

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 19, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

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**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Commodities	NA	10.550	\$0	\$2,159,276	\$0	\$2,090,854
School Breakfast Program	043786-05PU-2005	10.553	1,855,210	0	1,855,210	0
	043786-05PU-2006		3,375,207	0	3,375,207	0
Subtotal CFDA 10.533			5,230,417	0	5,230,417	0
National School Lunch Program	043786-LLP1-2005	10.555	731	0	731	0
	043786-LLP1-2006		4,043	0	4,043	0
	043786-LLP4-2005		4,606,809	0	4,606,809	0
	043786-LLP4-2006		9,009,450	0	14,962,961	0
	043786-VGS1-2003		20,517	0	20,517	0
Subtotal CFDA 10.555			13,641,550	0	19,595,061	0
Fresh Fruit and Vegetable Grant	043786-TWNT-2004	10.574	490	0	0	0
Total Department of Agriculture - Nutrition Cluster			18,872,457	2,159,276	24,825,478	2,090,854
U.S. DEPARTMENT OF DEFENSE						
<i>Direct Assistance:</i>						
Junior ROTC	NA-06	12.000	86,073	0	13,558	0
Total U.S. Department of Defense			86,073	0	13,558	0
U.S. DEPARTMENT OF JUSTICE						
<i>Direct Assistance:</i>						
Community Prosecution	2003-GP-CX-0142	16.609	202,307	0	18,828	0
Total U.S. Department of Justice			202,307	0	18,828	0
U.S. DEPARTMENT OF LABOR						
<i>Passed Through the City of Cleveland:</i>						
Workforce Investment Act	SG63876-03	17.258	111,555	0	30,396	0
WIA Youth Activities	SG60327A	17.259	0	0	77,718	0
	SG62121A		0	0	146,933	0
	SG62227A		308,672	0	84,970	0
	SG63875A		327,545	0	87,286	0
	SG64052A		227,502	0	97,562	0
	SG65258A		103,180	0	181,176	0
Subtotal CFDA 17.259			966,899	0	675,645	0
Total Passed Through the City of Cleveland			1,078,454	0	706,041	0
<i>Passed Through Cuyahoga County:</i>						
Workforce Investment Act	CE0300544-01	17.258	89,021	0	0	0
	CE0600281-01		32,244	0	106,085	0
Subtotal CFDA 17.258			121,265	0	106,085	0
WIA Youth Activities	CE0600280-01	17.259	34,361	0	111,388	0
Total Passed Through Cuyahoga County			155,626	0	217,473	0
Total U.S. Department of Labor			1,234,080	0	923,514	0
NATIONAL SCIENCE FOUNDATION						
<i>Direct Assistance</i>						
Cleveland Urban System Initiative	HER-0227082	47.076	1,608,564	0	1,576,334	
Total National Science Foundation			1,608,564	0	1,576,334	0
U.S. ENVIRONMENTAL PROTECTION AGENCY						
<i>Direct Assistance</i>						
Clean School Bus Project	XA-83148301	66.034	300,000	0	50,000	0
Total U.S. Environmental Protection Agency			300,000	0	50,000	0

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disburse- ments
U. S. DEPARTMENT OF EDUCATION						
<i>Direct Assistance:</i>						
Pell Grants	PO63 P054747	84.063	481,997	0	315,478	0
Crisis Management Program	Q184E040265	84.184E	212,695	0	200,467	0
Physical Education Program	S215F 020611	84.215F	38,153	0	43,751	0
Smaller Learning Communities	V215L 032033	84.215L	792,413	0	760,555	0
	V215L 042126		78,670	0	86,977	0
Subtotal CFDA 84.215L			871,083	0	847,532	0
Voyager Literacy Program	U215K040225	84.215K	15,312	0	15,312	0
Teaching American History	U215X0140265	84.215X	324,355	0	326,209	0
Reform Demonstration	T290U01010 03	84.290U	55,543	0	51,610	0
	T290U01010 04		151,995	0	149,739	0
Subtotal CFDA 84.290			207,538	0	201,349	0
Improving Literacy Through Libraries Total U. S. Department of Education Direct Assistance	S364A040131	84.364A	196,753	0	176,411	0
			2,347,886	0	2,126,509	0
<i>Passed Through Cuyahoga County:</i>						
Handicapped - State Grant	NA-04	84.027	0	0	1,284	0
	ESC-9014		0	0	2,370	0
	ESC-9820		0	0	8,733	0
	NA-06		6,891	0	6,891	0
	NA-06		10,000	0	382	0
Subtotal CFDA 84.027			16,891	0	19,660	0
Total Passed Through Cuyahoga County			16,891	0	19,660	0
<i>Passed Through Cuyahoga Community College:</i>						
Technology Challenge	R303 AA980063	84.303A	0	0	24,986	0
<i>Passed Through Putnam County:</i>						
Project More Schools	NA-06	84.027	30,000	0	16,142	0
<i>Passed Through Ohio Department of Education:</i>						
Adult Basic and Literacy Education	043786AB-S1 05	84.002	0	0	8,798	0
	043786AB-S1 05C		0	0	11,686	0
	043786AB-S1 06		1,499,711	0	2,133,171	0
Subtotal CFDA 84.002			1,499,711	0	2,153,655	0
Title 1 - ESEA	043786C1-S1 00	84.010	0	0	704	0
	043786C1-S1 05		4,405,227	0	6,780,668	0
	043786C1-S1 06		41,579,914	0	41,799,036	0
	043786C1-SD 05		1,527	0	73,391	0
	043786C1-SD 06		406,412	0	395,881	0
	043786C1-SK 05		0	0	72,317	0
	043786C1-SK 06		571,403	0	939,650	0
	043786C1-SN 05		66,084	0	35,758	0
	043786C1-SN 06		163,363	0	157,050	0
Subtotal CFDA 84.010			47,193,930	0	50,254,455	0
<i>Special Education Cluster:</i>						
IDEA-B	043786 6B-SF 05	84.027	0	0	1,454,745	0
	043786 6B-SF 06		21,595,178	0	20,507,430	0
Successful Model	043786 6B-SD 06	84.027	22,397	0	22,397	0
	043786 6B-PB 05		0	0	1,876	0
	043786 6B-PB 06		15,000	0	14,653	0
Subtotal CFDA 84.027			21,632,575	0	22,001,101	0
Handicapped - Preschool Grant	043786PG-S1 05	84.173	2,565	0	32,351	0
	043786PG-S1 06		380,940	0	343,601	0
Subtotal CFDA 84.173			383,505	0	375,952	0
Total Special Education Cluster			22,016,080	0	22,377,053	0

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disburse- ments
U. S. DEPARTMENT OF EDUCATION (Continued)						
<i>Passed Through Ohio Department of Education: Continued)</i>						
Vocational Education - Basic Grant-VI-B	043786 20-A0 05	84.048	24,909	0	15,309	0
	043786 20-A5 05		8,273	0	284	0
	043786 20-C1 01		0	0	32,307	0
	043786 20-C1 03		0	0	110	0
	043786 20-C1 04		0	0	3,169	0
	043786 20-C1 05		166,423	0	958,355	0
	043786 20-C1 06		2,441,045	0	1,290,378	0
	043786 20-C2 01		0	0	2,430	0
	043786 20-C2 04		0	0	3,571	0
	043786 20-C2 05		0	0	29,236	0
	043786 20-C2 06		288,384	0	285,700	0
Subtotal CFDA 84.048			2,929,034	0	2,620,849	0
Drug Free Schools and Communities	043786 DR-S1 04	84.186	0	0	700	0
	043786 DR-S1 05		49,615	0	75,993	0
	043786 DR-S1 06		851,590	0	818,721	0
Subtotal CFDA 84.186			901,205	0	895,414	0
Homeless Care Education	043786 HC-S1 05	84.196	35,332	0	69,504	0
	043786 HC-S1 06		268,214	0	236,600	0
Subtotal CFDA 84.196			303,546	0	306,104	0
JAVITS	NA-00	84.206	0	0	2,111	0
21st Century Community Learning Centers	043786 T1-S1 06	84.287	797,500	0	799,321	0
Innovative Education Program Strategy-Title V	043786 C2-S1 05	84.298	101,601	0	66,440	0
	043786 C2-S1 06		502,278	0	498,681	0
Subtotal CFDA 84.298			603,879	0	565,121	0
Title II D Technology	043786 TJ-S1 05	84.318	0	0	85,668	0
	043786 TJ-S1 06		1,048,614	0	793,054	0
	043786 TJ-SL 05		0	0	17,505	0
	043786 TJ-SL 06		1,022,092	0	1,026,019	0
Subtotal CFDA 84.318			2,070,706	0	1,922,246	0
Advanced Placement Program	043786 AV-S1 01	84.330	4,481	0	355	0
Reform Demonstration	043786 RF-CC 05	84.332	39,360	0	9,108	0
	043786 RF-CC 06		7,000	0	68,609	0
	043786 RF-K2 04		166,104	0	162,958	0
	043786 RF-K3 05		30,000	0	149,730	0
	043786 RF-S3 04		99,630	0	58,282	0
Subtotal CFDA 84.332			342,094	0	448,687	0
Special Education Personnel Preparation	NA-04	84.352A	0	0	22,911	0
Reading First	043786 RS-S1 05	84.357	0	0	383,822	0
	043786 RS-S1 06		5,303,243	0	4,463,952	0
Subtotal CFDA 84.357			5,303,243	0	4,847,774	0
Title III - Limited English Proficiency	043786 T3-S1 05	84.365	80,510	0	156,387	0
	043786 T3-S1 06		766,764	0	746,308	0
	043786 T3-S2 05		3,336	0	11,162	0
	043786 T3-S2 06		14,950	0	13,443	0
Subtotal CFDA 84.365			865,560	0	927,300	0
Title II A Teacher Quality	043786 TR-S1 05	84.367	1,808,340	0	1,287,158	0
	043786 TR-S1 06		8,514,388	0	8,366,160	0
Subtotal CFDA 84.367			10,322,728	0	9,653,318	0
Hurricane Education Recovery Act	043786-HR-01-06	84.938	106,150	0	101,150	0
Total Pass Through Ohio Department of Education			95,259,847	0	97,897,824	0
Total U.S. Department of Education			97,654,624	0	100,085,121	0

CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disburse- ments
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of Education:</i>						
Refugee Impact Subsidy	043786 R1-S1 02	93.576	0	0	886	0
	043786 R1-S1 05		0	0	21,550	0
Subtotal CFDA 93.576			<u>0</u>	<u>0</u>	<u>22,436</u>	<u>0</u>
Total Passed Through Ohio Department of Education			0	0	22,436	0
<i>Passed Through Cuyahoga County:</i>						
Refugee Dollars and English as a Second Lang.	CE0766416C	93.566	126,568	0	129,461	0
FAST Program	AD0513063	93.558	39,220	0	42,317	0
Total Passed Through Cuyahoga County			<u>165,788</u>	<u>0</u>	<u>171,778</u>	<u>0</u>
<i>Passed Through Cuyahoga County Alcohol Drug Addiction Service Board:</i>						
FAST Program	NA-06	93.558	57,560	0	102,861	0
<i>Passed Through Ohio Department of MR/DD:</i>						
State Children's Insurance Program (SCHIP)	NA-05	93.767	89,947	0	89,947	0
Medicaid Assistance Program (CAFS)	NA-05	93.778	1,097,107	0	1,097,107	0
Total Passed Through Ohio Department of MR/DD			<u>1,187,054</u>	<u>0</u>	<u>1,187,054</u>	<u>0</u>
<i>Passed Through City of Cleveland:</i>						
MomsFirst	SG56779	93.926	0	0	15,712	0
	SG583939		43,956	0	962	0
	NA-04		0	0	569	0
	SG65420		44,421	0	36,587	0
Subtotal CFDA 93.926			<u>88,377</u>	<u>0</u>	<u>53,830</u>	<u>0</u>
Total Passed Through City of Cleveland			88,377	0	53,830	0
Total U.S. Department of Health and Human Services			<u>1,498,779</u>	<u>0</u>	<u>1,537,959</u>	<u>0</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
<i>Passed Through Ohio Department of Education:</i>						
Learn and Serve America	043786 SV-S1 05	94.004	3,583	0	368	0
Total Corporation for National and Community Service			<u>3,583</u>	<u>0</u>	<u>368</u>	<u>0</u>
Total Federal Assistance			<u>\$121,460,467</u>	<u>\$2,159,276</u>	<u>\$129,031,160</u>	<u>\$2,090,854</u>

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

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, 2006, the District had no significant food commodities in inventory.

NA – Not Applicable

CFDA – Catalog of Federal Domestic Assistance

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**Auditor of State
Betty Montgomery**

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland Municipal School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2006 wherein we noted the District restated the fund balance for the General Fund and Debt Service Fund for the year ended June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2006-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated December 15, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated December 15, 2006, we reported another matter related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

December 15, 2006



Auditor of State Betty Montgomery

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

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

Compliance

We have audited the compliance of the Cleveland Municipal School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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

Schedule of Federal Awards Expenditures

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Cleveland Municipal School District as of and for the year ended June 30, 2006, and have issued our report thereon dated December 15, 2006, wherein we noted the District restated the fund balance for the General Fund and Debt Service Fund for the year ended June 30, 2005. Our audit was performed to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying federal awards receipts and expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Betty Montgomery
Auditor of State

December 15, 2006

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list)	CFDA# 84.367 – Title II-A Teacher Quality Program 84.365 – Title III – Limited English Proficiency 93.778 – Medicaid Assistance Program (CAFS) 84.318 – Title II-D Tech Program 84.298 – Innovative Education Program Special Education Cluster: 84.027 – Grants to States 84.173 – Preschool Grants
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$3,000,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

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

The finding below denotes a comment that was previously reported to management in the June 30, 2005 audit for which some corrective action was taken, but the situation still exists in some form.

Finding Number	2006-001
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Average Daily Membership (ADM) is the component of the State of Ohio school funding formula which has the largest impact on the level of funding. The District receives approximately \$5,283 per student and their gross award was \$418 million less deductions resulting in net funding of \$330 million for the 2005/2006 school year.

Pursuant to Ohio Rev. Code Section 3317.03(E), a school district's attendance for ADM purposes is arrived at by determining the number of students *enrolled* during the first full school week in October. This code provision also defines "enrolled" persons as the number of students who are handicapped and currently receiving home instruction, those in attendance, or those who have attended school during the current school year and are absent for authorized reasons. Beginning in fiscal year 2007, 3317.03 will require a school's superintendent to report ADM for the first week in February as well.

Authorized reasons for non-attendance from Ohio public schools are set forth in Ohio Admin. Code Section 3301-69-02 (replacing former Ohio Admin. Code Section 3301-51-13). Any reason not delineated in this code provision is deemed unexcused and the pupil should not be reported as enrolled for that day for ADM purposes. Authorized reasons for school non-attendance include personal illness, illness in the family, quarantine of the home, death of a relative, observance of a religious holiday, or emergency circumstances which the school superintendent judges are good and sufficient cause.

Ohio Rev. Code Section 3317.031 requires a membership record for each student be kept intact for at least five years.

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

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

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

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

Finding Number	2006-001
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(Continued)

In response to the reportable condition described in the fiscal year 2005 report, the District implemented a correction plan which included a reevaluation of the ADM data submitted for fiscal year 2006. The results of the reevaluation were disclosed in Internal Audit Report #06-07, dated April 20, 2006, issued and released June 27, 2006, and the adjustments to the data previously submitted to ODE were as follows:

	<u>Excused Days</u>	<u>Unexcused Days</u>
Final Count Reported to ODE on April 3, 2006	17,413	4,711
Excused Absences With Out Documentation	<u>(2,085)</u>	<u>2,085</u>
Revised Count	<u>15,346</u>	<u>6,796</u>

In order to assess the accuracy of the ADM data submitted to ODE, we selected John F. Kennedy High School to determine if excused absences are properly documented and constituted a valid legal reason. The records at the School are maintained by classroom and each classroom has a folder which is supposed to contain all the required support documentation.

For ADM week data submitted to ODE as of April 3, 2006, John F. Kennedy High School had 7,587 attendance days, 1,207 excused absences and 205 unexcused absences. After the reevaluation, an additional 202 excused absences were determined to be unsupported and were changed to unexcused.

Based on these factors, we randomly selected 360 excused absences and identified 9 absences with no support documentation that were not detected during the reevaluation. The District had utilized an "Exception Form" during the reevaluation to identify excused absences with out documentation. This resulted in 9 absences (2.5% error rate – 9/360) which were not supported.

During our review of the classroom folders we noted the following:

- The documents in the folder are not organized. The documents are not numbered and each time the auditors wanted to look for a specific document, they had to look through the entire folder searching for the document;
- The documents contained references to notes from parents which were difficult to locate; and
- Telephone logs were not placed in each respective classroom folder documenting each excused absence. As a result, the auditors had to obtain the logs and search the entire log looking for a specific classroom and student.

We also noted the count for ADM week is revised 3-4 times prior to its submission to ODE. During these revisions excused absences and other data is followed up on in order to provide the most accurate data. While additional data is located during the revisions it is difficult to determine where it is filed.

We recommend that all excused absences be properly documented in accordance with the ADM manual. The District should also consider utilizing a master list to track all excused absences. The list should be maintained by school/classroom and the support documentation should be filed with the list. The support should include the telephone logs, written excuses from parents/guardians and all other appropriate support. Finally, the ADM Department should conduct annual training for every school on its policies and procedures manual.

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED JUNE 30, 2006
(Continued)**

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

Finding Number	2006-001
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(Continued)

District's Response

The District understand and accepts the legal duty to submit accurate and verifiable Average Daily Membership (ADM) data consistent with Ohio Revised Code §3317.03 and Ohio Administrative Code §3301-51-13.

The District enhanced the existing ADM internal control procedures immediately after meeting with representatives from the Ohio Department of Education (ODE) and the State Auditor's office on November 10, 2005. The meeting was held after concerns arose regarding October 2005 ADM data.

The following includes several internal controls instituted as a result. The first included an internal control whereby 20 compliance teams verified the October 2005 ADM. In addition, an internal audit of the ADM process including a review of the work of the 20 teams was completed in April 2006. The results of the internal audit along with the results of the 20 team verification process were shared with both the ODE and the State Auditor's office as agreed upon at the November 10, 2005 meeting.

The District believes the results of the newly instituted internal controls provide a sufficient system for identifying, documenting and reporting any unverifiable excused absences in the October 2005 ADM count as evidenced in the State Auditor's test results (2.5% error rate).

In fiscal year 2006-2007, the District ADM/Attendance office conducted detailed training sessions with all District attendance clerks and principals after receiving in-service training by the ODE Are Coordinator and updating the existing training materials. Furthermore, the District continues to systematically review ADM records prior to submission to the District's EMIS office for submission to ODE.

The District continues to review methods and ways to ensure accuracy and proper documentation of all absences. Currently, the District is investigating the possibility of retaining electronic records that would have the scanned documents (letters from parents or report of phone message) verifying which type of absence should be recorded. As with any process, evaluation and review must take place to ensure that the procedures are properly followed and the documentation can be readily verified.

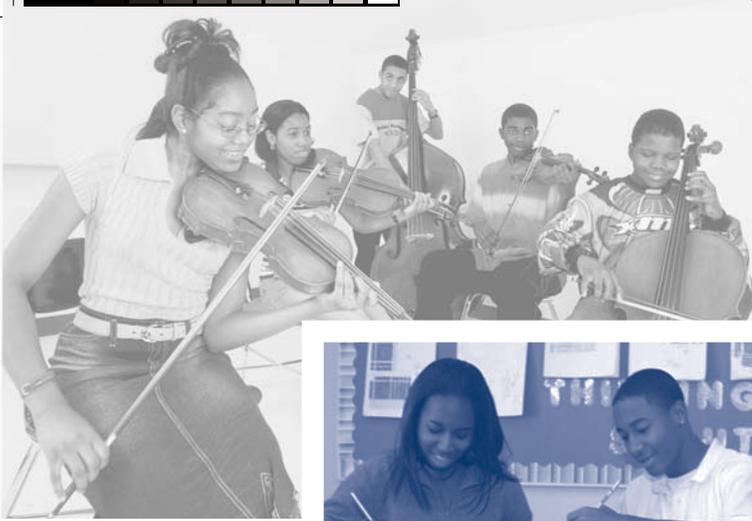
3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**CLEVELAND MUNICIPAL SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	<p>Several students classified as excused during ADM week were not supported nor was there a valid legal reason.</p> <p>For those instances in which no valid legal reason was documented, which would indicate the student should be classified as an excused absence, the support was limited to something written on the attendance record, such as "mom excused" or "dad excused". For those instances in which there was no indication as to who the school talked to determine the absence should be classified as excused, the support was limited to something written on the attendance record, such as "excused all day".</p> <p>We also noted the Student Attendance Telephone Log, which has been in the ADM manual for several years, and an effective tool for documenting absences, was used occasionally at Albert B. Hart and rarely used at Collinwood. Given the condition of the records and the lack of adherence to the ADM manual's policies and procedures, it was apparent that management of the District had not been monitoring the detailed records documenting absences, despite the unusually low number of unexcused absences and large number of excused absences.</p>	No	Partially, District implemented additional procedures to ensure accuracy of ADM data, however, there were still instances of excused absences not being properly supported. Re-issued in 2006 as finding 2006-001

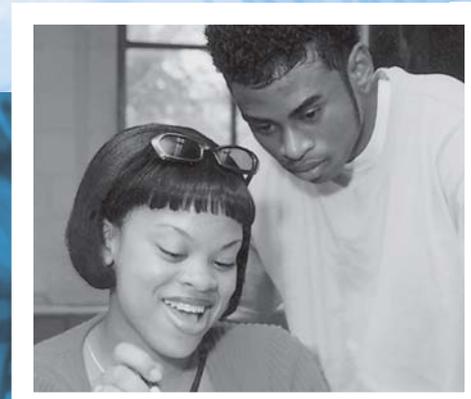


Cleveland Municipal School District

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2006

Cleveland, Ohio



Cleveland Municipal School District
Educating Cleveland's Children

The primary goal of the Cleveland Municipal School District is to become a premier school district in the United States of America.

Comprehensive Annual Financial Report

Of the

Cleveland Municipal School District

For the

**FISCAL YEAR ENDED
JUNE 30, 2006**

Prepared by

Finance Department

James P. Fortlage
Chief Financial Officer

1380 East Sixth Street * Cleveland, Ohio 44114

Cleveland Board of Education



Lawrence W. Davis, *Chair*



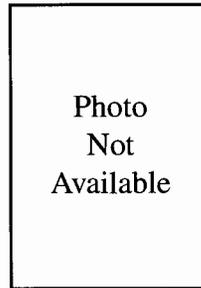
Grady P. Burrows, *Vice Chair*



Rashidah Abdulhaqq



Louise P. Dempsey



Flor Gomez



Shirley Hawk
(deceased November 17, 2006)



Robert M. Heard, Sr.



Willetta A. Milam



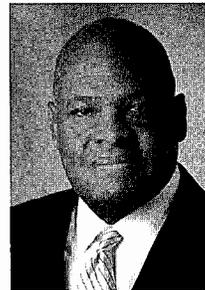
John M. Moss



Dr. Michael Schwartz
ex officio



Dr. Jerry Sue Thornton
ex officio



Eugene T. W. Sanders, Ph.D.
Chief Executive Officer



James P. Fortlage
Chief Financial Officer

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Introductory Section

Cleveland Municipal School District

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

Eugene T.W. Sanders, Ph.D.
Chief Executive Officer

Board of Education
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Chair

Grady P. Burrows
Vice Chair

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Louise P. Dempsey
Flor M. Gomez
Shirley Hawk
Robert M. Heard, Sr.
Willetta A. Milam
John M. Moss

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

December 15, 2006

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Cleveland Municipal School District (the "School District") for the fiscal year ended June 30, 2006. 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 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 current Board Members, List of current 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 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 School District (the "Board") is a political and corporate body charged with the responsibility of managing and controlling the affairs of the School District, and is governed by the general laws of the State of Ohio (the "Ohio Revised Code"). The Board is comprised of nine members who were appointed by the Mayor of the City of Cleveland.

The Chief Executive Officer of the School District has the responsibility for directing and assigning teachers and other employees, assigning the pupils to the proper schools and grades and performing such other duties as determined by the appointed Board. Ms. Byrd-Bennett resigned in February 2006 and was replaced by Eugene T. W. Sanders, Ph. D. in July 2006.

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 2006 Mr. Gerald Pace was replaced with Mr. James P. Fortlage, Chief Financial Officer/Treasurer.

The School District and its Facilities

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

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

In fiscal year 2006, the School District enrolled 58,880 students (compared to 64,772 the previous year) in 84 K-8 schools, and 19 senior high schools. In addition classes were provided in four residential school programs. The School District also operated a variety of specialized educational facilities (consisting of gardens, athletic fields, a sheltered workshop and a greenhouse), eight administration facilities (including a central kitchen and two leased sites) and two transportation depots.

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

Charter/Community Schools

Beginning in fiscal year 1999, State of Ohio legislation allowed for the creation of charter/community schools. By law the School District receives State Foundation Aid for students attending charter/community schools that are residents of the School District on a per pupil basis. That aid, which includes an imputed local match, is paid out to the charter/community schools for their operations on a one-for-one basis. The number of students attending charter/community schools has grown in the past six years to 10,858 for fiscal 2006, resulting in the payment from the School District of state aid of \$75.9 million. School District management expects this trend to continue at an increasing rate for the foreseeable future and has included increasing charter/community school enrollment growth into its financial forecasts, as described in the Current Issues section of the *Management's Discussion and Analysis*.

