



**Dave Yost • Auditor of State**

**East Cleveland City School District  
Cuyahoga County, Ohio**

**Financial Forecast  
For the Fiscal Years Ending June 30, 2011 – June 30, 2015**

**Local Government Services Section**



**East Cleveland City School District  
Cuyahoga County**

**Financial Forecast**

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# Dave Yost • Auditor of State

Board of Education  
East Cleveland City School District  
14305 Shaw Avenue  
East Cleveland, Ohio 44112

## Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the East Cleveland City School District for the fiscal years ending June 30, 2011 through 2015. The East Cleveland City School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying financial forecast has been prepared assuming the School District will receive the same amount of State Unrestricted grants-in-aid for fiscal years 2011 through 2014, and no base salary increases for fiscal years 2013 through 2015. The assumptions identify the uncertainty with these items and that they could have a material effect on the outcome of the forecast. These matters are further discussed in Notes 6C and 7A, respectively, in the Summary of Significant Accounting Policies and Assumptions.

The accompanying statement of revenues, expenditures and changes in fund balance of the general fund of the East Cleveland City School District for the fiscal years ended June 30, 2008, 2009 and 2010 were compiled by us in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. Management has elected to omit substantially all of the disclosures associated with the historical financial statements; these disclosures might influence a user's conclusions regarding the School District's results of operations. Accordingly, these financial statements are not designed for those who are not informed about such matters.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST  
Auditor of State

April 18, 2011

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**East Cleveland City School District**  
**Cuyahoga County**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Fiscal Years Ended June 30, 2008 Through 2010 Actual;**  
**For the Fiscal Years Ending June 30, 2011 Through 2015 Forecasted**  
**General Fund**

	Fiscal Year 2008 Actual	Fiscal Year 2009 Actual	Fiscal Year 2010 Actual
<b>Revenues</b>			
General Property Tax	\$8,228,000	\$7,849,000	\$7,592,000
Tangible Personal Property Tax	1,204,000	985,000	131,000
Unrestricted Grants-in-Aid	32,188,000	31,464,000	31,795,000
Restricted Grants-in-Aid	4,404,000	4,472,000	1,447,000
Restricted Federal Grants-in-Aid	0	0	2,246,000
Property Tax Allocation	2,154,000	2,115,000	2,562,000
All Other Revenues	4,765,000	5,199,000	4,878,000
<i>Total Revenues</i>	<u>52,943,000</u>	<u>52,084,000</u>	<u>50,651,000</u>
<b>Other Financing Sources</b>			
Advances In	2,983,000	7,231,000	7,033,000
<i>Total Revenues and Other Financing Sources</i>	<u>55,926,000</u>	<u>59,315,000</u>	<u>57,684,000</u>
<b>Expenditures</b>			
Personal Services	23,063,000	23,487,000	22,689,000
Employees' Retirement/Insurance Benefits	8,619,000	8,602,000	9,072,000
Purchased Services	12,055,000	12,683,000	12,794,000
Supplies and Materials	1,509,000	2,068,000	1,526,000
Capital Outlay	726,000	405,000	112,000
Other Objects	227,000	384,000	488,000
<i>Total Expenditures</i>	<u>46,199,000</u>	<u>47,629,000</u>	<u>46,681,000</u>
<b>Other Financing Uses</b>			
Transfers Out	235,000	384,000	345,000
Advances Out	6,132,000	5,071,000	11,348,000
All Other Financing Uses	0	13,000	0
<i>Total Other Financing Uses</i>	<u>6,367,000</u>	<u>5,468,000</u>	<u>11,693,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>52,566,000</u>	<u>53,097,000</u>	<u>58,374,000</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	3,360,000	6,218,000	(690,000)
Cash Balance July 1	21,824,000	25,184,000	31,402,000
Cash Balance June 30	25,184,000	31,402,000	30,712,000
<b>Encumbrances and Reserves of Fund Balance</b>			
Actual/Estimated Encumbrances June 30	1,681,000	2,617,000	2,621,000
Reserves for:			
Bus Purchases	61,000	82,000	82,000
Total Encumbrances and Reserves of Fund Balance	<u>1,742,000</u>	<u>2,699,000</u>	<u>2,703,000</u>
Unencumbered/Unreserved Fund Balance June 30	<u>\$23,442,000</u>	<u>\$28,703,000</u>	<u>\$28,009,000</u>

See accompanying summary of significant forecast assumptions and accounting policies  
See Independent Accountant's Report

