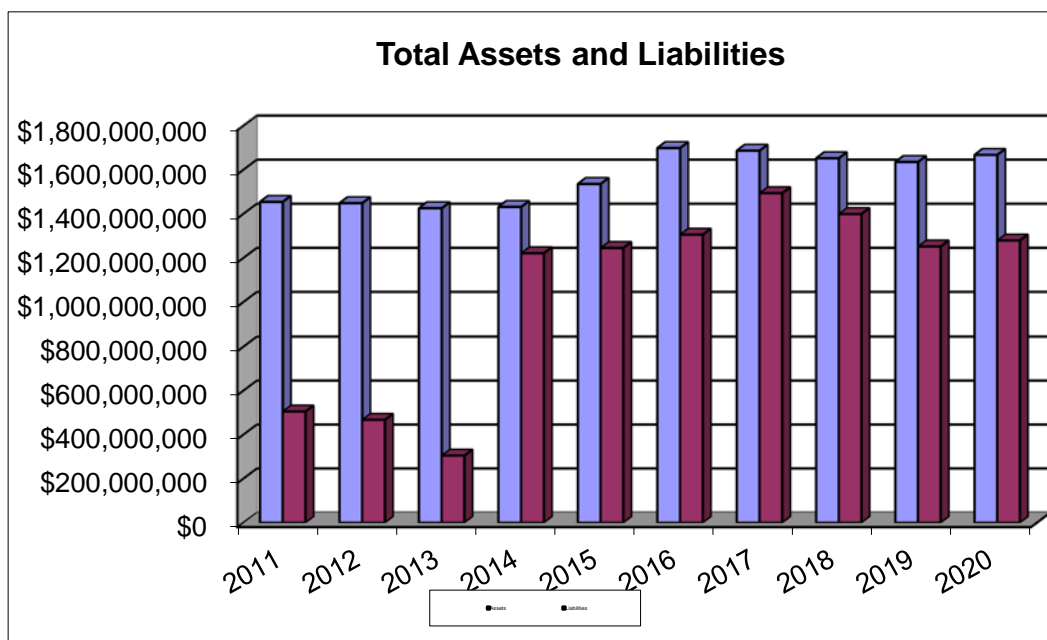
**Source:** School District Financial Records

a-GASB 68 was implemented in FY 15 and restated FY 14

b-GASB 75 was implemented in FY 18 and restated FY 17



2015 (a)	2016	2017 (b)	2018	2019	2020
\$ 501,440,286	\$ 511,830,184	\$ 536,270,536	\$ 656,511,658	\$ 836,681,681	\$ 740,395,317
51,010,824	46,540,646	47,607,887	49,731,602	59,662,539	60,260,720
222,963,999	319,958,620	320,528,644	190,674,105	134,683,331	92,674,288
18,957,773	19,575,978	25,968,633	27,927,377	28,581,881	16,309,161
(754,622,557)	(707,027,575)	(995,142,892)	(705,938,812)	(805,192,740)	(738,226,650)
<u>\$ 39,750,325</u>	<u>\$ 190,877,853</u>	<u>\$ (64,767,192)</u>	<u>\$ 218,905,930</u>	<u>\$ 254,416,692</u>	<u>\$ 171,412,836</u>



**Cleveland Municipal School District**  
 Changes in Net Position of Governmental Activities  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	2011	2012	2013	2014
<b>Expenses</b>				
Governmental Activities:				
Instruction:				
Regular	\$ 297,907,426	\$ 322,367,731	\$ 367,669,653	\$ 381,411,371
Special	207,990,072	174,228,202	172,023,833	182,682,324
Vocational	10,336,437	11,316,290	12,599,383	11,404,778
Adult/Continuing	132,537	0	112,488	620
Other	6,384,172	4,493,188	673,778	1,970,489
<i>Support Services:</i>				
Pupils	37,463,820	36,216,356	34,197,654	35,833,670
Instructional Staff	59,204,651	50,834,523	55,202,905	30,250,022
Board of Education	250,996	285,033	274,588	264,265
Administration	43,536,920	41,533,976	46,168,870	43,290,224
Fiscal	15,131,810	12,498,573	12,708,747	12,274,449
Business	1,643,284	1,700,249	2,018,076	1,590,930
Operation and Maintenance of Plant	63,176,797	55,146,243	59,940,850	62,189,841
Pupil Transportation	28,923,689	27,896,118	30,662,826	56,924,644
Central	12,437,133	11,966,119	20,006,680	17,526,350
Operation of Non-Instructional Services	42,237,400	39,718,319	36,951,908	35,846,103
Extracurricular Activities	6,418,054	5,857,755	6,990,941	6,510,125
Interest and Fiscal Charges	9,869,253	9,640,956	11,669,533	93,660
Capital Outlay	0	0	0	0
<b>Total Primary Government Expenses</b>	<b>843,044,451</b>	<b>805,699,631</b>	<b>869,872,713</b>	<b>880,063,865</b>
<b>Program Revenues</b>				
Governmental Activities:				
<b>Charges for Services and Sales</b>				
Instruction:				
Regular	2,351,003	1,800,754	4,192,551	4,170,473
Special	976,843	832,254	1,621,243	1,533,891
Vocational	62,210	61,797	111,542	99,620
Adult/Continuing	0	0	1,068	5
Other	36,692	28,614	4,590	1,307
<i>Support Services:</i>				
Pupils	316,993	190,315	457,244	467,558
Instructional Staff	154,682	144,317	192,966	56,314
Board of Education	1,788	1,831	2,692	2,311
Administration	417,562	237,566	547,753	597,459
Fiscal	258,747	68,264	324,446	323,162
Business	11,703	10,921	19,786	13,915
Operation and Maintenance of Plant	522,574	336,066	656,920	591,810
Pupil Transportation	175,290	170,981	270,047	319,926
Central	87,927	75,555	194,889	152,101
Operation of Non-Instruction Services	11,614	15,927	11,351	7,806
Extracurricular Activities	653,175	575,250	574,128	618,561

**Source:** School District financial records

2015	2016	2017	2018	2019	2020
\$ 362,037,069	\$ 355,008,543	\$ 376,444,351	\$ 228,117,128	\$ 357,538,712	\$ 387,038,590
173,593,367	172,360,574	181,613,355	115,095,669	179,135,468	207,870,189
8,453,227	9,056,446	8,667,189	3,097,548	6,464,685	6,136,836
0	64,500	384,463	0	0	0
7,393,303	7,948,798	9,134,951	12,731,008	12,965,233	10,482,791
35,790,269	34,179,013	40,460,547	12,249,740	36,808,211	44,642,558
36,113,336	32,419,457	32,535,827	26,331,387	28,669,934	24,178,327
248,308	266,498	306,270	42,376	319,466	219,695
42,751,427	50,223,299	63,093,132	33,734,900	56,715,552	57,260,727
16,310,738	16,663,611	12,399,059	13,054,274	19,784,079	17,783,050
1,137,981	1,375,403	1,503,595	1,251,274	1,408,188	1,126,721
64,587,903	68,629,253	65,547,856	57,685,305	66,935,137	73,080,026
34,699,642	35,010,112	34,783,284	34,220,642	40,041,724	36,810,361
25,503,536	29,503,864	38,152,866	21,149,084	28,980,504	24,571,642
34,670,028	35,255,055	37,273,100	38,187,653	39,726,831	36,242,280
6,649,997	6,332,462	5,802,430	5,402,338	5,732,891	4,446,110
6,984,197	13,212,539	13,549,588	12,291,003	13,232,322	13,012,599
0	0	0	0	0	3,258,153
856,924,328	867,509,427	921,651,863	614,641,329	894,458,937	948,160,655