Employee Relations

As of June 30, 2006 the School District had 9,018 full and part-time employees (compared to 9,719 the previous year). In the fiscal year ended June 30, 2006, the School District paid \$430.8 million in salaries and wages and \$145.8 million for fringe benefits such as employer retirement contributions, health care, life insurance, and certain other benefits.

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

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

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

The Reporting Entity

The 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 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 School District created the Bond Accountability Commission ("BAC"), which is also a jointly governed organization. On April 1, 2005 the BAC temporarily discontinued certain oversight operations while seeking new financial resources for these operations. These relationships are described in Note 20 to the basic financial statements.

The School District is an independent municipal school district and is not a component unit of another government. A complete discussion of the School District's reporting entity is provided in Note 1 to the basic financial statements.

Economic Condition and Outlook

The School District's primary sources of revenues are from the State of Ohio through the State Foundation program and through the levying of property taxes on real and personal property located within the School District. These two sources combined represent approximately 97 percent of the School District's fiscal year 2006 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 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.

Basic eligibility for School Foundation Program payments is based on a School District's compliance with State-mandated minimum standards.

Relevant Financial Policy: 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 oil, iron and steel, and combined with its favorable location on major shipping channels soon emerged as the dominant manufacturing and business center of Northeast Ohio. 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 MSA has decreased from 5.7% in 2005 to 5.4% in 2006, which approximates the national averages for each respective year.

Major Initiative

“The primary goal of the Cleveland Municipal School District is to become a premier school district in the United States of America.”

It should be noted that the District’s new Chief Executive Officer, Dr. Eugene T.W. Sanders, has stressed the need to build upon the strengths of the previous administration with a laser beam focus on academic improvements.

In order to become a premier school district, Dr. Sanders has stressed the need to establish reachable goals along the way. The three main goals for this school year are:

1. To reach Continuous Improvement on the state report card;
2. To Improve student safety; and
3. To improve customer service.

Reaching Continuous Improvement

Dr. Sanders vowed before the start of this school year to move the District from a designation of Academic Watch on the state report card to a designation of Continuous Improvement. That goal will be accomplished by implementing a school-by-school instructional plan focused on outcomes by each class and each student.

Each student will be required to take a pre-assessment test a minimum of three times prior to the actual achievement tests in the spring. The assessment will help us customize the learning experience by child; teachers will modify the lesson plan to meet the desired outcome. That effort is off to a good start.

The District also initiated the 3Rs (Rights, Responsibilities, Realities) collaboration with the Cleveland Bar Association in which more than 700 lawyers, judges and other volunteers of the legal community have gone into 10th-grade classrooms in our high schools. Their mission is to improve understanding of the law and the Constitution; improve passage of the Ohio Graduation Test; and to provide practical career counseling to focus students on their potential beyond high school.

The CMSD has an ongoing initiative with Harvard University, the Ohio Department of Education and the Stupski Foundation to address academics and leadership issues.

Finally, the CMSD has begun work on a 5-year Strategic Plan designed to chart the course for all levels of academic and organizational effectiveness. A recent series of community meetings designed to solicit community input into the plan brought out more than 1,000 residents and many good recommendations. The plan completed by the summer of 2007.

Safety

The District will continue to focus on improving student and staff safety in schools and to foster a more respectful atmosphere in schools more conducive to teaching and learning. Dr. Sanders announced a “zero tolerance” for any behavior in schools that can detract from the focus on academics.

Dr. Sanders has created student safety leadership teams in schools to permit students to have valuable input in efforts to increase student safety, create a more respectful environment for teaching and learning in schools, and to provide a mechanism for responding to student concerns.

The District will continue seeking to improve the collaboration with several of the city's law enforcement agencies to increase the visibility of safety patrols at the start and the end of the school day. As a result of our collaboration with the City of Cleveland and the Cuyahoga County Sheriff's Department, the District will grant deputy authority to 17 members of the School District's Division of Safety and Security. Those members will have broader authority, including the capability to arrest individuals away from school property.

Customer Service

Dr. Sanders has committed to making customer service a priority for the central office administration building and each building in the district. While 'customer service' is a term that is used often in the business world, the CMSD believes that it also has merit in schools.

Dr. Sanders has stressed that schools must become open and inviting places for parents. Schools are the learning and knowledge laboratories. District employees must work much harder, much more quickly to send a message to the community that schools are good places to be, and that the District values all of those who are there and those who live and work in school communities.

Dr. Sanders has said that every phone call should be returned in 24 hours and each individual piece of written correspondence should be replied to in 7 business days. All phones should be answered promptly and courteously, and the department or person being called should be easy to find and each caller should be connected immediately.

Dr. Sanders also has taken initial steps to streamline the administration and to reduce costs. Those efforts will continue throughout this school year. Recent efforts to reduce costs resulted in more than 20 administrative positions being eliminated in addition to a decision not to fill several other vacant positions and the positions of individuals who recently either retired or resigned.

Those initiatives, combined with the elimination of an outside construction consultant that had served as the Owner's Representative for capital projects, will save the District a total of \$5,728,804 million.

These reductions were made without directly affecting the classroom. No teaching positions were reduced. Every effort is being made to provide an enhanced focus on the Number One customer – The Student.

Significant Accomplishments

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

- Test scores have significantly improved across nearly all categories and grade levels, as measured by the required Ohio state proficiency tests.
- The State Superintendent designated 117 of the nearly 4,000 public schools across the State as "Schools of Promise" for demonstrating high achievement for all student groups. 7 of the 117 schools named for fiscal 2006 are from the School District.
- Completed conversions of all middle schools and most of the elementary schools into a grades K-8 configuration.
- The District has completed its fourth year of the 12-year Master Facility Plan that will require approximately \$1.5 billion to repair, renovate and rebuild its school facilities. The original Master Facility Plan called for the construction/replacement of 51 schools, renovation of 59 existing facilities and inactivation for student use of 14 existing facilities.
- Construction was completed at Andrew J. Rickoff, Memorial and Riverside. These three schools opened for the 2005-2006 school year. Major renovation work continued at John Hay, Mary B. Martin and Mary M. Bethune. These three schools will be open for the 2006-2007 school year. Construction also continued on the new Hannah Gibbons-Nottingham and John Adams schools. These two schools will also be open for the 2006-2007 school year.

- Certified teachers currently fill more than 99% of all teaching positions and all newly hired teachers for the current fiscal year met the *No Child Left Behind Act* definition of “highly qualified teacher”.
- The School District reached agreements to extend current labor agreements until June 2007 with all seven unions that represent nearly 10,000 District employees, including classroom teachers.

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

Financial Information

Internal Accounting and Budgetary Control

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

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

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

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

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

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

Each administrator and school principal is furnished monthly reports showing the status of the budget accounts for which they are responsible. In addition, an on-line inquiry system is available for each cost center site.

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

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

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

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

Cash Management

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

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

Risk Management

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

All employees of 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, rendered an opinion on the School District's financial statements as of and for the year ended June 30, 2006. 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 the School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. 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, 2005. 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 School District's financial reporting. It enhances the School District's accountability to the residents of the School District.

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

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

Respectfully submitted,



James P. Fortlage
Chief Financial Officer

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

Cleveland Municipal School District

Board Members

Appointed by Mayor of City of Cleveland

Name	Began Service as a Board Member	Present Term Expires June 30
Rashidah Abdulhaqq	1998	2007
Grady P. Burrows	2003	2009
Lawrence W. Davis	2003	2007
Louise P. Dempsey	1998	2007
Flor Gomez (a)	2006	2007
Jessica Gonzalez (a)	2006	
Shirley Hawk (b)	2005	
Robert M. Heard, Sr.	2004	2009
Willetta A. Milam	2003	2009
John M. Moss	2005	2007
Gladys Santiago (c)	2003	
Dr. Michael Schwartz, ex-officio	2001	2007
Dr. Jerry Sue Thornton, ex-officio	1998	2007

(a) Jessica Gonzalez resigned in July 2006. She was replaced with Flor M. Gomez.

(b) Shirley Hawk passed away on November 17, 2006.

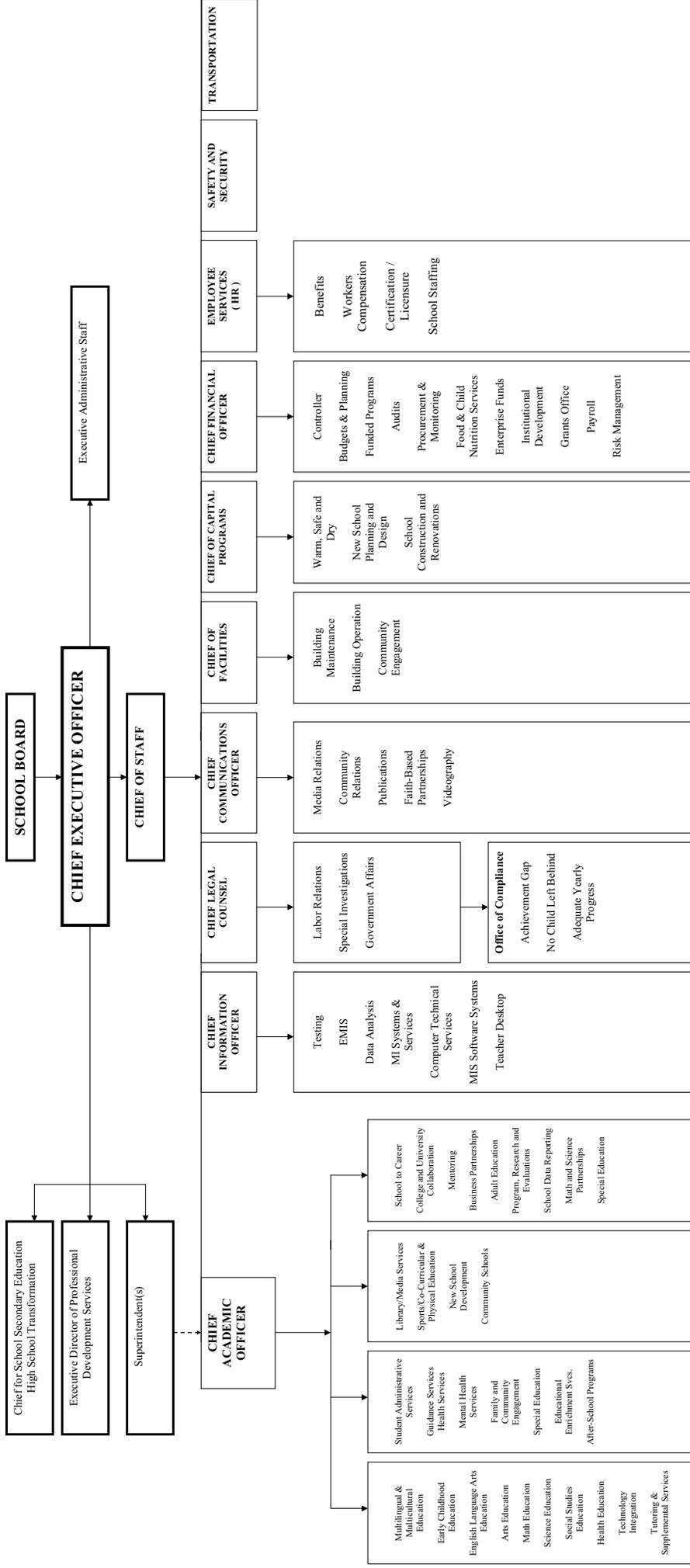
(c) Gladys Santiago resigned in May 2006.

Cleveland Municipal School District

Senior Appointed Officials

Eugene T.W. Sanders, Ph.D.	Chief Executive Officer
Shirrell Greene	Executive Assistant to the CEO
Omega Brown	Executive Assistant to the CEO
Robbin Hudson	Executive Assistant to the CEO
Craig Cotner	Chief Academic Officer
Alan Seifullah	Chief Communications Officer
James Fortlage	Chief Financial Officer
Kathleen Hughes	Chief Legal Counsel (Interim)
Daniel Burns	Chief of Facilities and Operations
David Coleman	Chief of Safety and Security
Pamela Smith	Chief of Staff
Nicholas Jackson	Deputy Chief for Business Operations
Gary Sautter	Deputy Chief of Capital Projects
Glenda Hathaway	Deputy Chief of Curriculum
James Larson-Shidler, C.P.A.	Deputy Chief Financial Officer
Clinton Faulkner	Deputy Chief of Human Resources
Sharon McDonald	Deputy Chief of K-8
Joseph Podach	Deputy Chief of Operations
Adrienne Noel, Ph.D.	Deputy Chief of Research and EMIS
Lincoln Haughton	Deputy Chief of Secondary Education
Gwen Minter, Ph.D.	Deputy Chief of Staff
Cynthia Kline	Deputy Chief of State, Federal, Foundation and Special Education Programming
Ronald Kisner	Executive Director of External Affairs (Interim)
Regis Balaban	Executive Director of Food and Child Nutrition Services
Patricia Barto	Executive Director of Early Childhood Education
Thomas Bender	Executive Director of Information Officer (Interim)
Linda Prosak	Executive Director of Institutional Advancement
Larry Johnston	Executive Director of Internal Audit
Sherry Ulery	Executive Director of Professional Development Services

CLEVELAND MUNICIPAL SCHOOL DISTRICT
Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to
Cleveland
Municipal School District
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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.



Carla E. Perry

President

Jeffrey R. Emery

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, 2005**

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

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, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cleveland Municipal School District, Cuyahoga County, Ohio, as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2U to the basic financial statements, the District restated the fund balance for the General Fund and Debt Service Fund for the year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

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

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



Betty Montgomery
Auditor of State

December 15, 2006

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The discussion and analysis of the School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. 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 2006 are as follows:

- ❑ Total current and other assets increased by \$75.2 million and capital assets increased by \$78.2 million, resulting in a net increase in total assets of \$153.4 million in Governmental Activities.
- ❑ Total short-term liabilities decreased \$4.7 million and total long-term liabilities decreased \$25.1 million, resulting in a net decrease in total liabilities of \$29.8 million in Governmental Activities.
- ❑ Total net assets increased \$183.2 million in Governmental Activities.
- ❑ General revenues accounted for \$642.2 million in revenue or 66.0% of all revenues for Governmental Activities. Program specific revenues in the form of charges for services, sales, grants or contributions accounted for \$331.2 million or 34.0% of total revenues of \$973.4 million.
- ❑ Total program expenses were \$790.2 million in Governmental Activities.
- ❑ Among major funds, the General Fund had \$603.8 million in revenues and other financing sources and \$575.1 million in expenditures and other financing uses. The General Fund's fund balance increased by \$28.7 million.

Using this Comprehensive Annual Financial Report (CAFR)

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

The *Statement of Net 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, 2006
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 2006?" 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, 2006
Unaudited

The School District on a Government-Wide Basis

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

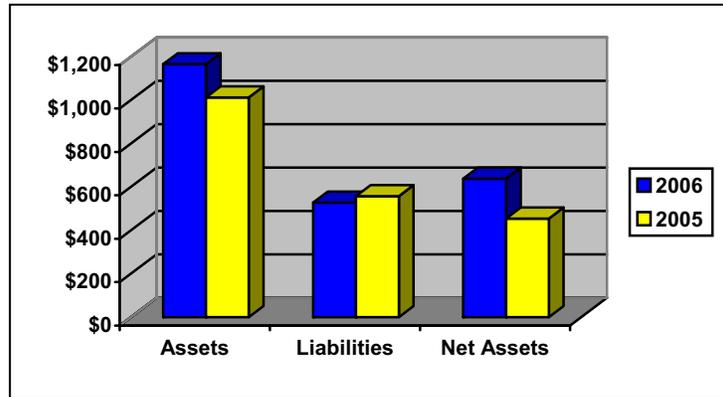
Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

Table 1
Net Assets
(\$ In Millions)

	Governmental Activities	
	2006	2005
Assets		
Current and Other Assets	\$ 766.3	\$ 691.1
Capital Assets	399.5	321.3
Total Assets	1,165.8	1,012.4
Liabilities		
Current Liabilities	249.5	254.2
Long-Term Liabilities	278.4	303.5
Total Liabilities	527.9	557.7
Net Assets		
Invested in Capital		
Assets Net of Related Debt	208.3	110.2
Restricted for:		
Debt Service	49.1	53.7
Capital Projects	362.5	326.8
Other Purposes	16.0	11.4
Unrestricted	2.0	(47.4)
Total Net Assets	\$ 637.9	\$ 454.7

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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



Current and other assets increased by \$75.2 million and capital assets increased by \$78.2 million, resulting in an overall increase in total assets of \$153.4 million. The increase in current and other assets is mostly attributable to a net increase in intergovernmental receivables of \$75.5 million. The increase in intergovernmental receivables represents the balance due from the Ohio School Facilities Commission for segments 1, 2 and 3. 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 \$4.7 million and long-term liabilities decreased by \$25.1 million, resulting in an overall decrease in total liabilities of \$29.8 million. The decrease in long-term liabilities is due primarily to the debt payments and is described further in the *Debt Administration* section following.

Total net assets increased \$183.2 million, demonstrating an overall improvement in the School District's financial position. This is mainly the result of a \$78.2 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 \$68.4 million receivable due from the Ohio School Facilities Commission, which represents the balance due the School District for segments 1, 2 and 3 of the construction/renovation program. In addition, there was a concerted effort by District management to control costs in anticipation of future budgetary constraints which resulted in an increase in unrestricted net assets of \$49.4 million.

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 2 shows the change in net assets for fiscal years 2006 and 2005.

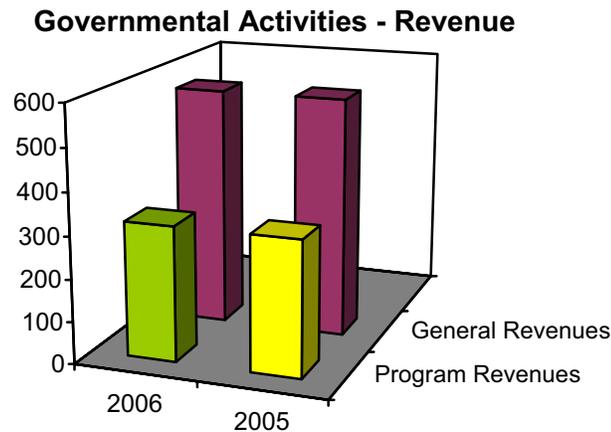
Table 2
Changes in Net Assets
(\$ In Millions)

	Governmental Activities	
	2006	2005
Revenues		
General Revenues:		
Property Taxes	\$ 231.7	\$ 225.2
Grants and Entitlements	384.6	330.3
Investments Income	16.2	7.4
Other	9.7	2.4
Program Revenues:		
Charges for Services	0.2	0.2
Operating Grants	210.5	210.0
Capital Grants	120.5	109.4
Total Revenues	973.4	884.9
Program Expenses		
Instruction	487.8	417.7
Support Services:		
Pupil and Instructional Staff	86.5	88.7
Board of Education, Administration, Fiscal and Business	52.5	57.7
Operation and Maintenance of Plant	58.6	56.3
Pupil Transportation	28.9	28.9
Central	16.0	14.9
Operation of Non-Instructional Services	42.5	44.0
Extracurricular Activities	5.8	5.9
Interest and Fiscal Charges	11.6	13.6
Total Expenses	790.2	727.7
Change in Net Assets	\$ 183.2	\$ 157.2

Cleveland Municipal School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Graph 2
 Revenue for Governmental Activities
 (\$ In Millions)

	2006	2005
General Revenues	\$ 642.2	\$ 565.3
Program Revenues	331.2	319.6
Total Revenues	\$ 973.4	\$ 884.9



General Revenues

General revenues for the School District are comprised almost entirely of property tax collections and grants from various sources. Property taxes made up 36.1% and 39.8% and grants made up 59.9% and 58.4% of general revenues for governmental activities for the School District in fiscal years 2006 and 2005, respectively.

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

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

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

Program Revenues

Operating grants comprise 63.6% 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 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Instruction	\$ 487.8	\$ (256.5)	\$ 417.7	\$ (183.3)
Support Services:				
Pupil and Instructional Staff	86.5	(38.0)	88.7	(50.6)
Board of Education, Administration, Fiscal and Business	52.5	(46.5)	57.7	(50.9)
Operation and Maintenance of Plant	58.6	(55.3)	56.3	(55.6)
Pupil Transportation	28.9	(27.7)	28.9	(28.2)
Central	16.0	(15.1)	14.9	(13.7)
Operation of Non-Instructional Services	42.5	(3.4)	44.0	(7.0)
Extracurricular Activities	5.8	(4.9)	5.9	(5.1)
Interest and Fiscal Charges	11.6	(11.6)	13.6	(13.6)
Total Expenses	\$ 790.2	\$ (459.0)	\$ 727.7	\$ (408.0)

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

The largest Governmental Activities program expense remains instruction, comprising 61.8% of the total cost of services. When combined with pupil and instructional support these categories make up 72.7% of the total cost of services. This make-up is consistent with the general educational objectives of the School District.

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The dependence upon general revenues for governmental activities is apparent. 52.6% of instruction activities are supported through taxes and other general revenues. Similarly, for all governmental activities general revenue support is 58.1%. The community, as a whole, is by far the primary support for the School District students.

The School District's Funds

Information about the School District's major funds starts on page 17. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$909.0 million and expenditures and other financing uses of \$898.8 million, resulting in a net increase in fund balances of \$10.2 million.

The General Fund is the chief operating fund of the School District. At the end of the current fiscal year, unreserved fund balance of the general fund was negative \$21.5 million, while total fund balance increased to \$18.8 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents less than one percent of the total general fund expenditures, while total fund balances represents three percent of that same amount.

The net changes in fund balances for the year were most significant in the General Fund and the Classroom Facilities Fund. The fund balance in the General Fund increased \$28.7 million. This was very similar to the prior year where the fund balance increased \$27.2 million. The School District adopted a deficit reduction plan for the fiscal year which resulted in reductions of staffing, purchased services and supplies and the closing of schools. The Classroom Facilities fund balance decreased \$26.3 million. This was mainly attributable to the ongoing spending for the school 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 \$606.2 million, \$51.2 million above original budget estimates of \$555.0 million. This increase in budget was to budget for the payment for students who reside in the School District but are enrolled in a charter school. This was partially offset by a decrease in budget to reflect revised estimates of anticipated state aid collections. These revisions were made to reflect increased enrollments for the charter schools and decreased enrollment at the School District. Total actual revenues and other financing sources were \$607.1 million, which was approximately the same as the final budget estimate.

The final expenditure and other financing uses budgets was \$647.4 million. Total actual expenditures and other financing uses were \$647.2 million, or \$.2 million below the final budget estimates. This was mainly due to a continuing effort by the School District's management to reduce its expenditures to lower future operating deficits and postpone the need to appeal to the voters for an additional operating levy.

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Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006 the School District had \$399.5 million invested in land and improvements, buildings and improvements, vehicles and equipment, and construction in progress. Table 4 shows fiscal 2006 balances compared to 2005:

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

	Governmental Activities	
	2006	2005
Land and Improvements	\$ 31.3	\$ 29.1
Buildings and Improvements	214.6	159.3
Vehicles and Equipment	12.3	14.4
Construction in Progress	141.3	118.5
Totals	\$ 399.5	\$ 321.3

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, the Ohio School Facilities Commission and the State Controlling Board. Its cost at that time for the entire program was an estimated \$1.506 billion, of which the School District's cost share under the CFAP will be 32% or approximately \$482 million with the remaining portion (approximately \$1.024 billion) to be paid by the State. As the program continues, factors such as enrollment projections, construction costs, locally funded non-matchable project components and inflation will affect the total scope of the program and the funds required to complete it.

Construction began in 2002 utilizing funding from several sources as described below under *Debt Administration*. Initial work focused mainly on making every facility warm, safe and dry. Concurrently, new facilities will be constructed (51 new facilities) and others significantly renovated (59 facilities) and others inactivated for student use (14 facilities). The complete program is currently estimated to take about twelve years. Due to declining enrollment the master plan is currently being reviewed. See Note 8 to the basic financial statements for additional information on capital assets.

Cleveland Municipal School District
Management's Discussion and Analysis
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Debt Administration

At June 30, 2006 the School District had \$259.4 million in bonds, other long-term obligations and notes outstanding, \$56.5 million due within one year. Table 5 summarizes bonds and notes outstanding.

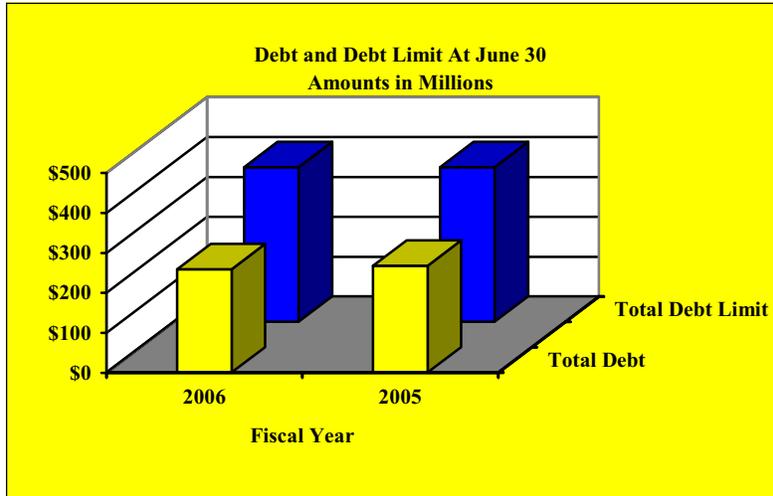
Table 5
 Outstanding Debt, at Year End
 (\$ In Millions)

	Governmental Activities 2006	Governmental Activities 2005
General Obligation Bonds and Notes:		
EPA Asbestos Abatement Notes	\$ 0.1	\$ 0.1
2001 QZAB - Technology Academy	5.5	5.5
2001 QZAB - Arts Academy	5.8	5.8
2001 QZAB - Literacy Academy	10.0	10.0
2002 H.B. 264 Energy Conservation Notes	9.1	9.8
2002 Library Refunding Bonds	20.3	23.3
2002 School Facilities Improvement Bonds	54.9	56.3
2004 School Facilities Improvement Bonds	100.9	117.6
Other Long-Term Obligations:		
Capital Lease Obligation	5.0	5.9
Note Payable:		
1997 Revenue Anticipation Notes	47.8	33.8
Total	\$ 259.4	\$ 268.1

Cleveland Municipal School District
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Graph 3
Debt and Debt Limit
 (\$ In Millions)

	2006	2005
Total Debt	\$259.4	\$268.1
Total Debt Limit	\$395.2	\$387.7



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 was used to renovate the environmental controls at school facilities across the School District. In November 2001, the School District issued \$35 million School Facility Bond Anticipation Notes. These Notes represented the first installment of the \$335 million of facility construction/renovation borrowing approved by voters in May 2001.