<u>Fiscal Year 2011 Forecasted</u>	<u>Fiscal Year 2012 Forecasted</u>	<u>Fiscal Year 2013 Forecasted</u>	<u>Fiscal Year 2014 Forecasted</u>	<u>Fiscal Year 2015 Forecasted</u>
\$7,448,000	\$7,462,000	\$7,445,000	\$7,430,000	\$7,414,000
66,000	0	0	0	0
31,954,000	31,954,000	31,954,000	31,954,000	31,954,000
283,000	283,000	283,000	283,000	283,000
3,294,000	984,000	0	0	0
2,666,000	2,711,000	2,708,000	1,965,000	1,778,000
5,460,000	5,373,000	5,373,000	5,373,000	5,373,000
<u>51,171,000</u>	<u>48,767,000</u>	<u>47,763,000</u>	<u>47,005,000</u>	<u>46,802,000</u>
<u>10,829,000</u>	<u>12,461,000</u>	<u>5,539,000</u>	<u>5,539,000</u>	<u>5,539,000</u>
<u>62,000,000</u>	<u>61,228,000</u>	<u>53,302,000</u>	<u>52,544,000</u>	<u>52,341,000</u>
24,385,000	24,741,000	25,379,000	25,825,000	26,314,000
9,089,000	9,741,000	9,638,000	10,223,000	10,866,000
14,721,000	14,687,000	15,001,000	15,314,000	15,694,000
1,838,000	1,822,000	1,891,000	1,996,000	2,038,000
807,000	259,000	326,000	261,000	501,000
652,000	657,000	657,000	657,000	657,000
<u>51,492,000</u>	<u>51,907,000</u>	<u>52,892,000</u>	<u>54,276,000</u>	<u>56,070,000</u>
364,000	364,000	364,000	364,000	364,000
11,348,000	5,539,000	5,539,000	5,539,000	5,539,000
63,000	0	0	0	0
<u>11,775,000</u>	<u>5,903,000</u>	<u>5,903,000</u>	<u>5,903,000</u>	<u>5,903,000</u>
<u>63,267,000</u>	<u>57,810,000</u>	<u>58,795,000</u>	<u>60,179,000</u>	<u>61,973,000</u>
(1,267,000)	3,418,000	(5,493,000)	(7,635,000)	(9,632,000)
<u>30,712,000</u>	<u>29,445,000</u>	<u>32,863,000</u>	<u>27,370,000</u>	<u>19,735,000</u>
<u>29,445,000</u>	<u>32,863,000</u>	<u>27,370,000</u>	<u>19,735,000</u>	<u>10,103,000</u>
2,600,000	2,600,000	2,600,000	2,600,000	2,600,000
82,000	82,000	16,000	16,000	0
<u>2,682,000</u>	<u>2,682,000</u>	<u>2,616,000</u>	<u>2,616,000</u>	<u>2,600,000</u>
<u>\$26,763,000</u>	<u>\$30,181,000</u>	<u>\$24,754,000</u>	<u>\$17,119,000</u>	<u>\$7,503,000</u>

## **East Cleveland City School District**

*Cuyahoga County*

Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011 through June 30, 2015

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### **Note 1 – The School District**

The East Cleveland City School District (School District) is located in Cuyahoga County and encompasses all of the City of East Cleveland. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates seven instructional buildings, one warehouse building, one administration building, one bus garage and one stadium. The School District is staffed by 123 classified and 288 certificated personnel to provide services to approximately 3,247 students and other community members.

On March 12, 2003, the School District was declared to be in a state of “Fiscal Emergency” under Section 3316.03(B)(2) by the Auditor of State. The declaration was due to the School District’s declining financial condition. In accordance with the law, a five member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction, and the Mayor of the City of East Cleveland. The Commission’s primary charge is to develop, adopt, and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must be in accordance with the plan.

### **Note 2 - Nature of the Forecast**

This financial forecast presents, to the best of the East Cleveland City School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of April 18, 2011, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

### **Note 3 – Nature of the Presentation**

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the poverty based assistance fund, the education jobs grant fund, the State fiscal stabilization fund and the general fund supported debt are included in the general fund.

### **Note 4 - Summary of Significant Accounting Policies**

#### **A. - Basis of Accounting**

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget (non-GAAP) basis of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenues and related assets are

## East Cleveland City School District

*Cuyahoga County*

Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011 through June 30, 2015

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recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

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

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

#### **Governmental Funds**

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds account for and report the proceeds of specific ongoing revenue sources (other than for major capital projects) that are restricted or committed to expenditure for operation of a specific program.

Debt Service Funds - Debt service funds account for and report financial resources that are restricted, committed, or assigned to the payment of general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds account for and report financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital assets (other than those financed by proprietary funds).

Permanent Funds - Permanent funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the School District or its students.

#### **Proprietary Funds**

Enterprise Funds - Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

## East Cleveland City School District

*Cuyahoga County*

Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011 through June 30, 2015

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### **Fiduciary Funds**

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations or other government units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds.