3,825,172	3,283,143	4,014,946	4,329,229	3,884,344	4,931,484
1,657,048	1,628,204	1,894,148	1,959,579	1,734,703	2,194,943
69,797	61,803	72,721	45,108	48,799	70,157
1,692	510	2,713	0	0	0
0	4,775	(3,058)	1,796	1,943	228
452,849	437,033	267,694	87,714	94,892	464,370
472,420	115,213	90,197	75,204	80,748	148,038
2,188	2,116	3,009	794	859	2,768
339,112	779,516	897,805	939,990	599,158	697,724
351,598	358,888	180,927	152,201	166,060	138,896
10,029	10,895	13,893	23,437	25,355	14,117
587,592	570,943	692,682	1,175,092	1,120,767	876,759
282,985	261,455	335,899	611,474	661,320	450,514
221,306	222,148	375,880	392,949	425,104	304,978
184,278	693,540	871,387	249,544	491,974	166,688
617,323	556,374	617,423	482,208	509,822	378,287

(continued)

**Cleveland Municipal School District**  
Changes in Net Position of Governmental Activities (continued)  
Last Ten Fiscal Years  
(accrual basis of accounting)

	2011	2012	2013	2014
<b>Operating Grants, Contributions and Interest</b>				
Instruction:				
Regular	\$ 38,093,482	\$ 20,734,813	\$ 5,201,595	\$ 38,760,754
Special	103,872,868	28,181,385	43,030,489	50,997,326
Vocational	1,446,826	1,572,223	1,379,138	1,692,844
Adult/Continuing	71,032	0	510	53
Other	1,663,788	49,095	168,775	1,809,839
Support Services:				
Pupils	6,100,952	6,609,256	6,132,756	7,294,674
Instructional Staff	39,853,992	26,649,396	30,471,914	26,469,136
Board of Education	1,240	1,979	1,247	22,411
Administration	4,190,878	2,101,662	3,090,526	7,917,347
Fiscal	3,198,202	764,430	717,508	1,885,624
Business	8,117	11,804	9,162	134,917
Operation and Maintenance of Plant	623,740	2,234,494	2,236,816	7,388,942
Pupil Transportation	3,096,448	280,450	315,733	3,482,438
Central	299,521	151,489	99,632	1,592,966
Operation of Non-Instruction Services	41,054,534	29,413,981	32,517,985	31,407,090
Extracurricular Activities	92,068	36,928	32,198	505,410
<b>Capital Grants and Contributions</b>				
Instruction:				
Regular	2,037,682	43,033,556	2,100,511	3,155,969
Support Services:				
Fiscal	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0
Capital Outlay	0	0	0	0
<i>Total Program Revenues</i>	<u>251,744,173</u>	<u>166,377,353</u>	<u>136,689,711</u>	<u>193,473,959</u>
Net Expense	<u>\$ (591,300,278)</u>	<u>\$ (639,322,278)</u>	<u>\$ (733,183,002)</u>	<u>\$ (686,589,906)</u>
<b>General Revenues and Other</b>				
<b>Changes in Net Position</b>				
Governmental Activities:				
Property Taxes Levied For:				
General Purposes	\$ 158,760,869	\$ 155,316,742	\$ 200,094,021	\$ 235,958,843
Debt Service	28,724,375	28,235,142	12,635,634	30,404,951
Capital Outlay	2,097,559	2,083,420	1,042,267	2,498,740
Capital Projects	0	0	0	0
Investment Income	3,535,089	1,910,966	1,345,163	2,942,716
Miscellaneous	13,723,968	18,445,756	23,507,563	11,360,311
Grants and Entitlements not Restricted to				
Specific Programs	465,448,410	465,318,126	459,821,084	413,100,316
<b>Total General Revenues</b>	<u>672,290,270</u>	<u>671,310,152</u>	<u>698,445,732</u>	<u>696,265,877</u>
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Change in Net Position</b>	<u>\$ 80,989,992</u>	<u>\$ 31,987,874</u>	<u>\$ (34,737,270)</u>	<u>\$ 9,675,971</u>

	2015	2016	2017	2018	2019	2020
\$	28,622,647	\$ 27,686,802	\$ 28,914,602	\$ 27,441,716	\$ 25,869,930	\$ 24,571,513
	45,079,772	48,647,774	45,270,733	41,196,919	39,051,712	53,534,696
	1,151,574	1,961,612	1,588,553	1,007,776	1,565,736	1,367,611
	0	4,990	125,490	0	0	0
	6,442,704	7,868,381	8,172,852	13,333,289	13,586,490	9,300,545
	6,809,394	6,572,417	7,833,549	8,703,757	6,292,205	13,245,969
	28,316,332	21,059,213	24,085,576	21,604,022	16,275,226	12,160,218
	19,814	20,685	22,074	5,390	71,348	16,239
	6,098,758	7,633,524	7,410,219	8,027,591	6,289,307	6,939,516
	1,312,335	1,768,304	1,952,889	1,308,043	4,006,846	2,578,337
	90,807	106,520	101,908	159,146	131,426	65,930
	6,694,034	7,200,079	4,329,621	7,125,013	6,034,561	4,585,630
	2,898,364	2,709,989	2,549,930	4,679,883	3,836,506	2,165,738
	2,430,507	3,592,550	2,829,392	2,844,995	2,314,282	1,547,509
	33,223,035	35,342,724	33,611,343	38,894,323	42,569,009	34,346,894
	490,802	466,759	551,198	942,887	732,393	512,384
	13,049,804	119,391,577	0	0	0	0
	0	0	10,421	0	2,587	0
	0	0	1,919,786	0	818,874	1,860,393
	0	0	1,921,083	10,225,792	0	0
	<u>191,806,072</u>	<u>301,020,456</u>	<u>183,529,485</u>	<u>198,026,861</u>	<u>179,294,286</u>	<u>179,639,073</u>
\$	<u>(665,118,256)</u>	<u>(566,488,971)</u>	<u>(738,122,378)</u>	<u>(416,614,468)</u>	<u>(715,164,651)</u>	<u>(768,521,582)</u>
\$	157,957,030	\$ 246,417,195	\$ 197,120,815	\$ 235,113,848	\$ 254,280,867	\$ 220,405,212
	11,786,075	22,789,130	17,846,019	21,471,349	26,318,883	16,158,257
	1,171,067	2,947,290	1,655,130	2,359,011	2,547,230	1,170,697
	1,735,036	2,123,398	1,805,373	2,525,832	2,327,090	1,218,523
	1,771,268	3,434,960	2,846,853	1,778,432	6,074,287	3,778,012
	17,813,733	8,509,968	14,939,918	11,594,746	15,230,175	8,144,361
	431,725,749	431,394,557	411,531,716	423,617,304	446,780,060	429,786,589
	623,959,958	717,616,498	647,745,824	698,460,522	753,558,592	680,661,651
	0	0	0	1,827,066	(2,883,178)	4,856,076
\$	<u>(41,158,298)</u>	<u>151,127,527</u>	<u>(90,376,554)</u>	<u>283,673,120</u>	<u>35,510,763</u>	<u>(83,003,855)</u>