In October 2002, the School District replaced the short-term School Facility Bond Anticipation Notes with long-term School Facility Bonds. An additional \$40 million of new proceeds 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. In December 2005, the School District issued \$30,000,000 of School Facility Bond Anticipation Notes, representing the fourth installment of the \$335 million approved borrowing capacity.

At June 30, 2006, the School District’s overall legal debt margin was \$395.2 million, with an unvoted debt margin of \$6.0 million. The School District’s short-term bond rating is “MIG1” and its long-term bond rating is “Baa1”, as rated by Moody’s. See Note 13 to the basic financial statements for additional information on all long-term obligations.

Current Issues

The School District is currently financially stable. The Board 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.

Cleveland Municipal School District
Management's Discussion and Analysis
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The current fiscal plan recognizes the following open issues that must be addressed within the next five years:

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

Although the Ohio Supreme Court funding order was vacated, the governor of the State created the "Governor's Blue Ribbon Task Force on Financing Student Success" to continue to try and address the unconstitutionality portion of the Court ruling that remained. The Task Force was charged with recommending a funding system for public elementary and secondary education in Ohio and determining appropriate mechanisms for paying for such a system. Some of the elements recommended by the Task Force were incorporated into the State's biennial budget for public school districts (House Bill 66), which was adopted on June 30, 2005.

Financial Forecast – The School District is required to adopt a five-year financial forecast of revenues and expenditures each year. As the financial forecast originally showed a negative cash-basis fund balance deficit projected in fiscal years 2008 and beyond, the School District's Board attempted to pass operating levies in November 2004 and in August 2005. As neither levy attempt was successful, the School District's Board adopted a Deficit Reduction Plan to address this issue. The Deficit Reduction Plan incorporated into the budget adopted in June 2005 by the Board for fiscal 2006 included further reductions to staffing, purchased services and supplies, and the closure of certain school buildings (eleven schools on a permanent basis and nine schools on a temporary basis). Schools closed on a temporary basis will be reactivated as needed for "swing space" during the on-going 12-year capital renovation program. In addition, the adopted budget included the opening of three newly constructed schools, completed as part of the ongoing massive school facility construction/renovation program.

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

Employee Relations - Under agreements approved by all of the seven unions serving the District, the current contracts with employee groups have been extended until June 2007.

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. James P. Fortlage, 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, 2006

	Total
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 245,425,978
Cash and Cash Equivalents with Fiscal Agents	6,168
Equity in Pooled Investments	74,895,423
Investments with Fiscal Agents	6,555,818
Receivables:	
Taxes	222,754,275
Accounts	769,266
Intergovernmental	214,060,045
Accrued Interest	906,729
Materials and Supplies Inventory	948,745
Nondepreciable Capital Assets	171,960,878
Depreciable Capital Assets, Net	227,537,491
Total Assets	1,165,820,816
Liabilities	
Accounts Payable	13,632,874
Accrued Wages and Benefits	59,269,743
Intergovernmental Payable	15,190,201
Unearned Revenue	101,765,009
Accrued Interest Payable	1,614,891
Unamortized Premium on Bond	8,893,671
Notes Payable	47,370,000
Claims Payable	1,837,855
Long-Term Obligations:	
Due Within One Year	20,924,846
Due in More Than One Year	257,434,709
Total Liabilities	527,933,799
Net Assets	
Invested in Capital Assets, Net of Related Debt	208,222,499
Restricted for:	
Debt Service	49,134,737
Capital Projects	362,464,498
Other Purposes	16,028,862
Unrestricted	2,036,421
Total Net Assets	\$ 637,887,017

See accompanying notes to the basic financial statements

Cleveland Municipal School District
Statement of Activities-Governmental Activities
For the Fiscal Year Ended June 30, 2006

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	\$ 316,945,841	\$ 0	\$ 33,931,074	\$ 119,828,477	\$ (163,186,290)
Special	143,913,038	148,405	63,057,863	0	(80,706,770)
Vocational	11,907,870	0	741,042	0	(11,166,828)
Adult/Continuing	2,300,131	38,252	2,451,716	0	189,837
Other	12,759,762	0	11,151,414	0	(1,608,348)
Support Services:					
Pupils	35,380,163	0	7,803,544	0	(27,576,619)
Instructional Staff	51,072,946	0	40,672,337	0	(10,400,609)
Board of Education	267,321	0	7,701	0	(259,620)
Administration	41,342,791	0	4,916,688	0	(36,426,103)
Fiscal	9,946,686	0	1,068,558	0	(8,878,128)
Business	942,371	0	0	0	(942,371)
Operation and Maintenance of Plant	58,569,487	0	2,547,221	682,985	(55,339,281)
Pupil Transportation	28,965,329	0	1,294,475	0	(27,670,854)
Central	15,969,839	0	895,218	0	(15,074,621)
Operation of Non-Instructional Services	42,532,273	0	39,136,205	0	(3,396,068)
Extracurricular Activities	5,814,665	0	895,653	0	(4,919,012)
Interest and Fiscal Charges	11,647,137	0	0	0	(11,647,137)
Totals	\$ 790,277,650	\$ 186,657	\$ 210,570,709	\$ 120,511,462	(459,008,822)
General Revenues					
Property Taxes Levied For:					
					197,583,328
					31,620,440
					2,459,275
					16,205,770
					9,715,420
					384,582,569
					<u>642,166,802</u>
					Change in Net Assets 183,157,980
					<u>Net Assets Beginning of Year (Restated) 454,729,037</u>
					<u>Net Assets End of Year \$ 637,887,017</u>

See accompanying notes to the basic financial statements

Cleveland Municipal School District

*Balance Sheet
Governmental Funds
June 30, 2006*

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 74,416,594	\$ 23,383,107	\$ 108,067,032	\$ 36,858,671	\$ 242,725,404
Cash and Cash Equivalents with Fiscal Agents	0	6,168	0	0	6,168
Equity in Pooled Investments	0	0	65,457,144	9,438,279	74,895,423
Investments with Fiscal Agents	0	6,555,818	0	0	6,555,818
Receivables:					
Taxes	189,402,894	30,963,526	0	2,387,855	222,754,275
Accounts	557,257	0	0	212,009	769,266
Intergovernmental	8,273,226	0	202,061,525	3,725,294	214,060,045
Accrued Interest	227,826	0	670,518	8,385	906,729
Interfund	920,000	0	0	0	920,000
Materials and Supplies Inventory	656,976	0	0	291,769	948,745
Total Assets	\$ 274,454,773	\$ 60,908,619	\$ 376,256,219	\$ 52,922,262	\$ 764,541,873
Liabilities					
Accounts Payable	\$ 7,384,319	\$ 0	\$ 2,438,102	\$ 3,692,612	\$ 13,515,033
Accrued Wages and Benefits	44,195,934	0	0	9,264,832	53,460,766
Interfund Payable	0	0	0	920,000	920,000
Intergovernmental Payable	13,822,480	0	0	1,367,721	15,190,201
Unearned Revenue	172,896,241	26,591,046	201,739,692	7,480,187	408,707,166
Notes Payable	17,370,000	0	30,000,000	0	47,370,000
Total Liabilities	255,668,974	26,591,046	234,177,794	22,725,352	539,163,166
Fund Balance:					
Reserved for Encumbrances	6,467,758	0	69,098,625	8,288,118	83,854,501
Reserved for Inventory	656,976	0	0	291,769	948,745
Reserved for Property Taxes	16,183,447	3,941,258	0	285,746	20,410,451
Reserved for Budget Stabilization	17,000,000	0	0	0	17,000,000
Unreserved, (Deficit), Reported in:					
General Fund	(21,522,382)	0	0	0	(21,522,382)
Special Revenue Funds	0	0	0	6,951,949	6,951,949
Debt Service Funds	0	30,376,315	0	0	30,376,315
Capital Projects Funds	0	0	72,979,800	14,379,328	87,359,128
Total Fund Balances	18,785,799	34,317,573	142,078,425	30,196,910	225,378,707
Total Liabilities and Fund Balances	\$ 274,454,773	\$ 60,908,619	\$ 376,256,219	\$ 52,922,262	\$ 764,541,873

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, 2006*

Total Governmental Funds Balances		\$ 225,378,707
 <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		399,498,369
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	99,935,411	
Grants	207,006,746	
Total	306,942,157	306,942,157
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.		744,878
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	206,581,154	
Capital Lease Obligations	4,954,716	
Compensated Absences	50,315,308	
Worker's Compensation Claims	16,508,377	
Accrued Wages and Benefits - Pension Obligation	5,808,977	
Accrued Interest Payable	1,614,891	
Unamortized Premium on Bond	8,893,671	
Total	(294,677,094)	(294,677,094)
 <i>Net Assets of Governmental Activities</i>		 \$ 637,887,017

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, 2006

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
<i>Local Sources:</i>					
Taxes	\$ 192,896,821	\$ 30,453,908	\$ 0	\$ 2,374,876	\$ 225,725,605
Investment Income	8,270,139	0	7,176,761	758,870	16,205,770
Tuition and Fees	186,657	0	0	8,811	195,468
Extracurricular Activities	0	0	0	888,418	888,418
Miscellaneous	9,638,820	26,100	50,500	8,409,077	18,124,497
<i>State Sources:</i>					
Unrestricted Grants-in-Aid	380,601,642	3,374,474	0	244,828	384,220,944
Restricted Grants-in-Aid	11,827,627	0	51,432,070	67,371,098	130,630,795
<i>Federal Sources:</i>					
Unrestricted Grants-in-Aid	361,625	0	0	0	361,625
Restricted Grants-in-Aid	0	0	0	125,743,351	125,743,351
Total Revenues	603,783,331	33,854,482	58,659,331	205,799,329	902,096,473
Expenditures:					
<i>Current:</i>					
<i>Instruction:</i>					
Regular	289,329,087	0	0	22,182,228	311,511,315
Special	79,392,011	0	0	64,506,312	143,898,323
Vocational	11,216,506	0	0	717,811	11,934,317
Adult/Continuing	79,174	0	0	2,242,774	2,321,948
Other	1,438,276	0	0	11,058,335	12,496,611
<i>Support Services:</i>					
Pupils	27,375,518	0	0	7,908,809	35,284,327
Instructional Staff	9,989,015	0	0	41,128,103	51,117,118
Board of Education	270,146	0	0	9,933	280,079
Administration	34,349,307	0	0	4,779,774	39,129,081
Fiscal	8,850,322	0	0	1,075,672	9,925,994
Business	983,446	0	0	0	983,446
Operation and Maintenance of Plant	53,435,351	0	0	3,193,133	56,628,484
Pupil Transportation	25,957,218	0	0	1,435,040	27,392,258
Central	14,542,876	0	0	1,430,074	15,972,950
Operation of Non-Instructional Services	1,486,052	0	0	39,207,012	40,693,064
Extracurricular Activities	4,918,174	0	0	905,292	5,823,466
Capital Outlay	99,530	0	84,873,883	7,116,849	92,090,262
<i>Debt Service:</i>					
Principal Retirement	1,685,277	21,070,000	0	0	22,755,277
Interest and Fiscal Charges	2,731,587	8,904,869	50,500	0	11,686,956
Total Expenditures	568,128,873	29,974,869	84,924,383	208,897,151	891,925,276
Excess of Revenues Over (Under) Expenditures	35,654,458	3,879,613	(26,265,052)	(3,097,822)	10,171,197
Other Financing Sources (Uses):					
Transfers In	0	944,394	0	6,000,000	6,944,394
Transfers Out	(6,944,394)	0	0	0	(6,944,394)
Total Other Financing Sources (Uses)	(6,944,394)	944,394	0	6,000,000	0
Net Change in Fund Balances	28,710,064	4,824,007	(26,265,052)	2,902,178	10,171,197
Fund Balances Beginning of Year (Restated)	(9,924,265)	29,493,566	168,343,477	27,294,732	215,207,510
Fund Balances at End of Year	\$ 18,785,799	\$ 34,317,573	\$ 142,078,425	\$ 30,196,910	\$ 225,378,707

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, 2006*

Net Change in Fund Balances - Total Governmental Funds \$ 10,171,197

*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	89,605,963	
Current Year Depreciation	(11,304,707)	
Total	78,301,256	78,301,256

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		(79,625)
--	--	----------

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

Property Taxes	5,937,438	
Grants	63,310,863	
Total	69,248,301	69,248,301

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

22,755,277

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

39,819

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

Compensated Absences	2,961,245	
Accrued Wages and Benefits - Pension Obligation	(334,253)	
Worker's Compensation Claims	(631,716)	
Total	1,995,276	1,995,276

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.

726,479

Change in Net Assets of Governmental Activities

\$ 183,157,980

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, 2006

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
<i>Local Sources:</i>				
Taxes	\$ 203,175,915	\$ 193,939,213	\$ 197,803,415	\$ 3,864,202
Investment Income	7,766,657	7,766,657	7,766,657	0
Tuition and Fees	235,755	235,755	235,755	0
Miscellaneous	3,202,394	3,202,394	3,202,394	0
<i>State Sources:</i>				
Unrestricted Grants-in-Aid	323,100,256	383,581,833	380,601,642	(2,980,191)
Restricted Grants-in-Aid	11,827,627	11,827,627	11,827,627	0
<i>Federal Sources:</i>				
Unrestricted Grants-in-Aid	1,417,210	1,417,210	1,417,210	0
Total Revenues	550,725,814	601,970,689	602,854,700	884,011
Expenditures:				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	231,206,590	325,871,621	325,628,790	242,831
Special	83,404,621	82,089,544	82,089,544	0
Vocational	15,629,731	11,746,208	11,746,208	0
Adult/Continuing	934,785	52,390	52,390	0
Other	0	794,943	794,943	0
<i>Support Services:</i>				
Pupils	30,269,970	28,500,248	28,500,248	0
Instructional Staff	9,408,153	11,056,744	11,056,744	0
Board of Education	253,378	282,539	282,539	0
Administration	36,501,613	38,487,653	38,487,653	0
Fiscal	11,959,298	10,019,705	10,019,705	0
Business	1,215,266	1,227,696	1,227,696	0
Operation and Maintenance of Plant	56,080,383	56,897,156	56,897,156	0
Pupil Transportation	22,070,039	26,807,280	26,807,280	0
Central	21,970,772	17,741,061	17,741,061	0
Operation of Non-Instructional Services	1,729,316	1,549,033	1,549,033	0
Extracurricular Activities	5,732,526	5,499,067	5,499,067	0
Capital Outlay	223,390	113,456	113,456	0
<i>Debt Service:</i>				
Principal Retirement	17,164,877	18,150,277	18,150,277	0
Interest and Fiscal Charges	2,501,923	2,731,587	2,731,587	0
Total Expenditures	548,256,631	639,618,208	639,375,377	242,831
Excess of Revenues Over (Under) Expenditures	2,469,183	(37,647,519)	(36,520,677)	1,126,842
Other Financing Sources (Uses):				
Advances In	4,254,000	4,254,000	4,254,000	0
Advances Out	(1,500,000)	(920,000)	(920,000)	0
Transfers Out	(1,944,394)	(6,944,394)	(6,944,394)	0
Total Other Financing Sources (Uses)	809,606	(3,610,394)	(3,610,394)	0
Net Change in Fund Balances	3,278,789	(41,257,913)	(40,131,071)	1,126,842
Fund Balances Beginning of Year	7,846,603	7,846,603	7,846,603	0
<i>Prior Year Encumbrances Appropriated</i>	51,091,772	51,091,772	51,091,772	0
Fund Balances at End of Year	\$ 62,217,164	\$ 17,680,462	\$ 18,807,304	\$ 1,126,842

See accompanying notes to the basic financial statements

Cleveland Municipal School District

Statement of Fund Net Assets

Proprietary Fund

June 30, 2006

	Governmental Activities - Internal Service Fund
Assets:	
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 2,700,574
Total Current Assets	<u>2,700,574</u>
Liabilities:	
<i>Current Liabilities:</i>	
Accounts Payable	117,841
Claims Payable	<u>1,837,855</u>
Total Current Liabilities	<u>1,955,696</u>
Net Assets:	
Unrestricted	<u>744,878</u>
Total Net Assets:	<u>\$ 744,878</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, 2006*

	Governmental Activities - Internal Service Fund
<i>Operating Revenues:</i>	
Charges for Services	\$ 726,479
<i>Total Operating Revenues</i>	<u>726,479</u>
<i>Operating Expenses:</i>	
Claims and Claim Adjustment Expenses	<u>0</u>
<i>Total Operating Expenses</i>	<u>0</u>
<i>Operating Income (Loss)</i>	<u>726,479</u>
<i>Change in Net Assets</i>	726,479
Net Assets Beginning of Year	<u>18,399</u>
<i>Net Assets End of Year</i>	<u><u>\$ 744,878</u></u>

See accompanying notes to the basic financial statements

Cleveland Municipal School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2006

	Governmental Activities - Internal Service Fund
<i>Increase (Decrease) In Cash and Cash Equivalents:</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Interfund Services Provided	\$ 500,000
Cash Payments for Claims and Claim Adjustment Expenses	(499,122)
<i>Net Cash Provided by (Used in) Operating Activities</i>	878
Net Decrease in Cash and Cash Equivalents	878
Cash and Cash Equivalents at Beginning of Year	2,699,696
<i>Cash and Cash Equivalents at End of Year</i>	\$ 2,700,574
<i>Reconciliation of Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</i>	
<i>Operating Income (Loss)</i>	\$ 726,479
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</i>	
Decrease in Accounts Payable	(7,795)
Decrease in Claims Payable	(717,806)
<i>Total Adjustments</i>	(725,601)
<i>Net Cash Provided by (Used in) Operating Activities</i>	\$ 878
See accompanying notes to the basic financial statements	

Cleveland Municipal School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets

Equity in Pooled Cash and Cash Equivalents \$ 6,126,123

Total Assets \$ 6,126,123

Liabilities

Due to Students \$ 689,715

Payroll Withholdings 5,436,408

Total Liabilities \$ 6,126,123

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, 2006

Note 1 - Description of the School District and Reporting Entity

A. School District and Board of Education

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

B. Fiscal Emergency/Watch

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

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

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

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

C. Financial Reporting Entity

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

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

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

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

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The internal service activities are eliminated to avoid "doubling up" revenues and expenses. Any interfund services provided and used are not eliminated in the process of consolidation.

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

Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

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

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

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

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

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

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

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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, the State's share of the classroom facility project, tuition, grants, and student fees.

Unearned Revenue - Unearned 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, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The remaining state share of the classroom facility project for segments 1, 2 and 3 has also been recorded as unearned revenue.

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

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

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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

E. Budgetary Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Chief Financial Officer/Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

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

F. Cash and Investments

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

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

During fiscal year 2006, investments were limited to STAR Ohio, repurchase agreements, certificates of deposit, treasury notes and bills, federal agency securities, commercial paper, Allegiant Government Money Market Fund, Victory Federal Money Market Fund, AIM Government and Agency Portfolio Money Market Fund and Huntington U.S. Treasury Money Market Fund.

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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2006. 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, 2006.

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, 2006, if any, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

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

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

I. Capital Assets

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

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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

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

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

J. Interfund Balances

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

K. Compensated Absences

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

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

M. Net Assets

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

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

N. Fund Balance Reserves and Designations

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

O. Operating Revenues and Expenses

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

P. Contributions of Capital

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

Q. Interfund Transactions

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

R. Estimates

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

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 2006.

T. Change in Accounting Principles

In fiscal year 2006, the School District changed its capitalization threshold from five thousand dollars to twenty five thousand dollars, which reduced net assets by \$7.2 million.

	Original Balance 6/30/2005	Additions	Deductions	Revised Balance 6/30/2005
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 28,212,257	\$ 431,399	\$ (251,446)	\$ 28,392,210
Construction in Progress	118,961,701	0	(431,399)	118,530,302
<i>Total Capital Assets, not being depreciated</i>	<u>147,173,958</u>	<u>431,399</u>	<u>(682,845)</u>	<u>146,922,512</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,604,128	0	(836,351)	1,767,777
Buildings and Improvements	400,288,972	0	(10,459,853)	389,829,119
Vehicles and Equipment	36,800,573	0	(2,939,914)	33,860,659
<i>Total Capital Assets, being depreciated</i>	<u>439,693,673</u>	<u>0</u>	<u>(14,236,118)</u>	<u>425,457,555</u>
Less Accumulated Depreciation:				
Land Improvements	(1,317,601)	0	254,550	(1,063,051)
Buildings and Improvements	(235,762,495)	0	5,188,560	(230,573,935)
Vehicles and Equipment	(21,350,798)	0	1,884,455	(19,466,343)
Total Accumulated Depreciation	<u>(258,430,894)</u>	<u>0</u>	<u>7,327,565</u>	<u>(251,103,329)</u>
Total Capital Assets being depreciated, net	<u>181,262,779</u>	<u>0</u>	<u>(6,908,553)</u>	<u>174,354,226</u>
Governmental Activities Capital Assets, Net	<u>\$ 328,436,737</u>	<u>\$ 431,399</u>	<u>\$ (7,591,398)</u>	<u>\$ 321,276,738</u>

U. Restatement of Fund Balance

In fiscal year 2006, the School District restated the fund balance in the General Fund and the Debt Service Fund by \$10,541,076. Interest earned on moneys in the Debt Service Fund was erroneously credited to the Debt Service fund and should have been credited to the General Fund.

	Original Fund Balance 6/30/2005	Additions	Deductions	Revised Fund Balance 6/30/2005
General Fund	(20,465,341)	10,541,076		(9,924,265)
Debt Service Fund	40,034,642		(10,541,076)	29,493,566

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 3 - Accountability and Compliance

The following funds had deficit fund balances at June 30, 2006:

	<u>Deficit Fund Balances</u>
Special Revenue Funds:	
Miscellaneous State	108,430
Adult Basic Education	291,294
Title VI-B Special Education	1,581,084
Vocational Education	741,184
Title I	2,392,993
Improving Teacher Quality Title II-A	882,908
Miscellaneous Federal Grants	315,715
Other Federal	1,017,186

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.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

For fiscal year 2006, the School District has implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This Statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles* that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government.

During August 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which addresses how state and local governments should account and report their costs and obligations related to postemployment health care and other non-pension benefits. Collectively, these benefits are commonly referred to us as postemployment benefits, or OPEB. Statement No. 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. Statement No. 45 will not be effective for the School District until fiscal year 2008 and, as such, the School District has not determined the impact, if any that this statement will have on its financial statements.

For fiscal year 2006, the School District has implemented GASB Statement No. 47, *Accounting for Termination Benefits*. The Statement provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are involuntarily terminated. The statement requires that similar forms of termination benefits be accounted for in the same manner and is intended to enhance both the consistency of reporting for termination benefits and the comparability of financial statements.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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, 2006.

Net Change in Fund Balance	
GAAP Basis	\$ 28,710,064
Net Adjustment for Revenue Accruals	(928,631)
Advances In	4,254,000
Net Adjustment for Expenditure Accruals	(9,991,655)
Principal Retirement	(16,465,000)
Advances Out	(920,000)
Adjustment for Encumbrances	(44,789,849)
Budget Basis	<u>\$ (40,131,071)</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 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.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

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

Under Ohio statutes and School District investment policy, interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
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, 2006

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

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District's deposits may not be returned to it. Protection of School District deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as qualified securities pledged by the financial institution holding the assets. By Ohio law, financial institutions must collateralize public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and other designated third party trustees of the financial institutions.

At fiscal year end, the carrying amount of the School District's deposits was \$217,760,140 and the bank balance was \$227,442,637. Of the bank balance, \$800,001 was covered by federal depository insurance and \$226,642,636 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.

B. Investments

As of June 30, 2006, the School District had the following investments:

	Value	Less than 1 Year
Repurchase Agreement	\$ 904,447	\$ 904,447
Commercial Paper	3,452,196	3,452,196
U.S. Agency Obligations	46,257,327	46,257,327
U.S. Discount Agency Obligations	31,741,719	31,741,719
Money Market Mutual Funds	10,499,857	10,499,857
Investment in STAR Ohio	22,393,824	22,393,824
Total	<u>\$ 115,249,370</u>	<u>\$ 115,249,370</u>

Interest Rate Risk

Ohio Revised Code and School District investment policy limits security purchases to those that mature within five years of the settlement date. School District investment policy also limits commercial paper purchases to issues from companies incorporated in the United States which have assets in excess of \$500 million and whose issues are rated in the highest classification by at least two standard rating services. The

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

commercial paper must mature within 180 days of settlement date and the total holding of commercial paper may not exceed 25% of the portfolio, under Ohio Revised Code and School District investment policy. Money market mutual funds must be rated in the highest classification by at least one standard rating service and invest exclusively in eligible securities listed above, under School District investment policy.

