



OHIO AUDITOR OF STATE
KEITH FABER



**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2022**

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CUYAHOGA COUNTY
JUNE 30, 2022**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

East Cleveland City School District
Cuyahoga County
1843 Stanwood Drive
East Cleveland, Ohio 44112

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Cleveland City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 East Cleveland City School District, Cuyahoga County, Ohio as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Title I and Elementary and Secondary School Emergency Relief Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 21 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods for the District. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

April 14, 2023

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East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

The discussion and analysis of the East Cleveland City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2022. 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 basic financial statements as well as the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2022 are as follows:

- ❑ General revenues accounted for the majority of all revenues, with intergovernmental revenues representing the largest share of those revenues.
- ❑ Program revenues of \$18,751,623 made up the second largest share of all revenues.
- ❑ Net position increased from the prior fiscal year. This increase is due to current year revenues exceeding current year expenditures by \$16,138,173.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, and are organized so the reader can understand the East Cleveland City School District as a financial whole, or entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell 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. In the case of the School District, the most significant funds are the General Fund, the Title I and Elementary and Secondary School Emergency Relief (ESSER) special revenue funds.

Reporting on the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all of the funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the questions "How did we do financially during fiscal year 2022?" The statement of net position and the statement of activities provide the basis for answering these questions. The statements include all non-fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

These two statements report the School District's net position and any change in that position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The cause of this change may be the result of many factors, some strictly within the scope of the School District, some not. Non-financial factors include the School District's property tax base, community demographics, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

The statement of net position and the statement of activities is represented in one type of activity; Governmental Activities. The School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities as well as food service operations.

Reporting the School District's Most Significant Funds

The analysis of the School District's major funds begin on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund, the Title I and ESSER special revenue funds.

Governmental Funds 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 fiscal year-end available for spending in future periods. These funds are reported using an accounting method called 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements of the governmental funds.

Proprietary Funds The School District maintains one proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District's internal service fund accounts for revenues used to provide for medical claims of School District employees. The proprietary fund uses the accrual basis of accounting.

The District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole, showing assets, deferred outflows of resources, liabilities, deferred inflows of resources and the difference between them (net position). Table 1 provides a summary of the School District's net position for fiscal year 2022 compared to fiscal year 2021:

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Table 1
Net Position (Restated)

	Governmental Activities		
	2022	2021	Change
Assets			
Current and Other Assets	\$39,220,446	\$35,743,379	\$3,477,067
Net OPEB Asset	2,541,414	2,440,034	101,380
Capital Assets, Net	<u>66,899,633</u>	<u>63,047,011</u>	<u>3,852,622</u>
Total Assets	<u>108,661,493</u>	<u>101,230,424</u>	<u>7,431,069</u>
Deferred Outflows of Resources			
Pension	7,614,547	6,999,609	614,938
OPEB	<u>705,827</u>	<u>988,003</u>	<u>(282,176)</u>
Total Deferred Outflows of Resources	<u>8,320,374</u>	<u>7,987,612</u>	<u>332,762</u>
Liabilities			
Current and Other Liabilities	4,147,728	5,684,919	1,537,191
Long-Term Liabilities:			
Due Within One Year	1,106,533	1,327,995	221,462
Due in More than One Year:			
Net Pension Liability	20,569,126	44,387,561	23,818,435
Net OPEB Liability	2,493,088	3,444,222	951,134
Other Amounts	<u>5,216,507</u>	<u>5,847,824</u>	<u>631,317</u>
Total Liabilities	<u>33,532,982</u>	<u>60,692,521</u>	<u>27,159,539</u>
Deferred Inflows of Resources			
Property Taxes	6,213,990	6,211,799	(2,191)
Pension	21,676,793	3,056,857	(18,619,936)
OPEB	<u>5,811,508</u>	<u>5,648,438</u>	<u>(163,070)</u>
Total Deferred Inflows of Resources	<u>33,702,291</u>	<u>14,917,094</u>	<u>(18,785,197)</u>
Net Position			
Net Investment in Capital Assets	64,217,051	60,522,444	3,694,607
Restricted:			
Capital Projects	679,693	1,424,423	(744,730)
Other Purposes	2,037,076	1,290,257	746,819
Unrestricted (Deficit)	<u>(17,187,226)</u>	<u>(29,628,703)</u>	<u>12,441,477</u>
Total Net Position	<u>\$49,746,594</u>	<u>\$33,608,421</u>	<u>\$16,138,173</u>

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2022. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Net position increased primarily as a result of increases in the current and other assets and deferred outflows of resources as well as a decrease in net pension liability, which was partially offset by an increase in deferred inflows related to net pension. Other factors contributing to the increase in net position included an increase in operating grants and contributions revenues.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2022 compared to fiscal year 2021.

Table 2
Change in Net Position

	Governmental Activities		
	2022	2021	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$3,427,327	\$5,054,844	(\$1,627,517)
Operating Grants and Contributions	15,324,296	8,859,194	6,465,102
Total Program Revenues	<u>18,751,623</u>	<u>13,914,038</u>	<u>4,837,585</u>
General Revenues:			
Property Taxes	9,401,031	7,810,621	1,590,410
Grants and Entitlements	27,063,617	30,684,406	(3,620,789)
Investment Earnings	16,514	32,821	(16,307)
Unrestricted Contributions and Donations	14,746	547,976	(533,230)
Miscellaneous	832,934	1,100,976	(268,042)
Total General Revenues	<u>37,328,842</u>	<u>40,176,800</u>	<u>(2,847,958)</u>
Total Revenues	<u>\$56,080,465</u>	<u>\$54,090,838</u>	<u>\$1,989,627</u>

(continued)

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Table 2
Change in Net Position
(Continued)

	Governmental Activities		
	2022	2021	Change
Program Expenses			
Instruction	\$21,889,528	\$32,840,284	\$10,950,756
Support Services:			
Pupil	2,719,394	2,851,870	\$132,476
Instructional Staff	720,649	1,563,553	\$842,904
Board of Education	196,544	117,714	(\$78,830)
Administration	4,282,530	3,812,611	(\$469,919)
Fiscal	1,476,294	1,225,241	(\$251,053)
Business	831,592	866,485	\$34,893
Operation and Maintenance of Plant	3,223,812	5,196,832	\$1,973,020
Pupil Transportation	1,054,959	188,823	(\$866,136)
Central	2,398,715	2,408,031	\$9,316
Operation of Non-Instructional Services:			
Food Service Operations	584,225	1,180,721	\$596,496
Other Non-Instructional Services	11,674	53,031	\$41,357
Extracurricular Activities	438,879	412,434	(\$26,445)
Interest and Fiscal Charges	113,497	139,694	26,197
Total Program Expenses	<u>39,942,292</u>	<u>52,857,324</u>	<u>12,915,032</u>
Change in Net Position	16,138,173	1,233,514	14,904,659
Net Position Beginning of Year	<u>33,608,421</u>	<u>32,374,907</u>	<u>1,233,514</u>
Net Position End of Year	<u>\$49,746,594</u>	<u>\$33,608,421</u>	<u>\$16,138,173</u>

Governmental Activities

The School District carefully plans its financial future by projecting its revenues and expenses and presents them in a five-year forecast. The five-year forecast changes continually and is presented to and approved by the Board of Education at least twice a year.

The main sources of revenue for the School District are the State of Ohio payments through foundation and grants. Although the School District relies upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs. Grants and entitlements made up the largest portion of total revenues while operating grants and contributions make up the second largest portion of total revenues in the School District for fiscal year 2022. Charges for services, property taxes, investments, unrestricted contributions and donations and miscellaneous revenue made up the remainder of total revenues.

Total expenses are made up of two main areas: instruction and support services. Support services are made up of many subsections. Instruction costs made up the majority of all governmental expenses. Support services provide services such as busing, guidance, building and ground maintenance, administration, board of education and fiscal. Other areas of expenses are non-instructional services such as food services, extracurricular activities and interest and fiscal charges.

The decrease in program expenses from the prior year is largely due to negative expenses related to changes in pension and OPEB plans. The pension expense in fiscal year 2021 was \$3,368,766 and was (\$3,059,611) in fiscal year 2022. The OPEB expense in fiscal year 2021 was (\$471,468) and was (\$576,838) in fiscal year 2022.

East Cleveland City School District
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Unaudited

The statement of activities shows the cost of program services and the charges for services and sales and grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
 Net Cost of Governmental Activities

	Total Cost of Services 2022	Net Cost of Services 2022	Total Cost of Services 2021	Net Cost of Services 2021
Instruction:	\$21,889,528	\$12,614,209	\$32,840,284	\$25,143,139
Support Services:				
Pupils	2,719,394	825,208	2,851,870	1,483,486
Instructional Staff	720,649	(18,534)	1,563,553	776,930
Board of Education	196,544	178,415	117,714	104,442
Administration	4,282,530	3,681,796	3,812,611	3,255,627
Fiscal	1,476,294	1,331,042	1,225,241	1,087,759
Business	831,592	755,019	866,485	768,957
Operation and Maintenance of Plant	3,223,812	2,154,409	5,196,832	4,082,755
Pupil Transportation	1,054,959	55,587	188,823	(433,661)
Central	2,398,715	1,916,952	2,408,031	2,143,825
Operation of Non-Instructional Services:				
Operation of Food Services	584,225	(248,109)	1,180,721	424,716
Other Non-Instructional Services	11,674	11,674	53,031	(379,243)
Extracurricular Activities	438,879	(2,180,496)	412,434	344,860
Interest and Fiscal Charges	113,497	113,497	139,694	139,694
<i>Total</i>	<u>\$39,942,292</u>	<u>\$21,190,669</u>	<u>\$52,857,324</u>	<u>\$38,943,286</u>

The dependence on tax revenues and State subsidies for governmental activities is apparent, representing 65.02 percent of all revenues.

