

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

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**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	NA	10.550	\$0	\$ 1,744,111	\$0	\$ 1,626,971
School Breakfast Program	043786-05PU-2003	10.553	1,862,269	0	1,862,269	0
	043786-05PU-2004		4,700,070	0	4,700,070	0
Subtotal CFDA 10.533			6,562,339	0	6,562,339	0
National School Lunch Program	043786-LLP1-2003	10.555	3,153	0	3,153	0
	043786-LLP1-2004		53,689	0	53,689	0
	043786-LLP4-2003		4,872,914	0	4,872,914	0
	043786-LLP4-2004		12,252,357	0	12,252,357	0
	043786-VGS1-2004		11,590	0	11,590	0
Subtotal CFDA 10.555			17,193,703	0	17,193,703	0
Summer Food Service Program	043786-23PU-2003	10.559	104,269	0	104,269	0
	043786-24PU-2003		10,834	0	10,834	0
Subtotal CFDA 10.559			115,103	0	115,103	0
Total Department of Agriculture - Nutrition Cluster			23,871,145	1,744,111	23,871,145	1,626,971
U.S. DEPARTMENT OF DEFENSE						
<i>Direct Assistance:</i>						
Junior ROTC	NA-04	12.000	15,095	0	17,310	0
Total U.S. Department of Defense			15,095	0	17,310	0
U.S. DEPARTMENT OF JUSTICE						
<i>Direct Assistance:</i>						
Community Prosecution	2003-GP-CX-0142	16.609	30,525	0	92,050	0
Total U.S. Department of Justice			30,525	0	92,050	0
U.S. DEPARTMENT OF LABOR						
<i>Passed Through the City of Cleveland:</i>						
Youth Opportunity Grant	AM56151A	17.263	223,477	0	193,688	0
WIA Cluster:						
WIA Youth Activities	SG58785A	17.259	0	0	858	0
	SG58708A		0	0	5,127	0
	SG60068A		223,667	0	51,410	0
	SG60327A		66,736	0	172,341	0
	SG62227A		271,634	0	182,613	0
	SG62121A		1,550,988	0	1,910,184	0
	SG62228A		0	0	20,169	0
Subtotal CFDA 17.259			2,113,025	0	2,342,702	0
Workforce Investment Act	SG56015	17.258	0	0	11,460	0
	SG56012		0	0	(9,671)	0
	SG57140		(26,925)	0	(99,222)	0
	SG57184		0	0	93	0
	SG60222A		120,947	0	(30,403)	0
Subtotal CFDA 17.258			94,022	0	(127,743)	0
<i>Passed Through Cuyahoga County:</i>						
Workforce Investment Act	CE12845-01	17.258	73,859	0	33,917	0
	CE0300544-01		77,363	0	147,380	0
Subtotal CFDA 17.258			151,222	0	181,297	0
Subtotal WIA Cluster			2,358,269	0	2,396,256	0
Total U.S. Department of Labor			2,581,746	0	2,589,944	0

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
NATIONAL SCIENCE FOUNDATION						
<i>Direct Assistance</i>						
Cleveland Urban System Initiative	HER-0227082	40.076	619,338	0	1,293,616	0
Total National Science Foundation			<u>619,338</u>	<u>0</u>	<u>1,293,616</u>	<u>0</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY						
<i>Direct Assistance</i>						
Indoor Air Quality Tools	A-97572701-0	66.034	0	0	26,878	0
Total U.S. Environmental Protection Agency			<u>0</u>	<u>0</u>	<u>26,878</u>	<u>0</u>
U. S. DEPARTMENT OF EDUCATION						
<i>Direct Assistance:</i>						
Impact Aid	NA-04	84.041	99,809	0	99,809	0
Pell Grants	PO63 P024747 PO63 P034747	84.063	45,024 453,541	0 0	96,824 458,909	0 0
Subtotal CFDA 84.063			<u>498,565</u>	<u>0</u>	<u>555,733</u>	<u>0</u>
Safe Schools/Healthy Students	S184L 990221 S184L 990221-01	84.184	4,708 116,824	0 0	0 120,827	0 0
Subtotal CFDA 84.184			<u>121,532</u>	<u>0</u>	<u>120,827</u>	<u>0</u>
Smaller Learning Communities	S215L 002135 V215L 032033	84.215 L	701,952 29,412	0 0	744,003 57,074	0 0
Subtotal CFDA 84.215L			<u>731,364</u>	<u>0</u>	<u>801,077</u>	<u>0</u>
Physical Education Program	S215F 020611	84.215 F	146,464	0	290,357	0
21st Century Community Learning Ctr. Program	S287 A001434 03	84.287 A	75,284	0	70,539	0
Reform Demonstration	T290U01010 02	84.290	185,052	0	217,608	0
Transition to Teaching	S350A010029	84.350 A	170,066	0	147,414	0
Community Arts Partnership	S351B010030	84.351 B	0	0	1,080	0
Total U. S. Department of Education Direct Assistance			<u>2,028,136</u>	<u>0</u>	<u>2,304,444</u>	<u>0</u>
<i>Passed Through Cuyahoga County:</i>						
Handicapped - State Grant	NA - 04	84.027	6,000	0	3,591	0
Refugee Dollars and English as a Second Lang.	18-99-0154 CE11082-01 CE12213-01 CE0766416C	84.162 C	(3,014) (93,897) 101,436 63,154	0 0 0 0	63 1,417 (13,545) 115,114	0 0 0 0
Subtotal CFDA 84.162			<u>67,679</u>	<u>0</u>	<u>103,049</u>	<u>0</u>
Total Passed Through Cuyahoga County			73,679	0	106,640	0
<i>Passed Through Cuyahoga Community College:</i>						
Technology Challenge	R303 AA980063	84.303	60,000	0	25,664	0
<i>Passed Through Ohio Department of Education:</i>						
Adult Basic and Literacy Education	043786AB-S1 00	84.002	0	0	2,573	0
Adult Basic and Literacy Education	043786AB-S1 02C		284,563	0	284,563	0
Adult Basic and Literacy Education	043786AB-S1 03		133,438	0	(217,394)	0
Adult Basic and Literacy Education	043786AB-S1 03C		103,513	0	103,513	0
Adult Basic and Literacy Education	043786AB-S1 04		1,067,617	0	1,720,870	0
Subtotal CFDA 84.002			<u>1,589,131</u>	<u>0</u>	<u>1,894,125</u>	<u>0</u>

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U. S. DEPARTMENT OF EDUCATION (Continued)						
<i>Passed Through Ohio Department of Education: (Continued)</i>						
Title 1 - ESEA	043786C1-S1 98	84.010	0	0	1,115	0
	043786C1-S1 99		0	0	85	0
	043786C1-S1 00		0	0	86	0
	043786C1-S1 01		0	0	28,360	0
	043786C1-S1 02		0	0	974	0
	043786C1-S1 03		0	0	1,225,277	0
	043786C1-SD 03		22,960	0	5,333	0
	043786C1-SK 03		377,995	0	387,595	0
	043786C1-S1 04		49,234,136	0	44,860,448	0
	043786C1-SD 04		465,956	0	382,766	0
	043786C1-SK 04		2,170,823	0	1,911,083	0
Subtotal CFDA 84.010			52,271,870	0	48,803,122	0
Special Education Cluster:						
Preschool Subsidy - Flowthru	043786 6B-SF 00P	84.027	0	0	(2,225)	0
	043786 6B-SF 03P		48,584	0	350,404	0
	043786 6B-SF 04P		13,408,110	0	13,408,110	0
Successful Model	043786 6B-SA 03P	84.027	33,886	0	9,795	0
	043786 6B-SD 03P		20,522	0	29,522	0
	043786 6B EC 03P		3,829	0	3,829	0
	043786 6B-SA 04P		10,000	0	33,411	0
	043786 6B-SD 04P		33,847	0	32,162	0
	043786 6B-PB 04P		14,995	0	374	0
Subtotal CFDA 84.027			13,573,773	0	13,865,382	0
Handicapped - Preschool Grant	043786PG-S1 03P	84.173	54,411	0	1,381	0
	043786PG-S1 04P		338,855	0	328,112	0
Subtotal CFDA 84.173			393,266	0	329,493	0
Total Special Education Cluster			13,967,039	0	14,194,875	0
Vocational Education - Basic Grant-VI-B	043786 20-C1 02	84.048	0	0	560	0
	043786 20-C1 03		471,510	0	644,748	0
	043786 20-C2 03		43,681	0	73,363	0
	043786 20-C1 04		2,611,818	0	2,516,685	0
	043786 20-C2 04		249,871	0	284,374	0
Subtotal CFDA 84.048			3,376,880	0	3,519,730	0
Emergency Immigrant Assistance	043786 EI-S1 01	84.162	0	0	3,019	0
	043786 EI-S1 02		0	0	200	0
	043786 EI-S1 03		0	0	1,340	0
Subtotal CFDA 84.162			0	0	4,559	0
Safe and Drug Free Community Service	043786 T4-S1 03	84.184 C	11,135	0	5,230	0
	043786 T4-S1 04P-118		34,880	0	48,177	0
	043786 T4-S1 04-118		13,303	0	15,622	0
Subtotal CFDA 84.184 C			59,318	0	69,029	0
Drug Free Schools and Communities	043786 DR-S1 03	84.186	76,158	0	567	0
	043786 DR-S1 04		904,103	0	888,899	0
Subtotal CFDA 84.186			980,261	0	889,466	0
Homeless Care Education	043786 HC-S1 03	84.196	(18,428)	0	2,215	0
	043786 HC-S1 04		384,112	0	333,926	0
	043786HC-SP 03		26,624	0	26,624	0
	043786HC-SP 04		8,114	0	0	0
Subtotal CFDA 84.196			400,422	0	362,765	0
Even Start	043786 EV-S4 02	84.213	0	0	(3,538)	0

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U. S. DEPARTMENT OF EDUCATION (Continued)						
<i>Passed Through Ohio Department of Education: (Continued)</i>						
Goals 2000	043786 G2SP 01	84.276	(1,066)	0	0	0
Eisenhower Professional Development	043786 MS-S1 94	84.281	(53,672)	0	0	0
	043786 MS-S1 02		250,127	0	359,161	0
Subtotal CFDA 84.281			196,455	0	359,161	0
21st Century Community Learning Centers	043786 T1-S1 03	84.287	120,362	0	49,280	0
	043786 T1-S1 04		783,515	0	698,611	0
Subtotal CFDA 84.287			903,877	0	747,891	0
Innovative Education Program Strategy-Title V	043786 C2-S1 00	84.298	0	0	95	0
	043786 C2-S1 03		79,286	0	146,143	0
	043786 C2-S1 04		1,022,516	0	726,906	0
Subtotal CFDA 84.298			1,101,802	0	873,144	0
Family Literacy	043786 FV-S1 00	84.314	0	0	4,598	0
Title II D Technology	043786 TF-25 00P	84.318	0	0	(75)	0
	043786 TJ-S1 03		(5,939)	0	175,001	0
	043786 TJ-S1 04		1,326,867	0	1,080,763	0
	043786 TJ-SL 04		765,495	0	585,140	0
Subtotal CFDA 84.318			2,086,423	0	1,840,829	0
Advanced Placement Program	043786 AV-S103	84.330	1,200	0	1,900	0
Reform Demonstration	043786 RF-S1 99	84.332	0	0	61,340	0
	043786 RF-S1 00		0	0	221	0
	043786 RF-S1 01 A		(566)	0	0	0
	043786 RF-S2 01 B		(4,950)	0	0	0
	043786 RF-S1 02		104,609	0	128,772	0
	043786 RF-S2 02		35	0	21,113	0
	043786 RF-K1 02		235,760	0	235,760	0
	043786 RF-S2 03		24,300	0	4,067	0
	043786 RF-S3 03		29,791	0	31,893	0
	043786 RF-K1 03		114,240	0	114,240	0
Subtotal CFDA 84.332			503,219	0	597,406	0
Special Education Personnel Preparation	043786 AT-S3 02	84.352 A	(726)	0	0	0
	043786 AT-S4 02		(259)	0	16,659	0
	NA-04		77,899	0	1,565	0
Subtotal CFDA 84.352A			76,914	0	18,224	0
Reading First	043786 RS-S1 04	84.357	4,640,135	0	4,163,149	0
Title III - Limited English Proficiency	043786 T3-S1 03	84.365	(62,667)	0	96,632	0
	043786 T3-S1 04		846,944	0	923,563	0
	043786 T3-S3 03		5,000	0	0	0
Subtotal CFDA 84.365			789,277	0	1,020,195	0
Title II A Teacher Quality	043786 TR-S1 03	84.367	401,699	0	429,015	0
	043786 TR-S1 04		7,782,570	0	7,594,377	0
Subtotal CFDA 84.367			8,184,269	0	8,023,392	0
Total Pass Through Ohio Department of Education			91,127,426	0	87,384,022	0
Total U.S. Department of Education			93,289,241	0	89,820,770	0

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

<i>Federal Grantor Pass Through Grantor Program Title</i>	<i>Pass Through Entity Number</i>	<i>Federal CFDA Number</i>	<i>Receipts</i>	<i>Non-Cash Receipts</i>	<i>Disbursements</i>	<i>Non-Cash Disbursements</i>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Education:</i>						
Refugee Impact Subsidy	043786 R1-S1 03	93.576	0	0	28,500	0
	043786 R1-S1 04		39,200	0	966	0
Subtotal CFDA 93.576			<u>39,200</u>	<u>0</u>	<u>29,466</u>	<u>0</u>
TANF/Student Intervention	NA-04	93.558	2,379,798	0	2,379,798	0
Learn and Serve America	043786 SV-S1 04	94.004	1,401	0	1,245	0
Total Passed Through Ohio Department of Education			<u>2,420,399</u>	<u>0</u>	<u>2,410,509</u>	<u>0</u>
<i>Passed Through Cuyahoga County:</i>						
Youth Development Initiative	CE12233-01	93.558	0	0	1,592	0
FAST Program	CE13791		45,503	0	16,437	0
	CE0300416-01		70,746		109,231	
Subtotal CFDA 93.558			<u>116,249</u>	<u>0</u>	<u>125,668</u>	<u>0</u>
Child Care & Development Block Grant	NA-98	93.575	(230,632)	0	0	0
Total Passed Through Cuyahoga County			<u>(114,383)</u>	<u>0</u>	<u>127,260</u>	<u>0</u>
<i>Passed Through Ohio Department of MR/DD:</i>						
Medicaid Assistance Program	NA-04	93.778	4,900,611	0	4,900,611	0
<i>Passed Through City of Cleveland:</i>						
Healthy Family Healthy Start	SG56779	93.926	45,541	0	0	0
	SG60195		95,050	0	(30,683)	0
	NA-04		2,545	0	1,976	0
	SG61978A		240,053	0	317,089	0
Subtotal CFDA 93.926			<u>383,189</u>	<u>0</u>	<u>288,382</u>	<u>0</u>
Total U.S. Department of Health and Human Services			<u>7,589,816</u>	<u>0</u>	<u>7,726,762</u>	<u>0</u>
Total Federal Assistance			<u>\$ 127,996,906</u>	<u>\$ 1,744,111</u>	<u>\$ 125,438,475</u>	<u>\$ 1,626,971</u>

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004, the District had no significant food commodities in inventory.

NOTE C – RETURN OF RECEIPTS

The District returned receipts in the amounts of \$26,925 from the Workforce Investment Act Grant, \$96,911 from the Refugee Dollars Grant, \$18,428 from the Homeless Care Education Grant, \$1,066 from the Goals 2000 Grant, \$53,672 from the Eisenhower Professional Development Grant, \$5,939 from the Title D Technology Grant, \$ 5,516 from the Reform Demonstration Grant, \$985 from the Special Education Personnel Preparation Grant and \$62,667 from the Title III- Limited English Proficiency Grant to the Ohio Department of Education because all of the grant funds had not been expended within the allowable time period.

N/A – Not Applicable

CFDA – Catalog of Federal Domestic Assistance



Auditor of State Betty Montgomery

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

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

We have audited the financial statements of the 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, 2004, and have issued our report thereon dated December 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 17, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 17, 2004.

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Cleveland Municipal School District
Cuyahoga County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 17, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT OF COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Cleveland Municipal School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

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

Schedule of Federal Awards Expenditures

We have audited the basic financial statements of the Cleveland Municipal School District as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Betty Montgomery
Auditor of State

December 17, 2004

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list)	Special Education Cluster: CFDA# 84.027 - Special Education Grants to States, 84.173 - Special Education PreSchool Grant Nutrition Cluster: 10.550 – Food Distribution 10.553 – School Breakfast Program 10.555 – National School Lunch Program 10.559 – Summer Food Service 84.048 – Vocational Education 84.357 – Reading First 93.778 - Medical Assistance Program 84.186 - Safe & Drug-Free Schools & Communities,
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$3,000,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	A review of CFDA # 84.186 program expenditures disclosed that \$45,595.08 was spent for meals, incentives and awards. While these expenditures are allowable, they did not satisfy the principle of effectiveness since they are not based on scientifically based research. Questioned cost was issued for this amount.	Yes	Questioned cost was repaid by the District and they discontinued charging the grant for these types of expenditures.

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004



Comprehensive Annual Financial Report

Of the

Cleveland Municipal School District

For the

**FISCAL YEAR ENDED
JUNE 30, 2004**

Prepared by

Finance Department
Gerald Pace
Interim Chief Financial Officer

Cover Art

Courtanie Waugaman
Louisa May Alcott

1380 East Sixth Street * Cleveland, Ohio 44114

Cleveland Board of Education



Margaret M. Hopkins, *Chair*



Grady P. Burrows, *Vice Chair*



Rashidah Abdulhaqq



Lawrence W. Davis



Louise P. Dempsey



Dr. Sherona Garrett-Ruffin



Magda Gomez



Willetta A. Milam



Gladys Santiago



Dr. Jerry Sue Thornton
ex officio



Dr. Michael Schwartz
ex officio



Barbara Byrd-Bennett
Chief Executive Officer



Gerald Face
Interim CFO

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Introductory Section

Cleveland Municipal School District

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Barbara Byrd-Bennett
Chief Executive Officer

Board of Education

Margaret M. Hopkins
Chair

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

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

December 17, 2004

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Cleveland Municipal School District (the "School District") for the fiscal year ended June 30, 2004. This CAFR includes an opinion from the State Auditor and conforms to generally accepted accounting principles as applicable to governmental entities. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the School District. This report will provide the taxpayers of the Cleveland Municipal School District with comprehensive financial data in a format which will enable them to gain an understanding of the School District's financial affairs. Copies will be made available to taxpayers, financial rating services and other interested parties.

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

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

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

The School District

The Board of Education and Administration

The Board of Education of the Cleveland Municipal School District (the "Board") is a political and corporate body charged with the responsibility of managing and controlling the affairs of the School District, and is governed by the general laws of the State of Ohio (the "Ohio Revised Code"). The Board is comprised of nine members who were appointed by the Mayor of the City of Cleveland. On July 1, 2003 the terms of the previously appointed Board expired. The current appointed Board consists of six new members and three members from the previous Board.

The Chief Executive Officer of the School District has the responsibility for directing and assigning teachers and other employees, assigning the pupils to the proper schools and grades and performing such other duties as determined by the appointed Board. On November 16, 1998, the Mayor appointed Mrs. Barbara Byrd-Bennett as the School District's Chief Executive Officer with a four-year contract. The contract was extended for an additional three years and expires in September 2005.

The Chief Financial Officer/Treasurer is the chief fiscal officer of the Board and the School District. Under the current administrative structure, the Chief Financial Officer/Treasurer reports to the Chief Executive Officer. In September 1999, the Chief Executive Officer appointed Mr. Erbert Johnson to the position of Chief Financial Officer/Treasurer. Subsequent to the fiscal year-end, Mr. Johnson departed and was replaced with Mr. Gerald Pace, Interim Chief Financial Officer/Treasurer.

The School District and its Facilities

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

In fiscal year 2004, the School District enrolled 69,559 students (compared to 71,613 the previous year) in 62 elementary schools, 25 K-8 schools, 19 middle schools, and 19 senior high schools. In addition classes are provided in five residential school programs.

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

Employee Relations

As of June 30, 2004 the School District had 11,197 full and part-time employees (compared to 12,893 the previous year). In the fiscal year ended June 30, 2004, the School District paid \$499.3 million in salaries and wages and \$149.4 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) were previously represented by the Cleveland Council of Administrators and Supervisors ("CCAS"); however they are now employees on an at-will basis. Teachers and educational specialists, including aides, are represented by the Cleveland Teachers Union ("CTU").

Classified employees (secretarial-clerical, custodial, maintenance, transportation and cafeteria staff) of the School District are represented for collective bargaining purposes by a variety of unions: the International Brotherhood of Teamsters Local 407 (School bus drivers and attendants); the City, County, State Truck Drivers Union Local 244 (truck drivers); the International Brotherhood of Firemen and Oilers Locals 777 and 701 (custodians, assistant custodians, laborers, mechanics and security officers); the Service, Hospital, Nursing Home and Public Employees Union Local 1199 (clerical, food service and cleaning staff); and the Cleveland Building Trades Council (tradesmen).

In July 2004, all labor contracts, except Local 407, were extended from June 30, 2005 to June 30, 2007, contingent on certain financial conditions. The labor contract for Local 407 was extended from June 30, 2004 to June 30, 2007. In the opinion of the School District, labor relations with all of its employees are good.

The Reporting Entity

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

Excluded from the reporting entity because they are fiscally independent of the School District are the City of Cleveland and the Cleveland Public Library. The City of Cleveland and the Library are related organizations whose relationships to the School District are described in Note 15 to the basic financial statements. The School District also participates in the Ohio Schools Council, which is a jointly governed organization. In 2001 the District created the Bond Accountability Commission ("BAC"), which is also a jointly governed organization. These relationships are described in Note 20 to the basic financial statements.

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

Economic Condition and Outlook

The School District's primary sources of revenues are from the State of Ohio through the State Foundation program and through the levying of property taxes on real and personal property located within the School District. These two sources combined represent approximately 96 percent of the School District's fiscal year 2004 budget basis General Fund operating revenues. The following discussion provides additional information pertaining to these revenue sources.

Taxes

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

personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are levied at varying percentages of true value.