### **C. - Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Budget – A budget of estimated cash receipts and disbursements is submitted to the Cuyahoga County fiscal officer, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources – The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire fiscal year. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

### **Note 5 - General Operating Assumptions**

The East Cleveland City School District will continue to operate its instructional program in accordance with its adopted and anticipated school calendars and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

## East Cleveland City School District

Cuyahoga County

Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011 through June 30, 2015

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### **Note 6 - Significant Assumptions for Revenues and Other Financing Sources**

#### **A. - General and Tangible Personal Property Taxes**

Property taxes are applied to real property, public utility real and personal property and manufactured homes which are located within the School District. Tangible personal property used in businesses was taxed in calendar years prior to 2011. Property taxes are collected for, and distributed to, the School District by the county fiscal officer and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Cuyahoga County fiscal officer as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for fiscal officer and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. Property tax revenue received during calendar year 2011 (the collection year) for real and public utility property taxes represents collections of 2010 taxes (the tax year). Property tax payments received during calendar year 2011 for tangible personal property (other than public utility property) are for delinquent taxes. First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account "Property Tax Allocation".

Prior to fiscal year-end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2012 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal years 2011 through 2015.

The property tax revenues for the general fund are generated from several levies. The current levies being collected for the general fund, the year approved, first year of collection, and the full tax rate are as follows:

<u>Tax Levies</u>	<u>Year</u> <u>Approved</u>	<u>First Calendar</u> <u>Year of</u> <u>Collection</u>	<u>Full Tax Rate</u> <u>(per \$1,000 of</u> <u>assessed valuation)</u>
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	\$4.78
Continuing Operating	1976	1977	50.90
Continuing Operating	1982	1983	5.90
Continuing Operating	1985	1986	7.90
Continuing Operating	1989	1990	8.90
Continuing Operating	1992	1993	10.00
Total Tax Rate			<u><u>\$88.38</u></u>

## East Cleveland City School District

*Cuyahoga County*

Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011 through June 30, 2015

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The School District also has levies for bonded debt and school facilities maintenance totaling \$4.12 per \$1,000 of assessed valuation. The School District's total rate is \$92.50 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy) nor to tangible personal property levy rates. State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$35.20 per \$1,000 of assessed valuation for collection year 2011, and the effective commercial and industrial real property tax rate is \$56.80 per \$1,000 of assessed valuation for collection year 2011.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four year phase out of the tangible personal property tax on local and inter-exchange telephone companies. No tangible personal property taxes will be levied or collected after calendar year 2010 on local and inter-exchange telephone companies. The State of Ohio reimburses the School District for the loss of tangible personal property taxes as a result of these changes within certain limitations (see Property Tax Allocation Revenue below).

General Property Tax - General property tax revenue includes real estate taxes and public utility property taxes. General property tax represents gross property tax revenue and is based upon anticipated assessed valuations and existing tax levies. Assessed values for tax year 2010 (collection year 2011) decreased due to demolition and destruction of condemned and/or abandoned buildings and a decline in new construction. The decreases caused by declines in the fair value of property are offset by decreases in the reduction rates which yields an increase in the effective millage rates. Due to current economic conditions in the City of East Cleveland, decreases in assessed values are anticipated for the remaining forecast periods. The School District's total delinquent taxes outstanding as of June 30, 2010 are \$10,820,644. Delinquencies are forecasted to increase during the forecast period thereby reducing the overall tax collections.

Tangible Personal Property Tax - Tangible personal property tax was levied on machinery and equipment, furniture and fixtures, and inventory of businesses. Effective for tax years 2005 and 2006, the assessment rate on personal property began a phase out of the tax. No tangible personal property taxes were levied or collected in calendar year 2010 from general business taxpayers and no tangible personal property tax on telephone property will be collected in 2011. The School District, based on the last year of collections before the phase out period, lost approximately \$1,400,000, annually. The State of Ohio

## East Cleveland City School District

*Cuyahoga County*

Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011 through June 30, 2015

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reimbursed the School District for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Property Tax Allocation below). The decrease in revenue during fiscal years 2009 through 2011 is a result of the tax changes above.

### **B. - Unrestricted and Restricted Grants-in-Aid**

Prior to fiscal year 2010, the State's foundation program was established by Chapter 3317 of the Ohio Revised Code and included formula aid and various categorical aid programs such as special and gifted education, career and technical education and transportation. Other programs such as parity aid, excess cost supplement and transitional aid guarantee were provided to address certain policy issues or correct flaws in formula aid were also included in this revenue. The semi-annual payments were calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM), times a per pupil foundation level, less the equivalent of 23 mills multiplied by the school district's taxable property valuation. The per pupil foundation level was set by the State Legislature. Beginning in fiscal year 2008, the per pupil amount was increased by four base supplements called "building blocks." The building blocks were funding for intervention, professional development, data based decision making, and professional development for data based decision making.