The School District's Funds

Information about the School District's governmental funds begins with the balance sheet on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$55,330,657 and expenditures of \$51,292,617. The net change in fund balance for the fiscal year 2022 in the general fund was an increase of \$5,033,456, due expenditures being paid from COVID-19 distributions from the federal government instead of the general fund. The net change in fund balance for the year in the Title I special revenue fund was a decrease of \$80,578 due to expenditures exceeding revenues. The net change in fund balance for the year in the ESSER special revenue fund was a decrease of \$572,046 due to expenditures exceeding revenues.

General Fund Budgeting Highlights

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

The general fund original budgeted revenues amounted to \$42,079,267, final budgeted revenues amounted to \$41,950,936, and actual revenue amounted to \$42,593,007. Actual revenues exceeded final budgeted revenues by \$642,071, primarily due to higher than anticipated property taxes and intergovernmental

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

revenue. The general fund original budgeted expenditures amounted to \$46,756,570, final budgeted expenditures amounted to \$42,721,193, and actual expenditures amounted to \$40,901,045. Actual expenditures were lower than final budgeted expenditures by \$1,820,148, primarily due to prudent spending. The School District ended the current fiscal year with a decrease in fund balance from fiscal year 2021, primarily due to advances made to support other programs until grant monies came in.

The School District uses a modified site-based budget technique which is designed to tightly control site budgets while providing flexibility for site management. The School District prepares and monitors a detailed cashflow plan for the general fund annually. Actual cashflow is compared to month-to-date and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2022 balances compared to fiscal year 2021.

Table 4
 Capital Assets at June 30
 (Net of Depreciation)

	Governmental Activities		
	2022	2021	Change
Land	\$2,389,900	\$2,389,900	\$0
Construction in Process	838,630	1,862,544	(1,023,914)
Land Improvements	6,293,144	647,191	5,645,953
Buildings and Improvements	54,959,662	57,277,227	(2,317,565)
Furniture and Equipment	1,258,379	0	1,258,379
Vehicles	754,745	587,369	167,376
Intangible Right To Use - Buildings	263,782	316,539	(52,757)
Intangible Right To Use - Equipment	141,391	282,780	(141,389)
Total Capital Assets	\$66,899,633	\$63,363,550	\$3,536,083

All capital assets, except land and construction in progress, are reported net of depreciation. The increase in capital assets was due to current year additions to capital assets exceeding depreciation. Additions for the year included the completion of the new high school stadium as well as new classroom equipment throughout the School District. The School District also purchased new trucks and began HVAC work that will be completed in fiscal year 2023. For additional information on capital assets, see Note 13 of the notes to the basic financial statements.

Debt

The School District had a financed purchase in the amount of \$2,025,711 and lease payables in the amount of \$355,087 outstanding at June 30, 2022. During fiscal year 2020, the School District entered into an energy conservation lease for lighting improvements throughout the School District. In prior years, the School District signed lease agreements for a bus garage and copiers.

The School District's overall debt margin was \$13,495,258 with an unvoted debt margin of \$149,947. For additional information on long-term obligations, see Note 19 of the notes to the basic financial statements.

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022
Unaudited

Current Financial Related Activities

As the preceding information shows, the School District is dependent on property taxes. Property tax revenue does not increase solely as a result of inflation. Therefore, the School District must continue to monitor its revenues and expenses to ensure the public's confidence and support.

The School District does not anticipate any meaningful growth in revenue as a result of any of the changes in taxes. Based on these factors, the Board of Education and the administration of the School District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the School District.

Challenges and Opportunities

The goal of the School District continues to be to maintain the highest standards of service to our students, parents and community.

The mission of the School District is to provide the children of East Cleveland with the academic and life skills needed for each and every student to be a success in the 21st Century.

To meet these goals it is imperative that the School District's management and staff continue to carefully and prudently plan in order to provide the resources and education required to meet student needs over the next several years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 any questions about this report or need additional financial information, contact Diana C. Whitt, Treasurer/CFO at East Cleveland City School District, 1843 Stanwood Road, East Cleveland, Ohio 44112-2901.

Basic Financial Statements

East Cleveland City School District
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$22,589,344
Cash and Cash Equivalents with Fiscal Agents	2,287,140
Accounts Receivable	92,752
Intergovernmental Receivable	5,234,108
Prepaid Items	37,375
Inventory Held for Resale	8,399
Materials and Supplies Inventory	2,676
Property Taxes Receivable	8,968,652
Net OPEB Asset (See Note 23)	2,541,414
Nondepreciable Capital Assets	3,228,530
Depreciable Capital Assets	63,671,103
<i>Total Assets</i>	108,661,493
Deferred Outflows of Resources	
Pension	7,614,547
OPEB	705,827
<i>Total Deferred Outflows of Resources</i>	8,320,374
Liabilities	
Accounts Payable	880,819
Accrued Wages and Benefits Payable	1,541,902
Intergovernmental Payable	698,206
Contracts Payable	512,784
Matured Compensated Absences Payable	21,564
Accrued Interest Payable	10,762
Claims Payable	481,691
Long-Term Liabilities:	
Due Within One Year	1,106,533
Due in More Than One Year:	
Net Pension Liability (See Note 22)	20,569,126
Net OPEB Liability (See Note 23)	2,493,088
Other Amounts Due in More Than One Year	5,216,507
<i>Total Liabilities</i>	33,532,982
Deferred Inflows of Resources	
Property Taxes	6,213,990
Pension	21,676,793
OPEB	5,811,508
<i>Total Deferred Inflows of Resources</i>	33,702,291
Net Position	
Net Investment in Capital Assets	64,217,051
Restricted for:	
Capital Projects	679,693
Educational Services	1,809,065
Other Purposes	106,856
Unclaimed Monies	121,155
Unrestricted (Deficit)	(17,187,226)
<i>Total Net Position</i>	\$49,746,594

See accompanying notes to the basic financial statements

East Cleveland City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$10,486,368	\$792,364	\$1,076,546	(\$8,617,458)
Special	7,729,369	670,648	6,058,960	(999,761)
Vocational	973,924	117,055	358,004	(498,865)
Student Intervention Services	2,699,867	201,742	0	(2,498,125)
Support Services:				
Pupil	2,719,394	184,174	1,710,012	(825,208)
Instructional Staff	720,649	37,481	701,702	18,534
Board of Education	196,544	18,129	0	(178,415)
Administration	4,282,530	385,220	215,514	(3,681,796)
Fiscal	1,476,294	135,252	10,000	(1,331,042)
Business	831,592	76,573	0	(755,019)
Operation and Maintenance of Plant	3,223,812	399,479	669,924	(2,154,409)
Pupil Transportation	1,054,959	88,857	910,515	(55,587)
Central	2,398,715	195,718	286,045	(1,916,952)
Operation of Non-Instructional Services:				
Operation of Food Services	584,225	42,883	789,451	248,109
Other Non-Instructional Services	11,674	0	0	(11,674)
Extracurricular Activities	438,879	81,752	2,537,623	2,180,496
Interest and Fiscal Charges	113,497	0	0	(113,497)
<i>Total Governmental Activities</i>	<u>\$39,942,292</u>	<u>\$3,427,327</u>	<u>\$15,324,296</u>	<u>(21,190,669)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				9,401,031
Grants and Entitlements not Restricted to Specific Programs				27,063,617
Unrestricted Contributions and Donations				14,746
Investment Earnings				16,514
Miscellaneous				832,934
<i>Total General Revenues</i>				<u>37,328,842</u>
Change in Net Position				16,138,173
<i>Net Position Beginning of Year Restated (See Note 3)</i>				<u>33,608,421</u>
<i>Net Position End of Year</i>				<u>\$49,746,594</u>

See accompanying notes to the basic financial statements

East Cleveland City School District

Balance Sheet

Governmental Funds

June 30, 2022

	General	Title I	Elementary and Secondary School Emergency Relief	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$14,616,468	\$209,547	\$4,588,814	\$3,053,360	\$22,468,189
Restricted Asset:					
Equity in Pooled Cash and Cash Equivalents	121,155	0	0	0	121,155
Accounts Receivable	49,844	0	0	42,908	92,752
Intergovernmental Receivable	1,363,013	2,015,839	1,498,428	356,828	5,234,108
Prepaid Items	37,375	0	0	0	37,375
Inventory Held for Resale	0	0	0	8,399	8,399
Materials and Supplies Inventory	0	0	0	2,676	2,676
Interfund Receivable	8,586,603	0	0	0	8,586,603
Property Taxes Receivable	8,968,652	0	0	0	8,968,652
<i>Total Assets</i>	<u>\$33,743,110</u>	<u>\$2,225,386</u>	<u>\$6,087,242</u>	<u>\$3,464,171</u>	<u>\$45,519,909</u>
Liabilities					
Accounts Payable	\$598,456	\$43,017	\$170,380	\$68,966	\$880,819
Accrued Wages and Benefits Payable	1,327,054	85,289	5,753	123,806	1,541,902
Intergovernmental Payable	652,726	24,519	919	20,042	698,206
Contracts Payable	211,000	0	301,784	0	512,784
Interfund Payable	445,987	2,072,561	5,608,406	941,340	9,068,294
Matured Compensated Absences Payable	21,564	0	0	0	21,564
<i>Total Liabilities</i>	<u>3,256,787</u>	<u>2,225,386</u>	<u>6,087,242</u>	<u>1,154,154</u>	<u>12,723,569</u>
Deferred Inflows of Resources					
Unavailable Revenue	1,884,927	80,578	572,046	182,906	2,720,457
Property Taxes	6,213,990	0	0	0	6,213,990
<i>Total Deferred Inflows of Resources</i>	<u>8,098,917</u>	<u>80,578</u>	<u>572,046</u>	<u>182,906</u>	<u>8,934,447</u>
Fund Balances					
Nonspendable	158,530	0	0	2,676	161,206
Restricted	0	0	0	2,495,985	2,495,985
Assigned	6,607,946	0	0	0	6,607,946
Unassigned (Deficit)	15,620,930	(80,578)	(572,046)	(371,550)	14,596,756
<i>Total Fund Balances (Deficit)</i>	<u>22,387,406</u>	<u>(80,578)</u>	<u>(572,046)</u>	<u>2,127,111</u>	<u>23,861,893</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$33,743,110</u>	<u>\$2,225,386</u>	<u>\$6,087,242</u>	<u>\$3,464,171</u>	<u>\$45,519,909</u>