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

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

Generally, tangible personal property used in business (except for public utility) is currently assessed for ad valorem taxation purposes at 25 percent of its true value (in general, the same as net book value). In 1999, HB 283 was passed calling for a reduction in the assessed valuation percentage for the inventory portion of the personal property tax to be reduced from the current 25% to 0% over a 25 year period (reduction accumulating 1% per year). HB 95, passed in 2003, accelerated the elimination of the inventory tax (reduction now accumulates at 2% per year, halving the time of its full implementation, subject to certain limitations). The Electric Utility Deregulation bill revised the tax assessment rates for most classes of public utility property. Beginning in tax year 2001, the tax assessment rates for all tangible personal property of an electric company, except transmission and distribution property is reduced to 25%. By enacting a new kilowatt-hour excise tax and requiring the funding of a school property tax replacement fund (to make up for the loss in assessed value) the legislature intends to hold school districts financially harmless due to electric deregulation. There is also a similar "hold harmless" provision dealing with the reevaluation of public utility property for natural gas utilities. The first \$10,000 of taxable value of tangible personal property is exempted from taxation; partial reimbursement of reduced collections resulting from the partial exemption will be paid from State sources. HB 95 also included a provision eliminating the State reimbursement of the \$10,000 exemption in business personal property tax, phased out over ten years. The legislation did not include a "hold harmless" provision dealing with this reduction in taxes.

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

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

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

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

School Foundation

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

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

Fiscal Year	Total Foundation Revenue	Less Disadvantaged Pupil Impact Aid (B)	Net Foundation Revenue	General Fund Revenues (A)	Net Foundation Revenues as Percent of General Fund Revenues
1995	\$ 182,199	\$ 28,939	\$ 153,260	\$ 376,436	40.71%
1996	200,895	38,006	162,889	390,314	41.73
1997	207,088	37,191	169,897	413,271	41.11
1998	232,467	36,840	195,627	497,395	39.33
1999	275,197	27,392	247,805	551,826	44.91
2000	303,926	38,962	264,964	552,041	48.00
2001	328,706	63,907	264,799	551,709	48.00
2002	341,697	63,461	278,236	551,827	50.42
2003	344,804	50,101	294,703	545,063	54.07
2004	359,958	57,679	302,279	544,982	55.47

- (A) These amounts represent budget basis and exclude the proceeds of cash flow borrowing and sale of capital assets.
- (B) The Disadvantaged Pupil Impact Aid is included as a special revenue fund.

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

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

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

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

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

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

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

The Ohio Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General assembly to enact a school-funding scheme that is thorough and efficient...". The case was appealed to the U.S. Supreme Court, which in October 2003 declined to hear the petition.

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

Local Economy

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

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

The overall unemployment rate within the PMSA has decreased from 7.0% in 2003 to 6.5% in 2004, which approximates the national averages for each respective year.

Major Initiative - Educating Cleveland's Children

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

Our Vision

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

Our Strategic Focus

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

1. High Standard/Rigorous Curriculum-Insist upon high standards and a strong curriculum that will prepare our students for life, work, higher education, and citizenship. We will begin to accomplish this by:
 - Establishing/implementing content and performance standards.
 - Instituting a comprehensive literacy program.
 - Improving early childhood preparation.
 - Developing and implementing an instructional technology plan.
 - Strengthening multilingual/multicultural programs and policies.
 - Restructuring and improving special education.
 - Infusing arts into the curriculum.
2. Effective and Committed Workforce-Instill among our workforce, particularly teachers and principals, a commitment to excellence, individual student achievement, continuous professional development, and a willingness to be held accountable. We will begin to accomplish this by:
 - Designing and implementing a coordinated professional development plan.
 - Improving teacher quality.
 - Improving principal leadership.
 - Improving customer service and support to and at schools.
3. Quality Schools-Guarantee that every school offers every student a safe, supportive, resource-rich learning environment that complements the child's learning abilities. We will begin to accomplish this by:
 - Increasing school capacity to provide quality instruction.
 - Adopting policies to support quality schools.
 - Ensuring safe, secure and orderly schools.
 - Providing schools with support and materials on a timely basis.
 - Improving facilities.
 - Redesigning, restructuring and creating new schools.
4. Sound Financial, Management, and Accountability Systems-Maximize the District's financial resources through performance-based management planning, implementation, and accountability systems. We will begin to accomplish this by:
 - Redesigning/restructuring central office to support schools.
 - Establishing measurable goals and benchmarks across the organization linked to an accountability framework.

- Integrating data-driven decision making.
 - Using resources effectively.
 - Meeting federal and state requirements.
 - Regularly monitoring and reporting progress.
 - Improving management/labor relations.
5. Parent and Community Support-Engage parents and the broad community in meaningful support and reinforcement for academic achievement at the individual student and school building levels. We will begin to accomplish this by:
- Strengthening organized parent engagement.
 - Expanding parents education - focus on academics.
 - Improving communications with parents and the community.
 - Increasing collaboration with business, universities and community organizations.
6. Student Needs-Deliver the types of services and educational opportunities that will meet both the academic and non-academic needs of students and their families. We will begin to accomplish this by:
- Targeting underachieving students.
 - Better preparing students for career and post secondary education.
 - Addressing non-academic needs of students and families.
 - Promoting extracurricular activities.

What Progress to Look For

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

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

Significant Accomplishments

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

- The State Superintendent designated 102 of the 3,854 public schools across the State as “Schools of Promise” for demonstrating high achievement for all student groups. 9 of the 102 schools named are from the School District.
- Student attendance continues to increase. The School District continues to exceed the State’s target of 93% and increased attendance from 95% last year to 96% this year.
- The graduation rate increased for the 6th consecutive year. 82% of the School District’s high school seniors graduated this past year and 68% of the graduates went on to two or four year colleges.

- The District has completed its second year of the 10-year Master Facility Plan that will require approximately \$1.5 billion to repair, renovate and rebuild its school facilities. The plan calls for the construction/replacement of 51 schools, renovation of 60 existing facilities and inactivation for student use of 14 existing facilities.
- Nearly 700 construction projects were completed with the Warm, Safe Dry program. These projects included repairs to roofs, mechanical systems, sidewalks, parking lots, heating and air-conditioning units and lighting. The projects also included new windows and doors at various schools. In addition Successtech High School was completed, major renovation work continued at John Hay High School. and construction began at three new K-8 facilities.
- Certified teachers currently fill more than 99% of all teaching positions and all newly hired teachers for the current fiscal year met the *No Child Left Behind Act* definition of “highly qualified teacher”.
- The School District reached agreements to extend current labor agreements until June 2007 with all six unions that represents over 11,000 District employees, including classroom teachers. The School District also secured the leadership of Barbara Byrd-Bennett, the Chief Executive Officer, who has signed on through September 2005.

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

Financial Information

Internal Accounting and Budgetary Control

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

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

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

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

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

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

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

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

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

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

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

Cash Management

The School District pursues an aggressive cash management program by expediting the receipt of revenues and prudently investing and depositing available cash in obligations collateralized by instruments issued by the United States Government, governmental agencies, corporations or the State of Ohio or insured by the Federal Deposit Insurance Corporation and SIPC.

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

Risk Management

The School District established a self insurance internal service fund to account for and finance its uninsured risks of loss and associated expenses attributable to the deductibles and self-insured retention limits for general liability and property damage claim settlements and judgments. Excess insurance policies have been purchased to cap certain risks assumed. See Note 9 for a complete description of the School District's risk retention.

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

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

Pension Plans

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

The School District's employer contributions to both systems are based on a percentage of employees' salaries. State law requires the School District to pay the employer share as determined by each retirement system. See Notes 10 and 11 to the basic financial statements for complete details.

Independent Audit

State statutes require the School District to be subjected to an annual examination by an independent auditor. An annual audit serves to maintain and strengthen the School District's accounting and budgetary controls. Independent auditor Betty Montgomery, Auditor of State, was selected to render an opinion on the School District's financial statements as of and for the year ended June 30, 2004. The opinion appears at the beginning of the financial section of this report.

Awards

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cleveland Municipal School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

ASBO International Certificate of Excellence

The School District received the Association of School Business Officials (ASBO) International Certificate of Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This award certifies that the report substantially conforms to the principles and standards of financial reporting as recommended and adopted by ASBO. The award is granted only after an intensive review of financial reports by an expert ASBO panel of review consisting of certified public accountants and practicing School business officials. Receiving the award is recognition that a School system has met the highest standards of excellence in School financial reporting.

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

Acknowledgments

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

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

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

Respectfully submitted,



Gerald Pace
Interim Chief Financial Officer

Cleveland Municipal School District

Board Members

Appointed by Mayor of City of Cleveland

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

(a) Dr. Sherona Garrett-Ruffin resigned August 23, 2004.

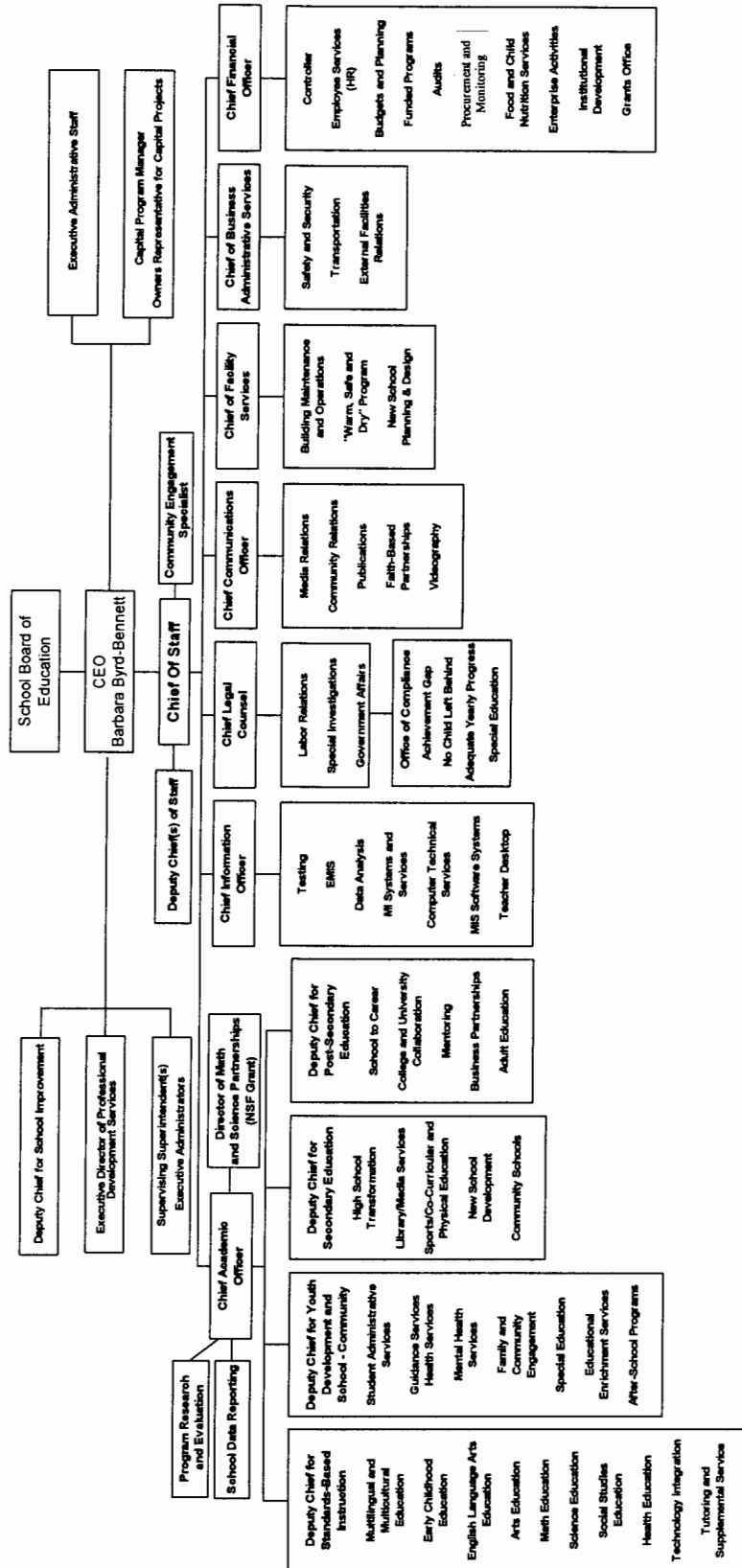
Cleveland Municipal School District

Senior Appointed Officials

Barbara Byrd-Bennett	Chief Executive Officer
Lisa Marie Ruda	Chief of Staff
Omega Brown	Chief of Employees Services and Transportation
Paul D. Flesher	Chief of Facility Services
Nicholas Jackson	Chief of Business Administrative Services
Rebecca Lowry	Chief Academic Officer
Gerald Pace, Esquire	Interim Chief Financial Officer
Alan A. Seifullah	Chief Communications Officer
Adrian D. Thompson, Esquire	Chief Legal Counsel
Kathleen Freilino	Deputy Chief for Secondary Education
Lincoln Haughton	Deputy Chief for School Improvement
Rasool Jackson	Deputy Chief for Youth Development and School Services
Marva Richards	Deputy Chief of Staff
Julie Evanoff, CPA	Controller
Dennis Kubick, CPA	Assistant Controller
Regis Balaban	Executive Director of Food & Child Nutrition Services
Patricia Barto	Executive Director of Early Childhood Education
David A. Coleman	Executive Director of Safety & Security
Anthony Masevice	Executive Director of Plans and Forecasts
Daniel H. Minnich	Executive Director of External Affairs
Linda J. N. Prosak	Executive Director of Institutional Advancement
Cheryl Shelton	Executive Director of Professional Development Services
James B. Wingo	Executive Director of Student Opportunities
Dr. Theresa Yeldell	Executive Director of Family and Community Engagement

Cleveland Municipal School District Organizational Chart

As of June 30, 2004



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Cleveland

Municipal School District,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



President

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

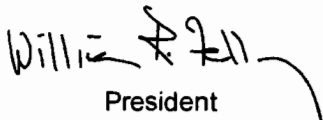


This Certificate of Excellence in Financial Reporting is presented to

CLEVELAND MUNICIPAL SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2003

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


President


Executive Director

Financial Section



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland Municipal School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland Municipal School District, Cuyahoga County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 17, 2004

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of the Cleveland Municipal School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. 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 2004 are as follows:

- ❑ Total current and other assets increased by \$19.3 million and capital assets increased by \$52.9 million, resulting in a net increase in total assets of \$72.2 million in Governmental Activities.
- ❑ Total short-term liabilities decreased \$52.4 million and total liabilities decreased \$79.9 million in Governmental Activities.
- ❑ Total net assets increased \$152.1 million in Governmental Activities.
- ❑ General revenues accounted for \$615.1 million in revenue or 65.2% of all revenues for Governmental Activities. Program specific revenues in the form of charges for services, sales, grants or contributions accounted for \$328.9 million or 34.8% of total revenues of \$944.0 million.
- ❑ Total program expenses were \$791.9 million in Governmental Activities.
- ❑ Among major funds, the General Fund had \$560.6 million in revenues and \$574.8 million in expenditures. The General Fund's fund balance declined by \$15.1 million.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Reporting the School District on a Government-Wide Basis

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds utilized by the School District to provide programs and activities, the view of the School District as an entity looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

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

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The School District on a Government-Wide Basis

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

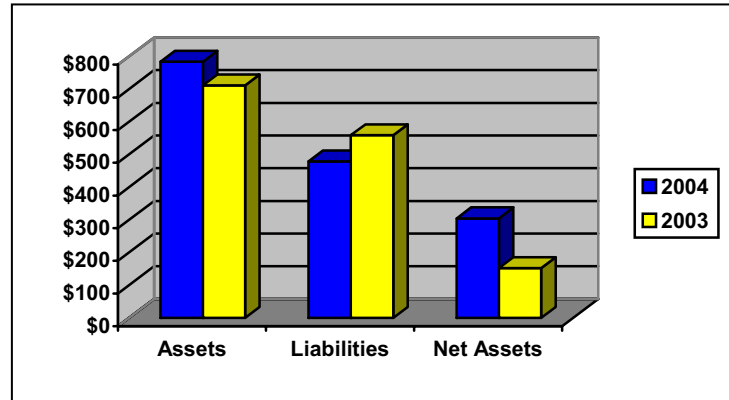
Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

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

	Governmental Activities	
	2004	2003
Assets		
Current and Other Assets	\$ 530.9	\$ 511.6
Capital Assets	253.1	200.2
Total Assets	784.0	711.8
Liabilities		
Current Liabilities	267.3	319.7
Long-Term Liabilities	212.0	239.5
Total Liabilities	479.3	559.2
Net Assets		
Invested in Capital		
Assets Net of Related Debt	153.1	90.1
Restricted for:		
Debt Service	51.8	38.4
Capital Projects	175.3	115.3
Set Asides	0.0	0.3
Other Purposes	18.2	14.1
Unrestricted	(93.7)	(105.6)
Total Net Assets	\$ 304.7	\$ 152.6

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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



Current and other assets increased by \$19.3 million and capital assets increased by \$52.9 million, resulting in an overall increase in total assets of \$72.2 million. The increase in current and other assets is mostly attributable to an increase in receivables of \$88.1 million from the Ohio School Facilities Commission. This represents the balance due the School District for segment 1 of the construction/renovation program. The increase in receivables was offset in part by a decline of \$68.5 million in operating cash. The decline in operating cash is a result of the anticipated current fiscal year deficit. The primary reason for the significant growth in capital assets is the continuation of a massive new facility construction/renovation program. This is described further in the **Capital Assets** section following.

Current liabilities decreased by \$52.4 million and long-term liabilities decreased by \$27.5 million, resulting in an overall decrease in total liabilities of \$79.9 million. The decrease in current liabilities relates mainly to a decrease in deferred property taxes of \$37.2 million. This was a result of the County Treasurer making more property tax collections available to the School District in the current fiscal year versus the prior year. The decrease in long-term liabilities is due mainly to repayment of outstanding debt and is described further in the **Debt Administration** section following.

Total net assets increased \$152.1 million. This is mainly the result of a \$64.0 million increase in the capitalization of new facility construction/renovation assets, which will be allocated to expense over the useful life of those assets and the increase of \$88.1 million receivable due from the Ohio School Facilities Commission, which represents the balance due the School District for segment 1 of the construction/renovation program.

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 shows the change in net assets for fiscal years 2004 and 2003.

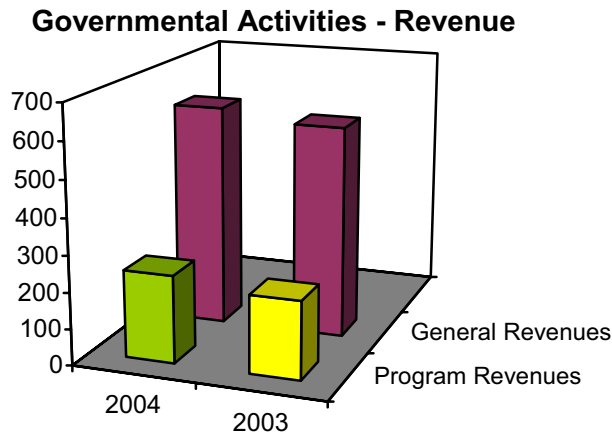
(Table 2)
Changes in Net Assets
(\$ In Millions)

	Governmental Activities	
	2004	2003
Revenues		
General Revenues:		
Property Taxes	\$ 262.6	\$ 215.9
Grants and Entitlements	346.8	360.7
Investments Income	2.9	4.7
Other	2.8	4.3
Program Revenues:		
Charges for Services	1.0	0.5
Operating Grants	206.7	208.9
Capital Grants	121.2	5.1
Total Revenues	944.0	800.1
Program Expenses		
Instruction	455.3	450.9
Support Services:		
Pupil and Instructional Staff	101.3	107.8
Board of Education, Administration, Fiscal and Business	57.3	69.8
Operation and Maintenance of Plant	62.2	67.2
Pupil Transportation	38.4	39.7
Central	16.7	20.2
Operation of Non-Instructional Services	43.8	43.8
Extracurricular Activities	7.1	7.6
Interest and Fiscal Charges	9.8	16.9
Total Expenses	791.9	823.9
Change in Net Assets	\$ 152.1	\$ (23.8)

Cleveland Municipal School District
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2004
 Unaudited

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

	2004	2003
General Revenues	\$ 615.1	\$ 585.6
Program Revenues	328.9	214.5
Total Revenues	\$ 944.0	\$ 800.1



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 42.7% and 36.9% and grants made up 56.4% and 61.6% of general revenues for governmental activities for the School District in fiscal years 2004 and 2003, respectively.

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

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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

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

Program Revenues

Operating grants comprise 62.8% 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 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>
Instruction	\$ 455.3	\$ (216.3)	\$ 450.9	\$ (325.0)
Support Services:				
Pupil and Instructional Staff	101.3	(63.2)	107.8	(73.7)
Board of Education, Administration, Fiscal and Business	57.3	(50.8)	69.8	(63.2)
Operation and Maintenance of Plant	62.2	(61.6)	67.2	(61.6)
Pupil Transportation	38.4	(37.6)	39.7	(39.5)
Central	16.7	(15.4)	20.2	(19.1)
Operation of Non-Instructional Services	43.8	(2.3)	43.8	(3.2)
Extracurricular Activities	7.1	(6.0)	7.6	(7.2)
Interest and Fiscal Charges	9.8	(9.8)	16.9	(16.9)
	<u>9.8</u>	<u>(9.8)</u>	<u>16.9</u>	<u>(16.9)</u>
Total Expenses	<u>\$ 791.9</u>	<u>\$ (463.0)</u>	<u>\$ 823.9</u>	<u>\$ (609.4)</u>

The Statement of Activities shows the cost of program services and the charges for services and grants

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

offsetting those services. Table 3 above shows, for government activities, (services supported by tax revenue and unrestricted State entitlements), the total cost of services and the net cost of services.

The largest Governmental Activities program expense remains instruction, comprising 57.5% of the total cost of services. When combined with pupil and instructional support these categories make up 70.3% of the total cost of services. This make-up is consistent with the general educational objectives of the School District.