The per pupil amounts for fiscal years 2008 and 2009 are as follows:

<u>Fiscal</u> <u>Year</u>	<u>Per Pupil</u> <u>Foundation Level</u>	<u>Building</u> <u>Blocks</u>	<u>Total</u>
2008	\$5,565	\$49	\$5,614
2009	5,732	51	5,783

Beginning in fiscal year 2010, the State General Assembly adopted a new funding method called the Ohio Evidence-Based Model (OEBM). The Ohio Evidence-Based Model was established in Chapter 3306 of the Ohio Revised Code and links educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporates real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount is the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors are multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation are student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount is offset by the school district share of the adequacy amount (the charge off amount), which is equal to 22 mills for fiscal years 2010 and 2011, 21 mills for fiscal years 2012 and 2013 and 20 mills for fiscal year 2014 and thereafter.

The State Department of Education, Division of School Finance calculates the annual funding, including the adequacy amount, and distributes a prorated share bi-monthly to the School District. In transitioning to the Ohio Evidence-Based Model, the gifted, enrichment, technology service support components and the charge off amount are phased in over a five year period. For fiscal year 2011, the East Cleveland City School District estimates \$31,954,000 in adequacy funding. The \$159,000 increase in unrestricted grants-in-aid is due to adjustments to the fiscal year 2010 formula received in fiscal year 2011.

## **East Cleveland City School District**

*Cuyahoga County*

Summary of Significant Assumptions and Accounting Policies  
For the Fiscal Year Ending June 30, 2011 through June 30, 2015

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In fiscal year 2011, approximately eight percent of the adequacy funding is provided from a State Fiscal Stabilization grant received by the State of Ohio under the American Recovery and Reinvestment Act (see Restricted Federal Grants-in-Aid).

The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. School funding beyond fiscal year 2011 will be set as part of the State's biennial budget for fiscal years 2012 and 2013. Due to the economic conditions within the State and the anticipated short fall in tax revenues in the next biennial budget, the level at which the State will fund schools is uncertain. State Foundation revenues for fiscal years 2012 to 2015 are presented at the same funding level as fiscal year 2011. If the State decreases funding for schools in fiscal years 2012 and 2013 and the same level continues through fiscal year 2015, the decrease will have a material effect on this forecast. A decrease in State funding equal to one percent of the School District's foundation revenue would decrease Unrestricted State Grants-in-Aid by \$320,000 for the current fiscal year and each fiscal year thereafter. The cumulative effect on fund balance in fiscal year 2015 is a decrease of \$1,280,000.

### **Restricted Grants-in-Aid**

In fiscal years 2008 and 2009, restricted grants-in-aid consisted of career technologies, bus purchase, parity aid and poverty based aid monies. For fiscal year 2011, the School District expects to receive \$283,000 in career technologies monies and does not anticipate any poverty based assistance or bus purchase allowance monies as they are considered part of basic aid.

### **C. - Restricted Federal Grants-in-Aid**

Restricted Federal grants-in-aid consist of State Fiscal Stabilization Funds and the Education Jobs grant monies. In 2010, Ohio was allocated \$845 million from the American Recovery and Reinvestment Act in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. SFSF for primary and secondary education is distributed to school districts as part of the foundation settlement payments twice a month. The East Cleveland City School District, based on estimates provided by the Department of Education, anticipates \$2,405,000 for fiscal year 2011. These funds have limited restrictions on their use. The School District has chosen to use these funds for teacher salaries and community school tuition. SFSF has not been reauthorized by the State of Ohio and; therefore, SFSF is not included in the five-year forecast beyond fiscal year 2011. Currently, there is no reasonable basis to assume that the State of Ohio will increase State Funding for schools to cover/make up the amount of the SFSF funds distributed to the School Districts.

In 2010, Congress passed and the President has signed legislation that provides \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant may be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. The East Cleveland City School District, based on estimates provided by the Department of Education, anticipates \$889,000 for fiscal year 2011 and \$984,000 for fiscal year 2012. These funds have limited restrictions on their use. The School District has chosen to use these funds in both fiscal years 2011 and fiscal year 2012 for salaries and benefits for teachers.

## East Cleveland City School District

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### **D. - Property Tax Allocation**

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. Beginning in tax collection year 2008, the State expanded the homestead exemption to allow eligible homeowners to shield the first \$25,000 in market value from taxation. This expanded exemption increased State allocation revenue and decreased property tax revenues by an equal amount. The State reimburses the School District for the loss of real property taxes as a result of the rollback and homestead tax relief programs. Homestead and rollback revenue is forecast to decrease in fiscal years 2012 through 2015 due to the anticipated decrease in assessed valuation caused by the demolition and destruction of condemned and/or abandoned buildings.