See accompanying notes to the basic financial statements

East Cleveland City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2022*

Total Governmental Funds Balances	\$23,861,893
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	66,899,633
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable in the funds:	
Delinquent Property Taxes	1,436,664
Intergovernmental	835,530
Tuition and Fees	150,869
Fiscal Fees Refunded	<u>297,394</u>
Total	2,720,457
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(10,762)
The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the self insurance internal service fund are included in governmental activities in the statement of net position.	2,287,140
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Financed Purchase	(2,025,711)
Leases Payable	(355,087)
Compensated Absences	<u>(3,942,242)</u>
Total	(6,323,040)
The net pension liability and net OPEB asset/liability is not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in the governmental funds:	
Deferred Outflows - Pension	7,614,547
Net Pension Liability	(20,569,126)
Deferred Inflows - Pension	(21,676,793)
Net OPEB Asset	2,541,414
Deferred Outflows - OPEB	705,827
Net OPEB Liability	(2,493,088)
Deferred Inflows - OPEB	<u>(5,811,508)</u>
Total	<u>(39,688,727)</u>
 <i>Net Position of Governmental Activities</i>	 <u><u>\$49,746,594</u></u>

See accompanying notes to the basic financial statements

East Cleveland City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General	Title I	Elementary and Secondary School Emergency Relief	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$9,410,557	\$0	\$0	\$0	\$9,410,557
Intergovernmental	30,095,471	3,480,467	4,642,844	3,208,083	41,426,865
Interest	5,474	0	0	0	5,474
Tuition and Fees	3,377,614	0	0	0	3,377,614
Extracurricular Activities	10,387	0	0	53,880	64,267
Contributions and Donations	19,946	0	0	389,679	409,625
Miscellaneous	636,255	0	0	0	636,255
<i>Total Revenues</i>	<u>43,555,704</u>	<u>3,480,467</u>	<u>4,642,844</u>	<u>3,651,642</u>	<u>55,330,657</u>
Expenditures					
Current:					
Instruction:					
Regular	8,921,577	0	786,109	553,367	10,261,053
Special	7,333,483	2,762,464	145,514	768,490	11,009,951
Vocational	1,256,940	0	0	81,707	1,338,647
Student Intervention Services	2,187,129	0	512,738	0	2,699,867
Support Services:					
Pupil	1,933,907	286,770	195,362	854,118	3,270,157
Instructional Staff	446,624	247,048	156,844	227,683	1,078,199
Board of Education	196,544	0	0	0	196,544
Administration	4,193,987	162,202	1,921	433,045	4,791,155
Fiscal	1,735,812	0	0	10,000	1,745,812
Business	834,702	0	0	0	834,702
Operation and Maintenance of Plant	4,393,103	419	531,900	22,360	4,947,782
Pupil Transportation	975,131	41,500	1,500	7,164	1,025,295
Central	2,170,793	0	286,045	30,311	2,487,149
Operation of Non-Instructional Services	19,494	60,642	59,934	202	140,272
Operation of Food Services	0	0	0	724,998	724,998
Extracurricular Activities	293,029	0	0	145,846	438,875
Capital Outlay	445,406	0	2,537,023	744,730	3,727,159
Debt Service:					
Principal Retirement	460,308	0	0	0	460,308
Interest and Fiscal Charges	114,692	0	0	0	114,692
<i>Total Expenditures</i>	<u>37,912,661</u>	<u>3,561,045</u>	<u>5,214,890</u>	<u>4,604,021</u>	<u>51,292,617</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,643,043</u>	<u>(80,578)</u>	<u>(572,046)</u>	<u>(952,379)</u>	<u>4,038,040</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	609,587	609,587
Transfers Out	(609,587)	0	0	0	(609,587)
<i>Total Other Financing Sources (Uses)</i>	<u>(609,587)</u>	<u>0</u>	<u>0</u>	<u>609,587</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	5,033,456	(80,578)	(572,046)	(342,792)	4,038,040
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>17,353,950</u>	<u>0</u>	<u>0</u>	<u>2,469,903</u>	<u>19,823,853</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$22,387,406</u>	<u>(\$80,578)</u>	<u>(\$572,046)</u>	<u>\$2,127,111</u>	<u>\$23,861,893</u>

See accompanying notes to the basic financial statements

East Cleveland City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2022*

Net Change in Fund Balances -Total Governmental Funds \$4,038,040

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 Asset Additions	6,547,046	
Current Year Depreciation	<u>(3,010,963)</u>	
Total		3,536,083

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

Delinquent Property Taxes	(9,526)	
Intergovernmental	566,169	
Tuition and Fees	(14,554)	
Fiscal Fees Returned	<u>297,394</u>	
Total		839,483

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds an interest expenditure is reported when due. 1,195

Repayment of financed purchase and leases payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 460,308

Compensated absences 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. 709,010

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund are allocated among the governmental activities. 133,349

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

Pension	2,753,826	
OPEB	<u>30,430</u>	
Total		2,784,256

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension expense in the statement of activities:

Pension	3,059,611	
OPEB	<u>576,838</u>	
Total		<u>3,636,449</u>

Change in Net Position of Governmental Activities \$16,138,173

See accompanying notes to the basic financial statements

East Cleveland City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$8,416,112	\$8,416,112	\$9,327,463	\$911,351
Intergovernmental	28,336,131	28,223,639	29,240,859	1,017,220
Interest	134,939	134,545	102,095	(32,450)
Tuition and Fees	4,172,074	4,159,276	3,317,476	(841,800)
Extracurricular Activities	0	0	3,217	3,217
Contributions and Donations	547,792	547,763	7,500	(540,263)
Miscellaneous	472,219	469,601	594,397	124,796
<i>Total Revenues</i>	<u>42,079,267</u>	<u>41,950,936</u>	<u>42,593,007</u>	<u>642,071</u>
Expenditures				
Current:				
Instruction:				
Regular	10,265,556	9,511,221	8,999,488	511,733
Special	8,985,026	8,133,106	8,044,941	88,165
Vocational	1,408,457	1,361,583	1,297,572	64,011
Student Intervention Services	4,173,107	2,404,248	2,277,132	127,116
Support Services:				
Pupil	2,201,185	2,095,091	1,988,799	106,292
Instructional Staff	479,203	489,040	467,107	21,933
Board of Education	76,831	202,590	202,590	0
Administration	4,583,286	4,410,767	4,174,740	236,027
Fiscal	1,638,703	1,867,628	1,781,225	86,403
Business	907,303	879,311	836,227	43,084
Operation and Maintenance of Plant	5,676,245	6,091,989	5,813,676	278,313
Pupil Transportation	2,057,121	1,209,243	1,144,379	64,864
Central	2,685,729	2,848,352	2,720,490	127,862
Operation of Non-Instructional Services	3,910	19,300	19,144	156
Extracurricular Activities	391,496	333,311	311,504	21,807
Capital Outlay	1,223,412	864,413	822,031	42,382
<i>Total Expenditures</i>	<u>46,756,570</u>	<u>42,721,193</u>	<u>40,901,045</u>	<u>1,820,148</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(4,677,303)</u>	<u>(770,257)</u>	<u>1,691,962</u>	<u>2,462,219</u>
Other Financing Sources (Uses)				
Advances In	797,028	792,224	1,245,272	453,048
Advances Out	(311,318)	(8,492,592)	(8,492,590)	2
Transfers Out	(41,866)	(946,898)	(609,587)	337,311
<i>Total Other Financing Sources (Uses)</i>	<u>443,844</u>	<u>(8,647,266)</u>	<u>(7,856,905)</u>	<u>790,361</u>
<i>Net Change in Fund Balance</i>	(4,233,459)	(9,417,523)	(6,164,943)	3,252,580
<i>Fund Balance Beginning of Year</i>	16,355,454	16,355,454	16,355,454	0
Prior Year Encumbrances Appropriated	2,117,049	2,117,049	2,117,049	0
<i>Fund Balance End of Year</i>	<u>\$14,239,044</u>	<u>\$9,054,980</u>	<u>\$12,307,560</u>	<u>\$3,252,580</u>

See accompanying notes to the basic financial statements

East Cleveland City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Title I Fund
For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$2,160,163	\$5,137,809	\$2,009,451	(\$3,128,358)
Expenditures				
Current:				
Instruction:				
Special	1,900,746	3,155,431	2,828,134	327,297
Support Services:				
Pupil	257,253	334,432	304,471	29,961
Instructional Staff	286,754	858,880	288,921	569,959
Administration	109,879	179,572	143,723	35,849
Operation and Maintenance of Plant	0	419	419	0
Pupil Transportation	23,002	50,133	41,500	8,633
Operation of Non-Instructional Services	42,426	262,010	104,269	157,741
<i>Total Expenditures</i>	<u>2,620,060</u>	<u>4,840,877</u>	<u>3,711,437</u>	<u>1,129,440</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(459,897)</u>	<u>296,932</u>	<u>(1,701,986)</u>	<u>(1,998,918)</u>
Other Financing Sources (Uses)				
Advances In	386,889	386,889	2,053,008	1,666,119
Advances Out	(56,871)	(443,760)	(386,889)	56,871
<i>Total Other Financing Sources (Uses)</i>	<u>330,018</u>	<u>(56,871)</u>	<u>1,666,119</u>	<u>1,722,990</u>
<i>Net Change in Fund Balance</i>	(129,879)	240,061	(35,867)	(275,928)
<i>Fund Balance Beginning of Year</i>	526	526	526	0
Prior Year Encumbrances Appropriated	129,353	129,353	129,353	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$369,940</u>	<u>\$94,012</u>	<u>(\$275,928)</u>