The dependence upon general revenues for governmental activities is apparent. 47.5% of instruction activities are supported through taxes and other general revenues. Similarly, for all governmental activities general revenue support is 58.5%. The community, as a whole, is by far the primary support for Cleveland Municipal School District students.

The School District's Funds

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$836.3 million and expenditures of \$870.9 million, resulting in a net decrease in fund balances of \$34.6 million. This net change in fund balance for the year was most significant in the General Fund and the Classroom Facilities Fund. The fund balance in the General Fund decreased \$15.1 million. This was mainly attributable to a lower level of personal property tax receipts, a lower level of State aid, a reclassification of federal aid to a Special Revenue Fund and higher costs for personnel. The lower tax collections are a reflection of the slow economy and a declining tax base on personal property. The lower level of State aid is due to higher deductions for charter schools and a lower student headcount. The reclassification of federal student intervention aid to Special Revenues Fund was due to a change in State of Ohio accounting rules. The higher personnel costs are mainly due to required wage increases under the School District's labor contracts and to rising costs of health care. The Classroom Facilities fund balance decreased \$14.9 million. This was mainly attributable to the ongoing spending for the facility construction/renovation program. Funding of this program is described in more detail in the *Capital Assets and Debt Administration* section.

General Fund Budgeting Highlights

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

For the General Fund, final budget basis estimated revenue and other financing sources was \$587.0 million, \$9.8 million below original budget estimates of \$596.8 million. This decrease in budget was made to reflect revised estimates of anticipated tax collections. Total actual revenues and other financing sources were \$546.8 million, \$40.2 below the final budget estimate. This was mainly due to higher than anticipated deductions for charter schools and to a lower student headcount.

The final expenditure and other financing uses budgets was \$641.4 million. Total actual expenditures and other financing uses were \$637.8 million, or \$3.6 million below the final budget estimates. This was mainly due to a concerted effort by the School District's management to reduce its expenditures to lower future operating deficits and postpone the need to appeal to the voters for an additional operating levy.

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004 the School District had \$253.1 million invested in land and improvements, buildings and improvements, vehicles and equipment, and construction in progress. Table 4 shows fiscal 2004 balances compared to 2003:

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

	Governmental Activities	
	2004	2003
Land and Improvements	\$ 29.6	\$ 29.4
Buildings and Improvements	112.6	103.7
Vehicles and Equipment	17.7	19.5
Construction in Progress	93.2	47.6
Totals	\$ 253.1	\$ 200.2

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

Construction began in 2002 utilizing funding from several sources as described below under ***Debt Administration***. Initial work has focused mainly on making every facility warm, safe and dry. This is anticipated to take approximately three years. Concurrently, new facilities will be constructed (51 new facilities) and others significantly renovated (60 facilities) and others inactivated for student use (14 facilities). The complete program is currently estimated to take about ten years. See Note 8 to the basic financial statements for additional information on capital assets.

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Debt Administration

At June 30, 2004 the School District had \$187.7 million in bonds, other long-term obligations and notes outstanding, \$37.2 million due within one year. Table 5 summarizes bonds and notes outstanding.

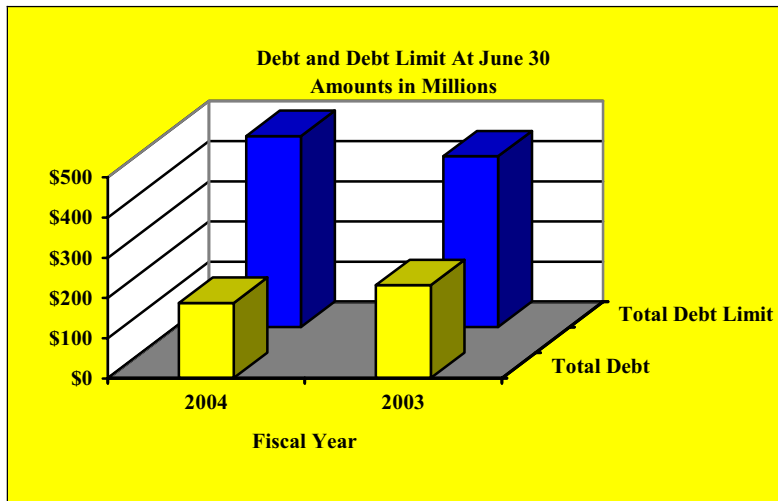
(Table 5)
Outstanding Debt, at Year End
(\$ In Millions)

	Governmental Activities 2004	Governmental Activities 2003
General Obligation Bonds and Notes:		
EPA Asbestos Abatement Notes	\$ 0.2	\$ 0.3
1994 Energy Conservation Improvement Bonds	0.9	2.5
2001 QZAB - Technology Academy	5.5	5.5
2001 QZAB - Arts Academy	5.8	5.8
2001 QZAB - Literacy Academy	10.0	10.0
2002 H.B. 264 Energy Conservation Notes	10.4	10.9
2002 Library Refunding Bonds	38.2	57.5
2002 School Facilities Improvement Bonds	60.4	67.4
Other Long-Term Obligations:		
Capital Lease Obligation	6.9	7.8
Note Payable:		
1997 Revenue Anticipation Notes	49.4	64.2
Total	\$ 187.7	\$ 231.9

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

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

	2004	2003
Total Debt	\$187.7	\$231.9
Total Debt Limit	\$476.5	\$425.8



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

In October 2002, the School District replaced the short-term School Facility Bond Anticipation Notes with long-term School Facility Bonds. An additional \$40 million of new proceeds were also borrowed at that time, representing the second installment of the \$335 million approved borrowing capacity. In July 2004, the School District issued \$125,000,000 of School Improvement Bonds, the third installment. School District management anticipates the next installment of such debt will be issued in calendar 2005.

At June 30, 2004, the School District’s overall legal debt margin was \$476.5 million, with an unvoted debt margin of \$6.0 million. The School District’s short-term bond rating is “MIG1” and its long-term bond rating is “Baa1”, as rated by Moody’s. See Note 13 to the basic financial statements for additional information on all long-term obligations.

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Current Issues

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

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

Resolution to School Funding Litigation – The long pending litigation in the Ohio courts questioning the constitutionality of the State's system of school funding and compliance with the constitutional requirement that the State provide a "thorough and efficient system of common schools" reached an end when the Ohio Supreme Court vacated its previous order to the State to make certain changes in the State's aid formula to school districts and the U.S. Supreme Court declined to hear a petition on this case. This is described further in Note 17 to the basic financial statements.

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

Financial Forecast – The School District is required to adopt a five-year financial forecast of revenues and expenditures each year. As the financial forecast show a negative cash-basis fund balance deficit projected in fiscal years 2006 and beyond, the School District Board of Education attempted to pass an operating levy in November 2004. As this levy did not pass the School District Board of Education plans to adopt a Deficit Reduction Plan to address this issue. This Plan will contain provisions to contain costs and will ultimately consider the possibility of having to go back to the voters for an additional operating levy in 2005.

Employee Relations - Under agreements recently approved by all of the seven unions serving the District, the current contracts with employee groups have been extended until at least June 2007, with contingencies for wage increase re-negotiations in fiscal years 2006 and 2007. In addition, on January 1, 2005 the District will switch health care providers. The rest of the current contract language is essentially unchanged.

Contacting the School District's Financial Management

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

Cleveland Municipal School District
Statement of Net Assets-Governmental Activities
 June 30, 2004

	Total
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 179,220,970
Investments with Fiscal Agents	20,249,075
Receivables:	
Taxes	225,780,268
Accounts	764,392
Intergovernmental	96,349,775
Accrued Interest	165,656
Materials and Supplies Inventory	1,299,086
Prepaid Items	7,071,886
Nondepreciable Capital Assets	121,468,276
Depreciable Capital Assets, Net	131,642,440
Total Assets	784,011,824
Liabilities	
Accounts Payable	16,569,214
Accrued Wages and Benefits	81,529,981
Intergovernmental Payable	14,932,039
Deferred Revenue	95,198,433
Accrued Interest Payable	968,980
Unamortized Premium on Bond	6,572,826
Notes Payable	49,440,000
Claims Payable	2,100,451
Long-Term Obligations:	
Due Within One Year	35,277,258
Due in More Than One Year	176,709,626
Total Liabilities	479,298,808
Net Assets	
Invested in Capital Assets, Net of Related Debt	153,091,046
Restricted for:	
Debt Service	51,754,628
Capital Projects	175,330,213
Other Purposes	18,214,387
Unrestricted	(93,677,258)
Total Net Assets	\$ 304,713,016

See accompanying notes to the basic financial statements

Cleveland Municipal School District
Statement of Activities-Governmental Activities
For the Fiscal Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction:					
Regular	\$ 290,987,320	\$ 0	\$ 67,676,019	\$ 119,629,061	\$ (103,682,240)
Special	143,004,004	0	47,957,446	0	(95,046,558)
Vocational	15,994,184	0	1,227,846	0	(14,766,338)
Adult/Continuing	5,094,891	994,043	1,544,153	0	(2,556,695)
Other	198,400	0	0	0	(198,400)
Support Services:					
Pupils	45,012,097	0	6,427,226	0	(38,584,871)
Instructional Staff	56,236,589	0	30,020,207	1,604,924	(24,611,458)
Board of Education	259,950	0	8,822	0	(251,128)
Administration	45,084,175	0	5,091,991	0	(39,992,184)
Fiscal	10,893,531	0	1,415,851	0	(9,477,680)
Business	1,091,725	0	0	0	(1,091,725)
Operation and Maintenance of Plant	62,223,013	0	619,443	0	(61,603,570)
Pupil Transportation	38,379,675	0	822,477	0	(37,557,198)
Central	16,698,556	0	1,292,861	0	(15,405,695)
Operation of Non-Instructional Services	43,837,168	0	41,527,739	0	(2,309,429)
Extracurricular Activities	7,051,078	0	1,048,436	0	(6,002,642)
Interest and Fiscal Charges	9,830,504	0	0	0	(9,830,504)
Totals	\$ 791,876,860	\$ 994,043	\$ 206,680,517	\$ 121,233,985	(462,968,315)
General Revenues					
Property Taxes Levied For:					
					219,596,436
					40,006,114
					2,980,196
					2,945,010
					2,840,826
					346,770,558
					615,139,140
					152,170,825
					152,542,191
					\$ 304,713,016

See accompanying notes to the basic financial statements

Cleveland Municipal School District

Balance Sheet Governmental Funds June 30, 2004

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 32,587,217	\$ 26,544,881	\$ 64,310,630	\$ 52,817,129	\$ 176,259,857
Investments with Fiscal Agents	11,140,703	4,103,672	5,004,700	0	20,249,075
Receivables:					
Taxes	192,355,320	31,022,032	0	2,402,916	225,780,268
Accounts	380,612	0	0	383,780	764,392
Intergovernmental	3,567,039	0	88,072,393	4,710,343	96,349,775
Accrued Interest	165,656	0	0	0	165,656
Interfund	2,631,000	0	0	0	2,631,000
Materials and Supplies Inventory	809,133	0	0	489,953	1,299,086
Prepaid Items	7,071,886	0	0	0	7,071,886
Total Assets	\$ 250,708,566	\$ 61,670,585	\$ 157,387,723	\$ 60,804,121	\$ 530,570,995
Liabilities					
Accounts Payable	\$ 10,339,322	\$ 0	\$ 2,673,796	\$ 3,517,206	\$ 16,530,324
Accrued Wages and Benefits	62,757,654	0	0	10,749,844	73,507,498
Interfund Payable	0	0	0	2,631,000	2,631,000
Intergovernmental Payable	13,344,175	0	0	1,587,864	14,932,039
Deferred Revenue	162,522,422	24,144,114	87,708,976	9,913,015	284,288,527
Notes Payable	49,440,000	0	0	0	49,440,000
Total Liabilities	298,403,573	24,144,114	90,382,772	28,398,929	441,329,388
Fund Balance:					
Reserved for Encumbrances	5,403,473	0	64,494,013	13,973,881	83,871,367
Reserved for Inventory	809,133	0	0	489,953	1,299,086
Reserved for Prepays	7,071,886	0	0	0	7,071,886
Reserved for Property Taxes	26,749,122	6,522,777	0	472,420	33,744,319
Unreserved, (Deficit), Reported in:					
General Fund	(87,728,621)	0	0	0	(87,728,621)
Special Revenue Funds	0	0	0	4,260,932	4,260,932
Debt Service Funds	0	31,003,694	0	0	31,003,694
Capital Projects Funds	0	0	2,510,938	13,208,006	15,718,944
Total Fund Balances	(47,695,007)	37,526,471	67,004,951	32,405,192	89,241,607
Total Liabilities and Fund Balances	\$ 250,708,566	\$ 61,670,585	\$ 157,387,723	\$ 60,804,121	\$ 530,570,995

See accompanying notes to the basic financial statements

Cleveland Municipal School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004*

Total Governmental Funds Balances		\$ 89,241,607
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		253,110,716
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	93,721,533	
Grants	95,368,561	
Total	189,090,094	189,090,094
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		821,772
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds and Notes	131,382,875	
Capital Lease Obligations	6,886,795	
Compensated Absences	55,539,180	
Worker's Compensation Claims	18,178,034	
Accrued Wages and Benefits - Pension Obligation	8,022,483	
Accrued Interest Payable	968,980	
Unamortized Premium on Bond	6,572,826	
Total	(227,551,173)	(227,551,173)
 <i>Net Assets of Governmental Activities</i>		 \$ 304,713,016

See accompanying notes to the basic financial statements

Cleveland Municipal School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
<i>Local Sources:</i>					
Taxes	\$ 209,443,496	\$ 34,705,863	\$ 0	\$ 2,644,840	\$ 246,794,199
Investment Income	1,374,373	435,435	812,917	322,285	2,945,010
Tuition and Fees	994,041	0	0	85,545	1,079,586
Extracurricular Activities	0	0	0	1,044,014	1,044,014
Miscellaneous	2,840,828	0	0	6,680,274	9,521,102
<i>State Sources:</i>					
Unrestricted Grants-in-Aid	331,763,855	3,693,964	0	289,779	335,747,598
Restricted Grants-in-Aid	3,193,750	0	31,683,690	74,456,012	109,333,452
<i>Federal Sources:</i>					
Unrestricted Grants-in-Aid	11,022,960	0	0	0	11,022,960
Restricted Grants-in-Aid	0	0	0	118,784,282	118,784,282
Total Revenues	560,633,303	38,835,262	32,496,607	204,307,031	836,272,203
Expenditures:					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	218,025,123	0	0	64,563,797	282,588,920
Special	96,622,387	0	0	45,886,242	142,508,629
Vocational	14,772,340	0	0	1,226,930	15,999,270
Adult/Continuing	3,493,236	0	0	1,609,428	5,102,664
Other	198,400	0	0	0	198,400
<i>Support Services:</i>					
Pupils	35,058,634	0	0	6,420,798	41,479,432
Instructional Staff	25,987,399	0	0	30,204,867	56,192,266
Board of Education	242,711	0	0	9,996	252,707
Administration	39,012,204	0	0	5,530,766	44,542,970
Fiscal	9,525,054	0	0	1,371,205	10,896,259
Business	1,082,675	0	0	0	1,082,675
Operation and Maintenance of Plant	61,174,421	0	0	9,340,958	70,515,379
Pupil Transportation	36,387,978	0	0	829,522	37,217,500
Central	15,555,165	0	0	1,084,006	16,639,171
Operation of Non-Instructional Services	2,488,219	0	0	41,848,149	44,336,368
Extracurricular Activities	6,128,295	0	0	905,899	7,034,194
Capital Outlay	1,071,084	0	47,390,322	6,133,000	54,594,406
<i>Debt Service:</i>					
Principal Retirement	3,209,962	26,220,000	0	0	29,429,962
Interest and Fiscal Charges	4,749,307	5,549,652	0	0	10,298,959
Total Expenditures	574,784,594	31,769,652	47,390,322	216,965,563	870,910,131
Excess of Revenues Over (Under) Expenditures	(14,151,291)	7,065,610	(14,893,715)	(12,658,532)	(34,637,928)
Other Financing Sources (Uses):					
Transfers In	0	944,394	0	21,817	966,211
Transfers Out	(966,211)	0	0	0	(966,211)
Total Other Financing Sources (Uses)	(966,211)	944,394	0	21,817	0
Net Change in Fund Balances	(15,117,502)	8,010,004	(14,893,715)	(12,636,715)	(34,637,928)
Fund Balances Beginning of Year	(32,577,505)	29,516,467	81,898,666	45,041,907	123,879,535
Fund Balances at End of Year	\$ (47,695,007)	\$ 37,526,471	\$ 67,004,951	\$ 32,405,192	\$ 89,241,607

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, 2004*

Net Change in Fund Balances - Total Governmental Funds \$ (34,637,928)

*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	63,991,517	
Current Year Depreciation	(11,100,803)	
Total	52,890,714	

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

Loss on the Disposal of Capital Assets		(17,646)
--	--	----------

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

Property Taxes	15,788,547	
Grants	91,986,935	
Total	107,775,482	

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

29,429,962

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

468,455

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	1,498,721	
Accrued Wages and Benefits - Pension Obligation	(1,586,342)	
Worker's Compensation Claims	(3,395,414)	
Total	(3,483,035)	

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.

(255,179)

Change in Net Assets of Governmental Activities

\$ 152,170,825

See accompanying notes to the basic financial statements

Cleveland Municipal School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
<i>Local Sources:</i>				
Taxes	\$ 200,825,444	\$ 190,978,898	\$ 196,013,222	\$ 5,034,324
Investment Income	1,379,486	1,379,486	1,379,486	0
Tuition and Fees	978,145	978,145	978,145	0
Miscellaneous	2,522,316	2,522,316	2,522,316	0
<i>State Sources:</i>				
Unrestricted Grants-in-Aid	378,565,252	378,565,252	333,340,701	(45,224,551)
Restricted Grants-in-Aid	3,193,750	3,193,750	3,193,750	0
<i>Federal Sources:</i>				
Unrestricted Grants-in-Aid	7,554,209	7,554,209	7,554,209	0
Total Revenues	<u>595,018,602</u>	<u>585,172,056</u>	<u>544,981,829</u>	<u>(40,190,227)</u>
Expenditures:				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	245,885,386	243,637,804	243,030,811	606,993
Special	92,682,843	95,420,285	95,145,249	275,036
Vocational	17,098,706	15,677,539	15,217,457	460,082
Adult/Continuing	3,268,022	3,553,541	3,551,091	2,450
Other	536,916	200,726	200,526	200
<i>Support Services:</i>				
Pupils	36,747,628	35,962,769	35,565,315	397,454
Instructional Staff	30,049,188	27,721,395	27,387,186	334,209
Board of Education	287,157	286,872	255,333	31,539
Administration	43,176,905	43,233,062	42,943,670	289,392
Fiscal	13,877,472	11,053,505	10,899,019	154,486
Business	1,282,546	1,194,880	1,136,177	58,703
Operation and Maintenance of Plant	66,227,660	65,200,958	64,989,054	211,904
Pupil Transportation	37,289,662	38,238,914	38,121,709	117,205
Central	24,739,020	22,441,265	22,025,501	415,764
Operation of Non-Instructional Services	2,380,877	2,636,832	2,625,984	10,848
Extracurricular Activities	6,915,730	6,833,111	6,735,944	97,167
Capital Outlay	1,626,056	1,798,958	1,737,318	61,640
<i>Debt Service:</i>				
Principal Retirement	17,025,251	17,934,964	17,934,962	2
Interest and Fiscal Charges	4,444,038	4,749,308	4,749,307	1
Total Expenditures	<u>645,541,063</u>	<u>637,776,688</u>	<u>634,251,613</u>	<u>3,525,075</u>
Excess of Revenues Over (Under) Expenditures	<u>(50,522,461)</u>	<u>(52,604,632)</u>	<u>(89,269,784)</u>	<u>(36,665,152)</u>
Other Financing Sources (Uses):				
Advances In	1,826,000	1,826,000	1,826,000	0
Advances Out	(1,500,000)	(2,632,000)	(2,631,000)	1,000
Transfers Out	(1,944,394)	(966,211)	(966,211)	0
Total Other Financing Sources (Uses)	<u>(1,618,394)</u>	<u>(1,772,211)</u>	<u>(1,771,211)</u>	<u>1,000</u>
Net Change in Fund Balances	(52,140,855)	(54,376,843)	(91,040,995)	(36,664,152)
Fund Balances Beginning of Year	62,773,723	62,773,723	62,773,723	0
<i>Prior Year Encumbrances Appropriated</i>	<u>32,047,320</u>	<u>32,047,320</u>	<u>32,047,320</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 42,680,188</u>	<u>\$ 40,444,200</u>	<u>\$ 3,780,048</u>	<u>\$ (36,664,152)</u>

See accompanying notes to the basic financial statements

Cleveland Municipal School District

Statement of Fund Net Assets

Proprietary Fund

June 30, 2004

	Governmental Activities - Internal Service Fund
Assets:	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 2,961,113
Total Current Assets	<u>2,961,113</u>
Liabilities:	
<i>Current Liabilities:</i>	
Accounts Payable	38,890
Claims Payable	<u>2,100,451</u>
Total Current Liabilities	<u>2,139,341</u>
Net Assets:	
Unrestricted	<u>821,772</u>
Total Net Assets:	<u>\$ 821,772</u>

See accompanying notes to the basic financial statements

Cleveland Municipal School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2004*

	Governmental Activities - Internal Service Fund
<i>Operating Revenues:</i>	
Charges for Services	\$ 801,776
<i>Total Operating Revenues</i>	801,776
<i>Operating Expenses:</i>	
Claims and Claim Adjustment Expenses	1,056,955
<i>Total Operating Expenses</i>	1,056,955
<i>Operating Income</i>	(255,179)
<i>Change in Net Assets</i>	(255,179)
Net Assets Beginning of Year	1,076,951
<i>Net Assets End of Year</i>	\$ 821,772

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, 2004

	Governmental Activities - Internal Service Fund
<i>Increase (Decrease) In Cash and Cash Equivalents:</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Interfund Services Provided	\$ 801,776
Cash Payments for Claims and Claim Adjustment Expenses	<u>(1,267,996)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>(466,220)</u>
Net (Decrease) in Cash and Cash Equivalents	(466,220)
Cash and Cash Equivalents at Beginning of Year	<u>3,427,333</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 2,961,113</u>
<i>Reconciliation of Income to Net Cash Provided by Operating Activities:</i>	
<i>Operating Income</i>	<u>\$ (255,179)</u>
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</i>	
(Decrease) in Accounts Payable	(63,923)
(Decrease) in Claims Payable	<u>(147,118)</u>
<i>Total Adjustments</i>	<u>(211,041)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$ (466,220)</u>

See accompanying notes to the basic financial statements

Cleveland Municipal School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets

Equity in Pooled Cash and Cash Equivalents \$ 1,859,514

Total Assets \$ 1,859,514

Liabilities

Due to Students \$ 752,713

Payroll Withholdings 1,106,801

Total Liabilities \$ 1,859,514

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, 2004

Note 1 - Description of The School District And Reporting Entity

A. School District and Board of Education

The Board of Education of the Cleveland Municipal School District (the "Board") is a political and corporate body charged with the responsibility of managing and controlling the affairs of the School District, and is governed by the general laws of the State of Ohio (the "Ohio Revised Code"). The Board is comprised of nine members who were appointed by the Mayor of the City of Cleveland. On November 5, 2002, the voters of Cleveland elected to maintain the current governance structure, which gives the Mayor the authority to continue appointing board members.