In fiscal year 2006, the State began reimbursing the School District for lost revenue due to the phase out of tangible personal property tax. In the first five years, the School District will be fully reimbursed relative to prior law for revenue lost due to the taxable value of reductions through 2013. Beginning in fiscal year 2013, the reimbursements are gradually phased out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the School District is only reimbursed for the difference between the amounts that would have been received under the prior law and the amounts actually received as the phase-outs in House Bill 66 are implemented. For the forecast period, the School District anticipates receiving a steady reimbursement for the tangible personal property tax losses until 2014 when the amount begins to decline, due to the phase out of the tangible personal property loss reimbursement beginning in that fiscal year.

Property tax allocation revenues consist of the following:

Revenue Sources	Forecasted				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Homestead and Rollback	\$1,168,000	\$1,141,000	\$1,138,000	\$1,134,000	\$1,131,000
Tangible Personal Property Loss Reimbursements	1,498,000	1,570,000	1,570,000	831,000	647,000
Totals	<u>\$2,666,000</u>	<u>\$2,711,000</u>	<u>\$2,708,000</u>	<u>\$1,965,000</u>	<u>\$1,778,000</u>

### **E. - All Other Revenues**

All other revenues include tuition and open enrollment, interest on investments, classroom materials and fees, E-rate reimbursements, Medicaid School Program (MSP), Reserve Officer Training Corps (ROTC), other revenues, and refund of prior year expenditures.

The School District receives tuition revenue from other school districts for special education students who are residents of other school districts. The School District also receives a small amount of open enrollment tuition for students from other school districts attending East Cleveland City School District. Tuition and open enrollment revenue is expected to remain consistent throughout the forecast period.

Interest is based on historical investment practices and anticipated rates and cash balances during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings

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### Summary of Significant Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2011 through June 30, 2015

with the greatest allocation being to the General Fund. The School District anticipates an increase in interest revenue during fiscal year 2012 and that amount is forecast to remain consistent throughout fiscal years 2013 through 2015.

E-Rate Reimbursement revenues are expected to remain consistent throughout the entire forecast period.

The Medicaid School Program (MSP) began July 1, 2009 and replaced the Community Alternative Funding Source (CAFS) program which ended with the School District receiving its last installment during fiscal year 2009. This program is a collaborative effort between the Ohio Department of Job and Family Services as the State Medicaid agency and the Ohio Department of Education as the agency responsible for assuring that the Individuals with Disabilities Education Act is delivering health related services to eligible special needs students. Due to the settlement of a class action lawsuit involving the CAFS program, the School District is forecasting to receive \$143,000 in fiscal year 2011. The School District anticipates receiving \$23,000 throughout the remaining forecast period.

The ROTC program is a federally funded program established to train students interested in joining the military after they finish school. The School District forecasts this to be fairly consistent with prior fiscal years.

Other revenues include rentals, contributions and donations, payments in lieu of taxes, indirect costs and auditor adjustments. Other revenue is anticipated to remain consistent throughout the entire forecast period.

Refund of prior year expenditures for the forecasted fiscal years include refunds due to the School District from overpayment of excess costs.

All other revenues consist of the following:

Revenue Sources	Forecast				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Tuition and Open Enrollment	\$4,292,000	\$4,292,000	\$4,292,000	\$4,292,000	\$4,292,000
Interest on Investments	212,000	376,000	376,000	376,000	376,000
Classroom Materials and Fees	3,000	3,000	3,000	3,000	3,000
E-Rate Reimbursements	331,000	331,000	331,000	331,000	331,000
MSP	143,000	23,000	23,000	23,000	23,000
ROTC	46,000	46,000	46,000	46,000	46,000
Other Revenue	398,000	267,000	267,000	267,000	267,000
Refund of Prior Year Expenditures	35,000	35,000	35,000	35,000	35,000
Totals	<u>\$5,460,000</u>	<u>\$5,373,000</u>	<u>\$5,373,000</u>	<u>\$5,373,000</u>	<u>\$5,373,000</u>

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**F. - Other Financing Sources**

Advances In

Presented below is a comparison of advances for fiscal years 2011 through 2015.

Fiscal Year	Outstanding Advances Carried over From the Prior Fiscal Year	New Advances to Other Funds (Advances Out)	Repayment of Advances (Advances In)	Outstanding Advances Carried Forward
2011	\$6,403,000	\$11,348,000	\$10,829,000	\$6,922,000
2012	6,922,000	5,539,000	12,461,000	0
2013	0	5,539,000	5,539,000	0
2014	0	5,539,000	5,539,000	0
2015	0	5,539,000	5,539,000	0

The general fund advances cash to various grant funds in order to prevent the grant funds from ending the year with a deficit balance. The School District anticipates the return of those advances for the remaining forecast period.