See accompanying notes to the basic financial statements

East Cleveland City School District
*Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Elementary and Secondary Schools Emergency Relief Fund
For the Fiscal Year Ended June 30, 2022*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$4,503,256	\$11,125,703	\$4,144,732	(\$6,980,971)
Expenditures				
Current:				
Instruction:				
Regular	753,792	1,499,636	785,296	714,340
Special	264,670	273,804	196,665	77,139
Student Intervention Services	490,721	512,738	512,738	0
Support Services:				
Pupil	324,618	436,218	251,143	185,075
Instructional Staff	171,995	160,060	160,060	0
Administration	2,035	2,105	2,105	0
Operation and Maintenance of Plant	2,305,422	6,082,345	1,913,481	4,168,864
Pupil Transportation	24,961	65,000	1,500	63,500
Central	299,273	347,863	286,045	61,818
Operation of Non-Instructional Services	129,780	81,910	60,965	20,945
Capital Outlay	5,321,123	7,249,158	5,559,868	1,689,290
<i>Total Expenditures</i>	10,088,390	16,710,837	9,729,866	6,980,971
<i>Excess of Revenues Over (Under) Expenditures</i>	(5,585,134)	(5,585,134)	(5,585,134)	0
Other Financing Sources (Uses)				
Advances In	5,606,515	5,606,515	5,606,515	0
<i>Net Change in Fund Balance</i>	21,381	21,381	21,381	0
<i>Fund Balance (Deficit) Beginning of Year</i>	(645,980)	(645,980)	(645,980)	0
Prior Year Encumbrances Appropriated	624,599	624,599	624,599	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$0	\$0

See accompanying notes to the basic financial statements

East Cleveland City School District

Statement of Fund Net Position

Internal Service Fund

June 30, 2022

	<u>Self Insurance</u>
Assets	
Cash and Cash Equivalents with Fiscal Agents	\$2,287,140
Interfund Receivable	<u>481,691</u>
<i>Total Assets</i>	2,768,831
Liabilities	
Claims Payable	<u>481,691</u>
Net Position	
Unrestricted	<u><u>\$2,287,140</u></u>

See accompanying notes to the basic financial statements

East Cleveland City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2022*

	Self Insurance
Operating Revenues	
Charges for Services	\$5,491,787
Miscellaneous	196,679
<i>Total Operating Revenues</i>	5,688,466
Operating Expenses	
Purchased Services	189,835
Claims	5,376,322
<i>Total Operating Expenses</i>	5,566,157
<i>Operating Income</i>	122,309
Non-Operating Revenues	
Interest	11,040
<i>Change in Net Position</i>	133,349
<i>Net Position Beginning of Year</i>	2,153,791
<i>Net Position End of Year</i>	\$2,287,140

See accompanying notes to the basic financial statements

East Cleveland City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2022

	Self Insurance
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$5,448,492
Cash Received from Other Sources	196,679
Cash Payments for Services	(189,835)
Cash Payments for Claims	(5,333,027)
<i>Net Cash Provided by (Used for) Operating Activities</i>	122,309
Cash Flows from Investing Activities	
Interest on Investments	11,040
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	133,349
<i>Cash and Cash Equivalents Beginning of Year</i>	2,153,791
<i>Cash and Cash Equivalents End of Year</i>	\$2,287,140
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	\$122,309
Adjustments:	
Increase in Interfund Receivable	(43,295)
Increase in Claims Payable	43,295
<i>Total Adjustments</i>	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$122,309

See accompanying notes to the basic financial statements

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 1 – Description of the School District and Reporting Entity

East Cleveland City School District (the School District) is a city school district as defined by Section 3311.02 of the Ohio Revised Code. Although the first public school in East Cleveland was established by the township in 1846, the will of John Shaw in 1835 provided for the establishment of a private academy in East Cleveland Township. In 1870, the Board of Education of East Cleveland Township assumed management of the academy and in 1883, the Board and the Shaw Trustees agreed on the Board's long-range operation of the school. The School District is one of the 611 school districts in the State of Ohio and one of 31 in Cuyahoga County, and provides education to 1,912 students in grades K through 12. The School District is located in northeast Ohio, covers approximately 2.8 square miles and includes all of the City of East Cleveland and a small portion of the City of Cleveland Heights. The operation of the School District is governed by an elected five-member Board of Education.

The Board controls the School District's two elementary schools, one middle school and one high school, staffed by 136 support staff personnel, 165 certified teaching personnel and 44 administrators who provide services to community members and students.

Reporting Entity

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

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 School District participates in a related organization, two insurance purchasing pools and two jointly governed organizations. These organizations are the East Cleveland Public Library, the Jefferson Health Plan, the Ohio School Boards Association Workers' Compensation Group Rating Program, Connect, and Ohio Schools' Council Association. These organizations are presented in Notes 15, 16, and 17 of the notes 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 more significant of the School District's accounting policies are described as follows.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has only governmental activities; therefore, no business-type activities are presented.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which a governmental function is self-financing or draws from the general revenues of the School District.

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

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The funds of the School District are divided into three categories: governmental, proprietary and fiduciary. The School District has no fiduciary funds.

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

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

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Title I Fund The Title I special revenue fund accounts for and reports restricted federal monies used to assist the School District in meeting the special needs of educationally deprived children.

Elementary and Secondary School Emergency Relief (ESSER) Fund The ESSER fund accounts for and reports restricted Federal monies used to support the education of students in response to public health emergency.

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

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

Internal Service Fund The internal service fund accounts 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 School District's internal service fund accounts for self insurance for medical claims of School District employees.

Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of this fund is included on the statement of fund net position. The statement of changes in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activity.

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 and the statement presented for proprietary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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: property taxes available as an advance, interest, tuition, grants, and fees.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB plans. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 22 and 23.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental revenue, fiscal fees refunded and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 22 and 23)

Expenditures/Expenses On the accrual basis of accounting, expenses are recognized at the time they are incurred.

East Cleveland City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2022

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.

Pensions/Other Postemployment Benefits (OPEB)

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

Budgetary Data

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The budgets are monitored at the object level within a function and fund. The Treasurer has been given the authority to allocate appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original and final appropriations were passed by the Board of Education.

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

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The School District utilizes a financial institution to service self-insurance payments as they come due. The balances in these accounts are presented in the statements as "cash and cash equivalents with fiscal agents."

During fiscal year 2022, the School District's investments were limited to STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB),

East Cleveland City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2022

Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transactions to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2022 amounted to \$5,474, none of which was assigned from other School District funds.

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 presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the general fund include amounts for unclaimed monies.

Inventory

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2022, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets

All capital assets (except for intangible right-to-use lease assets which are discussed below) of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land Improvements	10 - 40 years
Buildings and Improvements	10 - 40 years
Furniture and Equipment	10 - 20 years
Vehicles	12 years
Textbooks	7 years

The School District is reporting intangible right to use assets related to leased buildings and equipment. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, these intangible assets are being amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

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 position.

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 employer 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 method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have resigned or retired will be paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

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 fiscal year. Bonds, financed purchases and leases are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Internal Activity

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

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

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for teacher development and student services.

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

Fund Balance

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

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by the highest level formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or a School District official delegated that authority by resolution by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District's Board of Education assigned fund balance for public school support services and for fiscal year 2023 operations.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Operating Revenues and Expenses

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

Estimates

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

Note 3 – Change in Accounting Principles and Restatement of Fund Balances and Net Position

Change in Accounting Principles

For fiscal year 2022, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases and related guidance from (GASB) Implementation Guide No. 2019-3, *Leases*.

GASB Statement 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the School District's 2022 financial statements. The School District

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

recognized \$316,539 in leases payable at July 1, 2021 which was offset by the intangible asset, right to use lease - buildings. The School District recognized \$706,947 in leases payable and \$424,167 in intangible right to use – equipment asset at July 1, 2021; however, this had no effect on beginning net position/fund balance because these amounts had been previously recorded as capital leases and equipment.

The School District is also implementing *Implementation Guide No. 2020-1*, GASB Statement No. 92 – *Omnibus 2020*, and GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. These changes were incorporated in the School District’s 2022 financial statements; however, there was no effect on beginning net position/fund balance.

Restatement of Fund Balances and Net Position

For fiscal year 2022, the School District modified its approach related to the eligibility requirements of certain School District grants resulting in the following restatements to fund balance/net position at June 30, 2021:

	Governmental Funds				
	General	Title I	ESSER	Other Governmental Funds	Total
Fund Balances, June 30, 2021	\$17,353,950	\$79,966	\$2,371	\$2,540,242	\$19,976,529
Adjustments:					
Unavailable Revenue	0	(79,966)	(2,371)	(33,786)	(116,123)
Unearned Revenue	0	0	0	(36,553)	(36,553)
Restated Fund Balances June 30, 2021	\$17,353,950	\$0	\$0	\$2,469,903	\$19,823,853

The grant receivable restatement had the following effect on net position as of June 30, 2021:

	Governmental Activities
Net Position June 30, 2021	\$34,457,417
Adjustments:	
Intergovernmental Receivable	(812,443)
Unearned Revenue	(36,553)
Restated Net Position June 30, 2021	\$33,608,421

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 4 – Accountability

At June 30, 2022, the following funds had deficit fund balances:

Fund	Amount
Major Governmental Funds	
Title I	\$80,578
ESSER	572,046
Other Governmental Funds	
Title I School Improvement Stimulus	179,725
Food Service	91,955
Title VI-B	46,411
Public School - Preschool	19,339
Title VIR	14,834
Drug Free Education	10,939
Vocational Education	5,671

These deficits are the result of the recognition of payables in accordance with generally accepted accounting principles as well as short-term interfund loans from the general fund needed for operations until the receipt of grant monies. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 5 – Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances – budget (non-GAAP basis) and actual for the general fund and major special revenue funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are as follows:

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. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balance (GAAP basis).
5. Budgetary revenues and expenditures of the public school support fund are reclassified to the general fund for GAAP reporting.
6. Investments are reported at fair value (GAAP) rather than cost (budget basis).