## Cleveland Municipal School District

Fund Balances, Governmental Funds

Last Ten Fiscal Years

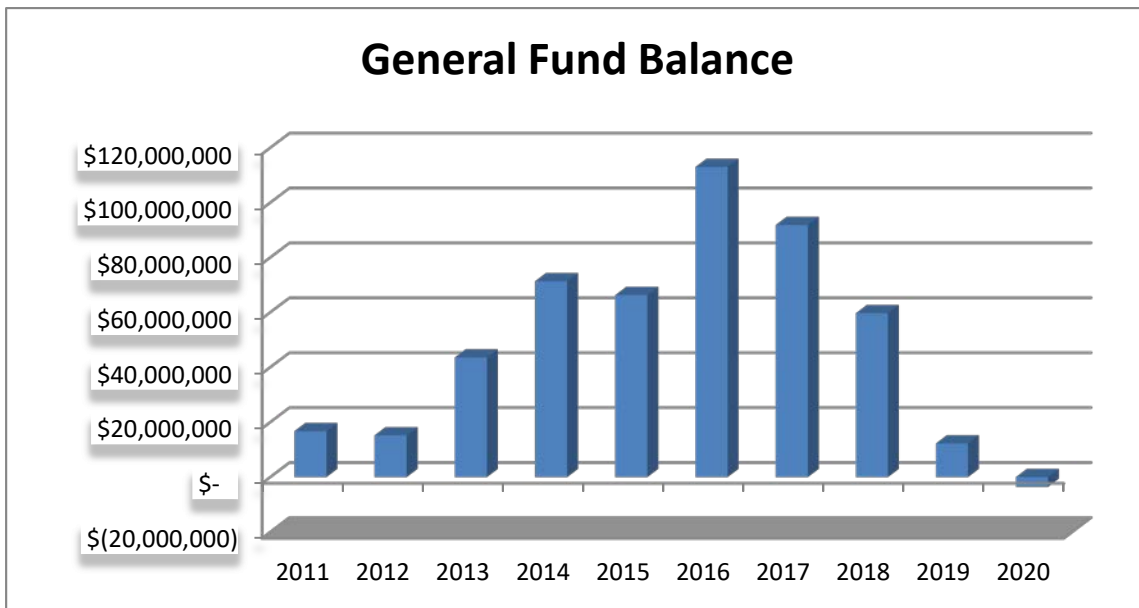
(modified accrual basis of accounting)

	2011	2012	2013	2014
<b>General Fund</b>				
Nonspendable	\$ 3,691,170	\$ 4,920,465	\$ 6,535,268	\$ 1,036,595
Restricted	0	0	0	0
Assigned	5,608,988	7,802,251	9,185,899	12,144,755
Unassigned	7,386,402	2,456,478	27,814,870	58,129,480
<b>Total General Fund</b>	<u>16,686,560</u>	<u>15,179,194</u>	<u>43,536,037</u>	<u>71,310,830</u>
<b>All Other Government Funds</b>				
Nonspendable	861,912	526,708	803,066	789,880
Restricted				
Debt Service	24,546,026	26,553,552	29,520,664	31,213,000
Capital Programs	125,465,988	116,773,664	55,767,865	50,200,775
Special Revenue	54,820,445	75,197,128	78,180,740	53,265,187
Unassigned	(35,448,458)	(6,600,746)	(19,869,898)	(15,616,054)
<b>Total all Other Governmental Funds</b>	<u>170,245,913</u>	<u>212,450,306</u>	<u>144,402,437</u>	<u>119,852,788</u>
<b>Total Governmental Funds</b>	<u>\$ 186,932,473</u>	<u>\$ 227,629,500</u>	<u>\$ 187,938,474</u>	<u>\$ 191,163,618</u>

**Source:** School District financial records

**Note:** The School District implemented GASB 54 in 2011

2015	2016	2017	2018	2019	2020
\$ 841,940	\$ 806,615	\$ 936,035	\$ 903,052	\$ 790,228	\$ 997,198
0	0	0	0	0	0
10,265,807	12,150,076	4,852,598	58,747,739	36,830,649	0
55,156,983	100,011,060	86,012,193	0	(25,405,544)	(4,568,691)
66,264,730	112,967,751	91,800,826	59,650,791	12,215,333	(3,571,493)
394,760	372,733	258,985	1,519,496	1,528,116	1,617,886
43,972,211	37,721,276	40,209,203	44,565,011	53,315,518	52,244,843
206,917,876	187,937,113	198,032,192	174,726,646	91,284,046	75,405,404
25,236,675	19,950,086	22,914,688	22,239,391	22,394,815	20,656,200
(14,897,662)	(12,252,343)	(10,197,979)	(8,693,766)	(6,505,390)	(8,027,296)
261,623,860	233,728,865	251,217,089	234,356,778	162,017,105	141,897,037
<b>\$ 327,888,590</b>	<b>\$ 346,696,616</b>	<b>\$ 343,017,915</b>	<b>\$ 294,007,569</b>	<b>\$ 174,232,438</b>	<b>\$ 138,325,544</b>



# Cleveland Municipal School District

## Governmental Funds Revenues

Last Ten Fiscal Years

(modified accrual basis of accounting)

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	2011	2012	2013	2014
<b>General Revenues</b>				
<b>Local Sources:</b>				
Taxes	\$ 185,815,163	\$ 179,685,485	\$ 211,788,636	\$ 242,555,376
Investment Income	3,535,089	1,910,966	1,345,163	2,942,716
Tuition and Fees	4,181,794	3,999,330	6,236,352	5,878,768
Extracurricular Activities	612,023	541,229	512,011	567,220
Contributions and Donations	8,107,354	2,627,175	4,369,374	6,156,679
Sale of Personal Property	152,615	1,374,307	4,838,821	717
Food Services	0	0	0	0
Miscellaneous	14,816,339	17,071,449	15,259,654	13,862,593
<b>Total Local Sources</b>	<u>217,220,377</u>	<u>207,209,941</u>	<u>244,350,011</u>	<u>271,964,069</u>
<b>State and Federal Sources</b>	671,147,942	646,708,097	617,215,410	639,333,984
<b>Total Revenues</b>	<u>\$ 888,368,319</u>	<u>\$ 853,918,038</u>	<u>\$ 861,565,421</u>	<u>\$ 911,298,053</u>

Source: School District financial records



2015	2016	2017	2018	2019	2020
\$ 256,365,424	\$ 249,636,203	\$ 232,206,251	\$ 262,495,541	\$ 277,432,161	\$ 245,565,907
1,771,268	3,551,112	2,730,701	2,875,062	6,807,401	3,751,702
6,053,782	5,474,617	7,224,318	8,255,258	8,619,422	6,492,653
563,270	509,981	565,573	564,163	452,101	348,566
8,208,426	9,935,905	8,985,343	7,320,278	4,561,484	5,714,215
6,460,191	0	263	0	0	0
287,363	685,744	860,882	218,225	459,260	150,736
4,237,700	10,826,181	15,681,725	12,335,163	14,631,057	13,549,773
<u>283,947,424</u>	<u>280,619,743</u>	<u>268,255,056</u>	<u>294,063,690</u>	<u>312,962,886</u>	<u>275,573,552</u>
600,433,083	621,940,419	662,937,614	628,122,494	628,122,494	621,182,193
<u>\$ 884,380,507</u>	<u>\$ 902,560,162</u>	<u>\$ 854,172,521</u>	<u>\$ 879,981,155</u>	<u>\$ 312,962,886</u>	<u>\$ 275,573,552</u>