B. Fiscal Emergency/Watch

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

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

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

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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

C. Financial Reporting Entity

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

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

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

The Cleveland Public Library and the City of Cleveland have been defined as related organizations and the Ohio Schools Council and the Bond Accountability Commission as jointly governed organization. These organizations are discussed further in Note 15 and Note 20 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

A. Basis of Presentation

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

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

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities.

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

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

B. Fund Accounting

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

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

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

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

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

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

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

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

Fiduciary Funds - Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds, one which accounts for student activities and one which accounts for various payroll items.

C. Measurement Focus

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

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

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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. The remaining state share of the classroom facility project for segment 1 has also been recorded as deferred revenue.

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

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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

E. Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Chief Financial Officer/Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

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

F. Cash and Investments

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

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

During fiscal year 2004, investments were limited to STAR Ohio, repurchase agreements, certificates of deposit, treasury notes and bills, federal agency securities, commercial paper, Armada Government Money Market, Victory Federal Money Market Fund and Treasury Money Market Fund.

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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2004. 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, 2004.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

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

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

I. Capital Assets

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

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

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

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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

J. Interfund Balances

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

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, capital lease obligations, and EPA asbestos abatement loans that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

M. Net Assets

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

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

N. Fund Balance Reserves and Designations

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

O. Operating Revenues and Expenses

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

P. Contributions of Capital

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

Q. Interfund Transactions

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

R. Estimates

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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2004.

Note 3 - Accountability and Compliance

The following funds had deficit fund balances at June 30, 2004:

	Deficit Fund Balances
General Fund	\$ 47,695,007
Special Revenue Funds:	
Miscellaneous State	1,129,802
Adult Basic Education	380,189
Job Training Partnership Act (JTPA)	1,820,407
Title VI-B Special Education	1,738,515
Vocational Education	3,312,510
Improving Teacher Quality Title II-A	969,772
Miscellaneous Federal Grants	526,952

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

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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 4 - Budgetary Basis of Accounting

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund as June 30, 2004.

Net Change in Fund Balance	
GAAP Basis	\$ (15,117,502)
Net Adjustment for Revenue Accruals	(15,651,474)
Advances In	1,826,000
Net Adjustment for Expenditure Accruals	(4,742,760)
Principal Retirement	(14,725,000)
Advances Out	(2,631,000)
Adjustment for Encumbrances	<u>(39,999,259)</u>
Budget Basis	<u><u>\$ (91,040,995)</u></u>

Note 5 - Deposits and Investments

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

date of deposit or by savings accounts, including passbook accounts.

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

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

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

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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

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

A. Deposits

At fiscal year end, the carrying amount of the School District's deposits was \$92,326,086 and the bank balance was \$111,981,679. Of the bank balance, \$400,000 was covered by federal depository insurance and \$111,581,679 was uninsured but collateralized with securities held by a pledging financial institution or by its trust department or agent although not in the School District's name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

B. Investments

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

	Category 3	Fair/Carrying Value
Commercial Paper	\$ 2,138,051	\$ 2,138,051
U.S. Agency Obligations	18,111,024	18,111,024
Money Market Mutual Funds		37,782,687
Investment in STAR Ohio		50,971,710
Total	\$ 20,249,075	\$ 109,003,472

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

	Cash and Cash Equivalents	Investments
GASB Statement 9	\$ 181,080,483	\$ 20,249,075
Investments:		
STAR Ohio	(50,971,710)	50,971,710
Money Market Mutual Funds	(37,782,687)	37,782,687
GASB Statement 3	<u>\$ 92,326,086</u>	<u>\$ 109,003,472</u>

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax payments received during calendar 2004 for tangible personal property (other than public utility property) is for calendar 2004 taxes.

2004 real property taxes are levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004 and are collected in 2004 with real property taxes.

2004 tangible personal property taxes are levied after April 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory.

Cleveland Municipal School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

The assessed values upon which the fiscal year 2004 taxes were collected are (in thousands):

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 4,609,619	79.22%	\$ 4,903,040	81.94%
Public Utility	357,125	6.14%	357,470	5.98%
Tangible Personal Property	852,234	14.64%	723,018	12.08%
Total	\$ 5,818,978	100.00%	\$ 5,983,528	100.00%

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30 and are intended to finance the fiscal year in which they are paid. This year, the expected June 2004 tangible personal property tax settlement was not received until July 2004.

The School District receives property taxes from Cuyahoga County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year fiscal year operations. This year, the June 2004 tangible personal property tax settlement was not received until July 2004. The late settlement and the amount available as an advance are recognized as revenue.

The amount available as an advance at June 30, 2004 was \$33,744,319. \$26,749,122 was available to the General Fund, \$6,522,777 to the Debt Service Fund and \$472,420 to a special revenue fund.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 7 - Receivables

Receivables at June 30, 2004, consisted of taxes, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

General Fund:	
City of Cleveland	\$ 64,644
Federal:Unrestricted Grants-In-Aid	3,465,100
Miscellaneous	<u>37,295</u>
Total General Fund	<u>3,567,039</u>
Capital Projects Funds:	
Classroom Facilities	<u>88,072,393</u>
Special Revenue Funds:	
Educational Special Trust	16,834
Miscellaneous State	445,985
Other State	30,246
Food Service	3,293,989
Adult Basic Education	108,540
Job Training Partnership Act (JTPA)	359,196
Title VI-B Special Education	23,410
Miscellaneous Federal Grants	225,690
Other Federal	<u>206,453</u>
Total Special Revenue Funds	<u>4,710,343</u>
Total Intergovernmental Receivables	<u>\$ 96,349,775</u>

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance 6/30/2003	Additions	Deductions	Balance 6/30/2004
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 27,902,257	\$ 310,000	\$ 0	\$ 28,212,257
Construction in Progress	47,574,209	61,977,049	(16,295,239)	93,256,019
<i>Total Capital Assets, not being depreciated</i>	<u>75,476,466</u>	<u>62,287,049</u>	<u>(16,295,239)</u>	<u>121,468,276</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,604,128	0	0	2,604,128
Buildings and Improvements	323,179,421	17,288,407	0	340,467,828
Vehicles and Equipment	41,086,440	711,300	(43,091)	41,754,649
<i>Total Capital Assets, being depreciated</i>	<u>366,869,989</u>	<u>17,999,707</u>	<u>(43,091)</u>	<u>384,826,605</u>
Less Accumulated Depreciation:				
Land Improvements	(1,123,717)	(97,756)	0	(1,221,473)
Buildings and Improvements	(219,428,951)	(8,477,575)	0	(227,906,526)
Vehicles and Equipment	(21,556,139)	(2,525,472)	25,445	(24,056,166)
Total Accumulated Depreciation	<u>(242,108,807)</u>	<u>(11,100,803) *</u>	<u>25,445</u>	<u>(253,184,165)</u>
Total Capital Assets being depreciated, net	<u>124,761,182</u>	<u>6,898,904</u>	<u>(17,646)</u>	<u>131,642,440</u>
Governmental Activities Capital Assets, Net	<u>\$ 200,237,648</u>	<u>\$ 69,185,953</u>	<u>\$ (16,312,885)</u>	<u>\$ 253,110,716</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 8,133,810
Special	76,458
Support Services:	
Administration	1,386,221
Pupil Transportation	1,400,461
Operation of Non-Instructional Services	103,853
Total Depreciation Expense	<u>\$ 11,100,803</u>

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Construction in progress is composed of the following at June 30, 2004:

	Project Authorization	Expended to June 30, 2004	Committed
Regular Instruction	\$ 243,329,724	\$ 91,975,127	\$ 151,354,597
Support Services - Administration	2,322,806	1,280,892	1,041,914
Total	\$ 245,652,530	\$ 93,256,019	\$ 152,396,511

Note 9 - Risk Management

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

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

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

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

Because of the prohibitive cost of commercial insurance, the School District in 1987, established a self-insurance fund (an internal service fund) to account for and finance its uninsured risks of loss (insurance deductibles and/or self-insured retentions) and associated expenses attributing to liability and property damage claim settlements and judgments. Estimates of claims liabilities, based on historical cost information, for incurred claims (including incurred but not reported claims) as calculated by the School District's Risk Management Division for all outstanding unsettled claims total \$2,100,451 as of June 30, 2004, and are recorded in the self insurance internal service fund.

The School District participates in the Ohio Bureau of Workers' Compensation (BWC) Retrospective Rating Plan. Under the retrospective rating plan, the School District assumes a portion of the risk in return for a reduction in current premiums. Estimates of claims liabilities based on actuarial methods, for incurred claims as calculated by the BWC for the cumulative retrospective rating period January 1, 1995, through June 30, 2004, including the estimate for incurred but not reported (IBNR) claims totals \$18,178,034.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

The claims liability of \$20,278,485 at June 30, 2004, is based on the requirements of GASB No. 10 which requires a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not materially affected by incremental claim adjustment expenses. Changes in the fund's claim liability amount for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2003	\$ 15,792,410	\$ 4,117,428	\$ 2,879,649	\$ 17,030,189
2004	\$ 17,030,189	\$ 10,703,644	\$ 7,455,348	\$ 20,278,485

Note 10 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$10,663,742, \$9,756,873 and \$6,266,048, respectively. 68.38% has been contributed for fiscal year 2004, 100% for fiscal year 2003 and 2002. \$7,291,555 representing the unpaid contribution for fiscal year 2004 is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly available, stand alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit ("DB") Plan, a Defined Contribution

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

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

For fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2004, 2003, and 2002 were \$48,391,174, \$35,683,753 and \$34,155,196, respectively. 86.27% has been contributed for fiscal year 2004, and 100% for fiscal years 2003 and 2002.

C. Social Security System

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

Note 11 - Post Employment Benefits

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$3,722,398 during fiscal 2004.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 billion at June 30, 2003 (the latest information available). For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000 and STRS Ohio had 108,294 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the School District, the amount to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$7,558,415.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available) were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 12 – Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to thirty days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. School District employees earn sick leave, which, if not taken, accumulates until retirement. Employees may receive payment for up to 30 percent (varying by bargaining group) of accumulated sick leave of varying maximums up to \$30,000.

B. Insurance

The School District provides life insurance to most employees through Medical Life Insurance in the amount of \$10,000 for each employee (\$50,000 for certain classes of employees). The School District also provides medical/surgical and dental benefits primarily through Anthem Blue Cross Blue Shield and Kaiser Permanente to all eligible employees.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 13 - Long Term Obligations

Changes in long-term obligations of the School District during fiscal year 2004 were as follows:

	Principal Outstanding 6/30/2003	Additions	Deductions	Principal Outstanding 6/30/2004	Due Within One Year
Government Activities:					
General Obligation Bonds and Notes:					
EPA Asbestos Abatement Notes	\$ 266,284	\$ 0	\$ 68,214	\$ 198,070	\$ 64,330
1994 Energy Conservation Improvement Bonds	2,520,000	0	1,655,000	865,000	865,000
2001 QZAB - Technology Academy	5,500,000	0	0	5,500,000	0
2001 QZAB - Arts Academy	5,750,000	0	0	5,750,000	0
2001 QZAB - Literacy Academy	10,000,000	0	0	10,000,000	0
2001 H.B. 264 Energy Conservation Notes	10,951,840	0	577,035	10,374,805	607,431
2002 Library Refunding Bonds	57,510,000	0	19,260,000	38,250,000	15,000,000
2002 School Facilities Improvement Bonds	67,405,000	0	6,960,000	60,445,000	4,135,000
Total General Obligation Bonds and Notes	159,903,124	0	28,520,249	131,382,875	20,671,761
Other Long-Term Obligations					
Compensated Absences	57,037,901	55,539,180	57,037,901	55,539,180	9,334,908
Workers' Compensation Claims	14,782,620	9,582,766	6,187,352	18,178,034	4,323,828
Capital Lease Obligation	7,796,508	0	909,713	6,886,795	946,761
Total Other Long-Term Obligations	79,617,029	65,121,946	64,134,966	80,604,009	14,605,497
Total Governmental Activities	\$ 239,520,153	\$ 65,121,946	\$ 92,655,215	\$ 211,986,884	\$ 35,277,258

On October 1, 2002, the Cleveland Municipal School District issued \$124,920,000 of Various Purpose Improvement and Refunding Bonds, bearing interest at the rate of 1.45% - 5.00% per annum. \$57,515,000 of the proceeds together with other available money was used to refund all of the District's outstanding General Obligation Unlimited Tax Library Improvement Bonds, Series 1992A. \$27,405,000 of the proceeds together with other available money was used to refund the District's outstanding \$35,000,000 School Facility Bond Anticipation Notes, Series 2001. \$40,000,000 of the new proceeds along with the \$35,000,000 that was refunded are being used to pay costs of renovating, rehabilitating, constructing, furnishing, equipping and otherwise improving school facilities and acquiring and improving their sites. This represents the first drawdown of the \$335 million approved by voters on May 8, 2001 (Issue 14). This debt will be retired from the Debt Service Fund. As a result of the refunding, the District reduced its total debt service requirements by \$14.3 million, which resulted in an economic gain (difference between the present value of the debt service payments on the old and the new debt) of \$9.3 million.

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

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

Qualified Zone Academy Bonds-Literacy Academy - On June 7, 2001, the School District issued \$10,000,000 of non-interest-bearing bonds in order to remodel Central Middle School, Franklin D. Roosevelt Middle School, Harry E. Davis Middle School, and Martin Luther King, Jr. Middle School. The bonds were issued for a fourteen-year period with final maturity at June 6, 2015. The bonds will be retired from the Debt Service Fund.

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

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

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

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

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

The School District's overall legal debt margin was \$476,483,991 with an unvoted debt margin of \$5,983,528 at June 30, 2004.

The School District is subject to federal arbitrage regulations. As of June 30, 2004 the District has not accrued any liability.

Principal and interest requirements to retire general obligation debt, including EPA notes and H.B. 264 Energy Conservation Notes, outstanding at June 30, 2004, are as follows:

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Fiscal Year Ended June 30	Principal	Interest	Total
2005	\$ 20,671,762	\$ 4,828,806	\$ 25,500,568
2006	5,054,875	4,372,666	9,427,541
2007	5,285,513	4,115,734	9,401,247
2008	5,722,924	3,840,902	9,563,826
2009	5,760,248	3,553,577	9,313,825
2010 - 2014	23,734,061	13,652,152	37,386,213
2015 - 2019	35,568,492	8,844,373	44,412,865
2020 - 2024	14,910,000	5,234,219	20,144,219
2025 - 2028	14,675,000	1,393,103	16,068,103
	<u>\$ 131,382,875</u>	<u>\$ 49,835,532</u>	<u>\$ 181,218,407</u>

In fiscal year 2002, the School District entered into an agreement to lease 102 buses, which have a carrying value (cost less depreciation) of \$4,545,173. This agreement is, in substance, a lease purchase (capital lease) and is classified as a long-term lease obligation in the financial statements.

In fiscal year 2001, the School District entered into an agreement to lease 100 buses, which have a carrying value (cost less depreciation) of \$4,325,535. This agreement is, in substance, a lease purchase (capital lease) and is classified as a long-term lease obligation in the financial statements.

In fiscal year 2003, the School District refinanced and consolidated the above two lease agreements to obtain more favorable financing terms.

The following is a schedule of future lease payments and the present value of net minimum lease payments at June 30, 2004:

	Amount
2005	\$ 1,214,983
2006	1,214,983
2007	1,214,983
2008	1,214,983
2009	1,214,983
2010-2011	1,822,475
Total minimum lease payments	<u>7,897,390</u>
Less:	
Amount representing interest	<u>1,010,595</u>
Present value of net minimum lease payments	<u>\$ 6,886,795</u>

Note 14 - Notes Payable

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

Cleveland Municipal School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

	Balance 6/30/2003	Issued	Retired	Balance 6/30/2004
General Fund:				
1997 4.60%-6.00%				
Revenue Anticipation Notes	\$ 64,165,000	\$ 0	\$ 14,725,000	\$ 49,440,000

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

Principal and interest requirements to retire notes outstanding at June 30, 2004 are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2005	\$ 15,605,000	\$ 2,762,625	\$ 18,367,625
2006	16,465,000	1,904,350	18,369,350
2007	17,370,000	998,775	18,368,775
	\$ 49,440,000	\$ 5,665,750	\$ 55,105,750

Note 15 - Related Organizations

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

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

City of Cleveland - In November 1998, the Mayor of the City of Cleveland was given appointment authority for the Cleveland Municipal School District. As approved by the State legislature, the Ohio Revised Code provided for the Mayor to appoint a Chief Executive Officer who was to be approved by the Board of Education. Mrs. Barbara Byrd-Bennett was appointed to the position of Chief Executive Officer by the Mayor on November 16, 1998 and was approved by the Board of Education. The Board of Education is comprised of nine members who were appointed by the Mayor from a pool of candidates presented to the Mayor by an independent nominating panel. The City of Cleveland's accountability for the School District does not extend beyond appointment authority and therefore the School District is considered to be a related organization rather than a component unit of the City of Cleveland. A copy of the City of Cleveland's comprehensive annual financial report can be obtained from the Finance Director of the City of Cleveland at 601 Lakeside Avenue, Cleveland, Ohio 44114.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 16 - Interfund Transactions

Interfund transfers on the fund statements at June 30, 2004 consist of the following:

Transfers from General Fund to Debt Service Fund	\$	944,394
Transfers from General Fund to Other State Funds		<u>21,817</u>
Total Transfers	\$	<u>966,211</u>

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

The purpose of the transfer from the General Fund to the Other State Funds was to fund the required local match for the Ohio's Career Development Program.

Interfund balances at June 30, 2004, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	<u>\$ 2,631,000</u>	<u>\$ 0</u>
Special Revenue Funds:		
Miscellaneous State	0	897,000
Other State	0	29,000
Adult Basic Education	0	195,000
Job Training Partnership Act (JTPA)	0	404,000
Title VI-B Special Education	0	44,000
Vocational Education	0	289,000
Improving Teacher Quality Title II-A	0	284,000
Miscellaneous Federal Grants	0	142,000
Other Federal	0	347,000
Total Special Revenue Funds	<u>0</u>	<u>2,631,000</u>
Total All Funds	<u>\$ 2,631,000</u>	<u>\$ 2,631,000</u>

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

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 17 - State School Funding Decision

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

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

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

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

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

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

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General assembly to enact a school-funding scheme that is thorough and efficient...”. The case was appealed to the U.S. Supreme Court, which, in October 2003, declined to hear the petition.

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

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 18 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and condition specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

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

Note 19 - Set Asides

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

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

	Textbooks	Capital Improvements	Total
Set-Aside Balance Carried Forward at July 1, 2003	\$ (4,989,759)	\$ 0	
Current Year Set-Aside Requirement	10,462,532	10,462,532	
Qualifying Expenditures	(9,073,803)	(62,612,257)	
Total	\$ (3,601,030)	\$ (52,149,725)	
Cash Balance Carried Forward to Fiscal Year 2004-2005			\$ 0
Amount Restricted for Bus Purchases			0
Total Restricted Assets			\$ 0

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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

Note 20 - Jointly Governed Organizations

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

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

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

Other than the Board directing the Chief Executive Officer to secure initial external funding in the amount of \$200,000, the Board does not assume any ongoing financial interest or responsibility for the BAC and, as a result, is considered a jointly governed organization. Additional information can be obtained from the Bond Accountability Commission, Dennis Kolp, Executive Director, at Terminal Tower, Suite 1700, 50 Public Square, Cleveland, Ohio 44113.

Note 21 – Subsequent Event

On July 8, 2004, the Cleveland Municipal School District issued \$125,000,000 of School Facility Improvement Bonds, bearing interest at the rate of 2.00% - 5.25% per annum. The series 2004 bond issue is the second long term financing bond issue related to the Cleveland Municipal School District's 10-year, \$1.5 billion capital plan.