**Note 7 - Significant Assumptions for Expenditures and Other Financing Uses**

**A. - Personal Services**

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors, student workers and board members. In addition to regular salaries, it includes payment for supplemental contracts, and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative and non-bargaining unit salaries are set by the Board of Education. Staffing levels for the last three fiscal years and the current fiscal year are displayed in the chart below. The positions shown are full time equivalents.

	2008	2009	2010	2011
General Fund:				
Certified	267	259	258	245
Classified	107	106	112	114
Total General Fund:	374	365	370	359
Other Funds:				
Certified	20	9	9	43
Classified	12	19	19	9
Total Other Funds:	32	28	28	52
Totals	406	393	398	411

## East Cleveland City School District

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Certified (teaching) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The current contract covers the period July 1, 2009 through August 17, 2012, and allows for a three percent increase in the base salary in fiscal years 2011 and 2012. The forecast includes no base increase for fiscal years 2013, 2014 and 2015 and step increases averaging 2.06 percent for each year of the forecast period. The step increases from the certified contract range from 5.0 to 6.7 percent although only 52 percent of the employees are eligible for the step increase so the average of those eligible of the total salaries is 2.06 percent.

Classified salaries are based on a negotiated contract which includes base and step increases. The contract for classified staff covers the period July 1, 2010 through June 30, 2013. The contract allows for three percent increases in the base salary as well as an average step increase of 2.06 percent in fiscal years 2011, 2012 and 2013. The forecast includes step increases that range from 2.7 to 3.6 percent averaging 2.06 percent for each year of the forecast period because not all employees are eligible for the step increase and no base increase for fiscal years 2014 and 2015.

In fiscal years 2013 through 2015, the School District has forecasted no base increase each year and an average cost of step increases of 2.06 percent for the certified employees. The classified employees are forecasting no base increase for either 2014 or 2015 and an average cost of step increases of 2.06 percent for the classified employees. These agreements are subject to negotiations and approval by the Board of Education. The likelihood of achieving no base increases for fiscal years 2013 through 2015 for certified and 2014 and 2015 for classified is unknown and the realization of the forecast is particularly sensitive to any increase in the base salaries. Each additional one percent increase, would increase certified salaries and benefits by \$230,000, in fiscal year 2013, \$232,000 and \$58,000, for certified and classified employees respectively, in fiscal year 2014 and \$235,000 and \$59,000, respectively, in fiscal year 2015 and decrease the fund balance each fiscal year by the same amount. The cumulative effect on fund balance in fiscal year 2015 is a decrease of \$814,000.

Staffing levels are forecasted to remain consistent throughout the forecast period. The employees paid with the State Fiscal Stabilization and the Education Jobs grants are forecast to remain at the School District throughout the forecast period. Actual increases or decreases will only occur after the Superintendent recommends and the Board of Education approves any staffing increases or decreases.

Substitute salaries for certified and classified employees are expected to decrease in fiscal year 2011 as a result of fewer substitutes needed. For the remaining forecasted period, substitute salaries will remain relatively consistent.

Supplemental salaries are expected to increase in fiscal years 2011 and 2012 due to an increase of three percent to the base supplemental salary. For the remaining forecasted period, supplemental salaries will remain consistent with no increase forecasted to the base supplemental salary.

Upon retirement, the School District offers its certified employees severance pay of 50 percent of their unused sick leave up to a maximum of 160 days paid, if notification of retirement is given to the School District by March 31. The severance pay is reduced to 25 percent if notification of retirement is received after March 31. Classified employees are entitled to severance pay of 35 percent of their unused sick leave, up to a maximum of 103 days paid. Severance pay for the forecast period includes only those employees eligible to retire who are below 55 years of age. Severance pay for employees eligible for retirement and age 55 and over is now paid into the Valic plan, which is classified as an employee benefit and addressed in the employee retirement/insurance benefits section of this report.

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Other salaries and wages include retroactive pay after the contracts were settled, mentor pay, optional day pays, class coverage pay, student workers and board compensation. Other salaries and wages are expected to be \$1,286,000 during fiscal year 2011 due to a retroactive pay for both certified and classified employees. Each remaining year of the forecast is expected to return to the levels of the prior fiscal years.

Presented below is a comparison of salaries and wages for fiscal years 2011 through 2015.

	Forecasted				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Certified Salaries	\$16,842,000	\$17,709,000	\$18,074,000	\$18,446,000	\$18,826,000
Classified Salaries	4,793,000	5,032,000	5,283,000	5,391,000	5,500,000
Substitute Salaries	1,069,000	1,069,000	1,069,000	1,069,000	1,069,000
Supplemental Salaries	282,000	290,000	290,000	290,000	290,000
Severance Pay	113,000	125,000	147,000	113,000	113,000
Other Salaries and Wages	1,286,000	516,000	516,000	516,000	516,000
Totals	<u>\$24,385,000</u>	<u>\$24,741,000</u>	<u>\$25,379,000</u>	<u>\$25,825,000</u>	<u>\$26,314,000</u>

### **B. – Employees’ Retirement/Insurance Benefits**

Employees’ retirement and insurance benefits include employer contributions to the State pension systems, health care, Medicare, workers’ compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers’ contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund health care benefits for employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimated and actual expenditures are prorated over the next calendar year. The School District pays the employee retirement contributions for the superintendent and treasurer. Retirement costs are forecasted to increase based on the changes in forecasted salaries over the next five fiscal years.