**Cleveland Municipal School District**  
 Governmental Funds Expenditures and Debt Service Ratio  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

	2011	2012	2013	2014
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	\$ 285,176,732	\$ 296,589,788	\$ 296,652,085	\$ 328,296,064
Special	207,710,557	174,268,968	171,815,811	182,611,969
Vocational	10,325,890	11,317,046	12,554,974	12,096,694
Adult/Continuing	117,389	0	108,929	620
Other	6,470,346	4,565,662	883,337	1,974,637
Support Services:				
Pupils	36,624,319	36,685,082	36,194,695	34,740,999
Instructional Staff	60,166,032	50,661,878	53,789,823	31,412,749
Board of Education	245,987	274,705	273,980	268,543
Administration	36,689,828	32,974,897	35,343,239	40,298,245
Fiscal	15,237,357	12,788,220	12,622,530	12,268,155
Business	1,637,398	1,689,243	2,013,062	1,571,515
Operations and Maintenance of Plant	86,750,620	55,268,800	60,109,673	62,283,307
Pupil Transportation	27,878,194	27,339,459	27,477,112	54,625,249
Central	12,527,955	12,018,833	19,762,993	17,449,971
Operation of Non-Instructional Services	18,517,941	37,955,918	37,885,012	35,451,831
Extracurricular Activities	6,385,611	5,856,800	6,979,541	6,488,287
Capital Outlay	56,852,634	25,129,584	100,952,346	75,299,430
Debt Service				
Principal Retirement	24,867,030	37,540,082	2,184,442	15,524,161
Interest and Fiscal Charges	10,112,550	10,357,440	11,652,099	6,482,113
Bond Issuance Costs	36,949	0	364,505	177,858
<b>Total Expenditures</b>	<b>\$ 904,331,319</b>	<b>\$ 833,282,405</b>	<b>\$ 889,620,188</b>	<b>\$ 919,322,397</b>
Capital Asset Additions	57,242,290	25,787,407	52,343,089	99,865,136
Debt Service as a Percentage of Noncapital Expenditures	4.1%	5.9%	1.7%	2.7%

**Source:** School District financial records

2015	2016	2017	2018	2019	2020
\$ 335,082,439	\$ 324,618,371	\$ 338,992,197	\$ 339,487,720	\$ 352,929,842	\$ 325,168,805
177,015,873	172,622,234	175,476,604	191,218,576	199,760,057	211,891,853
8,602,736	9,061,911	8,289,369	7,327,860	7,293,836	6,342,285
0	64,500	384,463	0	0	0
7,543,041	7,948,798	9,124,540	12,872,149	12,965,233	10,474,580
35,762,625	34,931,451	38,840,456	44,099,186	45,755,347	44,035,270
36,799,727	32,344,941	32,052,227	30,748,271	30,471,215	23,603,995
254,804	257,321	283,108	256,007	326,564	233,180
46,708,964	51,041,593	58,651,736	63,174,115	66,389,362	57,783,579
16,625,868	16,527,158	12,095,073	15,346,518	20,585,345	17,157,417
1,174,319	1,325,568	1,395,552	1,629,759	1,403,358	1,173,518
68,459,149	70,242,266	66,993,138	74,417,192	74,560,006	73,220,004
33,667,163	30,536,879	30,774,583	37,521,557	40,171,126	35,629,344
25,793,659	29,169,898	37,076,806	28,302,605	30,791,372	23,860,941
34,800,157	35,427,070	37,339,474	38,382,727	39,730,683	35,073,609
6,821,653	6,332,299	5,757,733	5,930,679	5,756,944	4,496,921
76,490,025	26,687,322	45,068,587	98,739,344	109,974,721	47,255,815
41,460,586	20,405,143	8,488,640	5,585,000	5,880,000	6,105,000
3,129,494	13,207,413	13,572,360	13,404,512	13,232,322	13,012,599
826,655	0	0	0	0	0
<u>\$ 957,018,937</u>	<u>\$ 882,752,136</u>	<u>\$ 920,656,646</u>	<u>\$ 1,008,443,777</u>	<u>\$ 1,057,977,333</u>	<u>\$ 936,518,715</u>
71,296,300	18,379,931	43,638,438	94,897,782	101,905,253	44,068,118
5.0%	3.9%	2.5%	2.1%	2.0%	2.1%

**Cleveland Municipal School District**  
 Other Financing Sources and Uses and Net Change in Fund Balances,  
 Governmental Funds  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (15,963,000)	\$ 20,635,633	\$ (28,054,767)	\$ (8,024,344)
<b>Other Financing Sources (Uses)</b>				
Inception of Capital Lease	0	0	0	17,943,165
Issuance from the Sale of Bonds	55,000,000	20,855,000	45,600,000	10,525,000
Payment of Refunded Bond Escrow Agent	0	0	(63,366,472)	(16,913,399)
Transfers In	14,573,314	15,596,576	13,469,667	9,320,558
Transfers Out	(15,573,314)	(16,390,182)	(13,469,667)	(10,070,558)
<b>Total Other Financing Sources (Uses)</b>	<u>54,000,000</u>	<u>20,061,394</u>	<u>(11,636,259)</u>	<u>11,249,488</u>
<b>Net Change in Fund Balances</b>	<u>\$ 38,037,000</u>	<u>\$ 40,697,027</u>	<u>\$ (39,691,026)</u>	<u>\$ 3,225,144</u>

**Source:** School District financial records

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ (72,638,430)	\$ 19,808,026	\$ (66,484,125)	\$ (51,442,473)	\$ (116,891,953)	\$ (39,762,970)
0	0	0	0	0	0
200,000,000	0	0	0	0	0
0	0	0	0	0	0
8,679,511	7,960,673	1,655,767	3,799,964	1,972,898	4,856,076
(9,179,511)	(8,960,673)	(6,455,731)	(1,972,898)	(4,856,076)	(1,000,000)
<u>208,777,561</u>	<u>(1,000,000)</u>	<u>(4,799,964)</u>	<u>2,432,127</u>	<u>(2,883,178)</u>	<u>3,856,076</u>
<u>\$ 136,139,131</u>	<u>\$ 18,808,026</u>	<u>\$ (71,284,089)</u>	<u>\$ (49,010,346)</u>	<u>\$ (119,775,131)</u>	<u>\$ (35,906,894)</u>

**Cleveland Municipal School District**  
 Assessed and Estimated Actual Value of Taxable Property  
 Last Ten Collection Years  
 (in thousands of dollars)

Fiscal Year	Real Property		Public Utility	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2011	5,455,841	15,588,117	243,660	276,886
2012	5,449,321	15,569,488	247,613	281,378
2013	4,602,210	13,149,171	266,558	302,907
2014	4,601,349	13,146,711	298,603	339,322
2015	4,629,285	13,226,529	318,829	362,306
2016	4,315,725	12,330,643	333,849	379,374
2017	4,297,763	12,279,323	390,044	443,232
2018	4,883,583	13,953,094	439,426	499,348
2019	4,722,561	13,493,031	470,690	534,875
2020	4,725,809	13,502,311	498,952	566,991