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Cleveland Municipal School District
Combining Statements - Nonmajor Funds
Nonmajor Special Revenue Funds

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

Local Funds

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

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

State Funds

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

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

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

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

Federal Funds

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

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

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

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

Combining Statements - Nonmajor Funds (continued)

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

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

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

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

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

Nonmajor Capital Projects Funds

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

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

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

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

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

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

Agency Funds

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

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

Cleveland Municipal School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 30,453,609	\$ 22,363,520	\$ 52,817,129
Receivables:			
Taxes	2,402,916	0	2,402,916
Accounts Intergovernmental	383,780	0	383,780
Materials and Supplies Inventory	4,710,343	0	4,710,343
	489,953	0	489,953
Total Assets	\$ 38,440,601	\$ 22,363,520	\$ 60,804,121
Liabilities			
Accounts Payable	\$ 1,769,972	\$ 1,747,234	\$ 3,517,206
Accrued Wages and Benefits	10,749,844	0	10,749,844
Interfund Payable	2,631,000	0	2,631,000
Intergovernmental Payable	1,587,864	0	1,587,864
Deferred Revenue	9,913,015	0	9,913,015
Total Liabilities	26,651,695	1,747,234	28,398,929
Fund Balance:			
Reserved for Encumbrances	6,565,601	7,408,280	13,973,881
Reserved for Inventory	489,953	0	489,953
Reserved for Property Taxes	472,420	0	472,420
Special Revenue Funds	4,260,932	0	4,260,932
Capital Projects Funds	0	13,208,006	13,208,006
Total Fund Balances	11,788,906	20,616,286	32,405,192
Total Liabilities and Fund Balances	\$ 38,440,601	\$ 22,363,520	\$ 60,804,121

Cleveland Municipal School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2004

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 2,644,840	\$ 0	\$ 2,644,840
Investment Income	179,461	142,824	322,285
Tuition and Fees	85,545	0	85,545
Extracurricular Activities	1,044,014	0	1,044,014
Miscellaneous	6,555,274	125,000	6,680,274
<i>State Sources:</i>			
Unrestricted Grants-in-Aid	289,779	0	289,779
Restricted Grants-in-Aid	72,739,693	1,716,319	74,456,012
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	118,784,282	0	118,784,282
Total Revenues	202,322,888	1,984,143	204,307,031
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	64,563,797	0	64,563,797
Special	45,886,242	0	45,886,242
Vocational	1,226,930	0	1,226,930
Adult/Continuing	1,609,428	0	1,609,428
<i>Support Services:</i>			
Pupils	6,420,798	0	6,420,798
Instructional Staff	30,200,467	4,400	30,204,867
Board of Education	9,996	0	9,996
Administration	5,530,766	0	5,530,766
Fiscal	1,371,205	0	1,371,205
Operation and Maintenance of Plant	752,985	8,587,973	9,340,958
Pupil Transportation	829,522	0	829,522
Central	1,084,006	0	1,084,006
Operation of Non-Instructional Services	41,848,149	0	41,848,149
Extracurricular Activities	905,899	0	905,899
Capital Outlay	0	6,133,000	6,133,000
Total Expenditures	202,240,190	14,725,373	216,965,563
Excess of Revenues Over (Under) Expenditures	82,698	(12,741,230)	(12,658,532)
Other Financing Sources (Uses):			
Transfers In	21,817	0	21,817
Total Other Financing Sources (Uses)	21,817	0	21,817
Net Change in Fund Balances	104,515	(12,741,230)	(12,636,715)
Fund Balances Beginning of Year	11,684,391	33,357,516	45,041,907
Fund Balances at End of Year	\$ 11,788,906	\$ 20,616,286	\$ 32,405,192

Cleveland Municipal School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

	Educational Special Trust	Other Local	Auxiliary Services (NPSS)
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,503,960	\$ 7,560,219	\$ 1,843,477
Receivables:			
Taxes	0	2,402,916	0
Accounts	359,570	0	0
Intergovernmental	16,834	0	0
Materials and Supplies Inventory	0	0	0
Total Assets	\$ 2,880,364	\$ 9,963,135	\$ 1,843,477
Liabilities			
Accounts Payable	\$ 23,180	\$ 0	\$ 322,245
Accrued Wages and Benefits	255,874	0	224,344
Interfund Payable	0	0	0
Intergovernmental Payable	35,823	0	31,408
Deferred Revenue	0	1,901,386	0
Total Liabilities	314,877	1,901,386	577,997
Fund Balance:			
Reserved for Encumbrances	218,814	250	697,567
Reserved for Inventory	0	0	0
Reserved for Property Taxes	0	472,420	0
Unreserved, (Deficit), Reported in: Special Revenue Funds	2,346,673	7,589,079	567,913
Total Fund Balances	2,565,487	8,061,749	1,265,480
Total Liabilities and Fund Balances	\$ 2,880,364	\$ 9,963,135	\$ 1,843,477

DPIA	Miscellaneous State	Other State	Food Service	Adult Basic Education
\$ 0	\$ 747,905	\$ 1,517,915	\$ 1,188,074	\$ 9,058
0	0	0	0	0
0	0	0	24,210	0
0	445,985	30,246	3,293,989	108,540
0	0	0	489,953	0
<u>\$ 0</u>	<u>\$ 1,193,890</u>	<u>\$ 1,548,161</u>	<u>\$ 4,996,226</u>	<u>\$ 117,598</u>
\$ 0	\$ 158,679	\$ 47,509	\$ 169,563	\$ 1,592
0	442,403	119,184	1,930,148	192,041
0	897,000	29,000	0	195,000
0	61,936	16,686	353,103	26,886
0	763,674	57,500	352,044	82,268
<u>0</u>	<u>2,323,692</u>	<u>269,879</u>	<u>2,804,858</u>	<u>497,787</u>
0	540,969	390,224	484,900	7,423
0	0	0	489,953	0
0	0	0	0	0
0	(1,670,771)	888,058	1,216,515	(387,612)
0	(1,129,802)	1,278,282	2,191,368	(380,189)
<u>\$ 0</u>	<u>\$ 1,193,890</u>	<u>\$ 1,548,161</u>	<u>\$ 4,996,226</u>	<u>\$ 117,598</u>

(continued)

Cleveland Municipal School District
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2004

	Job Training Partnership Act (JTPA)	Title VI-B Special Education	Vocational Education
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 117,506	\$ 61,585	\$ 524,564
Receivables:			
Taxes	0	0	0
Accounts	0	0	0
Intergovernmental	359,196	23,410	0
Materials and Supplies Inventory	0	0	0
Total Assets	\$ 476,702	\$ 84,995	\$ 524,564
Liabilities			
Accounts Payable	\$ 90,612	\$ 285,747	\$ 40,749
Accrued Wages and Benefits	4,468	1,266,056	203,478
Interfund Payable	404,000	44,000	289,000
Intergovernmental Payable	626	177,248	28,488
Deferred Revenue	1,797,403	50,459	3,275,359
Total Liabilities	2,297,109	1,823,510	3,837,074
Fund Balance:			
Reserved for Encumbrances	97,827	49,502	446,888
Reserved for Inventory	0	0	0
Reserved for Property Taxes	0	0	0
Unreserved, (Deficit), Reported in: Special Revenue Funds	(1,918,234)	(1,788,017)	(3,759,398)
Total Fund Balances	(1,820,407)	(1,738,515)	(3,312,510)
Total Liabilities and Fund Balances	\$ 476,702	\$ 84,995	\$ 524,564

Title I	Improving Teacher Quality Title II-A	Miscellaneous Federal Grants	Other Federal	Total Nonmajor Special Revenue Funds
\$ 11,558,267	\$ 472,194	\$ 1,555,252	\$ 793,633	\$ 30,453,609
0	0	0	0	2,402,916
0	0	0	0	383,780
0	0	225,690	206,453	4,710,343
0	0	0	0	489,953
<u>\$ 11,558,267</u>	<u>\$ 472,194</u>	<u>\$ 1,780,942</u>	<u>\$ 1,000,086</u>	<u>\$ 38,440,601</u>
\$ 376,936	\$ 15,784	\$ 192,574	\$ 44,802	\$ 1,769,972
4,453,870	836,831	573,248	247,899	10,749,844
0	284,000	142,000	347,000	2,631,000
623,542	117,157	80,255	34,706	1,587,864
0	188,194	1,319,817	124,911	9,913,015
<u>5,454,348</u>	<u>1,441,966</u>	<u>2,307,894</u>	<u>799,318</u>	<u>26,651,695</u>
1,683,850	453,371	1,346,066	147,950	6,565,601
0	0	0	0	489,953
0	0	0	0	472,420
<u>4,420,069</u>	<u>(1,423,143)</u>	<u>(1,873,018)</u>	<u>52,818</u>	<u>4,260,932</u>
<u>6,103,919</u>	<u>(969,772)</u>	<u>(526,952)</u>	<u>200,768</u>	<u>11,788,906</u>
<u>\$ 11,558,267</u>	<u>\$ 472,194</u>	<u>\$ 1,780,942</u>	<u>\$ 1,000,086</u>	<u>\$ 38,440,601</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, 2004

	Educational Special Trust	Other Local	Auxiliary Services (NPSS)
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 0	\$ 2,644,840	\$ 0
Investment Income	111,952	0	23,899
Tuition and Fees	78,475	0	0
Extracurricular Activities	0	1,044,014	0
Miscellaneous	5,031,723	0	0
<i>State Sources:</i>			
Unrestricted Grants-in-Aid	0	289,779	0
Restricted Grants-in-Aid	0	0	7,339,698
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	0	0	0
Total Revenues	5,222,150	3,978,633	7,363,597
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	162	0	0
Special	161,888	0	0
Vocational	70,703	0	0
Adult/Continuing	0	0	0
<i>Support Services:</i>			
Pupils	495,905	0	0
Instructional Staff	4,313,701	132	0
Board of Education	9,996	0	0
Administration	253,119	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	206,649	0	46,970
Pupil Transportation	0	0	0
Central	285,471	0	0
Operation of Non-Instructional Services	782	0	6,658,499
Extracurricular Activities	5,010	900,889	0
Total Expenditures	5,803,386	901,021	6,705,469
Excess of Revenues Over (Under) Expenditures	(581,236)	3,077,612	658,128
Other Financing Sources (Uses):			
Transfers In	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Net Change in Fund Balances	(581,236)	3,077,612	658,128
Fund Balances Beginning of Year	3,146,723	4,984,137	607,352
Fund Balances at End of Year	\$ 2,565,487	\$ 8,061,749	\$ 1,265,480

DPIA	Miscellaneous State	Other State	Food Service	Adult Basic Education
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	43,610	0
0	0	7,070	0	0
0	0	0	0	0
0	0	0	1,523,426	0
0	0	0	0	0
57,679,485	3,066,297	2,732,554	1,551,594	370,065
0	0	0	25,989,377	1,860,648
<u>57,679,485</u>	<u>3,066,297</u>	<u>2,739,624</u>	<u>29,108,007</u>	<u>2,230,713</u>
57,679,485	2,542,775	511,399	0	0
0	0	0	0	0
0	0	0	0	0
0	0	22,590	0	1,437,354
0	85,190	580,171	0	0
0	932,924	458,494	0	311,523
0	0	0	0	0
0	8,074	123,809	0	34,398
0	1,076	290	0	39,828
0	95,374	340	211,136	0
0	208,681	902	0	0
0	40,335	666,064	0	0
0	34	2,306	30,174,489	0
0	0	0	0	0
<u>57,679,485</u>	<u>3,914,463</u>	<u>2,366,365</u>	<u>30,385,625</u>	<u>1,823,103</u>
0	(848,166)	373,259	(1,277,618)	407,610
0	0	21,817	0	0
0	0	21,817	0	0
0	(848,166)	395,076	(1,277,618)	407,610
0	(281,636)	883,206	3,468,986	(787,799)
<u>\$ 0</u>	<u>\$ (1,129,802)</u>	<u>\$ 1,278,282</u>	<u>\$ 2,191,368</u>	<u>\$ (380,189)</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, 2004

	Job Training Partnership Act (JTPA)	Title VI-B Special Education	Vocational Education
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 0	\$ 0	\$ 0
Investment Income	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	0	0	0
<i>State Sources:</i>			
Unrestricted Grants-in-Aid	0	0	0
Restricted Grants-in-Aid	0	0	0
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	652,098	14,341,754	371,341
Total Revenues	<u>652,098</u>	<u>14,341,754</u>	<u>371,341</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	29,500	0	0
Special	433,714	3,717,494	0
Vocational	0	0	1,042,897
Adult/Continuing	0	0	52,840
<i>Support Services:</i>			
Pupils	0	2,676,085	1,478,755
Instructional Staff	93,896	4,420,382	666,285
Board of Education	0	0	0
Administration	1,783,800	1,397,870	62,431
Fiscal	0	218,520	37,252
Operation and Maintenance of Plant	14,185	0	0
Pupil Transportation	0	364,604	1,054
Central	0	0	3,241
Operation of Non-Instructional Services	0	1,249,515	0
Extracurricular Activities	0	0	0
Total Expenditures	<u>2,355,095</u>	<u>14,044,470</u>	<u>3,344,755</u>
Excess of Revenues Over (Under) Expenditures	(1,702,997)	297,284	(2,973,414)
Other Financing Sources (Uses):			
Transfers In	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(1,702,997)	297,284	(2,973,414)
Fund Balances Beginning of Year	<u>(117,410)</u>	<u>(2,035,799)</u>	<u>(339,096)</u>
Fund Balances at End of Year	<u>\$ (1,820,407)</u>	<u>\$ (1,738,515)</u>	<u>\$ (3,312,510)</u>

Title I	Improving Teacher Quality Title II-A	Miscellaneous Federal Grants	Other Federal	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,644,840
0	0	0	0	179,461
0	0	0	0	85,545
0	0	0	0	1,044,014
0	0	0	125	6,555,274
0	0	0	0	289,779
0	0	0	0	72,739,693
53,181,028	8,023,392	9,655,828	4,708,816	118,784,282
<u>53,181,028</u>	<u>8,023,392</u>	<u>9,655,828</u>	<u>4,708,941</u>	<u>202,322,888</u>
1,758,252	0	1,512,602	529,622	64,563,797
34,787,015	6,241,531	8,545	536,055	45,886,242
0	0	113,330	0	1,226,930
0	0	4,537	92,107	1,609,428
12,460	0	1,011,288	80,944	6,420,798
8,522,405	1,483,975	6,969,415	2,027,335	30,200,467
0	0	0	0	9,996
651,941	58,679	222,047	934,598	5,530,766
745,653	142,493	121,283	64,810	1,371,205
3,564	77,900	84,097	12,770	752,985
230,964	0	13,503	9,814	829,522
78,800	0	0	10,095	1,084,006
3,530,679	94,205	113,822	23,818	41,848,149
0	0	0	0	905,899
<u>50,321,733</u>	<u>8,098,783</u>	<u>10,174,469</u>	<u>4,321,968</u>	<u>202,240,190</u>
2,859,295	(75,391)	(518,641)	386,973	82,698
0	0	0	0	21,817
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,817</u>
2,859,295	(75,391)	(518,641)	386,973	104,515
3,244,624	(894,381)	(8,311)	(186,205)	11,684,391
<u>\$ 6,103,919</u>	<u>\$ (969,772)</u>	<u>\$ (526,952)</u>	<u>\$ 200,768</u>	<u>\$ 11,788,906</u>

Cleveland Municipal School District
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2004

	Permanent Improvement	Building Renovation	School Net Plus
<i>Assets</i>			
Equity in Pooled Cash and Cash Equivalents	\$ 10,169,137	\$ 8,115,070	\$ 1,707,550
Total Assets	\$ 10,169,137	\$ 8,115,070	\$ 1,707,550
<i>Liabilities</i>			
Accounts Payable	\$ 1,352,233	\$ 27,011	\$ 0
Total Liabilities	1,352,233	27,011	0
<i>Fund Balance:</i>			
Reserved for Encumbrances	4,170,189	1,864,337	0
Unreserved, (Deficit), Reported in: Capital Projects Funds	4,646,715	6,223,722	1,707,550
Total Fund Balances	8,816,904	8,088,059	1,707,550
Total Liabilities and Fund Balances	\$ 10,169,137	\$ 8,115,070	\$ 1,707,550

Ohio School Net Telecommunications	School Facility Grant	Total Nonmajor Capital Projects Funds
\$ 172,434	\$ 2,199,329	\$ 22,363,520
<u>\$ 172,434</u>	<u>\$ 2,199,329</u>	<u>\$ 22,363,520</u>
\$ 0	\$ 367,990	\$ 1,747,234
<u>0</u>	<u>367,990</u>	<u>1,747,234</u>
0	1,373,754	7,408,280
<u>172,434</u>	<u>457,585</u>	<u>13,208,006</u>
<u>172,434</u>	<u>1,831,339</u>	<u>20,616,286</u>
<u>\$ 172,434</u>	<u>\$ 2,199,329</u>	<u>\$ 22,363,520</u>

Cleveland Municipal School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004

	Permanent Improvement	Building Renovation	School Net Plus
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 142,824	\$ 0	\$ 0
Miscellaneous	0	125,000	0
<i>State Sources:</i>			
Restricted Grants-in-Aid	0	111,395	1,604,850
Total Revenues	<u>142,824</u>	<u>236,395</u>	<u>1,604,850</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Instructional Staff	0	0	4,400
Operation and Maintenance of Plant	0	5,429,328	0
Capital Outlay	6,119,132	13,868	0
Total Expenditures	<u>6,119,132</u>	<u>5,443,196</u>	<u>4,400</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,976,308)</u>	<u>(5,206,801)</u>	<u>1,600,450</u>
Fund Balances Beginning of Year	<u>14,793,212</u>	<u>13,294,860</u>	<u>107,100</u>
Fund Balances at End of Year	<u>\$ 8,816,904</u>	<u>\$ 8,088,059</u>	<u>\$ 1,707,550</u>

Ohio School Net Telecommunications	School Facility Grant	Total Nonmajor Capital Projects Funds
\$ 0	\$ 0	\$ 142,824
0	0	125,000
<u>74</u>	<u>0</u>	<u>1,716,319</u>
<u>74</u>	<u>0</u>	<u>1,984,143</u>
0	0	4,400
0	3,158,645	8,587,973
<u>0</u>	<u>0</u>	<u>6,133,000</u>
<u>0</u>	<u>3,158,645</u>	<u>14,725,373</u>
<u>74</u>	<u>(3,158,645)</u>	<u>(12,741,230)</u>
<u>172,360</u>	<u>4,989,984</u>	<u>33,357,516</u>
<u>\$ 172,434</u>	<u>\$ 1,831,339</u>	<u>\$ 20,616,286</u>

Cleveland Municipal School District
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2004

	Beginning Balance July 1, 2003	Additions	Deductions	Ending Balance June 30, 2004
District Agency Fund				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,250,223	\$ 0	\$ 143,422	\$ 1,106,801
<i>Liabilities:</i>				
Payroll Withholdings	\$ 1,250,223	\$ 0	\$ 143,422	\$ 1,106,801
 Student Managed Activity				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 796,807	\$ 0	\$ 44,094	\$ 752,713
<i>Liabilities:</i>				
Due to Students	\$ 796,807	\$ 0	\$ 44,094	\$ 752,713
 All Agency Funds				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,047,030	\$ 0	\$ 187,516	\$ 1,859,514
<i>Liabilities:</i>				
Due To Students	\$ 796,807	\$ 0	\$ 44,094	\$ 752,713
Payroll Withholdings	1,250,223	0	143,422	1,106,801
Total Liabilities	\$ 2,047,030	\$ 0	\$ 187,516	\$ 1,859,514