In the years past, SERS has been paid six months in arrears in Ohio school districts. On March 18, 2010, the SERS board decided to give the school districts two options. Option one is for the school district to pay the six month arrearage by June 30, 2010, to become current. Option two is for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. The East Cleveland City School District has chosen option one; therefore, the School District’s retirement costs increased during fiscal year 2010. In fiscal year 2011, the School District anticipates a decrease of SERS due to the SERS Board change in the Ohio Department of Education Foundation Program deductions from a calendar year to a fiscal year and the catch-up amount payment paid during fiscal year 2010.

Health care costs are based on a number of employees participating in the program and the type of coverage (single or family) provided to each employee. Monthly charges per person for single and family participation in the program are recommended by and agreed to by the various insurance companies and by the Board of Education. The health care program includes medical, prescription drug, dental care and vision. Health care rates are fixed for a twelve month period from October through September. The monthly rates for single or family health care benefits are anticipated to increase 10 percent each year of the forecasted period with fiscal year 2011 at \$1,660.79 for family members, \$1,111.98 for two person

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members and \$559.99 for single members. All health care coverage is now through Anthem Blue Cross Blue Shield Medical. Health care costs are forecasted to increase marginally throughout the forecast period.

Life insurance premiums are based on the coverage amount and the anticipated number of employees participating in the program.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. Premiums are paid in the following calendar year. The School District may choose to pay the entire premium in May or 45 percent in May and 55 percent in September. The School District anticipates paying the entire premium in May as in prior fiscal years.

Upon retirement, the School District offers its certified employees severance pay of 50 percent of their unused sick leave up to a maximum of 160 days paid, if notification of retirement is given to the School District by March 31. The severance pay is reduced to 25 percent if notification of retirement is received after March 31. Classified employees are entitled to severance pay of 35 percent of their unused sick leave, up to a maximum of 103 days paid. Severance pay included in the salaries section of this forecast includes only those employees eligible to retire who are below 55 years of age. Severance pay for employees eligible for retirement and age 55 or more, is paid into the Valic plan. The Valic plan is classified as an employee benefit. Severance payments to Valic are anticipated to increase during fiscal years 2011 and 2012 and fiscal years 2013 through 2015 are forecast to be consistent with the fiscal years prior to fiscal year 2011.

Presented below is a comparison for the forecasted period.

	Forecast				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Employer's Retirement	\$3,461,000	\$3,565,000	\$3,607,000	\$3,679,000	\$3,748,000
Health Care/Life Insurance	4,147,000	4,560,000	5,014,000	5,513,000	6,062,000
Workers' Compensation	367,000	383,000	390,000	399,000	406,000
Medicare	244,000	252,000	271,000	276,000	294,000
Severance Pay/Valic Plan	870,000	981,000	356,000	356,000	356,000
Total	<u>\$9,089,000</u>	<u>\$9,741,000</u>	<u>\$9,638,000</u>	<u>\$10,223,000</u>	<u>\$10,866,000</u>

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### **C. - Purchased Services**

Presented below is a comparison of purchased services for fiscal years 2011 through 2015.

	Forecasted				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Professional and Technical Services	\$2,077,000	\$1,995,000	\$2,059,000	\$2,011,000	\$2,083,000
Property Services	1,010,000	1,061,000	1,025,000	1,156,000	1,189,000
Travel and Meeting Expenses	37,000	59,000	59,000	59,000	59,000
Communication Cost	429,000	446,000	495,000	480,000	499,000
Utility Services	1,182,000	950,000	988,000	1,027,000	1,068,000
Trade Services	12,000	12,000	13,000	13,000	14,000
Tuition Payments	9,101,000	9,291,000	9,489,000	9,695,000	9,909,000
Pupil Transportation	697,000	697,000	697,000	697,000	697,000
Other Purchased Services	176,000	176,000	176,000	176,000	176,000
Total	<u>\$14,721,000</u>	<u>\$14,687,000</u>	<u>\$15,001,000</u>	<u>\$15,314,000</u>	<u>\$15,694,000</u>

Property services will increase due to the School District continuing to make necessary repairs and upkeep of buildings and an increase in the cost of building security along with a slight increase for inflation. Communication costs will increase as well due to a slight increase for inflation. Utility services are forecasted to increase due to increased usage and the anticipated increase in costs. The remaining forecast years are expected to have slight increases due to inflationary costs.