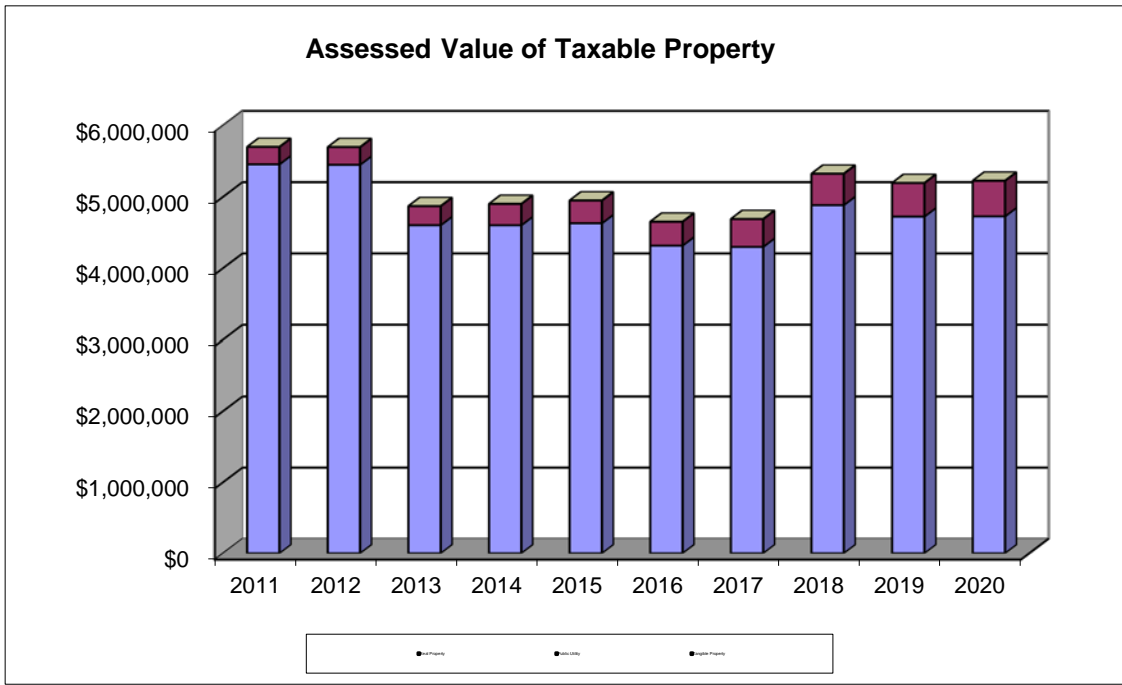
**Source:** Office of the County Fiscal Office, Cuyahoga County, Ohio

Real property is reappraised every six years with a State mandated update of the current market value in the third year following each reappraisal.

The assessed value of real property (including public utility real property) is 35 percent of estimated true value. Personal property tax is assessed on all tangible personal property used in business in Ohio. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property was assessed in previous years at 25 percent for machinery and equipment and 23 percent for inventories. General business tangible personal property tax was being phased out beginning in 2006. The listing percentage was 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue billed in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rebates would be reduced by the 10%, 2 1/2% and homestead exemptions before being billed.

Tangible Property		Total		Ratio	Total Direct Rate
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
0	0	5,699,501	15,865,003	36	64.80
0	0	5,696,934	15,850,866	36	64.80
0	0	4,868,768	13,452,078	36	64.80
0	0	4,899,952	13,486,033	36	79.80
0	0	4,948,114	13,588,834	36	79.40
0	0	4,649,574	12,710,017	37	79.40
0	0	4,687,807	12,722,555	37	79.30
0	0	5,323,009	14,452,442	37	79.30
0	0	5,193,251	14,027,906	37	79.30
0	0	5,224,761	14,069,302	37	79.10



## Cleveland Municipal School District

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

Collection Year	City of Cleveland	Cuyahoga County	Cleveland Public Library	Cleveland Municipal School District		
				General Fund	Building Maintenance	Bond Retirement
2011	12.70	18.40	6.80	58.20	0.50	6.10
2012	12.70	18.30	6.80	58.20	0.50	6.10
2013	12.70	18.30	6.80	73.20	0.50	6.10
2014	12.70	20.03	6.80	73.20	0.50	6.10
2015	12.70	23.43	6.80	73.20	1.00	5.20
2016	12.70	14.05	6.80	73.20	1.00	5.10
2017	12.70	14.05	6.80	73.20	1.00	5.10
2018	12.70	14.05	6.80	73.20	1.00	5.10
2019	12.70	14.05	8.80	73.20	1.00	5.10
2020	12.70	14.05	8.80	73.20	1.00	4.90

**Source:** Cuyahoga County Fiscal Officer

**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 School District and are subject to the School District's tax.



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<u>CMSD Total</u>	<u>Total (1)</u>	<u>Village of Bratenahl (2)</u>	<u>Village of Newburgh Heights (2)</u>	<u>Village of Linndale (2)</u>	<u>City of Garfield Heights (2)</u>
64.80	102.70	16.00	23.10	2.80	24.70
64.80	102.60	16.00	23.10	2.80	24.30
79.80	117.60	16.10	23.10	2.80	27.00
79.80	119.33	16.00	31.80	2.80	27.00
79.40	122.33	16.00	31.80	2.80	27.20
79.30	112.85	15.00	31.80	2.80	27.20
79.30	112.85	15.00	31.80	2.80	29.40
79.30	112.85	15.00	31.80	2.80	28.06
79.30	114.85	15.00	31.80	2.80	29.30
79.10	114.65	15.00	31.80	2.80	28.30

## Cleveland Municipal School District

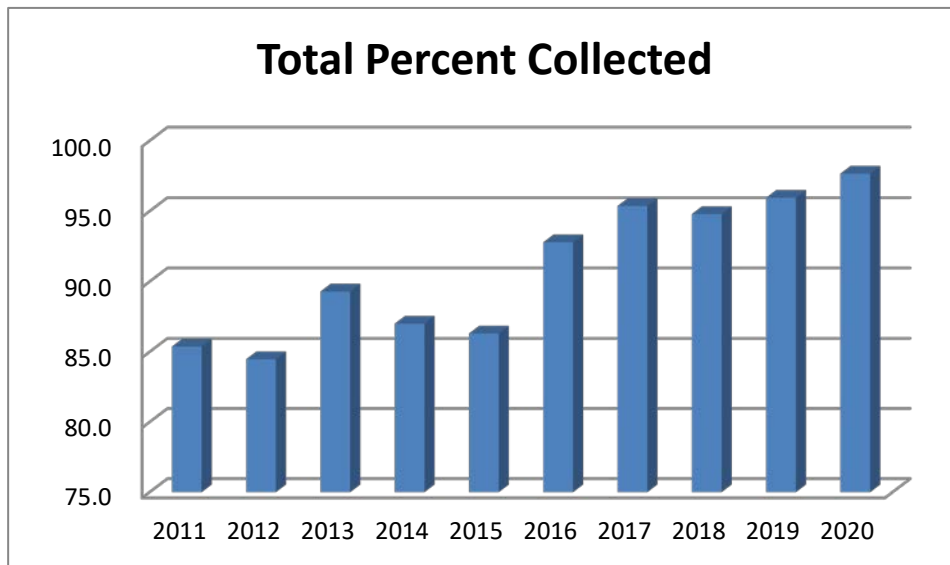
Principal Property Tax Payers  
2019 and 2010