Credit Risk

The School District's investments at June 30, 2006 in FHLMC, FNMA, FFCB and FHLB agency securities were rated AAA and the discount agency securities were rated A-1+ by Standard & Poor's. Its investments in commercial paper were rated A-1+ by Standard & Poor's and P-1 by Moody's. Its investments in the Victory Federal Money Market Fund, Allegiant Government Money Market Fund, Huntington U.S. Treasury Money Market Fund, AIM Government and Agency Portfolio Money Market Fund and STAR Ohio were rated AAAM by Standard & Poor's. The School District's investment policy minimizes credit risk by diversifying assets by issuer, ensuring that required minimum credit quality ratings exist and maintaining adequate collateralization of certificates of deposits.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. As of June 30, 2006, more than 5 percent of the School District's investments were in FHLMC agencies and discount agencies, in FNMA agencies and discount agencies, in FHLB agencies, in the Victory Federal Money Market Fund and in STAR Ohio. These investments are approximately 27%, 33%, 7%, 9%, and 19%, respectively, of the School District's total investments.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All the School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District, other than the District's repurchase agreements which are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement, in state statute, which prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Foreign Currency Risk

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

Note 6 - Property Taxes

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

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 2006 for real and public utility property taxes represents collections of calendar 2005 taxes. Property tax payments received during calendar 2006 for tangible personal property (other than public utility property) is for calendar 2006 taxes.

2006 real property taxes are levied after April 1, 2006, on the assessed values as of January 1, 2006, 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. 2006 public utility property taxes became a lien December 31, 2005, are levied after April 1, 2006 and are collected in 2006 with real property taxes.

2006 tangible personal property taxes are levied after April 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory.

The assessed values upon which the fiscal year 2006 taxes were collected are (in thousands):

	2005 Second Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 5,007,377	82.99%	\$ 4,870,503	83.03%
Public Utility	352,432	5.84%	316,245	5.39%
Tangible Personal Property	674,031	11.17%	679,540	11.58%
Total	\$ 6,033,840	100.00%	\$ 5,866,288	100.00%

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

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

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2006 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 2006 tangible personal property tax settlement was not received until July 2006. The late settlement and the amount available as an advance are recognized as revenue.

The amount available as an advance at June 30, 2006 was \$20,410,451. \$16,183,447 was available to the General Fund, \$3,941,258 to the Debt Service Fund and \$285,746 to the Other Local Fund.

Note 7 - Receivables

Receivables at June 30, 2006, 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	\$ 2,093,919
State Teachers Retirement System	6,080,646
Federal:Unrestricted Grants-In-Aid	15,322
Miscellaneous	83,339
Total General Fund	<u>8,273,226</u>
Capital Projects Funds:	
Classroom Facilities	<u>202,061,525</u>
	<u>202,061,525</u>
Special Revenue Funds:	
Educational Special Trust	62,460
Miscellaneous State	247,961
Other State	80,784
Food Service	2,835,361
Adult Basic Education	117,659
Vocational Education	399
Miscellaneous Federal Grants	70,500
Other Federal	310,170
Total Special Revenue Funds	<u>3,725,294</u>
Total Intergovernmental Receivables	<u>\$ 214,060,045</u>

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 6/30/2005	Additions	Deductions	Balance 6/30/2006
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 28,392,210	\$ 2,228,091	\$ 0	\$ 30,620,301
Construction in Progress	118,530,302	87,310,702	(64,500,427)	141,340,577
<i>Total Capital Assets, not being depreciated</i>	146,922,512	89,538,793	(64,500,427)	171,960,878
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,767,777	0	0	1,767,777
Buildings and Improvements	389,829,119	64,500,427	0	454,329,546
Vehicles and Equipment	33,860,659	67,170	(4,387,350)	29,540,479
<i>Total Capital Assets, being depreciated</i>	425,457,555	64,567,597	(4,387,350)	485,637,802
Less Accumulated Depreciation:				
Land Improvements	(1,063,051)	(63,364)	0	(1,126,415)
Buildings and Improvements	(230,573,935)	(9,169,998)	0	(239,743,933)
Vehicles and Equipment	(19,466,343)	(2,071,345)	4,307,725	(17,229,963)
Total Accumulated Depreciation	(251,103,329)	(11,304,707) *	4,307,725	(258,100,311)
Total Capital Assets being depreciated, net	174,354,226	53,262,890	(79,625)	227,537,491
Governmental Activities Capital Assets, Net	\$ 321,276,738	\$ 142,801,683	\$ (64,580,052)	\$ 399,498,369

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 8,277,015
Special	69,678
Support Services:	
Administration	1,746,563
Pupil Transportation	1,126,901
Operation of Non-Instructional Services	84,550
Total Depreciation Expense	\$ 11,304,707

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Construction in progress is composed of the following at June 30, 2006:

	Project Authorization	Expended to June 30, 2006	Committed
Regular Instruction	\$ 540,236,923	\$ 138,510,941	\$ 401,725,982
Support Services - Administration	3,969,568	2,829,636	1,139,932
Total	\$ 544,206,491	\$ 141,340,577	\$ 402,865,914

Note 9 - Risk Management

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

Coverage During Fiscal Year	Liability Limits	Deductible
Property (Physical Damage) Insurance	\$ 100,000,000	\$ 400,000
Boiler and Machinery	5,000	5,000
Commercial Crime Insurance	1,000,000	35,000
Inland Marine	1,000,000	1,000
Public Officials Bond (Treasurer Bond)	1,000,000	N/A
Employment Practices Liability	1,000,000	250,000
Builders's Risk	Varies by project	25,000
Student Athletic	25,000	N/A

Coverage During Fiscal Year	Liability Limits	Self-Insured Retention
General Liability	\$ 1,000,000	\$ 250,000
Automobile Liability	1,000,000	250,000
School Leaders Errors and Omissions	1,000,000	250,000
Employment Practices Liability	1,000,000	250,000
Sexual Harassment	1,000,000	250,000
Sexual Misconduct/Abuse	1,000,000	250,000
Law Enforcement Liability	1,000,000	250,000
Employee Benefits Liability	1,000,000	250,000
Nurses' Professional Liability	1,000,000	25,000
Lawyers' Professional Liability	1,000,000	250,000
Ohio Stop Gap Liability	1,000,000	250,000
Excess General Liability and Automobile Liability (Combined)	5,000,000	1,000,000

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

Because of the prohibitive cost of commercial insurance, the School District in 1987, established a self-insurance fund (an internal service fund) to account for and finance its uninsured risks of loss (insurance

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

deductibles and/or self-insured retentions) and associated expenses attributing to liability and property damage claim settlements and judgments. Estimates of claims liabilities, based on historical cost information, for incurred claims (including incurred but not reported claims) as calculated by the School District's Risk Management Division for all outstanding unsettled claims total \$1,837,855 as of June 30, 2006, 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, 1997, through June 30, 2006, including the estimate for incurred but not reported (IBNR) claims totals \$16,508,377.

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

The claims liability of \$18,346,232 at June 30, 2006, 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
2005	\$ 20,278,485	\$ 2,100,352	\$ 3,946,515	\$ 18,432,322
2006	\$ 18,432,322	\$ 4,402,135	\$ 4,488,225	\$ 18,346,232

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 state statute per 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 contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, (the most recent information available) 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$9,919,749, \$10,445,769 and \$10,663,742, respectively. 66.55% has been contributed for fiscal year 2006, 100% for fiscal year 2005 and 2004. \$3,318,154 representing the unpaid contribution for fiscal year 2006 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, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (“DB”) Plan, a Defined Contribution (“DC”) Plan and a Combined Plan. 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, 2006, 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, 2006, 2005, and 2004 were \$43,365,595, \$44,207,072 and \$48,391,174, respectively. 80.24% has been contributed for fiscal year 2006, and 100% for fiscal years 2005 and 2004.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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.

STRS retirees and their dependents who participated in the DB or combined plans are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, 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 \$3,335,815 during fiscal 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available) the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, (the most recent information available) employer contributions to fund health care benefits were 3.43 percent of covered payroll. 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 2006, the minimum pay has been established at \$35,800. For the School District, the amount to fund health care benefits, including the surcharge of \$1,414,732, during the 2006 fiscal year equaled \$4,633,723.

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, 2005 (the latest information available) were \$178,221,113 and the target level was \$335.2 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,000 participants currently receiving health care benefits.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Note 12 – Other Employee Benefits

A. *Compensated Absences*

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

B. *Insurance*

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

Note 13 - Long Term Obligations

Changes in long-term obligations of the School District during fiscal year 2006 were as follows:

	Principal Outstanding 6/30/2005	Additions	Deductions	Principal Outstanding 6/30/2006	Due Within One Year
Government Activities:					
General Obligation Bonds and Notes:					
EPA Asbestos Abatement Notes	\$ 133,739	\$ 0	\$ 60,530	\$ 73,209	\$ 37,339
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	9,767,374	0	639,429	9,127,945	673,111
2002 Library Refunding Bonds	23,250,000	0	2,990,000	20,260,000	3,140,000
2002 School Facilities Improvement Bonds	56,310,000	0	1,365,000	54,945,000	1,435,000
2004 School Facilities Improvement Bonds	117,640,000	0	16,715,000	100,925,000	2,790,000
Total General Obligation Bonds and Notes	228,351,113	0	21,769,959	206,581,154	8,075,450
Other Long-Term Obligations					
Compensated Absences	53,276,553	50,315,308	53,276,553	50,315,308	7,834,847
Workers' Compensation Claims	15,876,661	4,620,819	3,989,103	16,508,377	3,989,103
Capital Lease Obligation	5,940,034	0	985,318	4,954,716	1,025,446
Total Other Long-Term Obligations	75,093,248	54,936,127	58,250,974	71,778,401	12,849,396
Total Governmental Activities	\$ 303,444,361	\$ 54,936,127	\$ 80,020,933	\$ 278,359,555	\$ 20,924,846

On July 8, 2004, the School District issued \$125,000,000 of School Facility Improvement Bonds, bearing interest at the rate of 2.00% - 5.25% per annum. The premium received on this bond issue of \$2,163,792 was transferred to the Debt Service Fund. The series 2004 bond issue is the second long-term financing drawdown of the \$335 million approved by voters on May 8, 2001 (Issue 14) related to the School District's 12-year, \$1.5 billion capital plan. This debt will be retired from the Debt Service Fund.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

On October 1, 2002, the School District issued \$124,920,000 of Various Purpose Improvement and Refunding Bonds, bearing interest at the rate of 1.45% - 5.00% per annum. \$57,515,000 of the proceeds together with other available money was used to refund all of the District's outstanding General Obligation Unlimited Tax Library Improvement Bonds, Series 1992A. \$27,405,000 of the proceeds together with other available money was used to refund the District's outstanding \$35,000,000 School Facility Bond Anticipation Notes, Series 2001. \$40,000,000 of the new proceeds along with the \$35,000,000 that was refunded are being used to pay costs of renovating, rehabilitating, constructing, furnishing, equipping and otherwise improving school facilities and acquiring and improving their sites. This represents the first long-term drawdown of the \$335 million approved by voters on May 8, 2001 (Issue 14). This debt will be retired from the Debt Service Fund. As a result of the refunding, the District reduced its total debt service 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, 2006, the remaining \$14,453,511 of the School Improvement Bonds is considered defeased by assets of \$15,083,365, which approximates their fair value, held in irrevocable trust.

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

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

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

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

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.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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 \$395,153,493 with an unvoted debt margin of \$5,966,288 at June 30, 2006.

The School District is subject to federal arbitrage regulations. As of June 30, 2006 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, 2006, are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 8,075,450	\$ 8,952,934	\$ 17,028,384
2008	8,597,924	8,585,939	17,183,863
2009	8,735,248	8,192,521	16,927,769
2010	9,037,341	7,781,774	16,819,115
2011	9,596,543	7,342,527	16,939,070
2012 - 2016	57,383,519	31,096,678	88,480,197
2017 - 2021	36,825,129	21,676,134	58,501,263
2022 - 2026	46,405,000	11,294,988	57,699,988
2027 - 2028	21,925,000	1,080,303	23,005,303
	<u>\$ 206,581,154</u>	<u>\$ 106,003,798</u>	<u>\$ 312,584,952</u>

In fiscal year 2002, the School District entered into an agreement to lease 102 buses. The cost was \$5,062,000 while the carrying value (cost less depreciation) is \$3,440,749. This agreement is, in substance, a lease purchase (capital lease) and is classified as a long-term lease obligation in the financial statements.

In fiscal year 2001, the School District entered into an agreement to lease 100 buses. The cost was \$5,369,629 while the carrying value (cost less depreciation) is \$3,251,609. This agreement is, in substance, a lease purchase (capital lease) and is classified as a long-term lease obligation in the financial statements.

In fiscal year 2003, the School District refinanced and consolidated the above two lease agreements to obtain more favorable financing terms. These leases will be repaid from the General Fund.

Cleveland Municipal School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

The following is a schedule of future lease payments and the present value of net minimum lease payments at June 30, 2006:

	Amount
2007	\$ 1,214,983
2008	1,214,983
2009	1,214,983
2010	1,214,983
2011	607,492
Total minimum lease payments	5,467,424
Less:	
Amount representing interest	512,708
Present value of net minimum lease payments	\$ 4,954,716

Note 14 - Notes Payable

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

	Balance 6/30/2005	Issued	Retired	Balance 6/30/2006
General Fund:				
1997 4.60%-6.00%				
Revenue Anticipation Notes	\$ 33,835,000	\$ 0	\$ 16,465,000	\$ 17,370,000
Classroom Facilities Fund:				
2005 3.75%				
School Improvement Notes	0	30,000,000	0	30,000,000
Total	\$ 33,835,000	\$ 30,000,000	\$ 16,465,000	\$ 47,370,000

On December 22, 2005, the School District issued \$30,000,000 of School Improvement Bond Anticipation Notes bearing interest at the rate of 3.75% per annum.

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, 2006 are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2007	\$ 47,370,000	\$ 1,670,650	\$ 49,040,650
	\$ 47,370,000	\$ 1,670,650	\$ 49,040,650

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

Note 16 - Interfund Transactions

Interfund transfers on the fund statements at June 30, 2006 consist of the following:

Transfers from General Fund to the Debt Service Fund	\$ 944,394
Transfers from General Fund to the Food Service Fund	<u>6,000,000</u>
Total Transfers	<u>\$ 6,944,394</u>

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

The purpose of the transfer from the General Fund to the Food Service Fund was to fund a deficit.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Interfund balances at June 30, 2006, consist of the following individual fund receivables and payables:

	<u>Receivable</u>	<u>Payable</u>
General Fund	<u>\$ 920,000</u>	<u>\$ 0</u>
Non-Major Special Revenue Funds:		
Miscellaneous State	0	169,000
Other State	0	2,000
Adult Basic Education	0	136,000
Vocational Education	0	128,000
Other Federal	0	485,000
Total Non-Major Special Revenue Funds	<u>0</u>	<u>920,000</u>
Total All Funds	<u>\$ 920,000</u>	<u>\$ 920,000</u>

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

Note 17 - State School Funding Decision

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

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

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

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

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November 2001, the Court 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.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

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

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

Note 18 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and condition specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

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 chose to establish a budget reserve of \$17,000,000. The School District is also required to set aside money for any unspent portions of a bus purchase subsidy received annually from the State.

Cleveland Municipal School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Total</u>
Set-Aside Balance Carried Forward at July 1, 2005	\$ (1,308,244)	\$ 0	
Current Year Set-Aside Requirement	9,860,552	9,860,552	
Qualifying Expenditures	<u>(8,880,933)</u>	<u>(92,261,546)</u>	
Total	<u>\$ (328,625)</u>	<u>\$ (82,400,994)</u>	
Cash Balance Carried Forward to Fiscal Year 2006-2007			\$ 0
Amount Restricted for Bus Purchases			<u>0</u>
Total Restricted Assets			<u>\$ 0</u>

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

Note 20 - Jointly Governed Organizations

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

The degree of control exercised by any school district is limited to its representation on the Board. Financial information can be obtained by contacting David Contrell, the Executive Secretary of the Ohio Schools Council at 6133 Rockside Road, Suite #10, Independence, Ohio 44131.

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

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

Note 21 – Subsequent Event

On December 12, 2006, the Board authorized the issuance of \$30,000,000 of School Improvement Bond Anticipation Notes.

Cleveland Municipal School District Combining Statements - Nonmajor Funds

Nonmajor Special Revenue Funds

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

Local Funds

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

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

State Funds

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

Poverty Aid Fund - This fund accounts for monies appropriated for poverty based assistance as part of the state foundation system. Programs included are academic intervention, all-day kindergarten, class-size reduction, Limited English Proficient students, professional development, dropout prevention and community outreach.

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

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

Federal Funds

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

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

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

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

Combining Statements - Nonmajor Funds (continued)

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

Improving Teacher Quality Title II-A Fund – Funding for professional development and other programs to ensure teachers meet high quality standards. This fund also accounts for monies used to hire additional classroom teachers in elementary grades, so that the number of students per teacher will be reduced.

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

Other Federal Funds - This fund accounts for all activity in other Federal funds including Job Training Partnership Act (JTPA), Bilingual Education Program, Scientific Personnel Improvement, Transition for Refugee Children, Title VI, Emergency Immigrant Education Assistance Grant, Removal of Architecture Barriers to the Handicapped and Drug Free School Grant.

Nonmajor Capital Projects Funds

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

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

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

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

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

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

Agency Funds

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

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

Cleveland Municipal School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 27,166,308	\$ 9,692,363	\$ 36,858,671
Equity in Pooled Investments	0	9,438,279	9,438,279
Receivables:			
Taxes	2,387,855	0	2,387,855
Accounts	212,009	0	212,009
Intergovernmental	3,725,294	0	3,725,294
Accrued Interest	0	8,385	8,385
Materials and Supplies Inventory	291,769	0	291,769
Total Assets	\$ 33,783,235	\$ 19,139,027	\$ 52,922,262
Liabilities			
Accounts Payable	\$ 3,268,870	\$ 423,742	\$ 3,692,612
Accrued Wages and Benefits	9,228,020	36,812	9,264,832
Interfund Payable	920,000	0	920,000
Intergovernmental Payable	1,362,567	5,154	1,367,721
Unearned Revenue	7,480,187	0	7,480,187
Total Liabilities	22,259,644	465,708	22,725,352
Fund Balance:			
Reserved for Encumbrances	3,994,127	4,293,991	8,288,118
Reserved for Inventory	291,769	0	291,769
Reserved for Property Taxes	285,746	0	285,746
Unreserved, (Deficit), Reported in:			
Special Revenue Funds	6,951,949	0	6,951,949
Capital Projects Funds	0	14,379,328	14,379,328
Total Fund Balances	11,523,591	18,673,319	30,196,910
Total Liabilities and Fund Balances	\$ 33,783,235	\$ 19,139,027	\$ 52,922,262

Cleveland Municipal School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2006

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 2,374,876	\$ 0	\$ 2,374,876
Investment Income	122,805	636,065	758,870
Tuition and Fees	8,811	0	8,811
Extracurricular Activities	888,418	0	888,418
Miscellaneous	8,409,077	0	8,409,077
<i>State Sources:</i>			
Unrestricted Grants-in-Aid	244,828	0	244,828
Restricted Grants-in-Aid	65,179,766	2,191,332	67,371,098
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	125,743,351	0	125,743,351
Total Revenues	<u>202,971,932</u>	<u>2,827,397</u>	<u>205,799,329</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	22,182,228	0	22,182,228
Special	64,506,312	0	64,506,312
Vocational	717,811	0	717,811
Adult/Continuing	2,242,774	0	2,242,774
Other	11,058,335	0	11,058,335
<i>Support Services:</i>			
Pupils	7,908,809	0	7,908,809
Instructional Staff	41,028,045	100,058	41,128,103
Board of Education	9,933	0	9,933
Administration	4,779,774	0	4,779,774
Fiscal	1,075,672	0	1,075,672
Operation and Maintenance of Plant	2,638,777	554,356	3,193,133
Pupil Transportation	1,435,040	0	1,435,040
Central	1,430,074	0	1,430,074
Operation of Non-Instructional Services	39,207,012	0	39,207,012
Extracurricular Activities	905,292	0	905,292
Capital Outlay	0	7,116,849	7,116,849
Total Expenditures	<u>201,125,888</u>	<u>7,771,263</u>	<u>208,897,151</u>
Excess of Revenues Over (Under) Expenditures	<u>1,846,044</u>	<u>(4,943,866)</u>	<u>(3,097,822)</u>
Other Financing Sources (Uses):			
Transfers In	6,000,000	0	6,000,000
Total Other Financing Sources (Uses)	<u>6,000,000</u>	<u>0</u>	<u>6,000,000</u>
Net Change in Fund Balances	7,846,044	(4,943,866)	2,902,178
Fund Balances Beginning of Year	<u>3,677,547</u>	<u>23,617,185</u>	<u>27,294,732</u>
Fund Balances at End of Year	<u>\$ 11,523,591</u>	<u>\$ 18,673,319</u>	<u>\$ 30,196,910</u>

Cleveland Municipal School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	Educational Special Trust	Other Local	Auxiliary Services (NPSS)
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,159,484	\$ 12,457,110	\$ 1,725,477
Receivables:			
Taxes	0	2,387,855	0
Accounts	201,309	0	0
Intergovernmental	62,460	0	0
Materials and Supplies Inventory	0	0	0
Total Assets	\$ 2,423,253	\$ 14,844,965	\$ 1,725,477
Liabilities			
Accounts Payable	\$ 107,986	\$ 0	\$ 261,738
Accrued Wages and Benefits	107,656	0	257,084
Interfund Payable	0	0	0
Intergovernmental Payable	15,072	0	35,992
Unearned Revenue	0	2,066,763	0
Total Liabilities	230,714	2,066,763	554,814
Fund Balance:			
Reserved for Encumbrances	426,744	44,041	426,861
Reserved for Inventory	0	0	0
Reserved for Property Taxes	0	285,746	0
Unreserved, (Deficit), Reported in: Special Revenue Funds	1,765,795	12,448,415	743,802
Total Fund Balances	2,192,539	12,778,202	1,170,663
Total Liabilities and Fund Balances	\$ 2,423,253	\$ 14,844,965	\$ 1,725,477

Poverty Aid	Miscellaneous State	Other State	Food Service	Adult Basic Education
\$ 431,788	\$ 27,684	\$ 991,364	\$ 464,832	\$ 17,113
0	0	0	0	0
0	0	0	10,700	0
0	247,961	80,784	2,835,361	117,659
0	0	0	291,769	0
<u>\$ 431,788</u>	<u>\$ 275,645</u>	<u>\$ 1,072,148</u>	<u>\$ 3,602,662</u>	<u>\$ 134,772</u>
\$ 0	\$ 0	\$ 62,293	\$ 722,708	\$ 96
0	32,968	86,365	855,052	70,109
0	169,000	2,000	0	136,000
0	4,616	12,090	190,350	9,816
0	177,491	316,389	146,370	210,045
0	384,075	479,137	1,914,480	426,066
0	18,164	216,789	29,068	14,380
0	0	0	291,769	0
0	0	0	0	0
431,788	(126,594)	376,222	1,367,345	(305,674)
431,788	(108,430)	593,011	1,688,182	(291,294)
<u>\$ 431,788</u>	<u>\$ 275,645</u>	<u>\$ 1,072,148</u>	<u>\$ 3,602,662</u>	<u>\$ 134,772</u>

(continued)

Cleveland Municipal School District
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2006

	Title VI-B Special Education	Vocational Education	Title I
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,174,549	\$ 1,417,752	\$ 3,886,777
Receivables:			
Taxes	0	0	0
Accounts	0	0	0
Intergovernmental	0	399	0
Materials and Supplies Inventory	0	0	0
Total Assets	\$ 1,174,549	\$ 1,418,151	\$ 3,886,777
Liabilities			
Accounts Payable	\$ 264,582	\$ 687,601	\$ 520,317
Accrued Wages and Benefits	1,197,972	84,925	5,052,152
Interfund Payable	0	128,000	0
Intergovernmental Payable	167,716	11,890	707,301
Unearned Revenue	1,125,363	1,246,919	0
Total Liabilities	2,755,633	2,159,335	6,279,770
Fund Balance:			
Reserved for Encumbrances	182,754	666,411	631,873
Reserved for Inventory	0	0	0
Reserved for Property Taxes	0	0	0
Unreserved, (Deficit), Reported in: Special Revenue Funds	(1,763,838)	(1,407,595)	(3,024,866)
Total Fund Balances	(1,581,084)	(741,184)	(2,392,993)
Total Liabilities and Fund Balances	\$ 1,174,549	\$ 1,418,151	\$ 3,886,777

Improving Teacher Quality Title II-A	Miscellaneous Federal Grants	Other Federal	Total Nonmajor Special Revenue Funds
\$ 148,228	\$ 1,630,849	\$ 633,301	\$ 27,166,308
0	0	0	2,387,855
0	0	0	212,009
0	70,500	310,170	3,725,294
0	0	0	291,769
<u>\$ 148,228</u>	<u>\$ 1,701,349</u>	<u>\$ 943,471</u>	<u>\$ 33,783,235</u>
\$ 49,286	\$ 332,234	\$ 260,029	\$ 3,268,870
731,247	453,788	298,702	9,228,020
0	0	485,000	920,000
102,375	63,531	41,818	1,362,567
148,228	1,167,511	875,108	7,480,187
<u>1,031,136</u>	<u>2,017,064</u>	<u>1,960,657</u>	<u>22,259,644</u>
62,756	1,055,776	218,510	3,994,127
0	0	0	291,769
0	0	0	285,746
<u>(945,664)</u>	<u>(1,371,491)</u>	<u>(1,235,696)</u>	<u>6,951,949</u>
<u>(882,908)</u>	<u>(315,715)</u>	<u>(1,017,186)</u>	<u>11,523,591</u>
<u>\$ 148,228</u>	<u>\$ 1,701,349</u>	<u>\$ 943,471</u>	<u>\$ 33,783,235</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, 2006