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund and title I and ESSER special revenue funds.

	Net Change in Fund Balance		
	General	Title I	ESSER
GAAP Basis	\$5,033,456	(\$80,578)	(\$572,046)
Net Adjustment for Revenue Accruals	(1,073,453)	(1,471,016)	(498,112)
Advances In	1,245,272	2,053,008	5,606,515
Beginning Fair Value Adjustment for Investments	95,187	0	0
Net Adjustment for Expenditure Accruals	(539,748)	(34,857)	73,838
Advances Out	(8,492,590)	(386,889)	0
Perspective Difference:			
Public School Support	28,274	0	0
Encumbrances	(2,461,341)	(115,535)	(4,588,814)
Budget Basis	(\$6,164,943)	(\$35,867)	\$21,381

Note 6 – Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds notes, 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 obligation or security 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, and Government National Mortgage 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 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 daily, and the term of the agreement must not exceed thirty days;

East Cleveland City School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2022, \$9,002,903 of the School District's total bank balance of \$22,866,285 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Investments

At June 30, 2022, the School District had \$470,701 invested in STAR Ohio measured at net asset value per share with a Standard & Poor’s credit rating of AAAM and an average maturity of 35.3 days.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District’s investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that addresses credit risk.

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer.

Note 7 – Receivables

Receivables at June 30, 2022, consisted of taxes, intergovernmental and 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. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Title I	\$2,015,839
ESSER	1,498,428
Ohio Department of Education	1,079,440
Cuyahoga County	297,394
Title I School Improvement Grant	85,712
Title VI-B	74,437
Various Ohio School Districts	67,308
Early Childhood Education	46,664
Title II-A	36,959
Title IV-A	26,083
Carl Perkins	5,844
Total	\$5,234,108

Note 8 – Property Taxes

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 collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

East Cleveland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2021 became a lien December 31, 2020, were levied after April 1, 2021 and are collected in calendar year 2022 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2023 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2022 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources – property taxes.

The amount available as an advance at June 30, 2022, was \$1,317,998 in the general fund. The amount available as an advance at June 30, 2021, was \$1,234,913 in the general fund.

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

The assessed values upon which the fiscal year 2022 taxes were collected are:

	2021 Second Half Collections		2022 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate				
Residential/Agricultural	\$80,985,130	58.50 %	\$88,007,890	58.69 %
Other Real Estate	40,014,630	28.91	43,468,320	28.99
Public Utility	17,426,270	12.59	18,471,100	12.32
Total	\$138,426,030	100.00 %	\$149,947,310	100.00 %
Tax rate per \$1,000 of assessed valuation		\$88.38		\$88.38

Tax Abatements

The School District property taxes were reduced by \$148,847 under various community reinvestment area agreements entered into by the City of East Cleveland.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 9 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

Fund Balances	General	Title I	ESSER	Other Governmental Funds	Total
<i>Nonspendable:</i>					
Unclaimed Monies	\$121,155	\$0	\$0	\$0	\$121,155
Inventory	0	0	0	2,676	2,676
Prepays	37,375	0	0	0	37,375
<i>Total Nonspendable</i>	<u>158,530</u>	<u>0</u>	<u>0</u>	<u>2,676</u>	<u>161,206</u>
<i>Restricted for:</i>					
Adult Education	0	0	0	316	316
Technology Improvements	0	0	0	94,447	94,447
Educational Services	0	0	0	342,387	342,387
Student Services	0	0	0	1,299,773	1,299,773
Capital Improvements	0	0	0	759,062	759,062
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,495,985</u>	<u>2,495,985</u>
<i>Assigned to:</i>					
Public School Support Services	63,461	0	0	0	63,461
Fiscal Year 2023 Appropriations	4,580,509	0	0	0	4,580,509
<i>Purchases on Order:</i>					
Instruction	559,045	0	0	0	559,045
Support Services	1,334,956	0	0	0	1,334,956
Extracurricular Activities	11,610	0	0	0	11,610
Capital Outlay	58,365	0	0	0	58,365
<i>Total Assigned</i>	<u>6,607,946</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,607,946</u>
<i>Unassigned (Deficit)</i>	<u>15,620,930</u>	<u>(80,578)</u>	<u>(572,046)</u>	<u>(371,550)</u>	<u>14,596,756</u>
Total Fund Balances	<u>\$22,387,406</u>	<u>(\$80,578)</u>	<u>(\$572,046)</u>	<u>\$2,127,111</u>	<u>\$23,861,893</u>

Note 10 – Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements 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, 2022.

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE has finalized the impact of enrollment adjustments to the June 30, 2022 foundation funding for the School District. These adjustments were insignificant for the School District..

Litigation

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

Note 11 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2022, the School District contracted with Liberty Mutual Insurance Company for property insurance of \$169,434,455, fleet insurance of \$1,000,000 and liability coverage of \$1,000,000 per occurrence with no deductible (latest information available).

Professional liability is protected by the Liberty Mutual Insurance Company. General liability is protected with Liberty Mutual Insurance Company with a \$2,000,000 annual aggregate/\$1,000,000 single occurrence limit. The bus fleet is also covered by \$1,000,000 per occurrence limit with an additional \$5,000,000 umbrella policy through Liberty Mutual Insurance Company (latest information available).

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from last year.

Workers' Compensation

For fiscal year 2022, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management Company provides administrative, cost control and actuarial services to the GRP.

Employee Benefits

For fiscal year 2022, the School District participated in the Jefferson Health Plan, an insurance purchasing pool (Note 16). Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

The School District offers medical, surgical, and dental insurance to employees through a self-insurance program. The School District’s monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District’s behalf. The claims liability of \$481,691 reported in the internal service funds at June 30, 2022, is estimated by and based on the requirements of the Governmental Accounting Standards Board Statement No. 30 which required that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the funds’ claims liability amounts for 2021 and 2022 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2021	\$563,316	\$5,157,250	(\$5,282,170)	\$438,396
2022	438,396	5,376,322	(5,333,027)	481,691

Note 12 – Interfund Transactions

Balances

Interfund balances at June 30, 2022 consisted of the following:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>		<u>Total</u>
	<u>General</u>	<u>Internal Service</u>	
General	\$0	\$445,987	\$445,987
Title I	2,053,008	19,553	2,072,561
ESSER	5,606,515	1,891	5,608,406
Other Governmental Funds	927,080	14,260	941,340
Total	<u>\$8,586,603</u>	<u>\$481,691</u>	<u>\$9,068,294</u>

The interfund receivables and payables are advances due to the timing of the receipt of grant monies received by various funds. The general fund provides money to operate the programs until grants are received and the advances can be repaid. These advances are expected to be repaid within the next fiscal year. Also included in interfund balances, the general fund owed \$445,987, title I owed \$19,553, ESSER owed \$1,891 and other governmental funds owed \$14,260 to the self insurance fund for charges for services.

Transfers

During fiscal year 2022, the general fund transferred \$609,587 to other governmental funds to support programs and projects accounted for in other funds.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 13 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance 6/30/21	Additions	Deletions	Balance 6/30/22
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$2,389,900	\$0	\$0	\$2,389,900
Construction in Progress	1,862,544	4,750,486	(5,774,400)	838,630
<i>Total Capital Assets, not being Depreciated</i>	4,252,444	4,750,486	(5,774,400)	3,228,530
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,473,800	5,774,400	(174,770)	8,073,430
Buildings and Improvements	100,254,587	32,366	0	100,286,953
Furniture and Equipment	6,556,527	1,531,620	0	8,088,147
Vehicles	1,089,443	232,574	(124,650)	1,197,367
Textbooks	1,853,856	0	0	1,853,856
Intangible Right to Use - Buildings **	316,539	0	0	316,539
Intangible Right to Use - Equipment **	706,947	0	0	706,947
<i>Total Capital Assets, being Depreciated</i>	113,251,699	7,570,960	(299,420)	120,523,239
<i>Less Accumulated Depreciation/Amortization:</i>				
Land Improvements	(1,826,609)	(128,447)	174,770	(1,780,286)
Buildings and Improvements	(42,977,360)	(2,349,931)	0	(45,327,291)
Furniture and Equipment	(6,556,527)	(273,241)	0	(6,829,768)
Vehicles	(502,074)	(65,198)	124,650	(442,622)
Textbooks	(1,853,856)	0	0	(1,853,856)
Intangible Right to Use - Buildings **	0	(52,757)	0	(52,757)
Intangible Right to Use - Equipment **	(424,167)	(141,389)	0	(565,556)
<i>Total Accumulated Depreciation/Amortization</i>	(54,140,593)	(3,010,963) *	299,420	(56,852,136)
<i>Total Capital Assets, being Depreciated, Net</i>	59,111,106	4,559,997	0	63,671,103
<i>Governmental Activities Capital Assets, Net</i>	\$63,363,550	\$9,310,483	(\$5,774,400)	\$66,899,633

* Depreciation expense was charged to governmental functions as follows:

<i>Instruction:</i>	
Regular	\$2,751,442
Special	9,655
Vocational	18,978
<i>Support Services:</i>	
Pupil	1,325
Instructional Staff	6,604
Administration	5,145
Business	1,452
Operation and Maintenance of Plant	21,712
Pupil Transportation	112,008
Central	8,223
Operation of Non-Instructional Services	48,677
Extracurricular Activities	25,742
<i>Total Depreciation Expense</i>	\$3,010,963

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

** Of the current year depreciation total of \$3,010,963, \$52,757 is presented as pupil transportation expense and \$141,389 is presented as regular instruction expense on the Statement of Activities related to the School District's intangible asset of a bus garage and copiers, which are included as Intangible Right to Use Leases. With the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, a lease meeting the criteria of this statement requires the lessee to recognize the lease liability and an intangible right to use asset.