Taxpayer	2019			2010		
	Approximate Assessed Valuation	Rank	Percent of Total District Assessed Valuation	Approximate Assessed Valuation	Rank	Percent of Total District Assessed Valuation
Cleveland Electric Illuminating Co	\$ 243,105,970	1	4.65%			
East Ohio Gas Co.	132,583,090	2	2.54%			
City of Cleveland	114,163,970	3	2.19%			
American Transmission System	101,704,200	4	1.95%			
127 Public Square Fee Owner, LLC	87,321,260	5	1.67%			
Cleveland Clinic Foundation	75,458,160	6	1.44%			
Cleveland-Cuyahoga Port Authority	73,368,290	7	1.40%			
G&I IX 200 Public Square Garage, LLC	51,774,150	8	0.99%			
Cleveland Propc II, LLC	38,242,460	9	0.73%			
Flats East Office Tower, LLC	33,322,580	10	0.64%			
Cleveland Clinic Foundation				\$ 241,141,560	1	4.33%
Key Center Properties, LLC				83,619,320	2	1.50%
City of Cleveland				76,531,460	3	1.37%
Cleveland Financial Associates				46,967,070	4	0.84%
Board of County Commissioners				39,698,830	5	0.71%
City of Cleveland Executive				36,508,320	6	0.66%
National City Bank				36,391,080	7	0.65%
Hub North Point Properties				33,309,480	8	0.60%
ISG Cleveland Inc				26,892,690	9	0.48%
Optima One Cleveland				25,857,270	10	0.46%
Total Ten Largest	<u>951,044,130</u>		<u>18.20%</u>	<u>646,917,080</u>		<u>11.61%</u>
Total District Assessed Valuation	<u>\$ 5,224,761,000</u>			<u>\$ 5,571,655,000</u>		

Source: City of Cleveland 2019 CAFR

**Cleveland Municipal School District**  
Property Tax Levies and Collections  
Ad Valorem Real and Tangible Personal Property Taxes  
Last Ten Fiscal Years  
(in thousands of dollars)

Collection Year	Current Tax Levy Billed (1)	Current Collected	Percent Collected (1)	Collected Delinquencies	Total Collected	Total Collected As Percent Of Current Tax Levy
2011	225,219	177,622	78.9	14,652	192,274	85.4
2012	227,945	173,457	76.1	19,090	192,547	84.5
2013	286,871	236,946	82.6	19,192	256,138	89.3
2014	294,107	236,058	80.3	19,822	255,880	87.0
2015	300,289	239,052	79.6	20,107	259,159	86.3
2016	279,407	242,941	86.9	16,304	259,245	92.8
2017	284,689	254,540	89.4	16,955	271,495	95.4
2018	294,196	259,936	88.4	18,928	278,864	94.8
2019	292,817	258,534	88.3	22,421	280,955	95.9
2020	294,326	268,731	91.3	18,711	287,442	97.7



**Source:** Office of the Fiscal Officer, Cuyahoga County, Ohio - Data is presented on a calendar year basis because this is the manner in which the information is maintained by the County Auditor.

**Notes:**

- (1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental Revenue.

## Cleveland Municipal School District

Ratio of Bonded Debt to Personal Income and Debt per Capita

Last Ten Fiscal Years

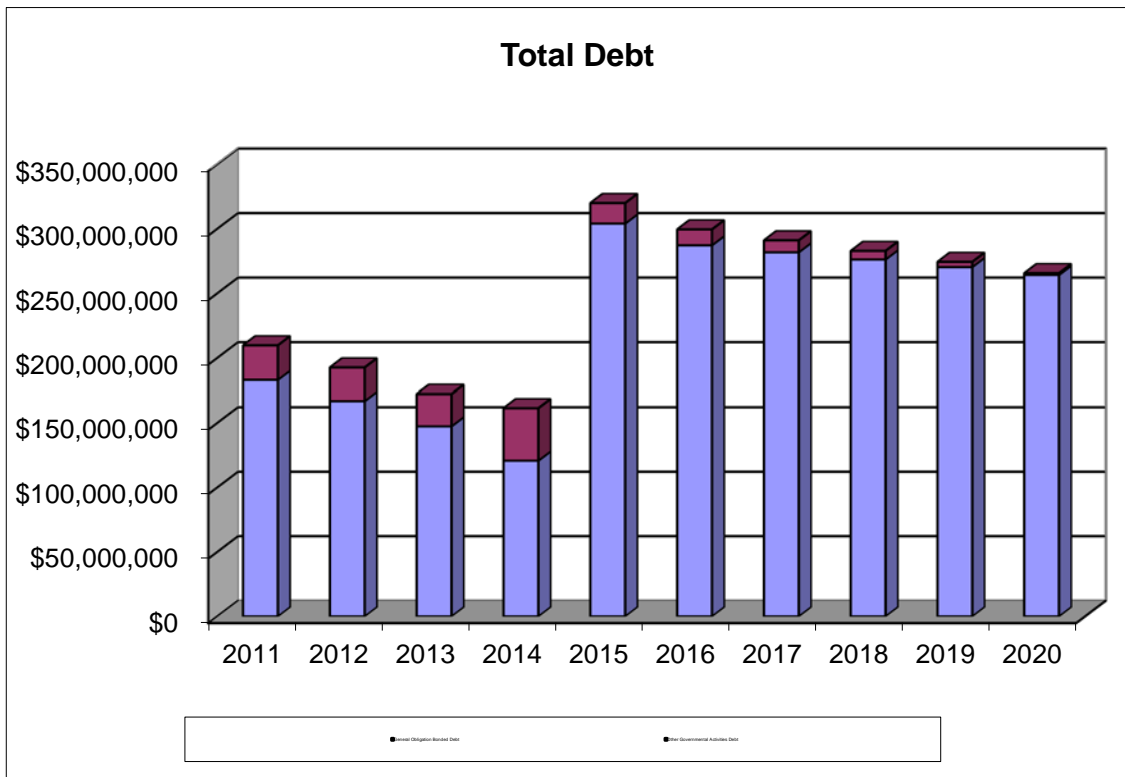
Fiscal Year	Estimated Population (1)	Estimated Actual Values	General Obligation Bonded Debt		
			Net General Obligation Bonded Debt (2)	Ratio of General Obligation Bonded Debt to Estimated Actual Value	General Obligation Bonded Debt per Capita
2011	431,369	15,865,004,000	183,101,981	0.01	424
2012	396,815	15,850,866,000	166,883,643	0.01	421
2013	390,928	13,452,078,000	147,445,305	0.01	377
2014	390,113	13,486,033,000	120,820,000	0.01	310
2015	389,521	13,588,834,000	304,080,000	0.02	781
2016	388,072	12,710,017,000	287,240,000	0.02	740
2017	385,809	13,284,495,286	281,845,000	0.02	731
2018	385,525	13,393,733,400	276,260,000	0.02	717
2019	383,793	13,677,166,829	270,380,000	0.02	704
2020	381,009	14,927,888,571	264,275,000	0.02	694

**Sources:**

- (1) U.S. Bureau of the Census
- (2) Although the general obligation bond retirement fund is restricted for debt service, it is not specifically restricted to the payment of principal. Therefore, these resources are not shown as a deduction from general obligation bonded debt.