	Educational Special Trust	Other Local	Auxiliary Services (NPSS)
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 0	\$ 2,374,876	\$ 0
Investment Income	23,336	0	83,874
Tuition and Fees	520	0	0
Extracurricular Activities	0	888,418	0
Miscellaneous	7,200,966	0	302,131
<i>State Sources:</i>			
Unrestricted Grants-in-Aid	0	244,828	0
Restricted Grants-in-Aid	0	0	7,435,042
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	0	0	0
Total Revenues	<u>7,224,822</u>	<u>3,508,122</u>	<u>7,821,047</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	2,652,105	0	0
Special	0	0	0
Vocational	49,704	0	0
Adult/Continuing	0	0	0
Other	0	0	0
<i>Support Services:</i>			
Pupils	896,630	0	0
Instructional Staff	4,316,272	0	374,188
Board of Education	9,933	0	0
Administration	234,117	0	0
Fiscal	0	0	0
Operation and Maintenance of Plant	0	39,582	36,038
Pupil Transportation	773,165	0	0
Central	374,030	0	0
Operation of Non-Instructional Services	2,394	0	7,527,014
Extracurricular Activities	9,332	895,960	0
Total Expenditures	<u>9,317,682</u>	<u>935,542</u>	<u>7,937,240</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,092,860)</u>	<u>2,572,580</u>	<u>(116,193)</u>
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	(2,092,860)	2,572,580	(116,193)
Fund Balances Beginning of Year	<u>4,285,399</u>	<u>10,205,622</u>	<u>1,286,856</u>
Fund Balances at End of Year	<u>\$ 2,192,539</u>	<u>\$ 12,778,202</u>	<u>\$ 1,170,663</u>

Poverty Aid	Miscellaneous State	Other State	Food Service	Adult Basic Education
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	15,595	0
0	0	8,291	0	0
0	0	0	0	0
0	0	0	905,980	0
0	0	0	0	0
51,730,763	1,977,417	2,877,580	1,158,964	0
0	0	0	21,707,329	2,208,614
<u>51,730,763</u>	<u>1,977,417</u>	<u>2,885,871</u>	<u>23,787,868</u>	<u>2,208,614</u>
12,023,959	416,670	1,261,665	0	0
13,076,759	0	0	0	0
0	0	38,255	0	0
357,455	0	184,501	0	1,452,063
11,058,335	0	0	0	0
1,760,336	52,925	175,853	0	0
10,677,223	487,756	358,735	0	614,731
0	0	0	0	0
163,186	13,980	160,454	0	2,281
0	826	0	0	27,024
2,181,722	1,802	81,400	0	16,769
0	55,338	1,496	0	11,589
0	34,363	1,018,709	0	0
0	0	31,195	25,534,793	4,691
0	0	0	0	0
<u>51,298,975</u>	<u>1,063,660</u>	<u>3,312,263</u>	<u>25,534,793</u>	<u>2,129,148</u>
<u>431,788</u>	<u>913,757</u>	<u>(426,392)</u>	<u>(1,746,925)</u>	<u>79,466</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>6,000,000</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>6,000,000</u>	<u>0</u>
431,788	913,757	(426,392)	4,253,075	79,466
0	(1,022,187)	1,019,403	(2,564,893)	(370,760)
<u>\$ 431,788</u>	<u>\$ (108,430)</u>	<u>\$ 593,011</u>	<u>\$ 1,688,182</u>	<u>\$ (291,294)</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, 2006

	Title VI-B Special Education	Vocational Education	Title I
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 0	\$ 0	\$ 0
Investment Income	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	0	0	0
<i>State Sources:</i>			
Unrestricted Grants-in-Aid	0	0	0
Restricted Grants-in-Aid	0	0	0
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	22,449,292	6,247,171	47,836,868
Total Revenues	<u>22,449,292</u>	<u>6,247,171</u>	<u>47,836,868</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	7,618	15,309	2,207,300
Special	9,286,192	0	33,656,815
Vocational	0	629,852	0
Adult/Continuing	0	119,294	0
Other	0	0	0
<i>Support Services:</i>			
Pupils	4,252,851	203,903	357
Instructional Staff	5,076,534	1,409,161	9,052,839
Board of Education	0	0	0
Administration	1,709,148	87,185	695,597
Fiscal	285,354	179	493,749
Operation and Maintenance of Plant	0	1,088	966
Pupil Transportation	501,023	0	20,020
Central	0	2,972	0
Operation of Non-Instructional Services	961,769	309,381	4,645,115
Extracurricular Activities	0	0	0
Total Expenditures	<u>22,080,489</u>	<u>2,778,324</u>	<u>50,772,758</u>
Excess of Revenues Over (Under) Expenditures	<u>368,803</u>	<u>3,468,847</u>	<u>(2,935,890)</u>
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	368,803	3,468,847	(2,935,890)
Fund Balances Beginning of Year	<u>(1,949,887)</u>	<u>(4,210,031)</u>	<u>542,897</u>
Fund Balances at End of Year	<u>\$ (1,581,084)</u>	<u>\$ (741,184)</u>	<u>\$ (2,392,993)</u>

Improving Teacher Quality Title II-A	Miscellaneous Federal Grants	Other Federal	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 2,374,876
0	0	0	122,805
0	0	0	8,811
0	0	0	888,418
0	0	0	8,409,077
0	0	0	244,828
0	0	0	65,179,766
9,670,317	10,893,908	4,729,852	125,743,351
<u>9,670,317</u>	<u>10,893,908</u>	<u>4,729,852</u>	<u>202,971,932</u>
0	2,871,316	726,286	22,182,228
7,479,555	0	1,006,991	64,506,312
0	0	0	717,811
0	0	129,461	2,242,774
0	0	0	11,058,335
0	565,446	508	7,908,809
1,581,718	5,963,300	1,115,588	41,028,045
0	0	0	9,933
58,439	196,815	1,458,572	4,779,774
107,414	122,468	38,658	1,075,672
0	155,013	124,397	2,638,777
0	57,150	15,259	1,435,040
0	0	0	1,430,074
10,164	98,724	81,772	39,207,012
0	0	0	905,292
<u>9,237,290</u>	<u>10,030,232</u>	<u>4,697,492</u>	<u>201,125,888</u>
<u>433,027</u>	<u>863,676</u>	<u>32,360</u>	<u>1,846,044</u>
0	0	0	6,000,000
0	0	0	6,000,000
433,027	863,676	32,360	7,846,044
<u>(1,315,935)</u>	<u>(1,179,391)</u>	<u>(1,049,546)</u>	<u>3,677,547</u>
<u>\$ (882,908)</u>	<u>\$ (315,715)</u>	<u>\$ (1,017,186)</u>	<u>\$ 11,523,591</u>

Cleveland Municipal School District

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2006

	Permanent Improvement	Building Renovation	School Net Plus
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,537,778	\$ 7,473,113	\$ 681,472
Equity in Pooled Investments	9,438,279	0	0
Receivables:			
Accrued Interest	8,385	0	0
Total Assets	<u>\$ 10,984,442</u>	<u>\$ 7,473,113</u>	<u>\$ 681,472</u>
Liabilities			
Accounts Payable	\$ 423,742	\$ 0	\$ 0
Accrued Wages and Benefits	36,812	0	0
Intergovernmental Payable	5,154	0	0
Total Liabilities	<u>465,708</u>	<u>0</u>	<u>0</u>
Fund Balance:			
Reserved for Encumbrances	3,545,759	66,760	681,472
Unreserved, (Deficit), Reported in: Capital Projects Funds	6,972,975	7,406,353	0
Total Fund Balances	<u>10,518,734</u>	<u>7,473,113</u>	<u>681,472</u>
Total Liabilities and Fund Balances	<u>\$ 10,984,442</u>	<u>\$ 7,473,113</u>	<u>\$ 681,472</u>

Ohio School Net Telecommunications	School Facility Grant	Total Nonmajor Capital Projects Funds
\$ 0	\$ 0	\$ 9,692,363
0	0	9,438,279
<u>0</u>	<u>0</u>	<u>8,385</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,139,027</u>
\$ 0	\$ 0	\$ 423,742
0	0	36,812
<u>0</u>	<u>0</u>	<u>5,154</u>
<u>0</u>	<u>0</u>	<u>465,708</u>
0	0	4,293,991
<u>0</u>	<u>0</u>	<u>14,379,328</u>
<u>0</u>	<u>0</u>	<u>18,673,319</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19,139,027</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, 2006

	Permanent Improvement	Building Renovation	School Net Plus
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 636,065	\$ 0	\$ 0
<i>State Sources:</i>			
Restricted Grants-in-Aid	0	1,513	681,472
Total Revenues	<u>636,065</u>	<u>1,513</u>	<u>681,472</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Instructional Staff	0	0	0
Operation and Maintenance of Plant	190,117	256,863	35,000
Capital Outlay	7,105,981	10,868	0
Total Expenditures	<u>7,296,098</u>	<u>267,731</u>	<u>35,000</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,660,033)</u>	<u>(266,218)</u>	<u>646,472</u>
Fund Balances Beginning of Year	<u>17,178,767</u>	<u>7,739,331</u>	<u>35,000</u>
Fund Balances at End of Year	<u>\$ 10,518,734</u>	<u>\$ 7,473,113</u>	<u>\$ 681,472</u>

Ohio School Net Telecommunications	School Facility Grant	Total Nonmajor Capital Projects Funds
\$ 0	\$ 0	\$ 636,065
<u>0</u>	<u>1,508,347</u>	<u>2,191,332</u>
<u>0</u>	<u>1,508,347</u>	<u>2,827,397</u>
100,058	0	100,058
72,376	0	554,356
0	0	7,116,849
<u>172,434</u>	<u>0</u>	<u>7,771,263</u>
<u>(172,434)</u>	<u>1,508,347</u>	<u>(4,943,866)</u>
<u>172,434</u>	<u>(1,508,347)</u>	<u>23,617,185</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,673,319</u>

Cleveland Municipal School District
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2006

	Beginning Balance July 1, 2005	Additions	Deductions	Ending Balance June 30, 2006
District Agency Fund				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 376,096	\$ 5,060,312	\$ 0	\$ 5,436,408
<i>Liabilities:</i>				
Payroll Withholdings	\$ 376,096	\$ 5,060,312	\$ 0	\$ 5,436,408
 Student Managed Activity				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 815,781	\$ 0	\$ 126,066	\$ 689,715
<i>Liabilities:</i>				
Due to Students	\$ 815,781	\$ 0	\$ 126,066	\$ 689,715
 All Agency Funds				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,191,877	\$ 5,060,312	\$ 126,066	\$ 6,126,123
<i>Liabilities:</i>				
Due To Students	\$ 815,781	\$ 0	\$ 126,066	\$ 689,715
Payroll Withholdings	376,096	5,060,312	0	5,436,408
Total Liabilities	\$ 1,191,877	\$ 5,060,312	\$ 126,066	\$ 6,126,123

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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 31,148,692	\$ 31,686,195	\$ 537,503
Investment Income	0	0	0
<i>State Sources:</i>			
Unrestricted Grants-in-Aid	3,084,893	3,678,801	593,908
Total Revenues	<u>34,233,585</u>	<u>35,364,996</u>	<u>1,131,411</u>
Expenditures:			
<i>Debt Service:</i>			
Principal Retirement	21,070,000	21,070,000	0
Interest and Fiscal Charges	8,904,869	8,904,869	0
Total Expenditures	<u>29,974,869</u>	<u>29,974,869</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	4,258,716	5,390,127	1,131,411
Other Financing Sources (Uses):			
Premium from Sale of Bonds	0	26,100	26,100
Operating Transfers In	0	944,394	944,394
Total Other Financing Sources (Uses)	<u>0</u>	<u>970,494</u>	<u>970,494</u>
Net Change in Fund Balances	4,258,716	6,360,621	2,101,905
Fund Balances Beginning of Year	<u>34,125,548</u>	<u>34,125,548</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 38,384,264</u>	<u>\$ 40,486,169</u>	<u>\$ 2,101,905</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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 6,216,700	\$ 6,216,700	\$ 0
<i>State Sources:</i>			
Restricted Grants-in-Aid	265,732,800	51,384,880	(214,347,920)
Total Revenues	<u>271,949,500</u>	<u>57,601,580</u>	<u>(214,347,920)</u>
Expenditures:			
Capital Outlay	470,923,262	154,911,033	316,012,229
Debt Service:			
Debt Issuance Costs	50,500	50,500	0
Total Expenditures	<u>470,973,762</u>	<u>154,961,533</u>	<u>316,012,229</u>
Excess of Revenues Over (Under) Expenditures	(199,024,262)	(97,359,953)	101,664,309
Other Financing Sources (Uses):			
Issuance from Sale of Notes	30,000,000	30,000,000	0
Premium from Sale of Notes	50,500	50,500	0
Total Other Financing Sources (Uses)	<u>30,050,500</u>	<u>30,050,500</u>	<u>0</u>
Net Change in Fund Balances	(168,973,762)	(67,309,453)	101,664,309
Fund Balances Beginning of Year	111,404,717	111,404,717	0
<i>Prior Year Encumbrances Appropriated</i>	57,996,094	57,996,094	0
Fund Balances at End of Year	<u>\$ 427,049</u>	<u>\$ 102,091,358</u>	<u>\$ 101,664,309</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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 23,336	\$ 23,336	\$ 0
Tuition and Fees	520	520	0
Miscellaneous	9,976,144	7,363,642	(2,612,502)
Total Revenues	10,000,000	7,387,498	(2,612,502)
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	2,681,076	2,652,105	28,971
Special	134	121	13
Vocational	199,261	56,332	142,929
<i>Support Services:</i>			
Pupils	1,475,274	905,932	569,342
Instructional Staff	7,712,330	4,992,664	2,719,666
Board of Education	15,000	10,083	4,917
Administration	368,620	306,997	61,623
Pupil Transportation	924,200	774,926	149,274
Central	624,951	400,939	224,012
Operation of Non-Instructional Services	2,394	2,394	0
Extracurricular Activities	39,928	10,266	29,662
Total Expenditures	14,043,168	10,112,759	3,930,409
Excess of Revenues Over (Under) Expenditures	(4,043,168)	(2,725,261)	1,317,907
Fund Balances Beginning of Year	3,628,751	3,628,751	0
<i>Prior Year Encumbrances Appropriated</i>	679,751	679,751	0
Fund Balances at End of Year	\$ 265,334	\$ 1,583,241	\$ 1,317,907

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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Taxes	\$ 2,422,039	\$ 2,461,543	\$ 39,504
Extracurricular Activities	1,100,000	888,418	(211,582)
<i>State Sources:</i>			
Unrestricted Grants-in-Aid	528,911	244,828	(284,083)
Total Revenues	<u>4,050,950</u>	<u>3,594,789</u>	<u>(456,161)</u>
Expenditures:			
Current:			
<i>Support Services:</i>			
Operation and Maintenance of Plant	10,691,707	83,536	10,608,171
Extracurricular Activities	1,595,346	895,960	699,386
Capital Outlay	1,105,600	100	1,105,500
Total Expenditures	<u>13,392,653</u>	<u>979,596</u>	<u>12,413,057</u>
Excess of Revenues Over (Under) Expenditures	(9,341,703)	2,615,193	11,956,896
Fund Balances Beginning of Year	9,760,672	9,760,672	0
<i>Prior Year Encumbrances Appropriated</i>	37,192	37,192	0
Fund Balances at End of Year	<u>\$ 456,161</u>	<u>\$ 12,413,057</u>	<u>\$ 11,956,896</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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 83,874	\$ 83,874	\$ 0
Miscellaneous	302,131	302,131	0
<i>State Sources:</i>			
Restricted Grants-in-Aid	9,213,995	7,435,042	(1,778,953)
Total Revenues	<u>9,600,000</u>	<u>7,821,047</u>	<u>(1,778,953)</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Instructional Staff	380,479	380,479	0
Operation and Maintenance of Plant	133,306	50,148	83,158
Operation of Non-Instructional Services	10,866,602	8,605,086	2,261,516
Total Expenditures	<u>11,380,387</u>	<u>9,035,713</u>	<u>2,344,674</u>
Excess of Revenues Over (Under) Expenditures	(1,780,387)	(1,214,666)	565,721
Fund Balances Beginning of Year	188,983	188,983	0
<i>Prior Year Encumbrances Appropriated</i>	<u>1,833,262</u>	<u>1,833,262</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 241,858</u>	<u>\$ 807,579</u>	<u>\$ 565,721</u>

Cleveland Municipal School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Poverty Aid Fund
For the Fiscal Year Ended June 30, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 51,730,763	\$ 51,730,763	\$ 0
Total Revenues	<u>51,730,763</u>	<u>51,730,763</u>	<u>0</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	12,023,959	12,023,959	0
Special	13,076,759	13,076,759	0
Adult/Continuing	357,455	357,455	0
Other	11,058,335	11,058,335	0
<i>Support Services:</i>			
Pupils	1,760,336	1,760,336	0
Instructional Staff	10,677,223	10,677,223	0
Administration	163,186	163,186	0
Operation and Maintenance of Plant	2,181,722	2,181,722	0
Total Expenditures	<u>51,298,975</u>	<u>51,298,975</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	431,788	431,788	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>\$ 431,788</u>	<u>\$ 431,788</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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 2,380,423	\$ 1,721,555	\$ (658,868)
Total Revenues	<u>2,380,423</u>	<u>1,721,555</u>	<u>(658,868)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	1,421,283	1,308,749	112,534
<i>Support Services:</i>			
Pupils	55,761	54,887	874
Instructional Staff	693,000	546,511	146,489
Administration	13,980	13,980	0
Fiscal	826	826	0
Operation and Maintenance of Plant	7,275	1,802	5,473
Pupil Transportation	57,178	55,418	1,760
Central	34,363	34,363	0
Total Expenditures	<u>2,283,666</u>	<u>2,016,536</u>	<u>267,130</u>
Excess of Revenues Over (Under) Expenditures	96,757	(294,981)	(391,738)
Other Financing Sources (Uses):			
Advances In	169,000	169,000	0
Advances Out	(731,000)	(731,000)	0
Total Other Financing Sources (Uses)	<u>(562,000)</u>	<u>(562,000)</u>	<u>0</u>
Net Change in Fund Balances	(465,243)	(856,981)	(391,738)
Fund Balances Beginning of Year	694	694	0
<i>Prior Year Encumbrances Appropriated</i>	<u>857,195</u>	<u>857,195</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 392,646</u>	<u>\$ 908</u>	<u>\$ (391,738)</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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Tuition and Fees	\$ 8,291	\$ 8,291	\$ 0
<i>State Sources:</i>			
Restricted Grants-in-Aid	4,703,709	2,965,570	(1,738,139)
Total Revenues	<u>4,712,000</u>	<u>2,973,861</u>	<u>(1,738,139)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	1,416,100	1,385,619	30,481
Vocational	85,872	81,797	4,075
Adult/Continuing	209,365	209,365	0
<i>Support Services:</i>			
Pupils	222,265	187,188	35,077
Instructional Staff	500,166	367,351	132,815
Administration	268,759	167,762	100,997
Operation and Maintenance of Plant	109,121	81,400	27,721
Pupil Transportation	1,500	1,500	0
Central	1,630,250	1,151,124	479,126
Operation of Non-Instructional Services	43,884	33,161	10,723
Total Expenditures	<u>4,487,282</u>	<u>3,666,267</u>	<u>821,015</u>
Excess of Revenues Over (Under) Expenditures	224,718	(692,406)	(917,124)
Other Financing Sources (Uses):			
Advances In	2,000	2,000	0
Advances Out	(39,000)	(39,000)	0
Total Other Financing Sources (Uses)	<u>(37,000)</u>	<u>(37,000)</u>	<u>0</u>
Net Change in Fund Balances	187,718	(729,406)	(917,124)
Fund Balances Beginning of Year	1,227,516	1,227,516	0
<i>Prior Year Encumbrances Appropriated</i>	185,192	185,192	0
Fund Balances at End of Year	<u>\$ 1,600,426</u>	<u>\$ 683,302</u>	<u>\$ (917,124)</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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 15,595	\$ 15,595	\$ 0
Miscellaneous	901,124	901,124	0
<i>State Sources:</i>			
Restricted Grants-in-Aid	1,158,964	1,158,964	0
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	19,424,317	18,871,968	(552,349)
Total Revenues	<u>21,500,000</u>	<u>20,947,651</u>	<u>(552,349)</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Operation and Maintenance of Plant	4,883	0	4,883
Operation of Non-Instructional Services	27,361,624	27,349,313	12,311
Total Expenditures	<u>27,366,507</u>	<u>27,349,313</u>	<u>17,194</u>
Excess of Revenues Over (Under) Expenditures	(5,866,507)	(6,401,662)	(535,155)
Other Financing Sources (Uses):			
Operating Transfers In	6,000,000	6,000,000	0
Total Other Financing Sources (Uses)	<u>6,000,000</u>	<u>6,000,000</u>	<u>0</u>
Net Change in Fund Balances	133,493	(401,662)	(535,155)
Fund Balances Beginning of Year	156,394	156,394	0
<i>Prior Year Encumbrances Appropriated</i>	262,462	262,462	0
Fund Balances at End of Year	<u>\$ 552,349</u>	<u>\$ 17,194</u>	<u>\$ (535,155)</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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 2,596,000	\$ 2,394,747	\$ (201,253)
Total Revenues	<u>2,596,000</u>	<u>2,394,747</u>	<u>(201,253)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Adult/Continuing	1,661,694	1,602,831	58,863
<i>Support Services:</i>			
Instructional Staff	640,755	640,755	0
Administration	2,281	2,281	0
Fiscal	28,625	27,024	1,601
Operation and Maintenance of Plant	16,769	16,769	0
Pupil Transportation	12,389	12,389	0
Operation of Non-Instructional Services	4,747	4,746	1
Total Expenditures	<u>2,367,260</u>	<u>2,306,795</u>	<u>60,465</u>
Excess of Revenues Over (Under) Expenditures	228,740	87,952	(140,788)
Other Financing Sources (Uses):			
Advances In	136,000	136,000	0
Advances Out	(232,000)	(232,000)	0
Total Other Financing Sources (Uses)	<u>(96,000)</u>	<u>(96,000)</u>	<u>0</u>
Net Change in Fund Balances	132,740	(8,048)	(140,788)
Fund Balances Beginning of Year	321	321	0
<i>Prior Year Encumbrances Appropriated</i>	<u>8,181</u>	<u>8,181</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 141,242</u>	<u>\$ 454</u>	<u>\$ (140,788)</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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 22,500,000	\$ 22,062,970	\$ (437,030)
Total Revenues	<u>22,500,000</u>	<u>22,062,970</u>	<u>(437,030)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	7,618	7,618	0
Special	9,875,302	9,549,760	325,542
<i>Support Services:</i>			
Pupils	4,683,400	4,375,911	307,489
Instructional Staff	5,530,583	5,218,410	312,173
Administration	1,745,164	1,737,372	7,792
Fiscal	299,495	285,354	14,141
Pupil Transportation	491,200	486,134	5,066
Operation of Non-Instructional Services	1,000,462	986,566	13,896
Total Expenditures	<u>23,633,224</u>	<u>22,647,125</u>	<u>986,099</u>
Excess of Revenues Over (Under) Expenditures	(1,133,224)	(584,155)	549,069
Fund Balances Beginning of Year	554,042	554,042	0
<i>Prior Year Encumbrances Appropriated</i>	969,809	969,809	0
Fund Balances at End of Year	<u>\$ 390,627</u>	<u>\$ 939,696</u>	<u>\$ 549,069</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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 3,372,000	\$ 2,929,035	\$ (442,965)
Total Revenues	3,372,000	2,929,035	(442,965)
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	17,213	15,309	1,904
Vocational	1,274,629	1,220,676	53,953
Adult/Continuing	127,848	127,366	482
<i>Support Services:</i>			
Pupils	235,179	224,303	10,876
Instructional Staff	1,870,309	1,750,028	120,281
Administration	160,336	98,969	61,367
Fiscal	179	179	0
Operation and Maintenance of Plant	1,088	1,088	0
Central	7,170	2,972	4,198
Operation of Non-Instructional Services	647,490	597,107	50,383
Total Expenditures	4,341,441	4,037,997	303,444
Excess of Revenues Over (Under) Expenditures	(969,441)	(1,108,962)	(139,521)
Other Financing Sources (Uses):			
Advances In	128,000	128,000	0
Total Other Financing Sources (Uses)	128,000	128,000	0
Net Change in Fund Balances	(841,441)	(980,962)	(139,521)
Fund Balances Beginning of Year	130,934	130,934	0
<i>Prior Year Encumbrances Appropriated</i>	850,632	850,632	0
Fund Balances at End of Year	\$ 140,125	\$ 604	\$ (139,521)