CLEVELAND MUNICIPAL SCHOOL DISTRICT

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

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Debt Service Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 29,503,080	\$ 31,223,998	\$ 1,720,918
Investment Income	436,706	436,706	0
<i>State Sources:</i>			
Unrestricted Grants-in-Aid	50,212,864	3,693,964	(46,518,900)
Total Revenues	<u>80,152,650</u>	<u>35,354,668</u>	<u>(44,797,982)</u>
Expenditures:			
Debt Service:			
Principal Retirement	26,220,000	26,220,000	0
Interest and Fiscal Charges	5,550,769	5,549,652	1,117
Total Expenditures	<u>31,770,769</u>	<u>31,769,652</u>	<u>1,117</u>
Excess of Revenues Over (Under) Expenditures	48,381,881	3,585,016	(44,796,865)
Other Financing Sources (Uses):			
Transfers In	944,394	944,394	0
Total Other Financing Sources (Uses)	<u>944,394</u>	<u>944,394</u>	<u>0</u>
Net Change in Fund Balances	49,326,275	4,529,410	(44,796,865)
Fund Balances Beginning of Year	26,111,330	26,111,330	0
<i>Prior Year Encumbrances Appropriated</i>	0	0	0
Fund Balances at End of Year	<u>\$ 75,437,605</u>	<u>\$ 30,640,740</u>	<u>\$ (44,796,865)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Educational Special Trust Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 111,952	\$ 111,952	\$ 0
Tuition and Fees	76,045	76,045	0
Miscellaneous	7,312,003	5,051,790	(2,260,213)
Total Revenues	<u>7,500,000</u>	<u>5,239,787</u>	<u>(2,260,213)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	13,133	162	12,971
Special	162,903	161,888	1,015
Vocational	288,644	125,142	163,502
<i>Support Services:</i>			
Pupils	722,156	554,895	167,261
Instructional Staff	6,663,485	4,793,621	1,869,864
Board of Education	10,000	9,996	4
Administration	642,420	263,361	379,059
Fiscal	8,350	0	8,350
Business	5,000	0	5,000
Operation and Maintenance of Plant	393,434	219,574	173,860
Pupil Transportation	7,202	0	7,202
Central	543,744	286,868	256,876
Operation of Non-Instructional Services	920	782	138
Extracurricular Activities	51,873	7,510	44,363
Total Expenditures	<u>9,513,264</u>	<u>6,423,799</u>	<u>3,089,465</u>
Excess of Revenues Over (Under) Expenditures	(2,013,264)	(1,184,012)	829,252
Fund Balances Beginning of Year	2,798,605	2,798,605	0
<i>Prior Year Encumbrances Appropriated</i>	<u>631,853</u>	<u>631,853</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 1,417,194</u>	<u>\$ 2,246,446</u>	<u>\$ 829,252</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Other Local Funds
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 2,352,270	\$ 2,422,578	\$ 70,308
Extracurricular Activities	1,100,046	1,044,014	(56,032)
<i>State Sources:</i>			
Unrestricted Grants-in-Aid	289,779	289,779	0
Total Revenues	<u>3,742,095</u>	<u>3,756,371</u>	<u>14,276</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Instructional Staff	177	177	0
Extracurricular Activities	1,666,821	927,172	739,649
Capital Outlay	612,637	0	612,637
Total Expenditures	<u>2,279,635</u>	<u>927,349</u>	<u>1,352,286</u>
Excess of Revenues Over (Under) Expenditures	1,462,460	2,829,022	1,366,562
Fund Balances Beginning of Year	4,729,903	4,729,903	0
<i>Prior Year Encumbrances Appropriated</i>	<u>1,045</u>	<u>1,045</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 6,193,408</u>	<u>\$ 7,559,970</u>	<u>\$ 1,366,562</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Auxiliary Services Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 23,899	\$ 23,899	\$ 0
<i>State Sources:</i>			
Restricted Grants-in-Aid	9,676,101	7,339,698	(2,336,403)
Total Revenues	<u>9,700,000</u>	<u>7,363,597</u>	<u>(2,336,403)</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Operation and Maintenance of Plant	187,677	114,726	72,951
Operation of Non-Instructional Services	9,507,923	8,587,925	919,998
Total Expenditures	<u>9,695,600</u>	<u>8,702,651</u>	<u>992,949</u>
Excess of Revenues Over (Under) Expenditures	4,400	(1,339,054)	(1,343,454)
Fund Balances Beginning of Year	39,560	39,560	0
<i>Prior Year Encumbrances Appropriated</i>	<u>1,926,200</u>	<u>1,926,200</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 1,970,160</u>	<u>\$ 626,706</u>	<u>\$ (1,343,454)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
DPIA Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 57,679,485	\$ 57,679,485	\$ 0
Total Revenues	<u>57,679,485</u>	<u>57,679,485</u>	<u>0</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	57,679,485	57,679,485	0
Total Expenditures	<u>57,679,485</u>	<u>57,679,485</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	0	0	0
Fund Balances Beginning of Year	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Miscellaneous State Grants Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 4,776,000	\$ 3,352,205	\$ (1,423,795)
Total Revenues	<u>4,776,000</u>	<u>3,352,205</u>	<u>(1,423,795)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	3,309,437	2,683,434	626,003
<i>Support Services:</i>			
Pupils	103,785	95,808	7,977
Instructional Staff	1,118,863	992,759	126,104
Administration	8,074	8,074	0
Fiscal	1,237	1,076	161
Operation and Maintenance of Plant	113,637	94,891	18,746
Pupil Transportation	213,972	208,681	5,291
Central	52,200	40,335	11,865
Operation of Non-Instructional Services	34	34	0
Total Expenditures	<u>4,921,239</u>	<u>4,125,092</u>	<u>796,147</u>
Excess of Revenues Over (Under) Expenditures	(145,239)	(772,887)	(627,648)
Other Financing Sources (Uses):			
Advances In	897,000	897,000	0
Advances Out	(173,000)	(173,000)	0
Total Other Financing Sources (Uses)	<u>724,000</u>	<u>724,000</u>	<u>0</u>
Net Change in Fund Balances	578,761	(48,887)	(627,648)
Fund Balances Beginning of Year	11,035	11,035	0
<i>Prior Year Encumbrances Appropriated</i>	<u>38,475</u>	<u>38,475</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 628,271</u>	<u>\$ 623</u>	<u>\$ (627,648)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Other State Funds
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Tuition and Fees	\$ 7,070	\$ 7,070	\$ 0
<i>State Sources:</i>			
Restricted Grants-in-Aid	4,313,113	2,759,808	(1,553,305)
Total Revenues	<u>4,320,183</u>	<u>2,766,878</u>	<u>(1,553,305)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	675,958	657,317	18,641
Vocational	12,103	0	12,103
<i>Support Services:</i>			
Pupils	655,003	629,332	25,671
Instructional Staff	1,169,586	1,073,116	96,470
Administration	147,765	126,975	20,790
Fiscal	300	290	10
Operation and Maintenance of Plant	72,340	340	72,000
Pupil Transportation	2,727	1,227	1,500
Central	1,293,965	743,472	550,493
Operation of Non-Instructional Services	2,800	2,620	180
Total Expenditures	<u>4,032,547</u>	<u>3,234,689</u>	<u>797,858</u>
Excess of Revenues Over (Under) Expenditures	287,636	(467,811)	(755,447)
Other Financing Sources (Uses):			
Advances In	29,000	29,000	0
Advances Out	(17,000)	(17,000)	0
Transfers In	21,817	21,817	0
Total Other Financing Sources (Uses)	<u>33,817</u>	<u>33,817</u>	<u>0</u>
Net Change in Fund Balances	321,453	(433,994)	(755,447)
Fund Balances Beginning of Year	840,780	840,780	0
<i>Prior Year Encumbrances Appropriated</i>	<u>617,169</u>	<u>617,169</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 1,779,402</u>	<u>\$ 1,023,955</u>	<u>\$ (755,447)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Food Service Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 43,610	\$ 43,610	\$ 0
Miscellaneous	1,499,216	1,499,216	0
<i>State Sources:</i>			
Restricted Grants-in-Aid	1,551,594	1,551,594	0
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	27,405,580	23,871,145	(3,534,435)
Total Revenues	<u>30,500,000</u>	<u>26,965,565</u>	<u>(3,534,435)</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Operation and Maintenance of Plant	41,574	41,573	1
Operation of Non-Instructional Services	29,697,223	29,253,114	444,109
Total Expenditures	<u>29,738,797</u>	<u>29,294,687</u>	<u>444,110</u>
Excess of Revenues Over (Under) Expenditures	761,203	(2,329,122)	(3,090,325)
Fund Balances Beginning of Year	949,944	949,944	0
<i>Prior Year Encumbrances Appropriated</i>	<u>1,823,287</u>	<u>1,823,287</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 3,534,434</u>	<u>\$ 444,109</u>	<u>\$ (3,090,325)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Adult Basic Education Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 653,253	\$ 653,253	\$ 0
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	2,397,747	1,834,376	(563,371)
Total Revenues	<u>3,051,000</u>	<u>2,487,629</u>	<u>(563,371)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Adult/Continuing	1,613,160	1,559,007	54,153
<i>Support Services:</i>			
Instructional Staff	323,890	323,032	858
Administration	56,024	34,398	21,626
Fiscal	43,035	39,828	3,207
Pupil Transportation	11,870	429	11,441
Total Expenditures	<u>2,047,979</u>	<u>1,956,694</u>	<u>91,285</u>
Excess of Revenues Over (Under) Expenditures	1,003,021	530,935	(472,086)
Other Financing Sources (Uses):			
Advances In	195,000	195,000	0
Advances Out	(746,000)	(746,000)	0
Total Other Financing Sources (Uses)	<u>(551,000)</u>	<u>(551,000)</u>	<u>0</u>
Net Change in Fund Balances	452,021	(20,065)	(472,086)
Fund Balances Beginning of Year	654	654	0
<i>Prior Year Encumbrances Appropriated</i>	<u>19,454</u>	<u>19,454</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 472,129</u>	<u>\$ 43</u>	<u>\$ (472,086)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Job Training Partnership Act (JTPA) Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 2,732,000	\$ 2,113,025	\$ (618,975)
Total Revenues	<u>2,732,000</u>	<u>2,113,025</u>	<u>(618,975)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	29,500	29,500	0
Special	644,838	445,305	199,533
<i>Support Services:</i>			
Instructional Staff	117,862	112,395	5,467
Administration	1,883,365	1,856,852	26,513
Operation and Maintenance of Plant	25,809	15,683	10,126
Total Expenditures	<u>2,701,374</u>	<u>2,459,735</u>	<u>241,639</u>
Excess of Revenues Over (Under) Expenditures	30,626	(346,710)	(377,336)
Other Financing Sources (Uses):			
Advances In	404,000	404,000	0
Advances Out	(136,000)	(136,000)	0
Total Other Financing Sources (Uses)	<u>268,000</u>	<u>268,000</u>	<u>0</u>
Net Change in Fund Balances	298,626	(78,710)	(377,336)
Fund Balances Beginning of Year	409	409	0
<i>Prior Year Encumbrances Appropriated</i>	<u>78,774</u>	<u>78,774</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 377,809</u>	<u>\$ 473</u>	<u>\$ (377,336)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Title VI-B Special Education Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 14,584,000	\$ 13,973,040	\$ (610,960)
Total Revenues	<u>14,584,000</u>	<u>13,973,040</u>	<u>(610,960)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Special	3,877,706	3,877,705	1
<i>Support Services:</i>			
Pupils	2,643,305	2,641,870	1,435
Instructional Staff	4,502,723	4,475,472	27,251
Administration	1,404,955	1,404,905	50
Fiscal	219,658	218,520	1,138
Pupil Transportation	352,201	352,201	0
Operation of Non-Instructional Services	1,290,778	1,289,040	1,738
Total Expenditures	<u>14,291,326</u>	<u>14,259,713</u>	<u>31,613</u>
Excess of Revenues Over (Under) Expenditures	292,674	(286,673)	(579,347)
Other Financing Sources (Uses):			
Advances In	44,000	44,000	0
Advances Out	(128,000)	(128,000)	0
Total Other Financing Sources (Uses)	<u>(84,000)</u>	<u>(84,000)</u>	<u>0</u>
Net Change in Fund Balances	208,674	(370,673)	(579,347)
Fund Balances Beginning of Year	26	26	0
<i>Prior Year Encumbrances Appropriated</i>	<u>370,985</u>	<u>370,985</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 579,685</u>	<u>\$ 338</u>	<u>\$ (579,347)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Vocational Education Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 4,446,000	\$ 3,376,882	\$ (1,069,118)
Total Revenues	<u>4,446,000</u>	<u>3,376,882</u>	<u>(1,069,118)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Vocational	1,217,193	1,199,560	17,633
Adult/Continuing	53,659	53,338	321
<i>Support Services:</i>			
Pupils	1,850,964	1,827,126	23,838
Instructional Staff	842,437	840,483	1,954
Administration	151,614	80,605	71,009
Fiscal	44,660	37,252	7,408
Pupil Transportation	8,325	5,579	2,746
Central	4,197	0	4,197
Total Expenditures	<u>4,173,049</u>	<u>4,043,943</u>	<u>129,106</u>
Excess of Revenues Over (Under) Expenditures	272,951	(667,061)	(940,012)
Other Financing Sources (Uses):			
Advances In	289,000	289,000	0
Advances Out	(235,000)	(235,000)	0
Total Other Financing Sources (Uses)	<u>54,000</u>	<u>54,000</u>	<u>0</u>
Net Change in Fund Balances	326,951	(613,061)	(940,012)
Fund Balances Beginning of Year	101	101	0
<i>Prior Year Encumbrances Appropriated</i>	<u>613,311</u>	<u>613,311</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 940,363</u>	<u>\$ 351</u>	<u>\$ (940,012)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Title I Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 76,500,000	\$ 53,181,028	\$ (23,318,972)
Total Revenues	<u>76,500,000</u>	<u>53,181,028</u>	<u>(23,318,972)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	3,147,525	1,660,955	1,486,570
Special	52,198,369	36,147,449	16,050,920
<i>Support Services:</i>			
Pupils	122,285	38,192	84,093
Instructional Staff	13,312,598	8,828,197	4,484,401
Administration	1,693,573	644,650	1,048,923
Fiscal	1,407,562	745,653	661,909
Operation and Maintenance of Plant	33,889	6,164	27,725
Pupil Transportation	3,969,588	230,964	3,738,624
Central	84,273	78,800	5,473
Operation of Non-Instructional Services	6,176,632	3,645,638	2,530,994
Capital Outlay	2,532	0	2,532
Total Expenditures	<u>82,148,826</u>	<u>52,026,662</u>	<u>30,122,164</u>
Excess of Revenues Over (Under) Expenditures	(5,648,826)	1,154,366	6,803,192
Fund Balances Beginning of Year	5,780,439	5,780,439	0
<i>Prior Year Encumbrances Appropriated</i>	<u>2,298,530</u>	<u>2,298,530</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 2,430,143</u>	<u>\$ 9,233,335</u>	<u>\$ 6,803,192</u>

Cleveland Municipal School District
*Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Improving Teacher Quality Title II-A Fund
 For the Fiscal Year Ended June 30, 2004*

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 9,984,000	\$ 8,184,270	\$ (1,799,730)
Total Revenues	<u>9,984,000</u>	<u>8,184,270</u>	<u>(1,799,730)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Special	6,954,686	6,006,116	948,570
<i>Support Services:</i>			
Instructional Staff	2,264,542	2,106,911	157,631
Administration	107,000	62,461	44,539
Fiscal	177,459	142,493	34,966
Operation and Maintenance of Plant	69,834	69,834	0
Operation of Non-Instructional Services	223,571	107,105	116,466
Total Expenditures	<u>9,797,092</u>	<u>8,494,920</u>	<u>1,302,172</u>
Excess of Revenues Over (Under) Expenditures	186,908	(310,650)	(497,558)
Other Financing Sources (Uses):			
Advances In	284,000	284,000	0
Advances Out	(268,000)	(268,000)	0
Total Other Financing Sources (Uses)	<u>16,000</u>	<u>16,000</u>	<u>0</u>
Net Change in Fund Balances	202,908	(294,650)	(497,558)
Fund Balances Beginning of Year	316	316	0
<i>Prior Year Encumbrances Appropriated</i>	<u>295,000</u>	<u>295,000</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 498,224</u>	<u>\$ 666</u>	<u>\$ (497,558)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Miscellaneous Federal Grants Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 13,358,000	\$ 10,199,880	\$ (3,158,120)
Total Revenues	<u>13,358,000</u>	<u>10,199,880</u>	<u>(3,158,120)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	2,109,251	2,108,870	381
Special	16,659	16,659	0
Vocational	124,719	113,330	11,389
Adult/Continuing	4,537	4,537	0
<i>Support Services:</i>			
Pupils	1,259,199	1,183,218	75,981
Instructional Staff	8,912,436	7,176,008	1,736,428
Administration	400,242	216,869	183,373
Fiscal	202,574	121,283	81,291
Business	225	0	225
Operation and Maintenance of Plant	114,393	90,306	24,087
Pupil Transportation	270,280	263,789	6,491
Central	41,717	0	41,717
Operation of Non-Instructional Services	133,641	133,470	171
Total Expenditures	<u>13,589,873</u>	<u>11,428,339</u>	<u>2,161,534</u>
Excess of Revenues Over (Under) Expenditures	(231,873)	(1,228,459)	(996,586)
Other Financing Sources (Uses):			
Advances In	142,000	142,000	0
Total Other Financing Sources (Uses)	<u>142,000</u>	<u>142,000</u>	<u>0</u>
Net Change in Fund Balances	(89,873)	(1,086,459)	(996,586)
Fund Balances Beginning of Year	565,348	565,348	0
<i>Prior Year Encumbrances Appropriated</i>	<u>521,984</u>	<u>521,984</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 997,459</u>	<u>\$ 873</u>	<u>\$ (996,586)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Other Federal Funds
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Miscellaneous	\$ 125	\$ 125	\$ 0
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	8,666,875	3,876,095	(4,790,780)
Total Revenues	<u>8,667,000</u>	<u>3,876,220</u>	<u>(4,790,780)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	546,848	478,449	68,399
Special	1,550,394	520,878	1,029,516
Adult/Continuing	103,849	103,849	0
<i>Support Services:</i>			
Pupils	145,394	83,464	61,930
Instructional Staff	3,144,585	2,436,800	707,785
Administration	2,210,506	976,830	1,233,676
Fiscal	101,516	64,810	36,706
Pupil Transportation	16,593	10,534	6,059
Central	10,095	10,095	0
Operation of Non-Instructional Services	86,373	56,872	29,501
Capital Outlay	340,867	35,596	305,271
Total Expenditures	<u>8,257,020</u>	<u>4,778,177</u>	<u>3,478,843</u>
Excess of Revenues Over (Under) Expenditures	409,980	(901,957)	(1,311,937)
Other Financing Sources (Uses):			
Advances In	347,000	347,000	0
Advances Out	(123,000)	(123,000)	0
Total Other Financing Sources (Uses)	<u>224,000</u>	<u>224,000</u>	<u>0</u>
Net Change in Fund Balances	633,980	(677,957)	(1,311,937)
Fund Balances Beginning of Year	470,927	470,927	0
<i>Prior Year Encumbrances Appropriated</i>	796,708	796,708	0
Fund Balances at End of Year	<u>\$ 1,901,615</u>	<u>\$ 589,678</u>	<u>\$ (1,311,937)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Permanent Improvement Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 150,000	\$ 142,824	\$ (7,176)
Total Revenues	<u>150,000</u>	<u>142,824</u>	<u>(7,176)</u>
Expenditures:			
Capital Outlay	11,262,492	10,434,841	827,651
Total Expenditures	<u>11,262,492</u>	<u>10,434,841</u>	<u>827,651</u>
Excess of Revenues Over (Under) Expenditures	(11,112,492)	(10,292,017)	820,475
Fund Balances Beginning of Year	11,867,704	11,867,704	0
<i>Prior Year Encumbrances Appropriated</i>	<u>3,049,600</u>	<u>3,049,600</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 3,804,812</u>	<u>\$ 4,625,287</u>	<u>\$ 820,475</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Building Renovation Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Miscellaneous	\$ 125,000	\$ 125,000	\$ 0
<i>State Sources:</i>			
Restricted Grants-in-Aid	5,875,000	111,395	(5,763,605)
Total Revenues	<u>6,000,000</u>	<u>236,395</u>	<u>(5,763,605)</u>
Expenditures:			
<i>Current:</i>			
Operation and Maintenance of Plant	13,704,111	7,934,382	5,769,729
Capital Outlay	19,756	19,756	0
Total Expenditures	<u>13,723,867</u>	<u>7,954,138</u>	<u>5,769,729</u>
Excess of Revenues Over (Under) Expenditures	(7,723,867)	(7,717,743)	6,124
Fund Balances Beginning of Year	8,035,719	8,035,719	0
<i>Prior Year Encumbrances Appropriated</i>	5,905,746	5,905,746	0
Fund Balances at End of Year	<u>\$ 6,217,598</u>	<u>\$ 6,223,722</u>	<u>\$ 6,124</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Classroom Facilities Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 871,367	\$ 871,367	\$ 0
<i>State Sources:</i>			
Restricted Grants-in-Aid	34,128,633	31,320,273	(2,808,360)
Total Revenues	<u>35,000,000</u>	<u>32,191,640</u>	<u>(2,808,360)</u>
Expenditures:			
Capital Outlay	203,298,581	112,485,433	90,813,148
Total Expenditures	<u>203,298,581</u>	<u>112,485,433</u>	<u>90,813,148</u>
Excess of Revenues Over (Under) Expenditures	(168,298,581)	(80,293,793)	88,004,788
Other Financing Sources (Uses):			
Proceeds From Sale of Bonds	125,000,000	0	(125,000,000)
Total Other Financing Sources (Uses)	<u>125,000,000</u>	<u>0</u>	<u>(125,000,000)</u>
Net Change in Fund Balances	(43,298,581)	(80,293,793)	(36,995,212)
Fund Balances Beginning of Year	45,895,778	45,895,778	0
<i>Prior Year Encumbrances Appropriated</i>	36,560,598	36,560,598	0
Fund Balances at End of Year	<u>\$ 39,157,795</u>	<u>\$ 2,162,583</u>	<u>\$ (36,995,212)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
School Net Plus Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 2,000,000	\$ 1,604,850	\$ (395,150)
Total Revenues	<u>2,000,000</u>	<u>1,604,850</u>	<u>(395,150)</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Instructional Staff	1,676,950	4,400	1,672,550
Operation and Maintenance of Plant	35,000	0	35,000
Total Expenditures	<u>1,711,950</u>	<u>4,400</u>	<u>1,707,550</u>
Excess of Revenues Over (Under) Expenditures	288,050	1,600,450	1,312,400
Fund Balances Beginning of Year	107,100	107,100	0
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 395,150</u>	<u>\$ 1,707,550</u>	<u>\$ 1,312,400</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Ohio School Net Telecommunications Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 250,000	\$ 74	\$ (249,926)
Total Revenues	<u>250,000</u>	<u>74</u>	<u>(249,926)</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Instructional Staff	100,360	0	100,360
Operation and Maintenance of Plant	72,000	0	72,000
Total Expenditures	<u>172,360</u>	<u>0</u>	<u>172,360</u>
Excess of Revenues Over (Under) Expenditures	77,640	74	(77,566)
Fund Balances Beginning of Year	100,365	100,365	0
<i>Prior Year Encumbrances Appropriated</i>	<u>71,995</u>	<u>71,995</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 250,000</u>	<u>\$ 172,434</u>	<u>\$ (77,566)</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
School Facility Grant Fund
For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 8,000,000	\$ 0	\$ (8,000,000)
Total Revenues	<u>8,000,000</u>	<u>0</u>	<u>(8,000,000)</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Operation and Maintenance of Plant	7,132,168	5,334,857	1,797,311
Total Expenditures	<u>7,132,168</u>	<u>5,334,857</u>	<u>1,797,311</u>
Excess of Revenues Over (Under) Expenditures	867,832	(5,334,857)	(6,202,689)
Fund Balances Beginning of Year	8,702	8,702	0
<i>Prior Year Encumbrances Appropriated</i>	<u>5,779,040</u>	<u>5,779,040</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 6,655,574</u>	<u>\$ 452,885</u>	<u>\$ (6,202,689)</u>

Statistical Section

Cleveland Municipal School District

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

	1995	1996	1997	1998	1999	2000
Program Revenues						
Charges for Services	N/A	N/A	N/A	N/A	N/A	N/A
Operating Grants and Contributions	N/A	N/A	N/A	N/A	N/A	N/A
Capital Grants and Contributions	N/A	N/A	N/A	N/A	N/A	N/A
General Revenues						
Local Sources:						
Taxes	\$ 154,824,367	\$ 155,490,489	\$ 187,021,369	\$ 223,362,432	\$ 233,513,561	\$ 217,137,676
Investment Income	4,755,345	5,844,675	6,685,375	11,544,482	13,767,095	16,861,000
Tuition and Fees	739,728	658,500	781,852	1,391,599	1,728,030	1,023,218
Extracurricular Activities	1,337,511	1,318,246	1,251,565	1,274,051	1,293,306	857,343
Rentals	222,615	158,452	162,355	125,406	104,352	100,771
Miscellaneous	3,089,107	3,878,521	3,268,605	4,706,558	2,536,103	1,826,986
State Sources:						
Unrestricted Grants-in-Aid (2) (3)	229,120,768	239,618,796	232,505,491	270,945,514	322,814,426	316,361,566
Restricted Grants-in-Aid (3)	44,858,211	56,875,712	49,757,129	73,130,537	46,268,975	50,261,774
Federal Sources:						
Unrestricted Grants-in-Aid	1,019,721	2,348,543	2,001,397	5,505,195	3,957,556	4,109,302
Restricted Grants-in-Aid	44,033,519	39,208,676	60,140,167	58,371,212	54,888,588	52,036,799
Total	\$ 484,000,892	\$ 505,400,610	\$ 543,575,305	\$ 650,356,986	\$ 680,871,992	\$ 660,576,435