**Other Governmental Activities Debt**

Qualified Zone Academy Bonds	Notes	Capital Lease Obligation	Total Debt	Percentage of Personal Income	Per Capita
21,250,000	5,388,648	0	209,740,629	3.24	486
21,250,000	4,518,566	0	192,652,209	2.98	485
21,250,000	3,602,652	0	172,297,957	2.62	441
21,250,000	2,638,491	16,714,894	161,423,385	2.44	414
0	1,623,542	14,259,257	319,962,799	4.83	821
0	555,129	11,762,527	299,557,656	4.43	772
0	0	9,224,016	291,069,016	4.30	754
0	0	6,643,024	282,903,024	4.08	734
0	0	4,018,842	274,398,842	3.56	715
0	0	1,350,746	265,625,746	3.28	697



**Cleveland Municipal School District**

Legal Debt Margin Information

Last Ten Fiscal Years

**Legal Debt Margin Calculation for Fiscal Year 2020**

Assessed Value	\$ 5,193,251,070
Debt Limit (9% of assessed value)	467,392,596
Debt Applicable to Limit	<u>233,508,202</u>
Legal Debt Margin	<u><u>\$ 233,884,394</u></u>

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt Limit	\$ 512,955,090	\$ 512,724,060	\$ 438,189,120	\$ 446,125,379
Total Net Debt Applicable to Limit	<u>156,124,865</u>	<u>138,566,996</u>	<u>115,251,131</u>	<u>107,878,824</u>
<b>Legal Debt Margin</b>	<u><u>\$ 356,830,225</u></u>	<u><u>\$ 374,157,064</u></u>	<u><u>\$ 322,937,989</u></u>	<u><u>\$ 338,246,555</u></u>
 Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	 30.44%	 27.03%	 26.30%	 24.18%

**Source:** Office of the County Fiscal Officer, Cuyahoga County, Ohio

Note: Ohio Bond Law sets a limit of 9% for voted debt and 1/10 of 1% for unvoted debt.  
Voted debt margins are determined without reference to applicable monies in the  
School District's Debt Service Fund.

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<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 450,630,496	\$ 418,461,602	\$ 421,902,602	\$ 430,830,755	\$ 479,070,778	\$ 467,392,596
<u>287,903,530</u>	<u>268,001,993</u>	<u>259,589,396</u>	<u>251,108,048</u>	<u>242,385,347</u>	<u>233,508,202</u>
<u>\$ 162,726,966</u>	<u>\$ 150,459,609</u>	<u>\$ 162,313,206</u>	<u>\$ 179,722,707</u>	<u>\$ 236,685,431</u>	<u>\$ 233,884,394</u>
63.89%	64.04%	61.53%	58.28%	50.59%	49.96%

**Cleveland Municipal School District**  
Direct and Overlapping Debt Governmental Activities Debt  
As of June 30, 2020

Name of Governmental Unit	Municipality Assessed Value	Assessed Value	General Obligation Debt Outstanding	Percentage Applicable to Cleveland Municipal School District (1)	Amount Applicable to Cleveland Municipal School District
<b>Direct Debt:</b>					
Cleveland Municipal School District	\$ 5,193,251,070	\$ 5,193,251,070	\$ 231,922,059	100.00%	\$ 231,922,059
<b>Overlapping Debt:</b>					
City of Cleveland (2)	\$ 5,028,897,630	\$ 5,132,348,420	\$ 292,810,000	97.98	286,895,238
Cuyahoga County (2)	\$ 5,193,251,070	\$ 27,623,744,450	\$ 245,120,000	18.80	46,082,446
Village of Bratenahl (2)	\$ 98,640,400	\$ 98,640,400	\$ 2,400,000	100.00	2,400,000
Village of Linndale (2)	\$ 2,327,330	\$ 2,327,330	\$ -	100.00	0
Newburgh Heights Village (2)	\$ 20,187,260	\$ 20,187,260	\$ 845,000	100.00	845,000
City of Garfield Heights (2)	\$ 19,541,970	\$ 337,281,220	\$ 13,668,300	5.79	791,937
City of Brookpark (2)	\$ 23,656,480	\$ 452,232,490	\$ 9,865,000	5.23	516,042
Cuyahoga Community College	\$ 5,193,251,070	\$ 27,623,744,450	\$ 207,010,000	18.80	38,917,783
<b>Total Overlapping Debt</b>	<u>15,579,753,210</u>	<u>61,290,506,020</u>	<u>771,718,300</u>		<u>376,448,447</u>
<b>Total</b>	<u>\$ 20,773,004,280</u>	<u>\$ 66,483,757,090</u>	<u>\$ 1,003,640,359</u>		<u>\$ 608,370,506</u>

**Source:** Office of the Fiscal Officer, Cuyahoga County, Ohio

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



## Cleveland Municipal School District

Demographic and Economic Statistics

Last Ten Fiscal Years

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Year	City Population	Personal Income	Per Capita Personal Income	State Unemployment Rate
2011	396,815	6,468,878,130	\$ 16,302	9.3%
2012	396,815	6,468,878,130	16,302	7.4
2013	390,928	6,572,281,536	16,812	7.5
2014	390,113	6,628,800,096	16,992	5.5
2015	389,521	6,618,740,832	16,992	5.0
2016	388,072	6,766,423,392	17,436	5.0
2017	385,809	6,765,932,433	17,537	5.1
2018	385,525	6,940,606,575	18,003	4.5
2019	383,793	7,708,482,405	20,085	4.0
2020	381,009	8,086,154,007	21,223	10.9

**Source:** U.S. Bureau of the Census and U.S. Department of Labor Statistics.

## Cleveland Municipal School District

Principal Employers  
Current Year and Nine Years Ago

Employer	2019			2010		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Cleveland Clinic	35,934	1	23.80%			
University Hospitals	17,125	2	11.34			
U.S. Office of Personnel Management	13,038	3	8.63			
Cuyahoga County	7,368	4	4.88			
The MetroHealth System	6,978	5	4.62			
City of Cleveland	6,947	6	4.60			
Cleveland Metropolitan School District	6,259	7	4.15			
KeyCorp	4,740	8	3.14			
Case Western Reserve University	4,470	9	2.96			
Sherwin -Williams Co.	4,427	10	2.93			
The Cleveland Clinic Foundation				34,000	1	22.85%
University Hospitals				13,224	2	8.89
Cuyahoga County				8,036	3	5.40
United States Postal Services				7,641	4	5.14
City of Cleveland				7,580	5	5.09
Cleveland Municipal School District				7,385	6	4.96
Key Corp				5,553	7	3.73
The MetroHealth System				5,408	8	3.63
Case Western Reserve University				4,449	9	2.99
Shewin-Williams Co.				3,058	10	2.06
	<u>107,286</u>		<u>71.05%</u>	<u>96,334</u>		<u>64.74%</u>
Total Employment within city			151,000			148,800