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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 56,000,000	\$ 47,836,868	\$ (8,163,132)
Total Revenues	<u>56,000,000</u>	<u>47,836,868</u>	<u>(8,163,132)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	4,123,322	1,091,259	3,032,063
Special	39,845,078	35,576,817	4,268,261
<i>Support Services:</i>			
Pupils	497	357	140
Instructional Staff	10,753,549	9,330,034	1,423,515
Administration	1,338,915	727,749	611,166
Fiscal	785,250	493,749	291,501
Operation and Maintenance of Plant	1,678	966	712
Pupil Transportation	24,482	20,415	4,067
Operation of Non-Instructional Services	5,763,041	4,846,850	916,191
Total Expenditures	<u>62,635,812</u>	<u>52,088,196</u>	<u>10,547,616</u>
Excess of Revenues Over (Under) Expenditures	(6,635,812)	(4,251,328)	2,384,484
Fund Balances Beginning of Year	5,511,403	5,511,403	0
<i>Prior Year Encumbrances Appropriated</i>	<u>1,560,324</u>	<u>1,560,324</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 435,915</u>	<u>\$ 2,820,399</u>	<u>\$ 2,384,484</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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 11,681,000	\$ 10,322,728	\$ (1,358,272)
Total Revenues	<u>11,681,000</u>	<u>10,322,728</u>	<u>(1,358,272)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Special	8,551,109	7,729,797	821,312
<i>Support Services:</i>			
Instructional Staff	1,918,779	1,850,969	67,810
Administration	63,226	57,694	5,532
Fiscal	119,513	107,414	12,099
Operation of Non-Instructional Services	17,403	11,018	6,385
Total Expenditures	<u>10,670,030</u>	<u>9,756,892</u>	<u>913,138</u>
Excess of Revenues Over (Under) Expenditures	1,010,970	565,836	(445,134)
Other Financing Sources (Uses):			
Advances Out	(681,000)	(681,000)	0
Total Other Financing Sources (Uses)	<u>(681,000)</u>	<u>(681,000)</u>	<u>0</u>
Net Change in Fund Balances	329,970	(115,164)	(445,134)
Fund Balances Beginning of Year	890	890	0
<i>Prior Year Encumbrances Appropriated</i>	<u>158,928</u>	<u>158,928</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 489,788</u>	<u>\$ 44,654</u>	<u>\$ (445,134)</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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 15,000,000	\$ 11,405,980	\$ (3,594,020)
Total Revenues	15,000,000	11,405,980	(3,594,020)
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	3,027,117	3,010,154	16,963
Vocational	7,508	50	7,458
<i>Support Services:</i>			
Pupils	757,916	619,640	138,276
Instructional Staff	8,639,408	6,384,619	2,254,789
Administration	1,159,314	663,100	496,214
Fiscal	176,402	122,468	53,934
Business	225	0	225
Operation and Maintenance of Plant	507,958	217,735	290,223
Pupil Transportation	355,078	338,150	16,928
Central	41,716	0	41,716
Operation of Non-Instructional Services	110,291	104,153	6,138
Total Expenditures	14,782,933	11,460,069	3,322,864
Excess of Revenues Over (Under) Expenditures	217,067	(54,089)	(271,156)
Fund Balances Beginning of Year	41,010	41,010	0
<i>Prior Year Encumbrances Appropriated</i>	246,023	246,023	0
Fund Balances at End of Year	\$ 504,100	\$ 232,944	\$ (271,156)

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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Federal Sources:</i>			
Restricted Grants-in-Aid	\$ 9,227,000	\$ 5,091,996	\$ (4,135,004)
Total Revenues	<u>9,227,000</u>	<u>5,091,996</u>	<u>(4,135,004)</u>
Expenditures:			
<i>Current:</i>			
<i>Instruction:</i>			
Regular	772,312	765,286	7,026
Special	1,619,272	1,017,512	601,760
Adult/Continuing	139,141	129,461	9,680
<i>Support Services:</i>			
Pupils	10,009	6,195	3,814
Instructional Staff	1,665,701	1,256,499	409,202
Administration	3,079,724	1,704,197	1,375,527
Fiscal	43,165	38,658	4,507
Operation and Maintenance of Plant	15,788	3,262	12,526
Pupil Transportation	26,120	21,299	4,821
Central	23,797	0	23,797
Operation of Non-Instructional Services	141,668	84,395	57,273
Capital Outlay	258,295	232,642	25,653
Total Expenditures	<u>7,794,992</u>	<u>5,259,406</u>	<u>2,535,586</u>
Excess of Revenues Over (Under) Expenditures	1,432,008	(167,410)	(1,599,418)
Other Financing Sources (Uses):			
Advances In	485,000	485,000	0
Advances Out	(1,062,000)	(1,062,000)	0
Total Other Financing Sources (Uses)	<u>(577,000)</u>	<u>(577,000)</u>	<u>0</u>
Net Change in Fund Balances	855,008	(744,410)	(1,599,418)
Fund Balances Beginning of Year	238,829	238,829	0
<i>Prior Year Encumbrances Appropriated</i>	<u>786,357</u>	<u>786,357</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 1,880,194</u>	<u>\$ 280,776</u>	<u>\$ (1,599,418)</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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>Local Sources:</i>			
Investment Income	\$ 500,000	\$ 540,107	\$ 40,107
Total Revenues	500,000	540,107	40,107
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Operation and Maintenance of Plant	166,805	166,805	0
Capital Outlay	11,728,146	11,205,134	523,012
Total Expenditures	11,894,951	11,371,939	523,012
Excess of Revenues Over (Under) Expenditures	(11,394,951)	(10,831,832)	563,119
Fund Balances Beginning of Year	14,813,937	14,813,937	0
<i>Prior Year Encumbrances Appropriated</i>	2,922,258	2,922,258	0
Fund Balances at End of Year	\$ 6,341,244	\$ 6,904,363	\$ 563,119

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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 100,000	\$ 1,513	\$ (98,487)
Total Revenues	<u>100,000</u>	<u>1,513</u>	<u>(98,487)</u>
Expenditures:			
<i>Current:</i>			
Operation and Maintenance of Plant	7,208,089	327,749	6,880,340
Capital Outlay	532,755	10,868	521,887
Total Expenditures	<u>7,740,844</u>	<u>338,617</u>	<u>7,402,227</u>
Excess of Revenues Over (Under) Expenditures	(7,640,844)	(337,104)	7,303,740
Fund Balances Beginning of Year	6,467,160	6,467,160	0
<i>Prior Year Encumbrances Appropriated</i>	1,272,171	1,272,171	0
Fund Balances at End of Year	<u>\$ 98,487</u>	<u>\$ 7,402,227</u>	<u>\$ 7,303,740</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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 850,000	\$ 681,472	\$ (168,528)
Total Revenues	<u>850,000</u>	<u>681,472</u>	<u>(168,528)</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Instructional Staff	681,472	681,472	0
Operation and Maintenance of Plant	35,000	35,000	0
Total Expenditures	<u>716,472</u>	<u>716,472</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	133,528	(35,000)	(168,528)
Fund Balances Beginning of Year	35,000	35,000	0
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 168,528</u>	<u>\$ 0</u>	<u>\$ (168,528)</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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 100,000	\$ 0	\$ (100,000)
Total Revenues	<u>100,000</u>	<u>0</u>	<u>(100,000)</u>
Expenditures:			
<i>Current:</i>			
<i>Support Services:</i>			
Instructional Staff	100,058	100,058	0
Operation and Maintenance of Plant	72,376	72,376	0
Total Expenditures	<u>172,434</u>	<u>172,434</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	(72,434)	(172,434)	(100,000)
Fund Balances Beginning of Year	172,434	172,434	0
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 100,000</u>	<u>\$ 0</u>	<u>\$ (100,000)</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, 2006

	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:			
<i>State Sources:</i>			
Restricted Grants-in-Aid	\$ 1,509,000	\$ 1,508,347	\$ (653)
Total Revenues	<u>1,509,000</u>	<u>1,508,347</u>	<u>(653)</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	1,509,000	1,508,347	(653)
Other Financing Sources (Uses):			
Advances Out	(1,509,000)	(1,509,000)	0
Total Other Financing Sources (Uses)	<u>(1,509,000)</u>	<u>(1,509,000)</u>	<u>0</u>
Net Change in Fund Balances	0	(653)	(653)
Fund Balances Beginning of Year	653	653	0
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances at End of Year	<u>\$ 653</u>	<u>\$ 0</u>	<u>\$ (653)</u>

Statistical Section

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	S2
These schedules contain trend information to help the reader understand how the School District financial performance and well-being have changed over time.	
Revenue Capacity	S9
These schedules contain information to help the reader assess the affordability of the School District most significant local revenue source of Property Tax and Foundation payments.	
Debt Capacity	S13
These schedules present information to help the reader assess the affordability of the School District current levels of outstanding debt, and the ability to issue additional debt in the future.	
Demographic and Economic Information	S16
These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District financial activities take place.	
Operating Information	S18
These schedules contain service data to help the reader understand how the information in the School District financial report relates to the services the School District provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The School District implemented GASB Statement 34 for the year ended June 30, 2002; schedules presenting government-wide information include information beginning in that year.

Cleveland Municipal School District

Net Assets by Component

Last Five Fiscal Years

(accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities					
Invested in Capital Assets, net of Related Debt	\$ 71,206,837	\$ 90,048,016	\$ 153,091,046	\$ 117,395,590	\$ 208,222,499
Restricted for:					
Debt Service	45,035,163	38,444,373	51,754,628	53,685,274	49,134,737
Capital Projects	61,551,582	115,256,182	175,330,213	326,783,809	362,464,498
Set Asides	7,878,225	332,803	0	0	0
Other Purposes	15,920,704	14,054,335	18,214,387	11,361,537	16,028,862
Unrestricted	<u>(25,236,561)</u>	<u>(105,593,518)</u>	<u>(93,677,258)</u>	<u>(47,337,174)</u>	<u>2,036,421</u>
Total Net Assets	<u>\$ 176,355,950</u>	<u>\$ 152,542,191</u>	<u>\$ 304,713,016</u>	<u>\$ 461,889,036</u>	<u>\$ 637,887,017</u>

Cleveland Municipal School District
Expenses, Program Revenues, and Net (Expense)/Revenue
Last Five Fiscal Years
(accrual basis of accounting)

	2002	2003	2004	2005	2006
Expenses					
Governmental Activities:					
Instruction:					
Regular	\$ 285,812,361	\$ 292,996,927	\$ 290,987,320	\$ 249,352,851	\$ 316,945,841
Special	134,372,522	133,693,977	143,004,004	152,153,082	143,913,038
Vocational	17,515,053	17,726,322	15,994,184	12,683,615	11,907,870
Adult/Continuing	5,687,512	5,836,915	5,094,891	3,490,435	2,300,131
Other	3,015,312	649,876	198,400	150	12,759,762
<i>Support Services:</i>					
Pupils	45,797,274	43,833,809	45,012,097	33,877,518	35,380,163
Instructional Staff	64,764,521	63,960,109	56,236,589	54,824,175	51,072,946
Board of Education	288,859	304,039	259,950	223,199	267,321
Administration	52,787,800	55,540,796	45,084,175	43,927,480	41,342,791
Fiscal	1,606,735	12,688,426	10,893,531	12,234,280	9,946,686
Business	1,146,699	1,275,129	1,091,725	1,284,442	942,371
Operation and Maintenance of Plant	61,649,791	67,222,113	62,223,013	56,317,807	58,569,487
Pupil Transportation	40,111,930	39,750,255	38,379,675	28,867,256	28,965,329
Central	18,755,847	20,175,678	16,698,556	14,936,994	15,969,839
Operation of Non-Instructional Services	43,155,357	43,804,093	43,837,168	44,009,082	42,532,273
Extracurricular Activities	7,955,139	7,611,100	7,051,078	5,968,627	5,814,665
Interest and Fiscal Charges	12,759,118	16,890,272	9,830,504	13,588,410	11,647,137
Total Primary Government Expenses	<u>797,181,830</u>	<u>823,959,836</u>	<u>791,876,860</u>	<u>727,739,403</u>	<u>790,277,650</u>
Program Revenues					
Governmental Activities:					
Charges for Services	804,375	529,043	994,043	275,964	186,657
Operating Grants and Contributions	197,213,751	208,914,717	206,680,517	209,975,191	210,570,709
Capital Grants and Contributions	3,433,050	5,109,270	121,233,985	109,441,106	120,511,462
Total Primary Government Program Revenues	<u>201,451,176</u>	<u>214,553,030</u>	<u>328,908,545</u>	<u>319,692,261</u>	<u>331,268,828</u>
Net (Expense)/Revenue					
Total Primary Government Net Expense	<u>\$ (595,730,654)</u>	<u>\$ (609,406,806)</u>	<u>\$ (462,968,315)</u>	<u>\$ (408,047,142)</u>	<u>\$ (459,008,822)</u>

Cleveland Municipal School District
 General Revenues and Total Change in Net Assets
 Last Five Fiscal Years
 (accrual basis of accounting)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net (Expense)/Revenue					
Total Primary Government Net Expense	\$ (595,730,654)	\$ (609,406,806)	\$ (462,968,315)	\$ (408,047,142)	\$ (459,008,822)
General Revenues and Other					
Changes in Net Assets					
Governmental Activities:					
Property Taxes Levied For:					
General Purposes	236,216,278	186,612,352	219,596,436	193,293,701	197,583,328
Debt Service	33,619,705	27,133,112	40,006,114	29,573,166	31,620,440
Capital Outlay	2,561,580	2,125,297	2,980,196	2,309,596	2,459,275
Investment Income	7,844,704	4,688,605	2,945,010	7,362,433	16,205,770
Miscellaneous	2,443,123	4,324,953	2,840,826	2,410,759	9,715,420
Grants and Entitlements not Restricted to					
Specific Programs	<u>325,704,649</u>	<u>360,708,728</u>	<u>346,770,558</u>	<u>330,273,507</u>	<u>384,582,569</u>
Total Primary Government	<u>608,390,039</u>	<u>585,593,047</u>	<u>615,139,140</u>	<u>565,223,162</u>	<u>642,166,802</u>
Change in Net Assets					
Total Primary Government	<u>\$ 12,659,385</u>	<u>\$ (23,813,759)</u>	<u>\$ 152,170,825</u>	<u>\$ 157,176,020</u>	<u>\$ 183,157,980</u>

Cleveland Municipal School District

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved for Encumbrances	\$ 39,543,269	\$ 28,014,381	\$ 23,962,182	\$ 29,036,379	\$ 23,601,772	\$ 14,062,107	\$ 8,948,676	\$ 5,403,473	\$ 4,805,598	\$ 6,467,758.00
Reserved for Inventory	1,065,041	791,633	707,867	925,735	937,406	809,323	772,127	809,133	702,401	656,976
Reserved for Prepaids	0	0	0	0	0	5,169,109	5,565,546	7,071,886	0	0
Reserved for Property Taxes	10,156,790	12,775,718	20,258,928	11,450,195	11,274,909	30,216,480	14,349,055	26,749,122	22,404,297	16,183,447
Reserved for Budget Stabilization	0	3,347,498	3,347,000	7,400,000	6,602,317	6,602,317	0	0	0	17,000,000
Reserved for Bus Purchases	0	0	917,000	1,672,481	1,803,398	1,275,908	332,803	0	0	0
Unreserved, (Deficit)	(158,435,625)	(88,487,435)	(46,747,216)	(14,132,009)	11,857,547	(10,161,984)	(62,545,712)	(87,728,621)	(48,377,637)	(21,522,382)
Total General Fund	\$ (107,670,525)	\$ (43,558,205)	\$ 2,445,761	\$ 36,352,781	\$ 56,077,349	\$ 47,973,260	\$ (32,577,505)	\$ (47,695,007)	\$ (20,465,341)	\$ 18,785,799
All Other Government Funds										
Reserved for Encumbrances	\$ 13,770,461	\$ 7,895,682	\$ 17,404,622	\$ 13,171,860	\$ 20,909,562	\$ 20,769,604	\$ 55,576,782	\$ 78,467,894	\$ 65,909,495	\$ 77,386,743
Reserved for Inventory	817,689	0	0	0	0	0	0	489,953	277,925	291,769
Reserved for Property Taxes		1,123,073	1,779,966	933,917	974,751	7,184,931	3,411,875	6,995,197	5,851,848	4,227,004
Unreserved, (Deficit), Reported in:										
Special Revenue Funds	(965,310)	(679,619)	(6,288,986)	(4,581,161)	(5,079,882)	3,772,329	4,786,279	4,260,932	(2,198,856)	6,951,949
Debt Service Funds	20,174,386	22,032,955	24,626,830	19,847,214	20,473,102	29,208,398	26,363,902	31,003,694	34,578,380	30,376,315
Capital Projects Funds	3,236,581	20,857,321	19,092,510	8,508,293	21,237,158	47,235,968	66,318,202	15,718,944	131,254,059	87,359,128
Total all Other Governmental Funds	\$ 37,033,807	\$ 51,229,412	\$ 56,614,942	\$ 37,880,123	\$ 58,514,691	\$ 108,171,230	\$ 156,457,040	\$ 136,936,614	\$ 235,672,851	\$ 206,592,908

Cleveland Municipal School District

Governmental Funds Revenues

Last Ten Fiscal Years

(modified accrual basis of accounting)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Revenues										
Local Sources:										
Taxes	\$ 187,021,369	\$ 223,362,432	\$ 233,513,561	\$ 217,137,676	\$ 224,284,910	\$ 259,607,843	\$ 213,602,787	\$ 246,794,199	\$ 224,900,023	\$ 225,725,605
Investment Income	6,685,375	11,544,482	13,767,095	16,861,000	18,285,338	7,844,704	4,688,605	2,945,010	7,362,433	16,205,770
Tuition and Fees	781,852	1,391,599	1,728,030	1,023,218	1,532,003	928,493	654,602	1,079,586	346,739	195,468
Extracurricular Activities	1,251,565	1,274,051	1,293,306	857,343	705,765	474,299	570,391	1,044,014	823,214	888,418
Rentals	162,355	125,406	104,352	100,771	16,115	0	0	0	0	0
Miscellaneous	3,268,605	4,706,558	2,536,103	1,826,986	7,125,706	13,059,119	13,255,835	9,521,102	10,368,681	18,124,497
Total Local Sources	199,171,121	242,404,528	252,942,447	237,806,994	251,949,837	281,914,458	232,772,220	261,383,911	243,801,090	261,139,758
State Sources:										
Unrestricted Grants-in-Aid	232,505,491	270,945,514	322,814,426	316,361,566	310,739,648	320,497,947	302,965,559	335,747,598	322,634,276	384,220,944
Restricted Grants-in-Aid	49,757,129	73,130,537	46,268,975	50,261,774	75,892,321	88,546,257	129,821,083	109,333,452	143,316,706	130,630,795
Total State Sources	282,262,620	344,076,051	369,083,401	366,623,340	386,631,969	409,044,204	432,786,642	445,081,050	465,950,982	514,851,739
Federal Sources:										
Unrestricted Grants-in-Aid	2,001,397	5,505,195	3,957,556	4,109,302	5,303,880	5,206,702	19,787,241	11,022,960	7,639,231	361,625
Restricted Grants-in-Aid	60,140,167	58,371,212	54,888,588	52,036,799	65,045,715	95,141,262	114,895,243	118,784,282	118,920,360	125,743,351
Total Federal Sources	62,141,564	63,876,407	58,846,144	56,146,101	70,349,595	100,347,964	134,682,484	129,807,242	126,559,591	126,104,976
Total Revenues	\$ 543,575,305	\$ 650,356,986	\$ 680,871,992	\$ 660,576,435	\$ 708,931,401	\$ 791,306,626	\$ 800,241,346	\$ 836,272,203	\$ 836,311,663	\$ 902,096,473

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

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Expenditures										
Current:										
Instruction:										
Regular	\$ 179,097,325	\$ 203,261,984	\$ 233,987,148	\$ 253,119,426	\$ 239,454,508	\$ 267,806,654	\$ 279,487,310	\$ 282,588,920	\$ 247,538,531	\$ 311,511,315
Special	87,746,044	87,261,071	94,776,091	89,282,118	114,694,607	134,340,753	133,544,331	142,508,629	152,415,325	143,898,323
Vocational	16,366,961	17,023,889	16,942,842	18,193,372	17,407,927	17,511,631	17,687,269	15,999,270	12,841,844	11,934,317
Adult/Continuing	3,683,513	3,913,542	3,788,063	4,848,478	4,971,848	5,674,172	5,829,809	5,102,664	3,519,447	2,321,948
Other	2,999,947	2,950,684	1,855,733	1,334,029	1,745,463	3,015,312	649,876	198,400	150	12,496,611
Support Services:										
Pupils	17,691,394	21,921,900	24,779,405	25,420,577	27,256,542	32,530,531	42,077,898	41,479,432	36,034,088	35,284,327
Instructional Staff	24,023,707	30,181,237	31,414,445	34,331,720	46,378,563	64,694,935	64,123,973	56,192,266	54,943,213	51,117,118
Board of Education	55,704	47,747	108,155	187,039	211,884	277,862	289,091	252,707	209,576	280,079
Administration	33,631,621	36,596,789	37,130,298	44,562,207	41,378,477	49,145,584	53,270,115	44,542,970	39,700,442	39,129,081
Fiscal	7,257,818	7,951,092	8,709,423	3,609,819	10,208,253	9,476,226	12,700,693	10,896,259	12,265,464	9,925,994
Business	1,850,968	932,006	2,663,827	467,520	1,480,088	1,141,199	1,243,797	1,082,675	1,289,034	983,446
Operations and Maintenance of Plant	47,602,874	50,974,217	57,138,998	59,434,441	64,007,087	84,859,246	76,805,490	70,515,379	60,192,807	56,628,484
Pupil Transportation	26,027,138	25,620,574	33,277,000	32,668,584	38,190,326	43,060,114	38,221,943	37,217,500	28,199,461	27,392,258
Central	12,392,000	14,503,295	22,424,027	24,238,631	23,102,425	18,403,231	20,047,777	16,639,171	15,118,320	15,972,950
Operation of Non-Instructional Services	9,985,024	12,709,080	13,954,888	14,415,830	12,740,364	43,042,767	42,915,460	44,336,368	44,051,523	40,693,064
Extracurricular Activities	4,161,582	5,046,897	5,934,577	7,617,561	8,047,977	7,892,613	7,593,763	7,034,194	6,061,353	5,823,466
Capital Outlay	9,359,126	22,923,467	18,020,328	10,831,630	22,020,994	4,031,805	21,213,426	54,594,406	81,404,824	92,090,262
Intergovernmental	19,472	10,355	0	0	0	0	0	0	0	0
Debt Service										
Principal Retirement	11,763,214	13,513,214	8,974,999	9,543,215	10,033,214	11,611,671	3,399,908	29,429,962	28,978,523	22,755,277
Interest and Fiscal Charges	14,493,551	14,439,428	12,990,716	11,962,186	11,029,820	10,556,296	18,159,177	10,298,959	13,648,029	11,686,956
Total Expenditures	\$ 510,208,983	\$ 571,782,468	\$ 628,870,963	\$ 646,068,383	\$ 694,360,367	\$ 809,072,602	\$ 839,261,106	\$ 870,910,131	\$ 838,411,954	\$ 891,925,276

Debt Service as a Percentage of Noncapital Expenditures 5.53% 5.37% 3.73% 3.50% 3.23% 2.83% 2.71% 5.12% 5.97% 4.50%

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

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Excess of Revenues Over (Under) Expenditures	\$ 40,316,814	\$ 72,383,641	\$ 47,570,477	\$ 23,794,594	\$ 15,000,523	\$ (17,765,976)	\$ (39,019,760)	\$ (34,637,928)	\$ (2,100,291)	\$ 10,171,197
Other Financing Sources (Uses)										
Issuance from Sale of Bonds	3,548,210	0	0	0	0	46,785,495	40,000,000	0	125,000,000	0
Premium from Sale of Bonds	0	0	0	0	0	0	0	0	3,066,194	0
Other Financing Sources-Capital Leases	0	0	0	0	5,369,629	5,062,000	0	0	0	0
Capital Lease Refinancing	0	0	0	0	0	0	8,404,000	0	0	0
Refunding Bonds Issued	0	0	0	0	0	0	91,937,253	0	0	0
Sale of Fixed Assets	0	0	0	0	24,400	0	0	0	0	0
Payment of Capital Lease Refinancing	0	0	0	0	0	0	(8,404,000)	0	0	0
Payment of Refunded Bond Escrow Agent	0	0	0	0	0	0	(125,182,448)	0	0	0
Transfers In	87,837	113,315	45,539	6,550,360	6,342,529	4,767,831	4,094,394	966,211	3,108,186	6,944,394
Transfers Out	(103,373)	(5,999,052)	(657,072)	(11,448,125)	(6,385,116)	(4,767,831)	(4,094,394)	(966,211)	(3,108,186)	(6,944,394)
Total Other Financing Sources (Uses)	3,532,674	(5,885,737)	(611,533)	(4,897,765)	5,351,442	51,847,495	6,754,805	0	128,066,194	0
Net Change in Fund Balances	\$ 43,849,488	\$ 66,497,904	\$ 46,958,944	\$ 18,896,829	\$ 20,351,965	\$ 34,081,519	\$ (32,264,955)	\$ (34,637,928)	\$ 125,965,903	\$ 10,171,197

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

Fiscal Year	Real Property (1)		Public Utility (2)		Tangible Property (3)		Total		
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
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	15,968,274	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
2005	5,007,377	14,306,791	352,432	400,491	674,031	2,930,570	6,033,840	17,637,852	34
2006	4,970,503	14,201,437	316,245	359,369	679,540	3,624,213	5,966,288	18,185,019	33

Source: Cuyahoga County Auditor

Notes:

- (1) The assessed value of real property is fixed at 35% of estimated actual value and is determined pursuant to the rules of the State Tax Commissioner.
- (2) Assumes public utilities are assessed at true value, which is 88% of estimated actual value.
- (3) In accordance with State law, the rate at which tangible personal property used in business is assessed for purposes of ad valorem property taxation decreased one percent each year from 35% in 1983 and prior years to 25% for the 1996 collection year to 2002 and 23% for 2003 through 2005 and to 18.75% in 2006.