(continued)

Cleveland Municipal School District

General Governmental

Revenues by Source (1) (continued)

Last Ten Fiscal Years

	2001		2002 (4)		2003 (4)		2004 (4)	
			Full Accrual	Modified Accrual	Full Accrual	Modified Accrual	Full Accrual	Modified Accrual
Program Revenues								
Charges for Services	N/A	\$ 804,375	\$	N/A	\$ 529,043	N/A	\$ 994,043	N/A
Operating Grants and Contributions	N/A	197,213,751		N/A	208,914,717	N/A	206,680,517	N/A
Capital Grants and Contributions	N/A	3,433,050		N/A	5,109,270	N/A	121,233,985	N/A
General Revenues								
Local Sources:								
Taxes	\$ 224,284,910	272,397,563	\$ 259,607,843	\$ 215,870,761	\$ 213,602,787	\$ 246,794,199	\$ 262,582,746	\$ 246,794,199
Investment Income	18,285,338	7,844,704	7,844,704	4,688,605	4,688,605	2,945,010	2,945,010	2,945,010
Tuition and Fees	1,532,003	0	928,493	0	654,602	1,079,586	0	1,079,586
Extracurricular Activities	705,765	0	474,299	0	570,391	1,044,014	0	1,044,014
Rentals	16,115	0	0	0	0	0	0	0
Miscellaneous	7,125,706	2,443,123	13,059,119	4,324,953	13,255,835	9,521,102	2,840,826	9,521,102
State Sources:								
Unrestricted Grants-in-Aid (2) (3)	310,739,648	320,497,947	320,497,947	302,965,559	302,965,559	335,747,598	335,747,598	335,747,598
Restricted Grants-in-Aid (3)	75,892,321	0	88,546,257	37,955,928	129,821,083	0	0	109,333,452
Federal Sources:								
Unrestricted Grants-in-Aid	5,303,880	5,206,702	5,206,702	19,787,241	19,787,241	11,022,960	11,022,960	11,022,960
Restricted Grants-in-Aid	65,045,715	0	95,141,262	0	114,895,243	0	0	118,784,282
Total	\$ 708,931,401	\$ 809,841,215	\$ 791,306,626	\$ 800,146,077	\$ 800,241,346	\$ 944,047,685	\$ 836,272,203	\$ 836,272,203

(concluded)

Notes:

- (1) Includes General Fund, Special Revenue Capital Projects and Debt Service Funds for modified accrual and all governmental activities for full accrual
- (2) Includes desegregation reimbursement in fiscal years ending June 30, 1995 - 2000
- (3) Amounts reflect the state-mandated reclassification of Disadvantaged Pupil Impact Aid from an unrestricted grant-in-aid in the General Fund to a restricted grant-in-aid in the Special Revenue Funds
- (4) Effective beginning in the year ended June 30, 2002, Food Service, Consumer Services Rotary and Child Care Center which had been classified as Enterprise Funds, were reclassified to Special Revenue Funds. Also the Education Special Trust Fund which had been classified as an Expendable Trust Fund, was reclassified to a Special Revenue Fund

Source: School District Financial Records

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

	1995	1996	1997	1998	1999	2000
Expenses/Expenditures						
Current:						
Instruction:						
Regular (2)	\$ 177,385,226	\$ 210,104,970	\$ 179,097,325	\$ 203,261,984	\$ 233,987,148	\$ 253,119,426
Special	76,385,384	72,817,142	87,746,044	87,261,071	94,776,091	89,282,118
Vocational	17,973,567	17,412,555	16,366,961	17,023,889	16,942,842	18,193,372
Adult/Continuing (2)	3,587,840	3,570,206	3,683,513	3,913,542	3,788,063	4,848,478
Other (2)	2,704,509	1,726,811	2,999,947	2,950,684	1,855,733	1,334,029
Support Services:						
Pupils	21,247,422	16,087,440	17,691,394	21,921,900	24,779,405	25,420,577
Instructional Staff	23,630,141	22,733,960	24,023,707	30,181,237	31,414,445	34,331,720
Board of Education	124,123	73,636	55,704	47,747	108,155	187,039
Administration (2)	33,327,350	32,017,140	33,631,621	36,596,789	37,130,298	44,562,207
Fiscal	6,395,376	9,059,791	7,257,818	7,951,092	8,709,423	3,609,819
Business	1,293,156	4,422,478	1,850,968	932,006	2,663,827	467,520
Operations and Maintenance of Plant (2)	46,578,974	46,484,000	47,602,874	50,974,217	57,138,998	59,434,441
Pupil Transportation	26,155,973	24,815,117	26,027,138	25,620,574	33,277,000	32,668,584
Central	12,951,371	10,073,814	12,392,000	14,503,295	22,424,027	24,238,631
Operation of Non-Instructional Services	7,248,078	8,651,473	9,985,024	12,709,080	13,954,888	14,415,830
Extracurricular Activities	2,976,629	2,747,296	4,161,582	5,046,897	5,934,577	7,617,561
Capital Outlay	7,996,372	7,390,638	9,359,126	22,923,467	18,020,328	10,831,630
Intergovernmental	0	0	19,472	10,355	0	0
Debt Service	25,510,002	27,859,189	26,256,765	27,952,642	21,965,715	21,505,401
Total	\$ 493,471,493	\$ 518,047,656	\$ 510,208,983	\$ 571,782,468	\$ 628,870,963	\$ 646,068,383

(continued)

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

	2001		2002 (3)		2003 (3)		2004 (3)	
	Full Accrual	Modified Accrual	Full Accrual	Modified Accrual	Full Accrual	Modified Accrual	Full Accrual	Modified Accrual
Expenses/Expenditures								
Current:								
Instruction:								
Regular (2)	\$ 239,454,508	\$ 285,812,361	\$ 267,806,654	\$ 292,996,927	\$ 279,487,310	\$ 290,987,320	\$ 282,588,920	
Special	114,694,607	134,372,522	134,340,753	133,693,977	133,544,331	143,004,004	142,508,629	
Vocational	17,407,927	17,515,053	17,511,631	17,726,322	17,687,269	15,994,184	15,999,270	
Adult/Continuing (2)	4,971,848	5,687,512	5,674,172	5,836,915	5,829,809	5,094,891	5,102,664	
Other (2)	1,745,463	3,015,312	3,015,312	649,876	649,876	198,400	198,400	
Support Services:								
Pupils	27,256,542	45,797,274	32,530,531	43,833,809	42,077,898	45,012,097	41,479,432	
Instructional Staff	46,378,563	64,764,521	64,694,935	63,960,109	64,123,973	56,236,589	56,192,266	
Board of Education	211,884	288,859	277,862	304,039	289,091	259,950	252,707	
Administration (2)	41,378,477	52,787,800	49,145,584	55,540,796	53,270,115	45,084,175	44,542,970	
Fiscal	10,208,253	1,606,735	9,476,226	12,688,426	12,700,693	10,893,531	10,896,259	
Business	1,480,088	1,146,699	1,141,199	1,275,129	1,243,797	1,091,725	1,082,675	
Operations and Maintenance of Plant (2)	64,007,087	61,649,791	84,859,246	67,222,113	76,805,490	62,223,013	70,515,379	
Pupil Transportation	38,190,326	40,111,930	43,060,114	39,750,255	38,221,943	38,379,675	37,217,500	
Central	23,102,425	18,755,847	18,403,231	20,175,678	20,047,777	16,698,556	16,639,171	
Operation of Non-Instructional Services	12,740,364	43,155,357	43,042,767	43,804,093	42,915,460	43,837,168	44,336,368	
Extracurricular Activities	8,047,977	7,955,139	7,892,613	7,611,100	7,593,763	7,051,078	7,034,194	
Capital Outlay	22,020,994	0	4,031,805	0	21,213,426	0	54,594,406	
Intergovernmental	0	0	0	0	0	0	0	
Debt Service	21,063,034	12,759,118	22,167,967	16,890,272	21,559,085	9,830,504	39,728,921	
Total	\$ 694,360,367	\$ 797,181,830	\$ 809,072,602	\$ 823,959,836	\$ 839,261,106	\$ 791,876,860	\$ 870,910,131	

Notes:

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

Source: School District Financial Records

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

Collection Year (2)	Current		Percent Collected (1)	Delinquencies		Total Collected	Total Collected As Percent Of Current Tax Levy		Outstanding Delinquent Taxes By Year (3)		Outstanding Delinquent Taxes As Percent Of Billed
	Tax Levy Billed (1)	Current Collected		Collected	Delinquencies		As Percent Of Current Tax Levy	Outstanding Delinquent Taxes	By Year (3)		
1994	\$ 175,683	\$ 162,317	92.4%	\$ 6,906	\$ 169,223	96.3%	\$ 31,531	17.9%			
1995	174,235	161,649	92.8	6,215	167,864	96.3	30,303	17.4			
1996	175,681	162,639	92.6	7,542	170,181	96.9	34,241	19.5			
1997	245,517	226,095	92.1	13,014	239,109	97.4	43,604	17.8			
1998	249,886	230,033	92.1	15,110	245,143	98.1	53,535	21.4			
1999	254,305	233,041	91.6	14,443	247,484	97.3	51,804	20.4			
2000	254,810	228,787	89.8	14,286	243,073	95.4	62,875	24.7			
2001	253,539	221,059	87.2	14,721	235,780	93.0	79,440	31.3			
2002	270,791	233,553	86.2	20,463	254,016	93.8	82,878	30.6			
2003	263,003	232,417	88.4	17,296	249,713	94.9	99,809	37.9			

Notes:

- (1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental Revenue.
- (2) Represents collection year. 2004 information cannot be presented because all collections have not been made by June 30.
- (3) This amount cannot be calculated based on other information in this statistical table because of retroactive additions and reductions which are brought on in one lump sum.

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

Cleveland Municipal School District
 Assessed and Estimated Actual Value of Taxable Property
 Last Ten Collection Years
 (\$ in Thousands)

Collection Year	Real Property (1)		Public Utility Property (2)		Tangible Personal Property (3)		Total		Ratio
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1995	\$ 3,690,111	\$ 10,543,174	\$ 520,157	\$ 591,088	\$ 812,996	\$ 3,251,984	\$ 5,023,264	\$ 14,386,246	35%
1996	3,727,115	10,648,900	485,803	552,049	823,490	3,293,960	5,036,408	14,494,909	35
1997	3,794,182	10,840,520	478,775	544,063	860,068	3,440,272	5,133,025	14,824,855	35
1998	4,044,292	11,555,120	476,178	541,111	887,928	3,551,712	5,408,398	15,647,943	35
1999	4,116,029	11,760,083	479,223	544,572	915,905	3,663,620	5,511,157	15,968,275	35
2000	4,139,968	11,828,480	444,748	505,395	955,316	3,821,264	5,540,032	16,155,139	34
2001	4,656,974	13,305,640	453,054	514,834	989,442	3,957,768	6,099,470	17,778,242	34
2002	4,689,984	13,399,954	370,677	421,224	980,692	3,922,768	6,041,353	17,743,946	34
2003	4,609,619	13,170,340	357,125	405,824	852,234	3,705,365	5,818,978	17,281,529	34
2004	4,903,040	14,008,686	357,470	406,216	723,018	3,143,557	5,983,528	17,558,458	34

Notes:

- (1) The assessed value of real property is fixed at 35% of estimated actual value and is determined pursuant to the rules of the State Tax Commissioner.
- (2) Assumes public utilities are assessed at true value, which is 88% of estimated actual value.
- (3) In accordance with State law, the rate at which tangible personal property used in business is assessed for purposes of ad valorem property taxation decreased one percent each year from 35% in 1983 and prior years to 25% for the 1995 collection year to 2002 and 23% for 2003 and 2004.

Source: Cuyahoga County Auditor

Cleveland Municipal School District

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

Collection Year	City of Cleveland	Cuyahoga County	Cleveland Public Library	Cleveland Municipal School District			Total (1)	Village of Bratenahl (2)	Village of Newburgh Heights (2)	Village of Linndale (2)	City of Garfield Heights (2)
				General Fund	Bond Retirement						
1995	12.70	16.60	3.00	44.70	3.40	80.40	26.40	12.80	2.80	18.40	
1996	12.70	16.60	3.00	44.70	3.40	80.40	26.40	12.80	2.80	18.70	
1997	12.70	16.60	3.00	58.20	2.80	93.30	25.10	12.80	2.80	18.90	
1998	12.70	16.60	3.00	58.20	2.80	93.30	25.10	12.80	2.80	18.90	
1999	12.70	15.30	4.00	58.20	2.80	93.00	25.10	12.80	2.80	19.10	
2000	12.70	15.30	4.00	58.20	2.60	92.80	25.10	12.80	2.80	19.00	
2001	12.70	16.20	4.00	58.20	2.40	93.50	24.70	12.80	2.80	19.60	
2002	12.70	16.20	4.00	58.70	6.10	97.70	20.30	12.80	2.80	19.60	
2003	12.70	16.20	4.00	58.70	6.10	97.70	20.50	12.80	2.80	20.10	
2004	12.70	18.00	6.80	58.70	6.10	102.30	14.00	12.80	2.80	20.10	

Notes:

(1) Amount represents the total for a City of Cleveland resident.

(2) Certain points of the Villages of Bratenahl, Newburgh Heights and Linndale and the City of Garfield Heights are within the Cleveland Municipal School District (CMSD) and are subject to the CMSD tax.

Source: Cuyahoga County Auditor

Cleveland Municipal School District

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

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1995	505,616	\$ 5,023,264	\$ 163,301	\$ 20,373	\$ 142,928	2.85 %	\$ 283
1996	505,616	5,036,408	151,428	19,751	131,677	2.61	260
1997	505,616	5,133,025	140,826	20,992	119,834	2.33	237
1998	505,616	5,408,398	128,539	23,156	105,383	1.95	208
1999	505,616	5,511,157	120,790	26,406	94,384	1.71	187
2000	478,403	5,540,032	112,615	20,781	91,834	1.66	192
2001	478,403	6,099,470	125,276	21,448	103,828	1.70	217
2002	478,403	6,041,353	151,223	35,849	115,374	1.91	241
2003	478,403	5,818,978	148,685	29,516	119,169	2.05	249
2004	478,403	5,983,527	120,811	37,526	83,285	1.39	174

Notes:

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

Cleveland Municipal School District

Computation of Direct and Overlapping Debt
June 30, 2004

Name of Governmental Unit	Gross Debt Outstanding	Debt Service Fund (Cash Balance)	Net Outstanding Debt	Percentage Applicable to Cleveland Municipal School District (1)	Amount Applicable to Cleveland Municipal School District
Direct Debt:					
Cleveland Municipal School District (2)	\$ 99,560,000	\$ 30,640,740	\$ 68,919,260	100.00%	\$ 68,919,260
Overlapping Debt:					
City of Cleveland (3)	356,900,000	8,522,737	348,377,263	97.57	339,911,696
Cuyahoga County (3)	182,844,636	326,661	182,517,975	19.74	36,029,048
Village of Bratenahl (3)	760,000	236,572	523,428	100.00	523,428
City of Garfield Heights (3)	29,156,000	32,040	29,123,960	5.96	1,735,788
Greater Cleveland Regional Transit Authority (3)	100,885,000	988,506	99,896,494	19.74	19,719,568
Total Overlapping Debt	<u>670,545,636</u>	<u>10,106,516</u>	<u>660,439,120</u>		<u>397,919,528</u>
Total	<u>\$ 770,105,636</u>	<u>\$ 40,747,256</u>	<u>\$ 729,358,380</u>		<u>\$ 466,838,788</u>

Notes:

- (1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the School District by the total assessed valuation of the subdivision.
- (2) The gross debt outstanding does not include EPA loans of \$198,070, capital lease obligations of \$6,886,795 and H.B. 264 Energy Conservation Note of \$10,374,805.
- (3) City of Cleveland, Cuyahoga County, Village of Bratenahl, City of Garfield Heights and the Greater Cleveland Regional Transit Authority operate on a calendar year.

Source: Cuyahoga County Auditor

Cleveland Municipal School District

Computation of Legal Debt Margin

June 30, 2004

Assessed Value	\$ 5,983,528,000
Debt Limit - 9% of Assessed Value (1)	<u>538,517,520</u>
Amount of Debt Applicable to Debt Limit:	
General Obligation Bond	120,810,000
Revenue Anticipation Notes	49,440,000
Amount Available in Debt Service Fund	<u>(37,526,471)</u>
Total	132,723,529
Exemptions:	
Revenue Anticipation Notes	49,440,000
QZAB - Arts Academy	5,750,000
QZAB - Technology Academy	5,500,000
QZAB - Literacy Academy	<u>10,000,000</u>
Total	70,690,000
Amount of Debt Subject to the Limit	<u>62,033,529</u>
Total Debt Margin	<u>\$ 476,483,991</u>
Debt Margin - .10% of Assessed Value (1)	<u>\$ 5,983,528</u>
Amount of Debt Applicable to Debt Limit	
Gross indebtedness authorized by the Board	<u>0</u>
Amount of Debt Subject to the Limit	<u>0</u>
Unvoted Debt Margin	<u>\$ 5,983,528</u>
Additional Limit for Unvoted Energy Conservation Bonds:	
Debt Limited - 1% of Assessed Valuation	\$ 59,835,280
Energy Conservation Bonds	<u>865,000</u>
Additional Unvoted Debt Margin	<u>\$ 58,970,280</u>

Source: Cuyahoga County Auditor and School District Financial Records

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

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

Year	Debt Service Expenditures (1)			Total Governmental Fund Type Expenditures (2)	Ratio of Debt Service to Governmental Fund Type Expenditures (Percentages)
	Principal	Interest and Fiscal Charges	Total		
1995	\$ 10,645	\$ 14,561	\$ 25,206	\$ 493,471	5.1%
1996	12,905	8,446	21,351	518,048	4.1
1997	11,695	7,589	19,284	510,209	3.8
1998	13,445	7,044	20,489	571,782	3.6
1999	8,975	6,738	15,713	628,871	2.5
2000	9,475	5,779	15,254	646,068	2.4
2001	9,965	5,265	15,230	694,360	2.2
2002	10,510	4,711	15,221	809,072	1.9
2003	2,098	4,338	6,436	839,261	0.8
2004	27,875	5,022	32,897	870,910	3.8

Notes:

(1) Includes general obligation bonds only.

(2) Includes all governmental fund types. Effective beginning in the year ended June 30, 2002, Food Service, Consumer Services Rotary and Child Care Center which had been classified as Enterprise Funds, were reclassified to Special Revenue Funds. Also the Education Special Trust Fund which had been classified as an Expendable Trust Fund, was reclassified to a Special Revenue Fund.

Source: School District Financial Records

Cleveland Municipal School District

Schedule of Insurance in Force
June 30, 2004

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

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

Source: School District Records

Cleveland Municipal School District

Attendance Data Last Ten Fiscal Years

Year	Number of Graduates	Average Daily Membership	Average Daily Attendance	Average Daily Attendance As Percent of Average Daily Membership	Percent Change Average Daily Attendance From Prior Year Increase (Decrease)
1995	1,853	69,211	60,740	87.76%	(0.37)
1996	1,967	71,054	60,294	84.86	(0.73)
1997	2,059	71,344	62,093	87.03	2.98
1998	1,738	73,312	64,869	88.48	4.47
1999	2,070	76,170	66,191	86.90	2.04
2000	2,067	76,323	63,500	83.20	(4.07)
2001	2,115	74,193	66,032	89.00	3.99
2002	2,275	72,898	64,879	89.00	(1.75)
2003	2,364	71,613	63,736	89.00	(1.76)
2004	2,505	69,559	61,908	89.00	(2.87)

Source: Office of Research, Evaluation and Assessment

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

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
<i>Average Daily Membership</i>	<u>69,211</u>	<u>71,054</u>	<u>71,344</u>	<u>73,312</u>	<u>76,170</u>
<i>Instruction:</i>					
Regular	\$ 2,563	\$ 2,957	\$ 2,510	\$ 2,773	\$ 3,072
Special	1,103	1,025	1,230	1,190	1,244
Vocational	260	244	229	232	223
Adult/Continuing	52	50	52	54	50
Other	39	24	42	40	24
<i>Total Instruction</i>	<u>4,017</u>	<u>4,300</u>	<u>4,063</u>	<u>4,289</u>	<u>4,613</u>
<i>Support Services:</i>					
Pupils	307	226	248	299	325
Instructional Staff	341	321	337	412	412
Board of Education	2	1	1	1	1
Administration	482	451	471	499	487
Fiscal	92	128	102	108	114
Business	19	62	26	13	35
Operations and Maintenance of Plant	672	654	667	695	751
Pupil Transportation	378	349	365	349	437
Central	187	142	174	198	295
<i>Total Support Services</i>	<u>2,480</u>	<u>2,334</u>	<u>2,391</u>	<u>2,574</u>	<u>2,857</u>
<i>Total Operation of Non-Instructional Services</i>	105	122	140	173	183
<i>Total Extracurricular Activities</i>	43	39	58	69	78
<i>Total Capital Outlay</i>	116	104	131	313	237
<i>Total Debt Service</i>	<u>369</u>	<u>392</u>	<u>368</u>	<u>381</u>	<u>288</u>
<i>Total Expenditures</i>	<u>\$ 7,130</u>	<u>\$ 7,291</u>	<u>\$ 7,151</u>	<u>\$ 7,799</u>	<u>\$ 8,256</u>

(continued)