**Source:** City of Cleveland 2019 CAFR

**Cleveland Municipal School District**  
 Full-Time Equivalent District Employees by Type  
 Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Percentage Change 2011-2020
<b>Educational Staff</b>											
Regular Education	2,392	1,940	1,648	1,742	1,780	1,744	2,060	1,982	1,985	1,985	-17.02 %
Special Education	925	775	787	718	848	813	868	920	898	898	-2.92
Vocational Education	83	0	0	0	0	0	0	0	0	0	0.00
Educational Services	217	14	9	0	0	0	0	0	0	0	0.00
Full Time (permanent) Substitute	0	0	0	0	0	0	0	0	0	0	0.00
Other Professional - Educational	46	27	27	35	29	45	21	15	13	13	-71.74
<b>Total Educational</b>	<b>3,663</b>	<b>2,756</b>	<b>2,471</b>	<b>2,495</b>	<b>2,657</b>	<b>2,602</b>	<b>2,949</b>	<b>2,917</b>	<b>2,896</b>	<b>2,896</b>	<b>-20.94</b>
<b>Student Services</b>											
Curriculum Specialist	65	116	124	106	108	66	74	71	37	37	-43.08
Paraprofessional	0	148	101	153	152	153	163	173	212	212	0.00
Counseling	72	57	58	52	51	50	48	50	50	50	-30.56
Librarian/Media	69	47	32	34	29	26	19	21	24	24	-65.22
Remedial Specialist	55	224	227	247	121	261	0	0	0	0	-100.00
Psychologist	69	75	75	70	69	68	68	68	78	78	13.04
Registered Nurse	60	42	33	39	38	42	55	51	52	52	-13.33
Social Work	7	8	7	6	6	7	7	4	4	4	0.00
Physical Therapist	9	8	8	8	8	7	8	9	9	9	0.00
Speech/Language Therapist	74	72	71	75	75	71	76	80	83	83	12.16
Occ/ Mobility Therapist	26	25	23	25	24	25	32	34	58	58	123.08
Other Professional Services	96	147	145	135	78	81	67	47	46	46	-52.08
<b>Total Student Services</b>	<b>602</b>	<b>969</b>	<b>904</b>	<b>950</b>	<b>759</b>	<b>857</b>	<b>617</b>	<b>608</b>	<b>653</b>	<b>653</b>	<b>8.47</b>
<b>Support Staff</b>											
Bookkeeping	34	20	21	16	30	19	32	21	24	24	-29.41
Clerical Assignment	275	220	213	203	201	202	213	195	210	210	-23.64
Teaching Aide	517	496	500	524	532	537	543	781	710	710	37.33
Other Office/Clerical	109	24	20	18	20	27	33	16	19	19	-82.57
Attendance Officer	19	17	16	16	16	12	10	8	12	12	-36.84
Maintenance	35	31	34	33	32	37	40	33	40	40	14.29
Custodial	305	292	279	308	320	323	333	298	334	334	9.51
Food Service /Dietitian	4	4	4	5	4	3	8	6	6	6	50.00
Guard/Watchman	305	212	228	225	230	226	193	182	201	201	-34.10
Mechanic/ Foreman	50	50	47	42	47	50	47	40	46	46	-8.00
Vehicle Operating/Dispatch	46	46	29	31	27	29	113	262	146	146	217.39
Computer Operating/Programmin	17	25	26	25	25	25	22	20	15	15	-11.76
<b>Total Support</b>	<b>1,716</b>	<b>1,437</b>	<b>1,417</b>	<b>1,446</b>	<b>1,484</b>	<b>1,490</b>	<b>1,587</b>	<b>1,862</b>	<b>1,763</b>	<b>1,763</b>	<b>2.74</b>
<b>Administrative Staff</b>											
Administrative Assistant	6	5	5	7	8	8	10	12	14	14	133.33
Deputy/Associate Superintendent	21	20	20	28	25	40	26	21	25	25	19.05
Director	6	4	4	8	10	5	33	30	31	31	0.00
Principal	121	115	104	111	113	113	113	108	114	114	-5.79
Assistant Principal	74	74	71	74	72	81	97	101	84	84	13.51
Supervisor/Manager	51	47	42	84	66	92	128	201	211	211	313.73
Coordinator	28	34	28	47	43	44	81	58	63	63	125.00
Education Adminstrative Specialis	9	9	9	8	6	10	6	8	7	7	0.00
Other Official/Administrator	48	45	44	44	49	59	66	110	93	93	93.75
<b>Total administrative</b>	<b>364</b>	<b>353</b>	<b>327</b>	<b>411</b>	<b>392</b>	<b>452</b>	<b>560</b>	<b>649</b>	<b>642</b>	<b>642</b>	<b>76.37</b>
<b>Total</b>	<b>6,345</b>	<b>5,515</b>	<b>5,119</b>	<b>5,302</b>	<b>5,292</b>	<b>5,401</b>	<b>5,713</b>	<b>6,036</b>	<b>5,954</b>	<b>5,954</b>	<b>-6.16 %</b>

Source: District records

## Cleveland Municipal School District

### Operating Statistics Last Ten Fiscal Years

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<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures (1)</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>
2011	43,363	676,334,027	15,597	2.47%
2012	40,758	600,391,312	14,731	(5.55)
2013	38,717	604,516,648	15,614	5.99
2014	37,967	620,202,126	16,335	4.62
2015	39,083	768,488,105	19,663	20.37
2016	39,125	686,521,896	17,547	(10.76)
2017	38,952	721,093,583	18,512	5.50
2018	38,637	762,889,478	19,745	6.66
2019	37,701	801,921,927	21,271	7.73
2020	37,158	745,069,321	20,051	(5.73)

**Source:** Ohio Department of Education

Notes:

- (1) Operating expenditures are total expenditures for all governmental funds less debt service, capital outlays, and community school payments.
- (2) Total Program Expenses for all governmental funds less Interest and Fiscal Charges and community school payments.
- (3) Meal percentage includes lunch only.

<u>Expenses (2)</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil- Teacher Ratio</u>	<u>Percentage of Students Receiving Free and Reduced - Paid Meals (3)</u>
697,047,069	16,075	(3.83)%	3,317	13.1	82.01%
636,194,688	15,609	(2.90)	2,715	15.0	81.87
688,253,032	17,777	13.89	2,853	13.6	100.00
696,276,661	18,339	3.16	2,495	15.2	100.00
706,826,034	18,085	(1.38)	2,657	14.7	100.00
718,366,526	18,361	1.52	2,602	15.0	100.00
775,668,799	19,913	8.46	2,826	13.8	100.00
474,524,881	12,282	(38.33)	2,920	13.2	100.00
754,258,252	20,006	62.90	2,896	13.0	100.00
810,072,076	21,801	8.97	2,896	12.8	100.00

## Cleveland Municipal School District

Teacher Base Salaries  
Last Ten Fiscal Years

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<u>Fiscal Year</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>	<u>Statewide Average Salary</u>
2011	36,836	76,736	56,715
2012	36,740	77,929	56,715
2013	37,412	79,353	56,307
2014	42,215	87,631	55,916
2015	42,215	81,760	57,636
2016	42,637	82,578	57,154
2017	43,490	84,230	58,849
2018	44,686	86,546	62,352
2019	45,915	88,926	63,916
2020	46,374	91,612	65,754

**Source:** Ohio Department of Education

American Federation of Teachers, AFL-CIO

# OHIO AUDITOR OF STATE KEITH FABER



**CLEVELAND MUNICIPAL SCHOOL DISTRICT**

**CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 4/20/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)