Tuition payments include open enrollment and community school tuition. In fiscal year 2011 through 2015, the per pupil foundation amount is not expected to increase. The increase in the tuition amounts during the remaining forecasted periods is due to the anticipated increase in students from the School District attending community schools and open enrollment. Pupil transportation is expected to remain consistent over the forecast period.

### **D. - Supplies and Materials**

Presented below is a comparison of supplies and materials for fiscal years 2011 through 2015.

	Forecasted				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
General Supplies, Library Books and Periodicals	\$679,000	\$619,000	\$635,000	\$702,000	\$696,000
Operations, Maintenance and Repair	473,000	488,000	513,000	521,000	538,000
Textbooks	686,000	715,000	743,000	773,000	804,000
Total	<u>\$1,838,000</u>	<u>\$1,822,000</u>	<u>\$1,891,000</u>	<u>\$1,996,000</u>	<u>\$2,038,000</u>

Expenditures for supplies and materials are forecasted to increase due to inflation. The School District anticipates the replacement of many out-dated textbooks throughout the forecast period.

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Summary of Significant Assumptions and Accounting Policies  
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**E. - Capital Outlay**

The acquisition or construction of property, plant and equipment acquired or used for instructional and support services is recorded as capital outlay. Capital outlay expenditures consist of bus replacements and new equipment purchases for the forecast period.

**G. - Other Objects**

Other object expenditures consist of dues and fees, insurance and awards. Expenditures in this area are forecast to remain consistent throughout the forecast period. The largest expenditure is County Fiscal Officer delinquent land tax deductions and fees.

**H. - Operating Advances/Transfers Out**

The School District anticipates transfers out of \$364,000 each fiscal year of the forecast period to help cover operating costs in the athletics and student activities funds.

The School District is forecasting advances out each year of the forecast period. \$11,348,000 is forecast in fiscal year 2011 due to the timing of revenues in the grant funds and \$5,539,000 for the rest of the forecast period. The general fund provides temporary funding of the program until the grant dollars are received.

**Note 8 - Encumbrances**

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

Encumbrances for purchased services, supplies and materials, capital outlay and other objects have consistently been approximately \$2,600,000, so that amount is expected to remain consistent each fiscal year of the forecast period.

**Note 9 - Reservations of Fund Balance**

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the purchase of textbooks and other instructional materials and an equal amount for capital improvements and repairs. Amounts not spent by 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.

**A. - Textbooks and Instructional Materials Set-Aside**

The set aside amount required is approximately \$509,000 for fiscal year 2011. The School District anticipates \$710,000 in qualified expenditures in fiscal year 2011. Therefore, no reserve amount is anticipated for fiscal year 2011. Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law.

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**B. – Capital Acquisition and Improvements Set-Aside**

The set aside amount is approximately \$509,000 each fiscal year. Annual offsets are anticipated from a permanent improvement and classroom facilities maintenance levies and general obligation bond proceeds. The School District anticipates \$738,000 in qualified expenditures in fiscal year 2011 and the qualified expenditures to increase during the remainder of the forecast period. Therefore, no reserve amount is anticipated for the forecast period.

**C. – Bus Purchases**

At June 30, 2010, the School District had \$82,000 in bus monies. The bus purchase allowance is no longer funded by the State. The School District anticipates purchasing new buses in the forecast period thereby eliminating the reserve during the forecast period.

**Note 10 - Levies**

In the past eleven years, the School District has not placed any levies on the ballot.

**Note 11 – Pending Litigation**

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

**Note 12 – Other Funds**

The School District has numerous other funds that account for resources that are restricted for specific purposes.

During fiscal years 2010 and 2011, the School District received grants for Title II-D and Title I through the American Recovery and Reinvestment Act. The School District will not receive this funding in fiscal years 2012 through 2015. Those employees paid with these monies are forecast to remain at the School District with expenditures for these employees paid out of the general fund.

The School District entered into a project agreement with the Ohio School Facilities Commission to renovate three schools, built four schools and demolish one school. The Classroom Facilities Capital Projects fund accounts for the grant monies as well as the bond proceeds that were issued by the School District to pay for their proportionate share of the project. The fund is forecasted to decrease each year of the forecast period as the School District continues to renovate the buildings.

The School District uses the Food Service Fund to account for the lunch charges and operating grants restricted to the food service operations of the School District. This fund is anticipated to be self-sufficient during the forecast period.

The remaining funds are anticipated to have sufficient resources to meet their obligations during the forecasted period. There are certain funds that annually rely upon advances from the General Fund to meet their obligations. These advances are addressed in Note 7H.

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Summary of Significant Assumptions and Accounting Policies  
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# Dave Yost • Auditor of State

**EAST CLEVELAND CITY 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  
MAY 19, 2011**