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

	2000	2001	2002 (1)	2003 (1)	2004 (1)
<i>Average Daily Membership</i>	<u>76,323</u>	<u>74,193</u>	<u>72,898</u>	<u>71,613</u>	<u>69,559</u>
<i>Instruction:</i>					
Regular	\$ 3,316	\$ 3,227	\$ 3,674	\$ 3,903	\$ 4,063
Special	1,170	1,546	1,843	1,865	2,049
Vocational	238	235	240	247	230
Adult/Continuing	64	67	78	81	73
Other	<u>17</u>	<u>23</u>	<u>41</u>	<u>9</u>	<u>3</u>
<i>Total Instruction</i>	<u>4,805</u>	<u>5,098</u>	<u>5,876</u>	<u>6,105</u>	<u>6,418</u>
<i>Support Services:</i>					
Pupils	333	367	446	588	596
Instructional Staff	450	625	887	895	808
Board of Education	2	3	4	4	4
Administration	584	558	674	744	640
Fiscal	47	138	130	177	157
Business	6	20	16	17	15
Operations and Maintenance of Plant	779	863	1,164	1,061	1,014
Pupil Transportation	428	515	591	534	535
Central	<u>318</u>	<u>311</u>	<u>252</u>	<u>280</u>	<u>239</u>
<i>Total Support Services</i>	<u>2,947</u>	<u>3,400</u>	<u>4,164</u>	<u>4,301</u>	<u>4,008</u>
<i>Total Operation of Non-Instructional Services</i>	189	172	590	599	637
<i>Total Extracurricular Activities</i>	100	108	108	106	101
<i>Total Capital Outlay</i>	142	297	55	307	785
<i>Total Debt Service</i>	<u>282</u>	<u>284</u>	<u>304</u>	<u>301</u>	<u>571</u>
<i>Total Expenditures</i>	<u>\$ 8,465</u>	<u>\$ 9,359</u>	<u>\$ 11,097</u>	<u>\$ 11,719</u>	<u>\$ 12,520</u>

(concluded)

Source: School District Financial Records

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

Cleveland Municipal School District
 School Lunch Program
 Last Ten Fiscal Years

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
AVERAGE DAILY MEMBERSHIP	69,211	71,054	71,344	73,312	76,170	76,323	74,193	72,898	71,613	69,559
Sec. Paid lunch - price per meal	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20
Reduced lunch - price per meal	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Adult lunch - price per meal	ALC	ALC	ALC	ALC	ALC	ALC	ALC	ALC	ALC	ALC
Elem. Paid lunch - price per meal	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Reduced lunch - price per meal	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Adult lunch - price per meal	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Number of serving days	180	178	176	179	174	177	179	178	178	179
Sec. Free lunches served	1,837,648	1,889,670	1,930,506	1,976,202	1,838,637	1,886,314	2,483,836	2,540,259	2,339,714	2,218,703
Elem. Free lunches served	5,398,496	4,882,461	4,792,532	5,444,987	5,339,982	5,101,947	5,096,791	5,032,709	5,084,740	4,829,826
Sec. Daily average free lunches	10,209	10,616	10,969	11,040	10,567	10,567	13,876	14,271	13,144	12,395
Elem. Daily average free lunches	29,992	27,430	27,230	30,419	30,690	28,825	28,474	28,274	28,566	26,982
Sec. Reduced lunches served	65,929	62,223	58,703	72,363	65,241	122,810	156,042	165,027	159,419	153,176
Elem. Paid lunches served	218,984	224,190	220,189	213,205	203,727	365,133	488,415	508,883	480,599	456,801
Sec. Reduced lunches served	221,506	200,440	200,628	252,438	278,389	386,256	406,169	403,640	405,497	389,714
Elem. Paid lunches served	223,402	209,863	210,251	250,624	260,973	734,311	842,151	849,876	849,470	804,820
Sec. Daily average reduced lunches	366	350	334	404	375	694	872	927	896	855
Elem. Daily average paid lunches	1,217	1,259	1,251	1,191	1,171	2,063	2,729	2,859	2,700	2,552
Sec. Daily average reduced lunches	1,231	1,126	1,140	1,410	1,600	2,182	2,269	2,268	2,278	2,177
Elem. Daily average paid lunches	1,241	1,179	1,195	1,400	1,500	4,149	4,705	4,775	4,772	4,496
Sec. Total lunches served	2,122,561	2,176,083	2,209,398	2,261,770	2,107,605	2,374,257	3,128,293	3,214,169	2,979,732	2,828,680
Elem. Total lunches served	5,843,404	5,292,764	5,203,411	5,948,049	5,879,344	6,222,514	6,345,111	6,286,225	6,339,707	6,024,360
Sec. Daily average lunches served	11,792	12,225	12,554	12,635	12,113	13,324	17,476	18,057	16,740	15,802
Elem. Daily average lunches served	32,464	29,735	29,565	33,229	33,790	35,156	35,448	35,316	35,616	33,655
Sec. Number of schools serving	39	37	37	37	37	37	39	37	33	31
Elem. Number of schools serving	89	79	79	80	80	80	79	81	85	87

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

Cleveland Municipal School District
 School Breakfast Program
 Last Ten Fiscal Years

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
AVERAGE DAILY MEMBERSHIP	69,211	71,054	71,344	73,312	76,170	76,323	74,193	72,898	71,613	69,559
Sec. Paid breakfast - price per meal	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55	\$ 0.55
Reduced breakfast - price per meal	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Adult breakfast - price per meal	ALC	ALC	ALC	ALC	ALC	ALC	ALC	ALC	ALC	ALC
Elem. Paid breakfast - price per meal	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
Reduced breakfast - price per meal	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Adult breakfast - price per meal	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Number of serving days	180	178	176	179	174	177	179	178	178	179
Sec. Free breakfasts served	332,827	357,928	398,055	428,494	433,229	444,460	652,756	734,887	759,087	912,390
Elem. Free breakfasts served	3,810,372	3,496,747	3,439,729	3,873,415	3,845,137	3,877,467	3,789,974	3,685,391	3,658,527	3,415,357
Sec. Daily average free breakfasts	1,849	2,011	2,262	2,394	2,490	2,511	3,647	4,129	4,265	5,097
Elem. Daily average free breakfasts	21,169	19,645	19,544	21,639	22,098	21,907	21,173	20,704	20,553	19,080
Sec. Reduced breakfasts served	6,438	7,809	6,520	5,462	6,324	25,158	35,359	44,429	48,362	59,672
Elem. Paid breakfasts served	23,915	28,516	27,647	27,204	29,117	64,124	97,404	122,990	134,323	162,623
Sec. Reduced breakfasts served	99,644	152,238	149,910	168,518	166,918	188,426	171,309	163,174	164,135	154,287
Elem. Paid breakfasts served	82,500	263,640	259,486	292,429	289,955	288,015	296,764	288,225	286,897	275,854
Sec. Daily average reduced breakfasts	36	44	37	31	36	142	198	250	272	333
Elem. Daily average paid breakfasts	133	160	157	152	167	362	544	691	754	909
Sec. Daily average reduced breakfasts	554	855	852	941	959	1,065	957	917	922	862
Elem. Daily average paid breakfasts	458	1,481	1,474	1,634	1,666	1,627	1,658	1,619	1,612	1,541
Sec. Total breakfasts served	363,180	394,253	432,222	461,160	468,670	533,742	785,519	902,306	941,772	1,134,685
Elem. Total breakfasts served	3,992,516	3,912,625	3,849,125	4,334,362	4,302,010	4,353,908	4,258,047	4,136,790	4,109,559	3,845,498
Sec. Daily average breakfasts served	2,018	2,215	2,456	2,577	2,693	3,015	4,388	5,069	5,291	6,339
Elem. Daily average breakfasts served	22,181	21,981	21,870	24,214	24,723	24,599	23,788	23,240	23,087	21,483
Sec. Number of schools serving	39	37	37	37	37	37	39	37	33	31
Elem. Number of schools serving	89	79	79	80	80	80	79	81	85	87

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

Cleveland Municipal School District
Economic and Demographic Information

Population

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

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

Source: U.S. Bureau of the Census.

Employment

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

Year	Civilian Labor Force Cleveland PMSA	Unemployed Cleveland PMSA	Unemployment Rate		
			Cleveland PMSA	State	U.S.
1995	1,037,000	55,400	5.1	4.8	5.6
1996	1,046,500	57,100	5.2	5.0	5.5
1997	1,062,300	53,600	4.8	4.3	5.2
1998	1,059,900	48,400	4.4	4.3	4.5
1999	1,069,800	50,300	4.5	4.3	4.2
2000	1,075,900	49,800	4.4	4.1	4.0
2001	1,073,900	52,300	4.6	4.3	4.8
2002	1,113,000	72,700	6.5	5.7	5.8
2003	1,137,200	80,100	7.0	6.3	6.4
2004	1,132,800	73,700	6.5	5.8	5.6

Source: Ohio Bureau of Employment Services, Labor Market Review

Notes:

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

Cleveland Municipal School District

Largest Employers

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

Employer	Number of Employees	Nature of Business or Enterprise
Cleveland Clinic Health System	23,567	Health Care (Hospital and Outpatient Clinic)
University Hospitals Health System	14,270	Health Care
Progressive Corporation	7,557	Insurance Provider
KeyCorp	7,381	Bank-Based Financial Services
Ford Motor Company	6,765	Automobile Manufacturer
MetroHealth System	5,411	Health Care System
National City Corporation	5,400	Financial Services
Case Western Reserve University	5,249	Higher Education
Continental Airlines	3,363	Airline
General Motors Metal Fabricating Division	2,816	Automotive Parts
UHHS/CSAHS - Cuyahoga Incorporated	2,800	Health Care
Sherwin-Williams Company	2,538	Manufacturer - Paint
General Electric	2,457	Manufacturer - Consumer and Lighting Products
Giant Eagle Incorporated	2,320	Grocery Store Chain
Nestle USA, Prepared Foods Division	2,245	Frozen Food Manufacturer
United Parcel Service	2,203	Parcel Delivery
MBNA America Bank	2,200	Banking
Tops Markets LLC	2,196	Retail Grocery Chain
American Greetings Corporation	2,109	Manufacturer - Greeting Cards
Lincoln Electric Company	2,018	Manufacturer - Arc Welding Products

Source: Crain's Cleveland Business, 2004 Book of Lists
"Largest Cuyahoga County Employers".

Cleveland Municipal School District
Major Taxpayers

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

Name	Nature of Business	Approximate Assessed Valuation	Percent of Total District Assessed Valuation
Cleveland Electric Illuminating Co.	Electric Utility	\$ 145,975,140	2.44%
SBC Ameritech	Telecommunications	110,943,010	1.85%
ZML - Cleveland Public Square, LLC	Commercial Real Estate	47,232,500	0.79%
NPW LTD Partnership	Commercial Real Estate	35,560,000	0.59%
National City Center LLC	Commercial Real Estate	28,000,000	0.47%
Cleveland Clinic Foundation	Health Care	27,375,220	0.46%
American Transmission System	Power Transmission	23,595,550	0.39%
Bishop Anthony M. Pilla	Commercial Real Estate	22,750,660	0.38%
Dominion East Ohio	Natural Gas Utility	17,777,370	0.30%
Case Western Reserve University	Higher Education	16,883,270	0.28%
Total Ten Largest		<u>\$ 476,092,720</u>	<u>7.95%</u>
Total District Assessed Valuation		<u>\$ 5,983,528,000</u>	

Source: Cuyahoga County Auditor - 2003 Tax Collection Year.
2004 Tax Collection Year Information Not Available

N/A - Not applicable

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

Year	Property Values Total Estimated Actual Value (1) (Amounts in 000's)	Commercial Bank Deposits at June 30 (2) (Amounts in 000's)	Construction	
			Permits Issued (3)	Estimated Cost of Construction (3)
1994	\$ 14,183,664	\$ 21,204,880	6,666	\$ 394,401,814
1995	14,386,246	22,458,574	6,850	332,995,299
1996	14,494,909	27,068,211	8,077	405,166,832
1997	14,824,855	53,941,971	9,728	523,655,516
1998	15,968,275	60,846,022	9,216	768,911,015
1999	16,155,139	65,764,203	8,882	502,186,592
2000	17,778,242	61,468,062	9,194	483,444,810
2001	17,743,946	88,346,368	9,853	599,014,294
2002	17,281,529	99,508,177	10,427	382,584,866
2003	17,558,458	93,879,318	9,471	496,597,015

Notes:

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

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

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

2004 Not Available

Cleveland Municipal School District

Miscellaneous Statistical Data

FORM OF GOVERNMENT - Municipal School District

GEOGRAPHIC AREA - 82 square miles

POPULATION - 478,403 (2000)

INSTRUCTION SITES:	Constructed	Capacity/ Sq. Ft.	Acreage
Elementary Schools:			
Adlai Stevenson	1967	41,000	3.62
Alfred A. Benesch	1977	72,320	1.09
Almira	1916	60,458	2.09
Andrew J. Rickoff	1920	56,348	4.94
Anton Grdina	1959	67,719	3.99
Artemus Ward	1949	35,826	4.15
Brooklawn	1957	28,545	4.36
Buhrer	1969	42,086	3.06
Captain Arthur Roth	1965	66,397	2.20
Case	1975	57,688	2.16
Charles Dickens	1927	50,989	2.56
Charles Orr	1955	30,283	1.39
Clark	1973	56,178	1.25
Corlett	1915	58,292	2.98
Cranwood	1957	44,574	4.12
Daniel E. Morgan	1959	51,272	2.37
Denison	1972	52,351	2.40
Douglas MacArthur	1967	31,000	3.00
East Clark	1894	56,755	1.54
Emile B. deSauze	1966	48,860	3.72
Euclid Park	1922	43,182	3.78
Fullerton	1974	36,468	2.63
Garfield	1922	31,763	8.16
Giddings	1970	49,607	2.46
Gracemount	1947	48,515	3.03
Harvey Rice	1903	82,414	5.87
Henry W. Longfellow	1924	50,616	4.58
Iowa Maple	1951	57,842	2.30
John W. Raper	1962	61,752	2.41
Joseph F. Landis	1963	57,889	2.91
Kenneth W. Clement	1976	25,386	2.23
Kentucky	1940	35,010	1.36
Louis Agassiz	1929	40,185	3.05
Louis Pasteur	1959	51,286	3.49
Louisa May Alcott	1926	26,277	1.85
Marion C. Seltzer	1972	46,835	1.91

(continued)

Cleveland Municipal School District
Miscellaneous Statistical Data (Continued)

	Constructed	Capacity/ Sq. Ft.	Acreage
Elementary Schools (Continued):			
Marion Sterling	1973	51,896	3.99
McKinley	1922	46,724	2.13
Michael R. White	1921	64,598	4.56
Miles	1912	79,630	3.33
Miles Park	1971	43,027	3.33
Moses Cleaveland	1925	64,687	3.86
Mound	1904	36,642	1.43
Mount Auburn	1922	42,600	1.64
Newton D. Baker	1954	94,379	8.66
Oliver Hazard Perry	1927	50,989	4.61
Orchard	1901	80,347	1.23
Paul Lawrence Dunbar	1965	45,745	2.90
Robert Fulton	1929	65,360	3.14
Scranton	1973	51,447	1.37
Stephen E. Howe	1964	48,613	2.14
Tremont	1917	100,396	2.80
Union	1969	49,426	1.68
Valley View	1951	25,882	3.67
Wade Park	1975	63,706	3.70
Walton	1971	46,493	2.62
Watterson-Lake	1906	69,814	2.32
Waverly	1976	55,666	3.45
William Cullen Bryant	1930	42,187	4.28
William R. Harper	1927	50,989	4.92
Willow	1964	39,867	2.70
Woodland Hills	1971	49,443	1.29
		3,214,521	190.76
K-8 Schools:			
Alexander G. Bell	1971	68,840	1.42
Alexander Hamilton	1928	88,719	2.06
Audubon	1922	136,025	3.12
Benjamin Franklin	1923	83,260	10.40
Bolton	1971	44,110	2.17
Buckeye-Woodland	1975	52,493	1.60
Charles A. Mooney	1964	152,607	4.54
Charles H. Lake	1961	55,823	3.66
Clara Westropp Fundamental Education Center	1967	106,582	11.46
Dike Montessori	1971	47,472	1.95
Empire Computech	1915	75,003	3.30
Forest Hill Parkway	1967	41,110	3.35
George Washington Carver	1954	45,913	3.52
H. Barbara Booker	1972	48,677	1.57
Hannah Gibbons (to be demolished in FY 2005)	1960	21,831	1.50
Harry E. Davis	1962	147,095	4.62

(continued)

Cleveland Municipal School District
Miscellaneous Statistical Data (Continued)

	Constructed	Capacity/ Sq. Ft.	Acreage
K-8 Schools (Continued):			
John D. Rockefeller	1961	51,683	2.89
Margaret Spellacy	1969	106,582	2.03
Mary B. Martin	1963	57,737	1.89
Mary M. Bethune	1964	48,613	2.60
Paul Revere	1925	80,996	4.92
Riverside (to be demolished in FY 2005)	1935	38,836	2.45
Robert H. Jamison	1966	140,000	2.60
Robinson G. Jones	1951	38,311	4.30
Sunbeam	1923	63,368	4.40
		<u>1,841,686</u>	<u>88.32</u>
Middle Schools:			
A.B. Hart	1932	116,465	3.80
Charles W. Elliot	1954	90,497	3.58
Joseph M. Gallagher	1976	118,425	12.90
Carl F. Shuler	1958	100,500	3.97
Carl and Louis Stokes	1940	120,451	4.62
Cleveland Learning Center - Halle	*	*	*
Cleveland Learning Center - Jessie Owens	*	*	*
Collinwood CompuTech	*	*	*
F. D. Roosevelt	1976	154,766	7.21
Garrett Morgan Cleveland School of Science	1940	76,835	4.83
Margaret A. Ireland Complex	*	*	*
Luiz Munoz Marin	1976	119,689	5.00
Nathan Hale	1929	106,855	12.90
Nathanial Hawthorne/Riverside student swing space	1917	46,502	2.50
Patrick Henry	1922	130,443	4.32
Thomas Jefferson	1925	133,609	3.02
Whitney Young	1950	106,863	23.58
Wilbur Wright	1929	106,368	3.65
Willson	1903	75,624	1.85
		<u>1,603,892</u>	<u>97.73</u>
Senior High Schools:			
Cleveland Learning Center - Halle	1904	49,337	2.29
Cleveland Learning Center - Jessie Owens	1914	39,000	2.00
Cleveland School of the Arts	1910	81,430	2.36
Collinwood	1924	297,759	5.68
East	1975	272,153	13.37
East Technical	1972	320,370	11.14
Glenville	1966	248,023	5.07
Health Careers Center	1980	67,000	1.75
James F. Rhodes	1932	164,931	10.09
Jane Addams Business Careers	1968	157,428	4.00
John F. Kennedy	1965	252,023	12.65
John Hay (closed for renovation)	1929	186,352	8.60
John Marshall	1932	256,924	12.03

* Statistics included with Senior High School Category.

(continued)

Cleveland Municipal School District

Miscellaneous Statistical Data (Continued)

	Constructed	Capacity/ Sq. Ft.	Acreage
Senior High Schools (Continued):			
Lincoln-West	1970	337,548	5.49
Margaret A. Ireland Complex	1962	57,958	3.09
Martin L. King Jr	1972	179,544	10.55
Max S. Hayes Vocational	1957	209,273	6.89
South (includes Washington Park)	1968	278,715	63.71
SuccessTech Academy	**	**	**
		<u>3,455,768</u>	<u>180.76</u>
All Instruction Sites:			
Elementary Schools		3,214,521	190.76
K-8		1,841,686	88.32
Middle Schools		1,603,892	97.73
Senior High Schools		3,455,768	180.76
Total instruction sites		<u>10,115,867</u>	<u>557.57</u>
ADMINISTRATIVE AND SERVICE SITES:			
Administrative:			
Administrative Building	1931	149,685	1.75
Lakeside Administrative Center	1975	127,847	1.16
		<u>277,532</u>	<u>2.91</u>
Service:			
Bratenahl Professional Development Center	2004	14,000	7.50
Central Kitchen	1967	35,180	1.62
Woodland Distribution Center	1968 (2)	199,014	3.06
Ridge (Hall) - Trades	1986 (1)	25,000	5.00
Transportation:			
Ridge Road	1986 (1)	29,480	5.89
Lake Center	1987	19,630	8.50
Cuyahoga Heights	1987	17,680	7.78
		<u>339,984</u>	<u>39.35</u>
Total administrative and service sites		<u>617,516</u>	<u>42.26</u>
SITES LEASED BY CMSD:			
Instruction:			
Corlett Building at Cleveland State University (swing space for John Hay)		N/A	N/A
St. Paul Catholic School in City of Euclid (swing space for Hannah Gibbons)		N/A	N/A
		<u>N/A</u>	<u>N/A</u>
Administrative:			
Family Life Resource Center		N/A	N/A
Multilingual-Multicultural Office		N/A	N/A
		<u>N/A</u>	<u>N/A</u>
Total sites leased by CMSD		<u>N/A</u>	<u>N/A</u>

(continued)

Notes:

(1) Purchased during 1986.

(2) Gift.

(3) N/A - Not Available

** SuccessTech Academy housed at Lakeside Administration Center.

Cleveland Municipal School District
Miscellaneous Statistical Data (Continued)

	<u>Constructed</u>	<u>Capacity/ Sq. Ft.</u>	<u>Acreage</u>
CLOSED FACILITIES AND VACANT SITES:			
Closed Facilities:			
Clark Annex	(3)	6,092	0.32
East Madison	1889	61,675	2.05
Lafayette Contemporary	1919	54,406	3.97
Warner (demolished Fall 2004)	1912	63,146	5.46
Woodhill-Quincy	1971 (2)	69,754	2.09
Total Closed or Leased to Others Facilities		<u>255,073</u>	<u>13.89</u>
Vacant Sites:			
A. Benesch - old site			1.44
C.W. Chestnut			3.60
East Tech - old site			4.94
John Burroughs			1.47
Kennard			1.42
National Screw			12.41
Total Vacant Sites			<u>25.28</u>
SITES UNDER CONSTRUCTION:			
Andrew Rickoff K-8 School			1.44
Memorial K-8 School			4.61
Total Sites Under Construction			<u>6.05</u>
GRAND TOTAL			
Facilities and/or Sites:			
Instruction		10,115,867	557.57
Administrative and Service		617,516	42.26
Sites Leased by CMSD		N/A	N/A
Closed Facilities		255,073	13.89
Vacant Sites		N/A	25.28
Sites Under Construction		N/A	6.05
Total		<u>10,988,456</u>	<u>645.05</u>

(concluded)

Notes:

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

Source: School District Building Management and Operations Division



**Auditor of State
Betty Montgomery**

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**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 22, 2005**