Note 14 – Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty 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.

Each employee earns sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 365 days (certificated employees and administrators) and 305 days (non-certificated employees). Upon retirement after 25 years of service, payment is made equal to 35 percent of the accumulated and unused sick leave days for non-certificated employees. Certificated employees who submit their retirement in writing on or before March 31, to be effective the last day of the school year and who were employed prior to July 1, 2002, receive payment equal to 50 percent of their accumulated and unused sick leave days. Certificated employees who submit their retirement in writing on or before March 31, to be effective the last day of the school year and who were employed on or after July 1, 2002, receive payment equal to 35 percent of their accumulated and unused sick leave days. Retirements announced for certificated employees after March 31, receive payment equal to 25 percent of their accumulated and unused sick leave days. For purposes of retirement, the employee receiving such payment must meet the eligibility requirement provisions set by STRS or SERS.

Note 15 – Related Organization

The East Cleveland Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the East Cleveland City School District Board of Education. 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 may issue 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 East Cleveland Public Library, Mr. Ross Cockfield, Fiscal Officer, at 14101 Euclid Avenue, East Cleveland, Ohio 44112.

Note 16 – Public Entity Risk Pool

Insurance Purchasing Pools

Jefferson Health Plan The School District participates in the Jefferson Health Plan (Plan), a risk-sharing, claims servicing, and insurance purchasing pool, including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Plan offers medical, dental, and prescription drug

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000, under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible limit and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan's participants. All participants pay a premium rate that is actuarially calculated based on the participant's actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as from an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services.

Ohio School Boards' Association Workers' Compensation Group Rating Program The School District participates in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 17 – Jointly Governed Organizations

Connect Connect is a jointly governed organization comprised of twenty-four member school districts, three educational service centers, and the Ohio Schools' Council. The jointly governed organization was formed for the purpose of providing support and leadership which enables organizations to achieve their objectives through innovative and cost effective shared technology solutions. Connect is governed by a four member Board of Directors consisting of the Superintendent of the Educational Service Center of Cuyahoga County, the Superintendent of the Educational Service Center of Lorain County, the Superintendent of the Educational Service Center of Medina County and the Executive Director of the Ohio Schools Council. The degree of control exercised by any participating school district is limited to its representation of the Governing Board. The Board exercises total control over the operation of the organization including budgeting, appropriating, contracting and designating management. Each participating entity's contribution to Connect is dependent upon student enrollment and/or software packages and services utilized. Financial information for Connect can be obtained by contacting the Treasurer at the Cuyahoga County Educational Service Center, which serves as fiscal agent. During fiscal year 2022, the School District contributed \$196,198 to Connect. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 6393 Oak Tree Boulevard, Independence, Ohio 44131.

Ohio Schools' Council Association The Ohio Schools' Council Association (Council) is a jointly governed organization among 274 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The degree of control exercised by any participating school district is limited to its representation on the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board exercises total control over the operations of the Council including budgetary, appropriating, contracting and designating management. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2022, the School District paid \$60,009 to the Ohio Schools' Council. Financial information can be obtained by contacting William Zelei, the Executive Director at the Ohio Schools' Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the Council's electric purchase program. The Council provides over 250 school districts in the Ohio Edison, The Illuminating Company, Toledo Edison, Duke Energy and AEP Ohio Power service areas the ability to purchase electricity at reduced rates. The Council's current program, Power 4 Schools, provides for a fixed per kilowatt-hour for electricity generation until December 2023.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Constellation New Energy serves as the new supplier and program manager for the period from July 1, 2019 through June 30, 2023. There are currently 178 participants in the program. The participants make monthly payments based on estimated usage and estimated prices. Each August, these estimated payments are compared to their actual usage and actual prices for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in August until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the August monthly estimated billing. Any school district that requests a refund of their excess amount has the amount returned in November of that fiscal year.

Note 18 – Set Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

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

	Capital Improvement
Set-aside Balances as of June 30, 2021	(\$9,538,097)
Current Year Set-aside Requirement	290,300
Qualifying Disbursements	(244,503)
Totals	<u>(\$9,492,300)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$9,492,300)</u>
Set-aside Balances as of June 30, 2022	<u>\$0</u>

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 19 – Long Term Obligations

Original issue amounts and interest rates of the School District’s debt issues were as follows:

Debt Issue	Interest Rate	Original Issue	Year of Maturity
<i>Direct Borrowings:</i>			
Financed Purchase - Energy Conservation	4.25%	\$2,570,887	2020 to 2030
Leases Payable - Bus Garage	2.66%	480,000	2017 to 2027
Leases Payable - Equipment	7.20%	706,947	2019 to 2023

The changes in the School District’s long-term obligations during the fiscal year consist of the following:

	Principal Outstanding 6/30/21	Additions	(Reductions)	Principal Outstanding 6/30/22	Amount Due in One Year
Governmental Activities					
<i>Direct Borrowings:</i>					
Financed Purchase - Energy Conservation	\$2,250,682	\$0	(\$224,971)	\$2,025,711	\$234,634
<i>Other Long-Term Obligations:</i>					
Net Pension Liability:					
STRS	33,593,301	0	(18,181,615)	15,411,686	0
SERS	10,794,260	0	(5,636,820)	5,157,440	0
Total Net Pension Liability	44,387,561	0	(23,818,435)	20,569,126	0
Net OPEB Liability:					
SERS	3,444,222	0	(951,134)	2,493,088	0
Lease Payables	590,424	0	(235,337)	355,087	134,940
Compensated Absences	4,651,252	203,595	(912,605)	3,942,242	736,959
Total Other Long-Term Obligations	53,073,459	203,595	(25,917,511)	27,359,543	871,899
Total Governmental Activities	\$55,324,141	\$203,595	(\$26,142,482)	\$29,385,254	\$1,106,533

The overall debt margin of the School District as of June 30, 2022, was \$13,495,258 with an unvoted debt margin of \$149,947.

The financed purchase from direct borrowing and lease payables are paid from the general fund. Compensated absences will be paid from the general, other local grants, food service, public school preschool, title VI-B, title I, and class size reduction grant special revenue funds. There is no repayment schedule for the net pension liability or net OPEB liability. However, employer pension contributions are made from the following funds: general, food service, other local grants, public school preschool, title VI-B, title I school improvement, title I and class size reduction grant special revenue funds. For additional information related to the net pension liability and net OPEB liability, see Notes 22 and 23, respectively.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Principal and interest requirements to retire the financed purchase outstanding at June 30, 2022 are as follows:

	<u>Financed Purchase - Direct Borrowing</u>	
	<u>Energy Conservation</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$234,634	\$83,626
2024	244,712	73,548
2025	255,223	63,037
2026	266,185	52,075
2027	277,618	40,642
2028-2030	747,339	48,311
Total	<u>\$2,025,711</u>	<u>\$361,239</u>

The School District has outstanding agreements to lease a bus garage and copiers. Due to the implementation of GASB Statement 87, these leases plus existing prior year capital leases have met the criteria of leases thus requiring them to be recorded by the School District. The future lease payments were discounted based on the interest rate implicit in the lease or using the School District's incremental borrowing rate. This discount is being amortized using the interest method over the life of the lease. A summary of the principal and interest amounts for the remaining leases is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$134,940	\$8,115
2024	52,861	5,219
2025	54,286	3,794
2026	55,749	2,331
2027	57,251	829
	<u>\$355,087</u>	<u>\$20,288</u>

Note 20 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end the amount of encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General	\$2,461,341
Title I	115,535
ESSER	4,588,814
Other Governmental Funds	<u>635,140</u>
Total	<u>\$7,800,830</u>

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 21 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the School District received COVID-19 funding. The School District's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

Note 22 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

The proportionate share of each plan’s unfunded benefits is presented as a *net OPEB asset* or long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 23 for the required OPEB disclosures.

School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 0.5 percent COLA for calendar year 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2022, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$718,683 for fiscal year 2022. Of this amount \$22,684 is reported as an intergovernmental payable.

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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. Benefits are established by Ohio Revised Code Chapter 3307.

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

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

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

East Cleveland City School District

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2022 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2022, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$2,035,143 for fiscal year 2022. Of this amount \$162,553 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.139779000%	0.120536580%	
Prior Measurement Date	<u>0.163198000%</u>	<u>0.138835700%</u>	
Change in Proportionate Share	<u>-0.023419000%</u>	<u>-0.018299120%</u>	
Proportionate Share of the Net			
Pension Liability	\$5,157,440	\$15,411,686	\$20,569,126
Pension Expense	(\$780,400)	(\$2,279,211)	(\$3,059,611)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$497	\$476,147	\$476,644
Changes of assumptions	108,600	4,275,477	4,384,077
School District contributions subsequent to the measurement date	<u>718,683</u>	<u>2,035,143</u>	<u>2,753,826</u>
Total Deferred Outflows of Resources	<u>\$827,780</u>	<u>\$6,786,767</u>	<u>\$7,614,547</u>

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$133,753	\$96,600	\$230,353
Net difference between projected and actual earnings on pension plan investments	2,656,232	13,281,923	15,938,155
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>968,253</u>	<u>4,540,032</u>	<u>5,508,285</u>
Total Deferred Inflows of Resources	<u>\$3,758,238</u>	<u>\$17,918,555</u>	<u>\$21,676,793</u>