Cleveland Municipal School District

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

Collection Year	City of Cleveland	Cuyahoga County	Cleveland Public Library	Cleveland Municipal School District			Total (1)	Village of Bratenahl (2)	Village of Newburgh Heights (2)	Village of Limdale (2)	City of Garfield Heights (2)
				General Fund	Building Maintenance	Bond Retirement					
1997	12.70	16.60	3.00	58.20	0.00	2.80	93.30	25.10	12.80	2.80	18.90
1998	12.70	16.60	3.00	58.20	0.00	2.80	93.30	25.10	12.80	2.80	18.90
1999	12.70	15.30	4.00	58.20	0.00	2.80	93.00	25.10	12.80	2.80	19.10
2000	12.70	15.30	4.00	58.20	0.00	2.60	92.80	25.10	12.80	2.80	19.00
2001	12.70	16.20	4.00	58.20	0.00	2.40	93.50	24.70	12.80	2.80	19.60
2002	12.70	16.20	4.00	58.20	0.50	6.10	97.70	20.30	12.80	2.80	19.60
2003	12.70	16.20	4.00	58.20	0.50	6.10	97.70	20.50	12.80	2.80	20.10
2004	12.70	18.00	6.80	58.20	0.50	6.10	102.30	14.00	12.80	2.80	20.10
2005	12.70	18.30	6.80	58.20	0.50	6.10	102.60	14.00	18.50	2.80	21.10
2006	12.70	18.30	6.80	58.20	0.50	6.10	102.60	14.10	18.50	2.80	21.90

Source: Cuyahoga County Auditor

Notes:

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

Cleveland Municipal School District

Principal Property Tax Payers Current Year and Nine Years Ago

Taxpayer	2005			1996		
	Approximate Assessed Valuation	Rank	Percent of Total District Assessed Valuation	Approximate Assessed Valuation	Rank	Percent of Total District Assessed Valuation
Cleveland Electric Illuminating Co.	\$ 138,442,336	1	2.32%			
Ohio Bell Telephone	83,355,085	2	1.40%			
ZML - Cleveland Public Square, LLC	47,232,500	3	0.79%			
Cleveland Clinic Foundation	36,009,880	4	0.60%			
NPW LTD Partnership	35,560,000	5	0.60%			
National City Center, LLC	28,000,000	6	0.47%			
ISG Cleveland Inc.	25,984,630	7	0.44%			
East Ohio Gas	25,152,347	8	0.42%			
SBC Ameritech	21,064,414	9	0.35%	\$ 173,000,000	2	3.43%
Bishop James Hickey	19,425,000	10	0.33%			
Centerior Energy Corporation				279,000,000	1	5.54%
LTV Steel Company, Inc.				98,000,000	3	1.95%
B.P. America				62,000,000	4	1.23%
East Ohio Gas Company				44,000,000	5	0.87%
Lakeside Associates				33,000,000	6	0.66%
Catholic Diocese				28,000,000	7	0.56%
Euclid-Ninth Community Urban Redevelopment Company				27,000,000	8	0.54%
600 Superior Place Partnership				25,000,000	9	0.50%
Erievue Joint Venture				22,000,000	10	0.44%
Total Ten Largest	<u>460,226,192</u>		<u>7.71%</u>	<u>791,000,000</u>		<u>15.71%</u>
Total District Assessed Valuation	<u>\$ 5,966,288,000</u>			<u>\$ 5,036,408,381</u>		

Source: Cuyahoga County Auditor - 2005/1996 Tax Collection Year.
2006 Tax Collection Year Information Not Available.

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

Collection Year (2)	Current Tax Levy Billed (1)	Current Collected	Percent Collected (1)	Collected Delinquencies	Total Collected	Total Collected As Percent Of Current Tax Levy
1996	\$ 175,681	\$ 162,639	92.6%	\$ 7,542	\$ 170,181	96.9%
1997	245,517	226,095	92.1	13,014	239,109	97.4
1998	249,886	230,033	92.1	15,110	245,143	98.1
1999	254,305	233,041	91.6	14,443	247,484	97.3
2000	254,810	228,787	89.8	14,286	243,073	95.4
2001	253,539	221,059	87.2	14,721	235,780	93.0
2002	270,791	233,553	86.2	20,463	254,016	93.8
2003	263,003	232,417	88.4	17,296	249,713	94.9
2004	259,350	231,188	89.1	23,533	254,721	98.2
2005	261,734	230,272	88.0	17,260	247,532	94.6

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.

Notes:

- (1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental Revenue.
- (2) Represents collection year. 2006 information cannot be presented because all collections have not been made by June 30.

Cleveland Municipal School District

Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities										Total Primary Government	Percentage of Personal Income
	EPA Asbestos Abatement Notes	Energy Conservation Improvement Bonds	Qualified Zone Academy Bonds	Energy Conservation Notes	Library Improvement Bonds	School Improvement Bonds/Notes	Capital Lease Obligation	Revenue Anticipation Notes				
1997	\$ 675,569	\$ 10,485,000	\$ 0	\$ 0	\$ 79,360,000	\$ 50,981,124	\$ 0	\$ 138,955,000	\$ 280,456,693	N/A		
1998	607,355	9,360,000	0	0	75,960,000	43,218,939	0	128,055,000	257,201,294	4.34%		
1999	539,141	8,160,000	0	0	72,400,000	40,230,387	0	116,470,000	237,799,528	3.79		
2000	470,927	6,880,000	0	0	68,665,000	37,069,539	0	104,335,000	217,420,466	3.36		
2001	402,713	5,520,000	21,250,000	0	64,745,000	33,760,723	4,819,078	91,595,000	222,092,514	3.27		
2002	334,498	4,065,000	21,250,000	11,500,000	60,620,000	65,288,480	8,847,622	78,215,000	250,120,600	3.67		
2003	266,284	2,520,000	21,250,000	10,951,840	57,510,000	67,405,000	7,796,508	64,165,000	231,864,632	3.37		
2004	198,070	865,000	21,250,000	10,374,805	38,250,000	60,445,000	6,886,795	49,440,000	187,709,670	2.69		
2005	133,739	0	21,250,000	9,767,374	23,250,000	173,950,000	5,940,034	33,835,000	268,126,147	N/A		
2006	73,209	0	21,250,000	9,127,945	20,260,000	185,870,000	4,954,716	17,370,000	258,905,870	N/A		

Note: N/A = Not Available

Cleveland Municipal School District
Direct and Overlapping Debt Governmental Activities Debt
As of June 30, 2006

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)	\$ 206,130,000	\$ 42,446,913	\$ 163,683,087	100.00%	\$ 163,683,087
Overlapping Debt:					
City of Cleveland (3)	353,325,000	4,877,053	348,447,947	97.20	338,691,404
Cuyahoga County (3)	231,365,971	3,004,854	228,361,117	19.40	44,302,057
Village of Bratenahl (3)	995,000	205,000	790,000	100.00	790,000
City of Garfield Heights (3)	34,132,000	107,273	34,024,727	5.60	1,905,385
Greater Cleveland Regional Transit Authority (3)	139,790,000	1,413,257	138,376,743	19.40	26,845,088
Total Overlapping Debt	<u>759,607,971</u>	<u>9,607,437</u>	<u>750,000,534</u>		<u>412,533,934</u>
Total	<u>\$ 965,737,971</u>	<u>\$ 52,054,350</u>	<u>\$ 913,683,621</u>		<u>\$ 576,217,021</u>

Source: Cuyahoga County Auditor

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 \$73,209, capital lease obligations of \$4,954,715, H.B. 264 Energy Conservation Note of \$9,127,945 and QZAB debt of \$21,250,000.
- (3) City of Cleveland, Cuyahoga County, Village of Bratenahl, City of Garfield Heights and the Greater Cleveland Regional Transit Authority operate on a calendar year.

Cleveland Municipal School District

Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed Value	\$ 5,966,288,000
Debt Limit (9% of assessed value)	536,965,920
Debt Applicable to Limit	141,812,427
Legal Debt Margin	\$ 395,153,493

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$ 461,972,279	\$ 486,755,819	\$ 496,004,145	\$ 498,602,918	\$ 548,952,300	\$ 543,721,770	\$ 523,708,020	\$ 538,517,520	\$ 543,045,600	\$ 536,965,920
Total Net Debt Applicable to Limit	119,834,049	105,382,911	94,383,591	91,833,408	82,577,870	94,124,366	97,918,533	62,033,529	157,165,358	141,812,427
Legal Debt Margin	\$ 342,138,230	\$ 381,372,908	\$ 401,620,554	\$ 406,769,510	\$ 466,374,430	\$ 449,597,404	\$ 425,789,487	\$ 476,483,991	\$ 385,880,242	\$ 395,153,493

Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	25.94%	21.65%	19.03%	18.42%	15.04%	17.31%	18.70%	11.52%	28.94%	26.41%
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Source: Auditor of State and School District financial records

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

Cleveland Municipal School District

Demographic and Economic Statistics

Last Ten Fiscal Years

<u>Year</u>	<u>City Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>State Unemployment Rate</u>
1997	505,616	\$ 59,324,260	\$ 27,558	4.3%
1998	505,616	62,696,625	29,140	4.3
1999	505,616	64,648,918	30,070	4.3
2000	478,403	67,934,788	31,625	4.1
2001	478,403	68,208,071	31,805	4.3
2002	478,403	68,877,285	32,161	5.7
2003	478,403	69,859,141	32,651	6.3
2004	478,403	73,110,833	34,264	5.8
2005	478,403	N/A	N/A	6.2
2006	478,403	N/A	N/A	5.1

Source: U.S. Bureau of the Census, Bureau of Economic Analysis and U.S. Department of Labor Statistics

Notes:

(1) The Metropolitan Statistical Area includes Cleveland, Elyria and Mentor.

(2) N/A = Not Available

Cleveland Municipal School District

Principal Employers
Current Year and Nine Years Ago

Employer	2005			1996		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Cleveland Clinic Health System	24,166	1	2.26%	9,445	1	0.88%
University Hospitals Health System	14,276	2	1.33	9,206	4	0.85
U.S. Office of Personnel Management	9,204	3	0.86	0		0.00
Cuyahoga County	9,138	4	0.85	9,382	2	0.87
Progressive Corporation	8,475	5	0.79	0		0.00
City of Cleveland	8,260	6	0.77	9,327	3	0.87
Cleveland Municipal School District	7,428	7	0.69	8,520	5	0.79
National City Corporation	6,233	8	0.58	0		0.00
KeyCorp	6,044	9	0.56	6,582	7	0.61
Case Western Reserve University	5,362	10	0.50	4,492	9	0.42
Tops Markets, LLC				3,990	10	0.37
	<u>98,586</u>		<u>9.21%</u>	<u>60,944</u>		<u>5.66%</u>
 Total Nonfarm Employment			 1,070,800			 1,077,000

Source: Crain's Cleveland Business, 2005 Top Business Lists & 1996 Top Business Lists
"Largest Cuyahoga County Employers".

Note:

Total Employment includes Cleveland, Elyria and Mentor

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

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Percentage Change 1997-2006
Educational Staff											
Regular Education	2,961	3,113	3,286	3,294	3,119	3,205	3,326	3,181	2,548	2,058	-30.50%
Special Education	670	648	671	652	700	839	894	956	903	1,335	99.25
Vocational Education	200	210	207	185	166	163	139	133	106	87	-56.50
Educational Services	370	388	398	391	436	480	486	472	382	386	4.32
Full Time (permanent) Substitute	0	0	0	0	0	4	207	115	92	30	0.00
Other Professional - Educational	199	191	173	174	221	188	162	127	91	74	-62.81
Total Educational	4,400	4,550	4,735	4,696	4,642	4,879	5,214	4,984	4,122	3,970	-9.77
Student Services											
Curriculum Specialist	21	19	35	18	17	13	9	4	1	1	-95.24
Counseling	96	95	95	93	98	96	104	100	71	67	-30.21
Librarian/Media	94	90	97	96	95	95	112	106	89	84	-10.64
Remedial Specialist	163	212	224	212	491	576	341	371	187	139	-14.72
Psychologist	51	62	66	57	63	74	78	76	70	70	37.25
Registered Nurses	80	82	72	61	60	61	58	54	54	55	-31.25
Social Work	14	22	23	29	35	31	30	26	11	1	-92.86
Physical Therapist	6	7	7	8	8	10	10	9	9	9	50.00
Speech/Language Therapist	85	93	94	73	75	80	84	78	77	76	-10.59
Occupational Therapist	6	7	11	13	16	20	22	23	27	22	266.67
Other Professional Services	34	34	54	55	59	61	64	62	52	67	97.06
Total Student Services	650	723	778	715	1,017	1,117	912	909	648	591	-9.08
Support Staff											
Bookkeeping	26	24	25	22	14	14	14	14	12	8	-69.23
Clerical Assignment	386	382	366	362	382	383	385	358	281	257	-33.42
Teaching Aide	542	603	676	798	822	824	825	736	633	624	15.13
Other Office/Clerical	57	70	90	82	73	81	84	75	53	34	-40.35
Attendance Officer	1	23	25	22	22	22	22	22	21	22	2,100.00
Maintenance	114	108	103	113	105	107	110	96	71	66	-42.11
Custodial	360	370	395	406	434	429	436	415	373	332	-7.78
Guard/Watchman	200	205	221	186	257	232	225	220	164	196	-2.00
Mechanic	39	34	38	37	39	39	38	38	27	26	-33.33
Vehicle Operating/Dispatch	43	46	41	41	44	53	51	50	50	49	13.95
Computer Operating/Programming	26	28	35	37	34	33	32	31	21	13	-50.00
Total Support	1,794	1,893	2,015	2,106	2,226	2,217	2,222	2,055	1,706	1,627	-9.31
Administrative Staff											
Administrative Assistant	10	9	10	16	27	24	26	16	7	9	-10.00
Deputy/Associate Superintendent	15	16	17	14	17	16	19	22	18	19	26.67
Principal	118	123	123	119	125	124	120	122	135	129	9.32
Assistant Principal	93	102	100	119	153	137	140	91	56	60	-35.48
Supervisor/Manager	88	93	104	124	140	147	159	167	151	133	51.14
Coordinator	37	36	28	15	18	22	25	24	27	23	-37.84
Other Official/Administrator	51	51	77	104	148	162	192	178	156	155	203.92
Total administrative	412	430	459	511	628	632	681	620	550	528	28.16
Total	7,256	7,596	7,987	8,028	8,513	8,845	9,029	8,568	7,026	6,716	-7.44%

Source: District records

Cleveland Municipal School District

Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil		Expenses	Percentage Change	Teaching Staff	Pupil-Teacher Ratio	Percentage of Students Receiving Free and Reduced-Paid Meals
			Cost Per Pupil	Cost Per Pupil					
1997	73,530	\$ 475,326,826	\$ 6,464	N/A	N/A	N/A	N/A	N/A	94.19%
1998	76,170	522,092,427	6,854	6.03%	N/A	N/A	N/A	N/A	94.35
1999	76,239	590,347,254	7,743	12.97	N/A	N/A	N/A	N/A	94.18
2000	78,190	617,260,650	7,894	1.95	N/A	N/A	N/A	N/A	87.21
2001	72,277	657,920,399	9,103	15.31	N/A	N/A	4,868	N/A	85.95
2002	71,672	782,872,830	10,923	20.00	\$ 784,422,712	N/A	6,478	11.1	85.70
2003	69,534	796,488,595	11,455	4.87	807,069,564	6.05%	6,551	10.6	85.73
2004	66,532	776,586,804	11,672	1.90	782,046,356	0.013	4,978	13.4	85.75
2005	62,542	714,380,578	11,422	(2.14)	714,150,993	(0.029)	3,557	17.6	85.43
2006	58,880	765,392,781	12,999	13.80	778,630,513	0.158	3,436	17.1	84.83

Source: Ohio Department of Education

Notes:

- (1) Operating expenditures are total expenditures less debt service and capital outlays.
- (2) N/A = Not Available
- (3) Meal Percentage includes lunch only.

Cleveland Municipal School District

Teacher Base Salaries

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>	<u>Statewide Average Salary</u>
1997	\$ 26,490	\$ 56,190	\$ 38,944
1998	26,628	56,481	39,099
1999	28,104	59,611	40,734
2000	28,666	60,803	41,713
2001	30,117	63,879*	42,995
2002	31,640	67,110*	43,755
2003	32,684	69,325	45,645
2004	33,240	70,504	47,659
2005	35,264	74,798	49,438
2006	34,237	72,619	50,772

Source: Cleveland's Teacher Union CTU-279, Michael Kulscar, Treasurer
Ohio Department of Education
American Federation of Teachers, AFL-CIO

Note: Includes additional increase mid-year.

Cleveland Municipal School District

School Building Information Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
K-8 Schools:										
A. B. Hart (1932)										
Square feet	116,465	116,465	116,465	116,465	116,465	116,465	116,465	116,465	116,465	116,465
Capacity	975	975	975	975	975	975	975	975	975	975
Enrollment	N/A	849	961	1,086	1,070	848	849	895	900	507
Adlai Stevenson (1967)										
Square feet	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000	41,000
Capacity	525	525	525	525	525	525	525	525	525	525
Enrollment	N/A	452	423	400	352	325	306	285	255	309
Alexander G. Bell (1971)										
Square feet	64,840	64,840	64,840	64,840	64,840	64,840	64,840	64,840	64,840	64,840
Capacity	825	825	825	825	825	825	825	825	825	825
Enrollment	N/A	449	455	442	512	487	466	485	414	500
Alexander Hamilton (1) (1928)										
Square feet	88,719	88,719	88,719	88,719	88,719	88,719	88,719	88,719	88,719	88,719
Capacity	575	575	575	575	575	575	575	575	575	575
Enrollment	N/A	580	602	629	663	865	750	735	0	0
Alfred A. Benesch (1) (1977)										
Square feet	72,320	72,320	72,320	72,320	72,320	72,320	72,320	72,320	72,320	72,320
Capacity	575	575	575	575	575	575	575	575	575	575
Enrollment	N/A	541	549	501	488	501	520	445	0	0
Almira (1916)										
Square feet	60,458	60,458	60,458	60,458	60,458	60,458	60,458	60,458	60,458	60,458
Capacity	650	650	650	650	650	650	650	650	650	650
Enrollment	N/A	655	700	629	665	684	655	645	655	582
Andrew J. Rickoff (2) (1920)										
Square feet	56,348	56,348	56,348	56,348	56,348	56,348	56,348	56,348	56,348	N/A
Capacity	N/A									
Enrollment	N/A	490	541	525	489	458	435	358	275	N/A
Andrew J. Rickoff (2005)										
Square feet	N/A	91,785								
Capacity	N/A	725								
Enrollment	N/A	453								
Anton Grdina (1959)										
Square feet	67,719	67,719	67,719	67,719	67,719	67,719	67,719	67,719	67,719	67,719
Capacity	700	700	700	700	700	700	700	700	700	700
Enrollment	N/A	716	665	679	554	551	522	516	609	673
Artemus Ward (1949)										
Square feet	35,826	35,826	35,826	35,826	35,826	35,826	35,826	35,826	35,826	35,826
Capacity	450	450	450	450	450	450	450	450	450	450
Enrollment	N/A	361	374	415	404	390	387	375	363	479

Cleveland Municipal School District

School Building Information Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
K-8 Schools (Continued):										
Audubon (1922)										
Square feet	136,025	136,025	136,025	136,025	136,025	136,025	136,025	136,025	136,025	136,025
Capacity	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350	1,350
Enrollment	N/A	703	705	749	770	641	634	506	445	740
Benjamin Franklin (1923)										
Square feet	83,260	83,260	83,260	83,260	83,260	83,260	83,260	83,260	83,260	83,260
Capacity	800	800	800	800	800	800	800	800	800	800
Enrollment	N/A	640	17	642	756	727	702	629	669	764
Bolton (1971)										
Square feet	44,110	44,110	44,110	44,110	44,110	44,110	44,110	44,110	44,110	44,110
Capacity	650	650	650	650	650	650	650	650	650	650
Enrollment	N/A	457	443	446	376	415	427	466	429	391
Brooklawn (1957)										
Square feet	28,545	28,545	28,545	28,545	28,545	28,545	28,545	28,545	28,545	28,545
Capacity	425	425	425	425	425	425	425	425	425	425
Enrollment	N/A	369	377	391	368	365	342	322	332	359
Buckeye-Woodland (1975)										
Square feet	52,493	52,493	52,493	52,493	52,493	52,493	52,493	52,493	52,493	52,493
Capacity	625	625	625	625	625	625	625	625	625	625
Enrollment	N/A	482	452	459	494	458	414	433	466	383
Buhner (1969)										
Square feet	42,086	42,086	42,086	42,086	42,086	42,086	42,086	42,086	42,086	42,086
Capacity	600	600	600	600	600	600	600	600	600	600
Captain Arthur Roth (1965)										
Square feet	66,397	66,397	66,397	66,397	66,397	66,397	66,397	66,397	66,397	66,397
Capacity	975	975	975	975	975	975	975	975	975	975
Enrollment	N/A	655	673	723	753	624	543	432	336	443
Enrollment	N/A	445	470	556	532	532	544	496	495	453
Carl F. Shuler (1958)										
Square feet	100,500	100,500	100,500	100,500	100,500	100,500	100,500	100,500	100,500	100,500
Capacity	875	875	875	875	875	875	875	875	875	875
Enrollment	N/A	869	808	752	729	682	723	739	689	471
Case (1975)										
Square feet	57,688	57,688	57,688	57,688	57,688	57,688	57,688	57,688	57,688	57,688
Capacity	800	800	800	800	800	800	800	800	800	800
Enrollment	N/A	756	724	624	648	571	523	506	440	593
Central-Carl and Louis Stokes (1940)										
Square feet	120,451	120,451	120,451	120,451	120,451	120,451	120,451	120,451	120,451	120,451
Capacity	1,325	1,325	1,325	1,325	1,325	1,325	1,325	1,325	1,325	1,325
Enrollment	N/A	688	763	791	857	804	849	710	703	505

Cleveland Municipal School District

School Building Information

Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
K-8 Schools (Continued):										
Charles A. Mooney (1964)										
Square feet	152,607	152,607	152,607	152,607	152,607	152,607	152,607	152,607	152,607	152,607
Capacity	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Enrollment	N/A	1,081	1,157	1,136	792	621	921	945	843	682
Charles Dickens (1927)										
Square feet	50,989	50,989	50,989	50,989	50,989	50,989	50,989	50,989	50,989	50,989
Capacity	600	600	600	600	600	600	600	600	600	600
Enrollment	N/A	448	463	505	493	522	499	433	381	498
Charles H. Lake (1961)										
Square feet	55,823	55,823	55,823	55,823	55,823	55,823	55,823	55,823	55,823	55,823
Capacity	675	675	675	675	675	675	675	675	675	675
Enrollment	N/A	338	340	379	392	447	417	401	353	332
Charles Orr (1955)										
Square feet	30,283	30,283	30,283	30,283	30,283	30,283	30,283	30,283	30,283	30,283
Capacity	425	425	425	425	425	425	425	425	425	425
Enrollment	N/A	291	224	228	122	131	0	0	0	0
Charles W. Elliot (1954)										
Square feet	90,497	90,497	90,497	90,497	90,497	90,497	90,497	90,497	90,497	90,497
Capacity	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050
Enrollment	N/A	728	770	812	821	854	846	786	659	415
Clara Westropp Fundamental Education Center (1967)										
Square feet	106,582	106,582	106,582	106,582	106,582	106,582	106,582	106,582	106,582	106,582
Capacity	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Enrollment	N/A	591	560	587	643	761	738	753	685	732
Clark (1973)										
Square feet	56,178	56,178	56,178	56,178	56,178	56,178	56,178	56,178	56,178	56,178
Capacity	525	525	525	525	525	525	525	525	525	525
Enrollment	N/A	608	623	626	609	597	625	633	677	630
Corlett (1) (1915)										
Square feet	58,292	58,292	58,292	58,292	58,292	58,292	58,292	58,292	58,292	58,292
Capacity	575	575	575	575	575	575	575	575	575	575
Enrollment	N/A	563	567	545	583	532	448	363	0	0
Cranwood (1) (1957)										
Square feet	44,574	44,574	44,574	44,574	44,574	44,574	44,574	44,574	44,574	44,574
Capacity	675	675	675	675	675	675	675	675	675	675
Enrollment	N/A	553	542	520	496	463	386	301	0	0
Daniel E. Morgan (1959)										
Square feet	51,272	51,272	51,272	51,272	51,272	51,272	51,272	51,272	51,272	51,272
Capacity	825	825	825	825	825	825	825	825	825	825
Enrollment	N/A	527	545	510	512	505	517	482	466	506

Cleveland Municipal School District

School Building Information

Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
K-8 Schools (Continued):										
Denison (1972)										
Square feet	52,351	52,351	52,351	52,351	52,351	52,351	52,351	52,351	52,351	52,351
Capacity	825	825	825	825	825	825	825	825	825	825
Enrollment	N/A	757	816	735	729	698	720	776	722	725
Dike Montessori (1971)										
Square feet	47,472	47,472	47,472	47,472	47,472	47,472	47,472	47,472	47,472	47,472
Capacity	700	700	700	700	700	700	700	700	700	700
Enrollment	N/A	338	333	354	357	368	375	362	355	404
Douglas MacArthur (1) (1967)										
Square feet	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000	31,000
Capacity	400	400	400	400	400	400	400	400	400	400
Enrollment	N/A	261	262	223	168	140	136	206	0	0
East Clark (2) (1894)										
Square feet	56,755	56,755	56,755	56,755	56,755	56,755	56,755	56,755	56,755	56,755
Capacity	575	575	575	575	575	575	575	575	575	575
Enrollment	N/A	563	522	463	477	559	517	467	420	463
Emile B. deSauze (1966)										
Square feet	48,860	48,860	48,860	48,860	48,860	48,860	48,860	48,860	48,860	48,860
Capacity	575	575	575	575	575	575	575	575	575	575
Enrollment	N/A	475	466	444	422	427	421	381	343	400
Empire Computech (1915)										
Square feet	75,003	75,003	75,003	75,003	75,003	75,003	75,003	75,003	75,003	75,003
Capacity	900	900	900	900	900	900	900	900	900	900
Enrollment	N/A	633	665	639	561	554	605	621	581	424
Euclid Park (1922)										
Square feet	43,182	43,182	43,182	43,182	43,182	43,182	43,182	43,182	43,182	43,182
Capacity	500	500	500	500	500	500	500	500	500	500
Enrollment	N/A	477	505	537	507	561	454	404	299	365
F. D. Roosevelt (1976)										
Square feet	154,766	154,766	154,766	154,766	154,766	154,766	154,766	154,766	154,766	154,766
Capacity	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275	1,275
Enrollment	N/A	639	716	685	627	559	641	760	0	0
Forest Hill Parkway (1967)										
Square feet	41,110	41,110	41,110	41,110	41,110	41,110	41,110	41,110	41,110	41,110
Capacity	450	450	450	450	450	450	450	450	450	450
Enrollment	N/A	565	580	491	417	377	385	405	413	419
Fullerton (1974)										
Square feet	36,468	36,468	36,468	36,468	36,468	36,468	36,468	36,468	36,468	36,468
Capacity	500	500	500	500	500	500	500	500	500	500
Enrollment	N/A	422	469	440	439	496	494	471	356	489

Cleveland Municipal School District

School Building Information

Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
K-8 Schools (Continued):										
Garfield (2) (1922)										
Square feet	31,763	31,763	31,763	31,763	31,763	31,763	31,763	31,763	31,763	31,763
Capacity	425	425	425	425	425	425	425	425	425	425
Enrollment	N/A	286	280	267	277	237	234	231	0	0
Garrett Morgan Cleveland School of Science (1940)										
Square feet	76,835	76,835	76,835	76,835	76,835	76,835	76,835	76,835	76,835	76,835
Capacity	675	675	675	675	675	675	675	675	675	675
Enrollment	N/A	572	511	494	436	490	438	459	406	338
George Washington Carver (1954)										
Square feet	45,913	45,913	45,913	45,913	45,913	45,913	45,913	45,913	45,913	45,913
Capacity	475	475	475	475	475	475	475	475	475	475
Enrollment	N/A	383	438	466	335	319	329	394	404	489
Giddings (1970)										
Square feet	49,607	49,607	49,607	49,607	49,607	49,607	49,607	49,607	49,607	49,607
Capacity	550	550	550	550	550	550	550	550	550	550
Enrollment	N/A	616	561	543	509	445	370	335	390	448
Gracemount (1947)										
Square feet	48,515	48,515	48,515	48,515	48,515	48,515	48,515	48,515	48,515	48,515
Capacity	475	475	637	606	475	475	475	475	475	475
Enrollment	N/A	611	637	606	670	668	579	570	577	587
Hannah Gibbons (1960)										
Square feet	21,831	21,831	21,831	21,831	21,831	21,831	21,831	21,831	21,831	21,831
Capacity	225	225	225	225	225	225	225	225	225	225
Enrollment	N/A	174	160	160	174	177	189	202	183	229
Harvey Rice (2) (1903)										
Square feet	82,414	82,414	82,414	82,414	82,414	82,414	82,414	82,414	82,414	82,414
Capacity	975	975	975	975	975	975	975	975	975	975
Enrollment	N/A	786	739	736	748	675	570	534	425	346
H. Barbara Booker (1972)										
Square feet	48,677	48,677	48,677	48,677	48,677	48,677	48,677	48,677	48,677	48,677
Capacity	875	875	875	875	875	875	875	875	875	875
Enrollment	N/A	448	441	464	431	431	418	382	318	542
Harry E. Davis (1962)										
Square feet	147,095	147,095	147,095	147,095	147,095	147,095	147,095	147,095	147,095	147,095
Capacity	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Enrollment	N/A	620	618	692	743	630	584	493	0	0
Henry W. Longfellow (1924)										
Square feet	50,616	50,616	50,616	50,616	50,616	50,616	50,616	50,616	50,616	50,616
Capacity	337	337	337	337	337	337	337	337	337	337
Enrollment	N/A	445	450	503	473	473	465	407	308	388

Cleveland Municipal School District

School Building Information
Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
K-8 Schools (Continued):										
Iowa Maple (1951)										
Square feet	57,842	57,842	57,842	57,842	57,842	57,842	57,842	57,842	57,842	57,842
Capacity	650	650	650	650	650	650	650	650	650	650
Enrollment	N/A	624	594	643	605	529	536	422	383	557
John D. Rockefeller (1961)										
Square feet	51,683	51,683	51,683	51,683	51,683	51,683	51,683	51,683	51,683	51,683
Capacity	700	700	700	700	700	700	700	700	700	700
Enrollment	N/A	516	478	478	507	518	524	524	576	472
John W. Raper (1962)										
Square feet	61,752	61,752	61,752	61,752	61,752	61,752	61,752	61,752	61,752	61,752
Capacity	800	800	800	800	800	800	800	800	800	800
Enrollment	N/A	515	578	595	565	480	419	387	366	478
Joseph F. Landis (1963)										
Square feet	57,889	57,889	57,889	57,889	57,889	57,889	57,889	57,889	57,889	57,889
Capacity	725	725	725	725	725	725	725	725	725	725
Enrollment	N/A	522	541	541	528	535	465	431	368	453
Joseph M. Gallagher (1976)										
Square feet	118,425	118,425	118,425	118,425	118,425	118,425	118,425	118,425	118,425	118,425
Capacity	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Enrollment	N/A	1,086	1,102	1,061	887	861	859	826	912	837
Kenneth W. Clement (I) (1976)										
Square feet	25,386	25,386	25,386	25,386	25,386	25,386	25,386	25,386	25,386	25,386
Capacity	550	550	550	550	550	550	550	550	550	550
Enrollment	N/A	299	308	298	269	293	337	292	0	0
Kentucky (1940)										
Square feet	35,010	35,010	35,010	35,010	35,010	35,010	35,010	35,010	35,010	35,010
Capacity	575	575	575	575	575	575	575	575	575	575
Enrollment	N/A	443	420	371	382	377	384	342	383	123
Louis Agassiz (1929)										
Square feet	40,185	40,185	40,185	40,185	40,185	40,185	40,185	40,185	40,185	40,185
Capacity	525	525	525	525	525	525	525	525	525	525
Enrollment	N/A	430	406	415	380	392	343	308	372	347
Louis Pasteur (1959)										
Square feet	51,286	51,286	51,286	51,286	51,286	51,286	51,286	51,286	51,286	51,286
Capacity	700	700	700	700	700	700	700	700	700	700
Enrollment	N/A	413	448	440	451	424	371	328	318	513
Louisa May Alcott (1926)										
Square feet	26,277	26,277	26,277	26,277	26,277	26,277	26,277	26,277	26,277	26,277
Capacity	300	300	300	300	300	300	300	300	300	300
Enrollment	N/A	238	252	232	241	248	208	199	220	218

Cleveland Municipal School District

School Building Information

Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
K-8 Schools (Continued):										
Luiz Munoz Marin (1976)										
Square feet	119,689	119,689	119,689	119,689	119,689	119,689	119,689	119,689	119,689	119,689
Capacity	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075	1,075
Enrollment	N/A	0	0	0	851	816	834	839	745	746
Margaret Spellacy (1969)										
Square feet	106,582	106,582	106,582	106,582	106,582	106,582	106,582	106,582	106,582	106,582
Capacity	900	900	900	900	900	900	900	900	900	900
Enrollment	N/A	823	806	731	732	832	721	299	0	0
Marion C. Seltzer (1972)										
Square feet	46,835	46,835	46,835	46,835	46,835	46,835	46,835	46,835	46,835	46,835
Capacity	675	675	675	675	675	675	675	675	675	675
Enrollment	N/A	684	725	674	717	721	711	657	650	659
Marion Sterling (1973)										
Square feet	51,896	51,896	51,896	51,896	51,896	51,896	51,896	51,896	51,896	51,896
Capacity	700	700	700	700	700	700	700	700	700	700
Enrollment	N/A	606	628	644	618	567	514	522	474	585
Mary B. Martin (2) (1963)										
Square feet	57,737	57,737	57,737	57,737	57,737	57,737	57,737	57,737	57,737	57,737
Capacity	825	825	825	825	825	825	825	825	825	825
Enrollment	N/A	404	422	408	447	401	335	380	0	0
Mary M. Bethune (2) (1964)										
Square feet	48,613	48,613	48,613	48,613	48,613	48,613	48,613	48,613	48,613	48,613
Capacity	450	450	450	450	450	450	450	450	450	450
Enrollment	N/A	490	458	452	443	392	305	329	324	461
McKinley (1922)										
Square feet	46,724	46,724	46,724	46,724	46,724	46,724	46,724	46,724	46,724	46,724
Capacity	375	375	375	375	375	375	375	375	375	375
Enrollment	N/A	459	479	490	474	478	495	472	431	401
Memorial (2005)										
Square feet	N/A	82,160								
Capacity	N/A	625								
Enrollment	N/A	536								
Michael R. White (1921)										
Square feet	64,598	64,598	64,598	64,598	64,598	64,598	64,598	64,598	64,598	64,598
Capacity	825	825	825	825	825	825	825	825	825	825
Enrollment	N/A	400	397	416	454	421	416	363	317	459
Miles (1912)										
Square feet	79,630	79,630	79,630	79,630	79,630	79,630	79,630	79,630	79,630	79,630
Capacity	950	950	950	950	950	950	950	950	950	950
Enrollment	N/A	593	609	631	621	529	436	413	560	547

Cleveland Municipal School District

School Building Information Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
K-8 Schools (Continued):										
Miles Park (2) (1971)										
Square feet	43,027	43,027	43,027	43,027	43,027	43,027	43,027	43,027	43,027	43,027
Capacity	500	500	500	500	500	500	500	500	500	500
Enrollment	N/A	531	560	556	514	525	503	484	437	529
Moses Cleaveland (1925)										
Square feet	64,687	64,687	64,687	64,687	64,687	64,687	64,687	64,687	64,687	64,687
Capacity	925	925	925	925	925	925	925	925	925	925
Enrollment	N/A	491	547	502	436	354	332	317	0	0
Mound (1904)										
Square feet	36,642	36,642	36,642	36,642	36,642	36,642	36,642	36,642	36,642	36,642
Capacity	500	500	500	500	500	500	500	500	500	500
Enrollment	N/A	491	471	437	408	441	416	401	362	422
Mount Auburn (1) (1922)										
Square feet	42,600	42,600	42,600	42,600	42,600	42,600	42,600	42,600	42,600	42,600
Capacity	575	575	575	575	575	575	575	575	575	575
Enrollment	N/A	456	417	454	448	414	315	270	0	0
Nathan Hale (1929)										
Square feet	106,855	106,855	106,855	106,855	106,855	106,855	106,855	106,855	106,855	106,855
Capacity	725	725	725	725	725	725	725	725	725	725
Enrollment	N/A	754	735	742	759	910	847	734	686	505
Nathaniel Hawthorne/Riverside student swing space (1917)										
Square feet	46,502	46,502	46,502	46,502	46,502	46,502	46,502	46,502	46,502	46,502
Capacity	650	650	650	650	650	650	650	650	650	650
Enrollment	N/A	0	0	0	0	0	0	0	0	0
Newton D. Baker (1954)										
Square feet	94,379	94,379	94,379	94,379	94,379	94,379	94,379	94,379	94,379	94,379
Capacity	550	550	550	550	550	550	550	550	550	550
Enrollment	N/A	622	610	608	535	545	550	512	517	683
Oliver Hazard Perry (1927)										
Square feet	50,989	50,989	50,989	50,989	50,989	50,989	50,989	50,989	50,989	50,989
Capacity	575	575	575	575	575	575	575	575	575	575
Enrollment	N/A	680	698	656	649	644	643	639	566	448
Orchard (1901)										
Square feet	80,347	80,347	80,347	80,347	80,347	80,347	80,347	80,347	80,347	80,347
Capacity	800	800	800	800	800	800	800	800	800	800
Enrollment	N/A	596	574	574	503	500	497	491	436	550
Patrick Henry (1922)										
Square feet	130,443	130,443	130,443	130,443	130,443	130,443	130,443	130,443	130,443	130,443
Capacity	975	975	975	975	975	975	975	975	975	975
Enrollment	N/A	804	879	889	828	863	813	751	735	519

Cleveland Municipal School District

School Building Information
Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
K-8 Schools (Continued):										
Paul Lawrence Dunbar (1965)										
Square feet	45,745	45,745	45,745	45,745	45,745	45,745	45,745	45,745	45,745	45,745
Capacity	475	475	475	475	475	475	475	475	475	475
Enrollment	N/A	367	684	398	410	341	321	304	274	356
Paul Revere (1925)										
Square feet	80,996	80,996	80,996	80,996	80,996	80,996	80,996	80,996	80,996	80,996
Capacity	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125
Enrollment	N/A	672	597	606	682	760	751	685	524	583
Riverside (1935)										
Square feet	38,836	38,836	38,836	38,836	38,836	38,836	38,836	38,836	38,836	N/A
Capacity	N/A									
Enrollment	N/A	415	404	404	370	375	394	429	471	N/A
Riverside (2005)										
Square feet	N/A	61,820								
Capacity	N/A	450								
Enrollment	N/A	452								
Robert Fulton (1929)										
Square feet	65,360	65,360	65,360	65,360	65,360	65,360	65,360	65,360	65,360	65,360
Capacity	675	675	675	675	675	675	675	675	675	675
Enrollment	N/A	510	497	562	528	561	482	472	466	554
Robert H. Jamison (1966)										
Square feet	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000
Capacity	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125	1,125
Enrollment	N/A	747	714	734	710	692	705	773	660	689
Robinson G. Jones (2) (1951)										
Square feet	38,311	38,311	38,311	38,311	38,311	38,311	38,311	38,311	38,311	38,311
Capacity	550	550	550	550	550	550	550	550	550	550
Enrollment	N/A	317	312	320	367	372	419	421	434	365
Scranton (1973)										
Square feet	51,447	51,447	51,447	51,447	51,447	51,447	51,447	51,447	51,447	51,447
Capacity	625	625	625	625	625	625	625	625	625	625
Enrollment	N/A	584	562	615	590	560	503	494	395	624
Stephen E. Howe (1) (1964)										
Square feet	48,613	48,613	48,613	48,613	48,613	48,613	48,613	48,613	48,613	48,613
Capacity	625	625	625	625	625	625	625	625	625	625
Enrollment	N/A	456	507	591	572	572	486	467	0	0
Sunbeam (1923)										
Square feet	63,368	63,368	63,368	63,368	63,368	63,368	63,368	63,368	63,368	63,368
Capacity	425	425	425	425	425	425	425	425	425	425
Enrollment	N/A	241	210	209	217	212	231	215	222	253

Cleveland Municipal School District

School Building Information Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
K-8 Schools (Continued):										
Thomas Jefferson (1925)										
Square feet	133,609	133,609	133,609	133,609	133,609	133,609	133,609	133,609	133,609	133,609
Capacity	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Enrollment	N/A	1,057	1,066	1,077	974	899	824	875	872	690
Tremont (1917)										
Square feet	100,396	100,396	100,396	100,396	100,396	100,396	100,396	100,396	100,396	100,396
Capacity	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Enrollment	N/A	932	947	825	773	696	679	668	488	581
Union (1969)										
Square feet	49,426	49,426	49,426	49,426	49,426	49,426	49,426	49,426	49,426	49,426
Capacity	550	550	550	550	550	550	550	550	550	550
Enrollment	N/A	401	400	369	425	461	411	412	335	387
Valley View (1) (1951)										
Square feet	25,882	25,882	25,882	25,882	25,882	25,882	25,882	25,882	25,882	25,882
Capacity	350	350	350	350	350	350	350	350	350	350
Enrollment	N/A	203	216	215	206	189	174	142	0	0
Wade Park (1975)										
Square feet	63,706	63,706	63,706	63,706	63,706	63,706	63,706	63,706	63,706	63,706
Capacity	725	725	725	725	725	725	725	725	725	725
Enrollment	N/A	532	567	631	629	569	521	472	429	589
Walton (1971)										
Square feet	46,493	46,493	46,493	46,493	46,493	46,493	46,493	46,493	46,493	46,493
Capacity	700	700	700	700	700	700	700	700	700	700
Enrollment	N/A	690	716	688	698	676	673	599	704	669
Watterson-Lake (1906)										
Square feet	69,814	69,814	69,814	69,814	69,814	69,814	69,814	69,814	69,814	69,814
Capacity	600	600	600	600	600	600	600	600	600	600
Enrollment	N/A	573	654	662	673	615	604	599	542	465
Waverly (1976)										
Square feet	55,666	55,666	55,666	55,666	55,666	55,666	55,666	55,666	55,666	55,666
Capacity	575	575	575	575	575	575	575	575	575	575
Enrollment	N/A	649	619	635	660	657	580	509	445	403
William Cullen Bryant (1930)										
Square feet	42,187	42,187	42,187	42,187	42,187	42,187	42,187	42,187	42,187	42,187
Capacity	550	550	550	550	550	550	550	550	550	550
Enrollment	N/A	391	423	432	432	412	397	400	367	474
William R. Harper (1927)										
Square feet	50,989	50,989	50,989	50,989	50,989	50,989	50,989	50,989	50,989	50,989
Capacity	575	575	575	575	575	575	575	575	575	575
Enrollment	N/A	516	518	522	494	527	366	397	0	0

Cleveland Municipal School District

School Building Information

Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
K-8 Schools (Continued):										
Willow (1964)										
Square feet	39,867	39,867	39,867	39,867	39,867	39,867	39,867	39,867	39,867	39,867
Capacity	425	425	425	425	425	425	425	425	425	425
Enrollment	N/A	239	261	294	322	254	276	233	284	318
Woodland Hills (1971)										
Square feet	49,443	49,443	49,443	49,443	49,443	49,443	49,443	49,443	49,443	49,443
Capacity	600	600	600	600	600	600	600	600	600	600
Enrollment	N/A	630	678	596	597	520	471	423	384	505
Whitney Young (1950)										
Square feet	106,863	106,863	106,863	106,863	106,863	106,863	106,863	106,863	106,863	106,863
Capacity	725	725	725	725	725	725	725	725	725	725
Enrollment	N/A	528	528	525	487	450	352	332	426	389
Wilbur Wright (1929)										
Square feet	106,368	106,368	106,368	106,368	106,368	106,368	106,368	106,368	106,368	106,368
Capacity	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100
Enrollment	N/A	1,180	1,198	1,158	1,117	1,117	1,096	1,095	808	596
Willson (I) (1903)										
Square feet	75,624	75,624	75,624	75,624	75,624	75,624	75,624	75,624	75,624	75,624
Capacity	700	700	700	700	700	700	700	700	700	700
Enrollment	N/A	438	530	470	476	490	574	617	N/A	N/A
Senior High Schools										
Cleveland Learning Center - Halle (I) (1904)										
Square feet	49,337	49,337	49,337	49,337	49,337	49,337	49,337	49,337	49,337	49,337
Capacity	500	500	500	500	500	500	500	500	500	500
Enrollment	N/A	33	52	61	41	45	62	143	0	0
Cleveland Learning Center - Jessie Owens (1914)										
Square feet	39,000	39,000	39,000	39,000	39,000	39,000	39,000	39,000	39,000	39,000
Capacity	525	525	525	525	525	525	525	525	525	525
Enrollment	N/A	0	0	0	112	94	117	79	0	0
Cleveland School of the Arts (1910)										
Square feet	81,430	81,430	81,430	81,430	81,430	81,430	81,430	81,430	81,430	81,430
Capacity	850	850	850	850	850	850	850	850	850	850
Enrollment	N/A	640	631	665	641	653	695	702	633	622
Collinwood CompuTech (1924)										
Square feet	297,759	297,759	297,759	297,759	297,759	297,759	297,759	297,759	297,759	297,759
Capacity	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
Enrollment	N/A	1,410	1,242	1,337	1,235	1,256	1,397	1,933	1,542	1,147
East High (1975)										
Square feet	272,153	272,153	272,153	272,153	272,153	272,153	272,153	272,153	272,153	272,153
Capacity	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875
Enrollment	N/A	1,136	1,268	982	832	863	1,166	1,242	1,123	1,085

Cleveland Municipal School District

School Building Information

Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Senior High Schools (Continued):										
East Technical (1972)										
Square feet	320,370	320,370	320,370	320,370	320,370	320,370	320,370	320,370	320,370	320,370
Capacity	1,775	1,775	1,775	1,775	1,775	1,775	1,775	1,775	1,775	1,775
Enrollment	N/A	1,360	1,367	1,177	956	948	1,165	1,315	1,192	1,068
Glenville (1966)										
Square feet	248,023	248,023	248,023	248,023	248,023	248,023	248,023	248,023	248,023	248,023
Capacity	2,350	2,350	2,350	2,350	2,350	2,350	2,350	2,350	2,350	2,350
Enrollment	N/A	1,569	1,342	1,456	1,351	1,394	1,584	1,663	1,743	1,652
Health Careers Center (1980)										
Square feet	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000	67,000
Capacity	425	425	425	425	425	425	425	425	425	425
Enrollment	N/A	404	411	382	378	414	398	437	392	400
James F. Rhodes (1932)										
Square feet	164,931	164,931	164,931	164,931	164,931	164,931	164,931	164,931	164,931	164,931
Capacity	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225
Enrollment	N/A	1,519	1,430	1,366	1,218	1,344	1,582	1,758	1,734	1,628
Jane Addams Business Careers (1968)										
Square feet	157,428	157,428	157,428	157,428	157,428	157,428	157,428	157,428	157,428	157,428
Capacity	975	975	975	975	975	975	975	975	975	975
Enrollment	N/A	586	657	652	645	600	616	626	629	586
John F. Kennedy (1965)										
Square feet	252,023	252,023	252,023	252,023	252,023	252,023	252,023	252,023	252,023	252,023
Capacity	2,075	2,075	2,075	2,075	2,075	2,075	2,075	2,075	2,075	2,075
Enrollment	N/A	1,560	1,455	1,755	1,826	1,944	2,029	2,014	1,861	1,812
John Hay (closed for renovation) (1929)										
Square feet	186,352	186,352	186,352	186,352	186,352	186,352	186,352	186,352	186,352	186,352
Capacity	1,625	1,625	1,625	1,625	1,625	1,625	1,625	1,625	1,625	1,625
Enrollment	N/A	1,356	1,349	1,377	1,281	1,317	0	0	0	0
John Marshall (1932)										
Square feet	256,924	256,924	256,924	256,924	256,924	256,924	256,924	256,924	256,924	256,924
Capacity	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250
Enrollment	N/A	2,141	2,129	2,141	2,095	2,001	2,128	2,046	1,987	1,928
Lincoln-West (1970)										
Square feet	337,548	337,548	337,548	337,548	337,548	337,548	337,548	337,548	337,548	337,548
Capacity	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875
Enrollment	N/A	1,472	1,431	1,398	1,419	1,514	1,527	1,571	1,644	1,655
Margaret A. Ireland Complex (1962)										
Square feet	57,958	57,958	57,958	57,958	57,958	57,958	57,958	57,958	57,958	57,958
Capacity	525	525	525	525	525	525	525	525	525	525
Enrollment	N/A	562	547	515	501	487	0	0	0	0

Cleveland Municipal School District

School Building Information Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Senior High Schools (Continued):										
Martin L. King Jr. (1972)										
Square feet	179,544	179,544	179,544	179,544	179,544	179,544	179,544	179,544	179,544	179,544
Capacity	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175	1,175
Enrollment	N/A	510	537	538	531	486	349	949	889	788
Max S. Hayes Vocational (1957)										
Square feet	209,273	209,273	209,273	209,273	209,273	209,273	209,273	209,273	209,273	209,273
Capacity	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150	2,150
Enrollment	N/A	612	618	638	669	585	668	642	619	539
South (includes Washington Park) (1968)										
Square feet	278,715	278,715	278,715	278,715	278,715	278,715	278,715	278,715	278,715	278,715
Capacity	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Enrollment	N/A	1,721	1,601	15,674	1,353	1,356	1,620	1,712	1,532	1,305
SuccessTech Academy										
Square feet	N/A									
Capacity	N/A									
Enrollment	N/A	0	0	0	0	0	82	165	201	264
Administrative										
Buildings	4	4	4	5	5	5	5	8	8	8
Square Feet	408,879	408,879	408,879	536,726	536,726	536,726	536,726	556,286	556,286	556,286
Transportation										
Garages (3)	3	3	3	3	3	3	3	3	3	3
Buses	N/A	N/A	N/A	N/A	613	624	605	436	341	327
Athletics										
Football Fields	4	4	4	4	4	4	4	4	4	4
Soccer Fields	3	3	3	3	3	3	3	3	3	3
Running Tracks	4	4	4	4	4	4	4	4	4	4
Baseball/Softball	0	0	0	0	0	0	0	0	0	0
Swimming Pools	7	7	7	7	7	7	7	6	6	7
Playgrounds	50	50	50	50	50	50	50	50	50	50

Source: District Records

Notes:

- (1) Building was permanently inactivated for instructional activity starting in the 2005-2006 school year based on Board of Education resolution in June, 2005.
- (2) Building was temporarily inactivated for instructional activity starting in the 2005-2006 school year based on Board of Education resolution in June, 2005.
- (3) Ridge Road Bus Depot was inoperable for the 2005-2006 school year.

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Mary Taylor, CPA
Auditor of State

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 6, 2007