\$2,753,826 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2023	(\$1,292,685)	(\$3,920,678)	(\$5,213,363)
2024	(909,598)	(2,943,997)	(3,853,595)
2025	(631,556)	(2,848,963)	(3,480,519)
2026	<u>(815,302)</u>	<u>(3,453,293)</u>	<u>(4,268,595)</u>
Total	<u>(\$3,649,141)</u>	<u>(\$13,166,931)</u>	<u>(\$16,816,072)</u>

Actuarial Assumptions - SERS

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

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

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

East Cleveland City School District
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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, compared with June 30, 2020, are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.4 percent	3.00 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement	3.50 percent to 18.20 percent 2.5 percent
Investment Rate of Return	7.00 percent net of System expenses	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	Entry Age Normal (Level Percent of Payroll)

Mortality rates for 2021 were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Mortality rates for 2020 were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2020.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategy	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	100.00 %	

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

Discount Rate The total pension liability for 2021 was calculated using the discount rate of 7.00 percent. The discount rate for 2020 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$8,580,713	\$5,157,440	\$2,270,444

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation compared to those used in the June 30, 2020, actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Inflation	2.50 percent	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent	7.45 percent
Payroll Increases	3.00 percent	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent	0.0 percent,

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

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

East Cleveland City School District
Notes to the Basic Financial Statements
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STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent, and is net of investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$28,860,319	\$15,411,686	\$4,047,619

Changes Between the Measurement Date and the Reporting date In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. These demographic measures include retirement, salary increase, disability/termination and mortality assumptions. In March 2022, the STRS Board approved benefit plan changes to take effect on July 1, 2022. These changes include a one-time three percent cost-of-living increase (COLA) to be paid to eligible benefit recipients and the elimination of the age 60 requirement for retirement age and service eligibility that was set to take effect in 2026. The effect on the net pension liability is unknown.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Note 23 – Defined Benefit OPEB Plans

See Note 22 for a description of the net OPEB liability (asset)

School Employees Retirement System (SERS)

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School District's surcharge obligation was \$30,430.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$30,430 for fiscal year 2022. Of this amount \$30,430 is reported as an intergovernmental payable.

East Cleveland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.131729400%	0.120536580%	
Prior Measurement Date	<u>0.158476900%</u>	<u>0.138835700%</u>	
Change in Proportionate Share	<u>-0.026747500%</u>	<u>-0.018299120%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$2,493,088	\$0	\$2,493,088
Net OPEB (Asset)	\$0	(\$2,541,414)	(\$2,541,414)
OPEB Expense	(\$293,988)	(\$282,850)	(\$576,838)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$26,574	\$90,492	\$117,066
Changes of assumptions	391,107	162,335	553,442
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	4,889	4,889
School District contributions subsequent to the measurement date	<u>30,430</u>	<u>0</u>	<u>30,430</u>
Total Deferred Outflows of Resources	<u>\$448,111</u>	<u>\$257,716</u>	<u>\$705,827</u>

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

	SERS	STRS	Total
Deferred Inflows of Resources			
Differences between expected and actual experience	\$1,241,669	\$465,633	\$1,707,302
Changes of assumptions	341,407	1,516,139	1,857,546
Net difference between projected and actual earnings on OPEB plan investments	54,163	704,436	758,599
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>1,157,644</u>	<u>330,417</u>	<u>1,488,061</u>
Total Deferred Inflows of Resources	<u>\$2,794,883</u>	<u>\$3,016,625</u>	<u>\$5,811,508</u>

\$30,430 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase to the net OPEB asset in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	(\$549,223)	(\$799,507)	(\$1,348,730)
2024	(549,603)	(781,881)	(1,331,484)
2025	(491,866)	(773,427)	(1,265,293)
2026	(409,605)	(303,154)	(712,759)
2027	(271,274)	(101,720)	(372,994)
Thereafter	<u>(105,631)</u>	<u>780</u>	<u>(104,851)</u>
Total	<u>(\$2,377,202)</u>	<u>(\$2,758,909)</u>	<u>(\$5,136,111)</u>

Actuarial Assumptions - SERS

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

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

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

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, compared with June 30, 2020, are presented below:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:		
Measurement Date	1.92 percent	2.45 percent
Prior Measurement Date	2.45 percent	3.13 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation		
Measurement Date	2.27 percent	2.63 percent
Prior Measurement Date	2.63 percent	3.22 percent
Medical Trend Assumption		
Medicare	5.125 to 4.40 percent	5.25 to 4.75 percent
Pre-Medicare	6.75 to 4.40 percent	7.00 to 4.75 percent

For 2021, mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

For 2020, mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022*

The SERS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 22.

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.27%) and higher (3.27%) than the current discount rate (2.27%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (5.75% decreasing to 3.40%) and higher (7.75% decreasing to 5.40%) than the current rate.

	1% Decrease (1.27%)	Current Discount Rate (2.27%)	1% Increase (3.27%)
School District's proportionate share of the net OPEB liability	\$3,089,236	\$2,493,088	\$2,016,840

	1% Decrease (5.75% decreasing to 3.40%)	Current Trend Rate (6.75% decreasing to 4.40%)	1% Increase (7.75% decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$1,919,473	\$2,493,088	\$3,259,259

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Actuarial Assumptions – STRS

Key methods and assumptions used in the June 30, 2021, actuarial valuation and the June 30, 2020 actuarial valuation are presented below:

	June 30, 2021	June 30, 2020
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.45 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	5.00 percent initial, 4 percent ultimate	5.00 percent initial, 4 percent ultimate
Medicare	-16.18 percent initial, 4 percent ultimate	-6.69 percent initial, 4 percent ultimate
Prescription Drug		
Pre-Medicare	6.50 percent initial, 4 percent ultimate	6.50 percent initial, 4 percent ultimate
Medicare	29.98 initial, 4 percent ultimate	11.87 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2021, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

The STRS health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 22.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021, and was 7.45 percent as of June 30, 2020. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure the total OPEB liability as of June 30, 2021.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB asset	(\$2,144,562)	(\$2,541,414)	(\$2,872,927)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$2,859,494)	(\$2,541,414)	(\$2,148,081)

Changes Between the Measurement Date and the Reporting date In February 2022, the Board approved changes to demographic measures that will impact the June 30, 2022, actuarial valuation. The effect on the net OPEB liability is unknown.

Required Supplementary Information

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

	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.139779000%	0.163198000%	0.169068900%
School District's Proportionate Share of the Net Pension Liability	\$5,157,440	\$10,794,260	\$10,115,688
School District's Covered Payroll	\$4,833,521	\$6,208,514	\$6,234,474
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	106.70%	173.86%	162.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%

(1) Information prior to 2014 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.165233600%	0.187535600%	0.201249600%	0.175351190%	0.194170470%	0.194170470%
\$9,463,234	\$11,204,839	\$14,729,613	\$11,483,988	\$11,160,847	\$13,114,152
\$6,000,237	\$6,000,179	\$6,224,693	\$6,134,211	\$6,685,412	\$6,419,908
157.71%	186.74%	236.63%	187.21%	166.94%	204.27%
71.36%	69.50%	62.98%	69.16%	71.70%	65.52%

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

	2022	2021	2020
School District's Proportion of the Net OPEB Liability	0.131729400%	0.158476900%	0.166248000%
School District's Proportionate Share of the Net OPEB Liability	\$2,493,088	\$3,444,222	\$4,180,788
School District's Covered Payroll	\$4,833,521	\$6,208,514	\$6,234,474
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	51.58%	55.48%	67.06%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%

(1) Information prior to 2017 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

<u>2019</u>	<u>2018</u>	<u>2017</u>
0.165096100%	0.183217500%	0.198282900%
\$4,580,212	\$4,917,077	\$5,651,796
\$6,000,237	\$6,000,179	\$6,224,693
76.33%	81.95%	90.80%
13.57%	12.46%	11.49%

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

	2022	2021	2020
School District's Proportion of the Net Pension Liability	0.120536580%	0.138835700%	0.139394560%
School District's Proportionate Share of the Net Pension Liability	\$15,411,686	\$33,593,301	\$30,826,268
School District's Covered Payroll	\$14,745,036	\$16,715,979	\$16,066,386
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	104.52%	200.97%	191.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.40%

(1) Information prior to 2014 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2019	2018	2017	2016	2015	2014
0.145604640%	0.162257310%	0.169193720%	0.175351190%	0.194170400%	0.194170470%
\$32,015,191	\$38,544,572	\$56,634,237	\$48,461,939	\$47,228,977	\$56,258,850
\$16,538,050	\$16,711,821	\$18,342,043	\$18,037,057	\$19,650,654	\$22,242,054
193.59%	230.64%	308.77%	268.68%	240.34%	252.94%
77.30%	75.30%	66.80%	72.10%	74.70%	69.30%

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

	2022	2021	2020
School District's Proportion of the Net OPEB Liability (Asset)	0.120536580%	0.138835700%	0.139394560%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$2,541,414)	(\$2,440,034)	(\$2,308,708)
School District's Covered Payroll	\$14,745,036	\$16,715,979	\$16,066,386
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-17.24%	-14.60%	-14.37%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.70%	182.10%	174.70%

(1) Information prior to 2017 is not available.

*Amounts presented for each fiscal year were determined as of the School District's measurement date which is the prior fiscal year end.

See accompanying notes to the required supplementary information

2019	2018	2017
0.145604640%	0.162257310%	0.161937200%
(\$2,339,718)	\$6,330,682	\$8,660,444
\$16,538,050	\$16,711,821	\$18,342,043
-14.15%	37.88%	47.22%
176.00%	47.10%	37.30%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Pension Liability				
Contractually Required Contribution	\$718,683	\$676,693	\$869,192	\$841,654
Contributions in Relation to the Contractually Required Contribution	<u>(718,683)</u>	<u>(676,693)</u>	<u>(869,192)</u>	<u>(841,654)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$5,133,450	\$4,833,521	\$6,208,514	\$6,234,474
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.50%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	\$30,430	\$27,366	\$50,380	\$99,771
Contributions in Relation to the Contractually Required Contribution	<u>(30,430)</u>	<u>(27,366)</u>	<u>(50,380)</u>	<u>(99,771)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.59%</u>	<u>0.57%</u>	<u>0.81%</u>	<u>1.60%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>14.59%</u>	<u>14.57%</u>	<u>14.81%</u>	<u>15.10%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2018	2017	2016	2015	2014	2013
\$810,032	\$840,025	\$871,457	\$808,489	\$875,789	\$841,008
(810,032)	(840,025)	(871,457)	(808,489)	(875,789)	(841,008)
\$0	\$0	\$0	\$0	\$0	\$0
\$6,000,237	\$6,000,179	\$6,224,693	\$6,134,211	\$6,685,412	\$6,419,908
13.50%	14.00%	14.00%	13.18%	13.10%	13.10%
\$107,942	\$67,073	\$76,042	\$116,220	\$80,256	\$80,928
(107,942)	(67,073)	(76,042)	(116,220)	(80,256)	(80,928)
\$0	\$0	\$0	\$0	\$0	\$0
1.80%	1.12%	1.22%	1.89%	1.20%	1.26%
15.30%	15.12%	15.22%	15.07%	14.30%	14.36%

East Cleveland City School District
Required Supplementary Information
Schedule of the School District's Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net Pension Liability				
Contractually Required Contribution	\$2,035,143	\$2,064,305	\$2,340,237	\$2,249,294
Contributions in Relation to the Contractually Required Contribution	<u>(2,035,143)</u>	<u>(2,064,305)</u>	<u>(2,340,237)</u>	<u>(2,249,294)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$14,536,736	\$14,745,036	\$16,715,979	\$16,066,386
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$2,315,327	\$2,339,655	\$2,567,886	\$2,525,188	\$2,554,585	\$2,891,467
<u>(2,315,327)</u>	<u>(2,339,655)</u>	<u>(2,567,886)</u>	<u>(2,525,188)</u>	<u>(2,554,585)</u>	<u>(2,891,467)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$16,538,050	\$16,711,821	\$18,342,043	\$18,037,057	\$19,650,654	\$22,242,054
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>13.00%</u>	<u>13.00%</u>
\$0	\$0	\$0	\$0	\$196,507	\$222,421
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(196,507)</u>	<u>(222,421)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.00%</u>	<u>1.00%</u>
<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

East Cleveland City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2022, an assumption of 2.0 percent was used for COLA or Ad Hoc Cola. For fiscal years 2018 through 2021, an assumption of 2.5 percent was used. Prior to 2018, an assumption of 3 percent was used.

Amounts reported in 2022 incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented below:

	Fiscal Year 2022	Fiscal Years 2021-2017	Fiscal Year 2016 and Prior
Wage Inflation	2.4 percent	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return system expenses	7.0 percent net of system expenses	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

Amounts reported for 2022 use mortality rates based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

Amounts report for 2017 through 2021 use mortality rates that are based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Amounts reported for fiscal year 2016 and prior, use mortality assumptions that are based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement.

Changes in Assumptions - STRS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by STRS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal years 2018-2021 and fiscal year 2017 and prior are presented below:

East Cleveland City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

	Fiscal Year 2022	Fiscal Years 2021-2018	Fiscal Year 2017 and Prior
Inflation	2.50 percent	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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

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

Net OPEB Liability (Asset)

Changes in Assumptions – SERS

Beginning with fiscal year 2022, amounts reported incorporate changes in assumptions and changes in benefit terms used by SERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2021 and prior are presented below:

	2022	2021 and Prior
Inflation	2.40 percent	3.00 percent
Future Salary Increases, including inflation		
Wage Increases	3.25 percent to 13.58 percent	3.50 percent to 18.20 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation	7.50 percent net of investment expense, including inflation

East Cleveland City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

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

Municipal Bond Index Rate:	
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Changes in Assumptions – STRS

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

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

For fiscal year 2022, the discount rate was decreased from 7.45 percent to the long-term expected rate of return of 7.00.

Changes in Benefit Terms – STRS OPEB

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

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

East Cleveland City School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

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

For fiscal year 2021, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2022, there was no change to the claims costs process. Claim curves were updated to reflect the projected fiscal year ending June 30, 2022 premium based on June 30, 2021 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.1 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D Subsidy was updated to reflect it is expected to be negative in CY 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

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**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2022**

FEDERAL GRANTOR	Federal	Total Federal
<i>Pass Through Grantor</i>	Assistance Listing	Expenditures
Program/Cluster Title	Number	
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through the Ohio Department of Education:</i>		
Child Nutrition Cluster		
National School Lunch Program	10.555	\$455,118
COVID-19 National School Lunch Program	10.555	115,969
School Breakfast Program	10.553	153,200
National School Lunch Program - Non-Cash	10.555	55,628
Total Child Nutrition Cluster		<u>779,915</u>
COVID-19 Pandemic EBT Administrative Costs	10.649	3,063
Total U.S. Department of Agriculture		<u>782,978</u>
U.S. DEPARTMENT OF DEFENSE		
<i>Direct Program:</i>		
Junior ROTC	12.000	63,396
Total U.S. Department of Defense		<u>63,396</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through the Ohio Department of Education:</i>		
Title I Grants to Local Educational Agencies - 2021	84.010	340,493
Title I Grants to Local Educational Agencies - 2022	84.010	85,712
Title IA Improving Basic Programs - 2021	84.010A	86,999
Title IA Improving Basic Programs - 2022	84.010A	3,255,408
Total Title 1 Grants to Local Educational Agencies		<u>3,768,612</u>
English Language Acquisition State Grants		
English Language Acquisition State Grants - 2022	84.365	87,356
Special Education Cluster (IDEA):		
Special Education Grants to States (IDEA, Part B) - 2021	84.027	95,557
Special Education Grants to States (IDEA, Part B) - 2022	84.027	443,813
COVID 19 Special Education ARP (IDEA, Part B) - 2022	84.027	27,177
Total Special Education		<u>566,547</u>
Special Education - Preschool Grant (IDEA Preschool) - 2022	84.173	6,717
COVID-19 Special Education - Preschool Grant (IDEA Preschool) - 2022	84.173X	7,920
Total Special Education - Preschool Grant (IDEA Preschool)		<u>14,637</u>
Total Special Education Cluster (IDEA)		<u><u>581,184</u></u>
Career and Technical Education - Basic Grants to States		
Career and Technical Education - Basic Grants to States - 2021	84.048	33,023
Career and Technical Education - Basic Grants to States - 2022	84.048	73,894
Total Career and Technical Education		<u>106,917</u>
Title II, Part A, Supporting Effective Instruction State Grants		
Title II, Part A, Supporting Effective Instruction State Grants - 2021	84.367	47,727
Title II, Part A, Supporting Effective Instruction State Grants - 2022	84.367	131,463
Total Title II, Part A, Supporting Effective Instruction State Grants		<u>179,190</u>
School Improvement Grants		
School Improvement Grants - 2021	84.377	45,350
School Improvement Grants - 2022	84.377	94,012
Total School Improvement Grants		<u>139,362</u>
Student Support and Academic Enrichment Program		
Student Support and Academic Enrichment Program - 2022	84.424	19,039
COVID-19 Education Stabilization Fund		
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I) (CARES) Act -2021	84.425D	646,259
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER I) (CARES) Act -2022	84.425D	1,037,307
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II) (CRRSA) Act	84.425D	3,413,551
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	33,738
COVID-19 Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth	84.425W	5,000
Total COVID-19 Education Stabilization Fund		<u>5,135,855</u>
COVID-19 Coronavirus Relief Fund		
COVID-19 Coronavirus Relief Fund - 2021	21.019	249,998
Total U.S. Department of Education		<u>10,267,513</u>
FEDERAL COMMUNICATIONS COMMISSION		
<i>Passed Through State Library of Ohio</i>		
COVID-19 ARP - Emergency Connectivity Fund Program	32.009	255,311
Total Federal Communications Commission		<u>255,311</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$11,369,198</u>

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the East Cleveland City School District (the District) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

NOTE F - MATCHING REQUIREMENTS

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

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2022
(CONTINUED)**

NOTE G - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2022 to 2023 programs:

Program Title	AL Number	Amt. Transferred
Title I Grants to Local Educational Agencies	84.010	\$ 680,455
Title I Expanding Opportunities for Every Child Grant	84.010	37,908
Title I, Supplementary School Improvement	84.010	20,764
Special Education – Grants to States	84.027	280,831
Title II, Part A, Supporting Effective Instruction State Grants	84.367	130,645
Student Support and Academic Enrichment Program	84.424	148,339

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OHIO AUDITOR OF STATE KEITH FABER



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

East Cleveland City School District
Cuyahoga County
1843 Stanwood Drive
East Cleveland, Ohio 44112

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Cleveland City School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 14, 2023, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the District.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a significant deficiency.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

April 14, 2023

OHIO AUDITOR OF STATE KEITH FABER



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

East Cleveland City School District
Cuyahoga County
1843 Stanwood Drive
East Cleveland, Ohio 44112

To the Board of Education:

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited East Cleveland City School District's, Cuyahoga County, (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of East Cleveland City School District's major federal programs for the year ended June 30, 2022. East Cleveland City School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

Qualified Opinion on Education Stabilization Fund

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, the East Cleveland City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Education Stabilization Fund for the year ended June 30, 2022.

Unmodified Opinion on the Other Major Federal Program

In our opinion, East Cleveland City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Education Stabilization Fund

As described in finding 2022-002 in the accompanying schedule of findings, the District did not comply with the requirements regarding Special Tests and Provisions – Wage Rate Requirements applicable to its Assistance Listing # 84.425 Education Stabilization Fund major federal program.

Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

Responsibilities of Management for Compliance

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and corrective action plan. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2022-002, to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and corrective action plan. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

April 14, 2023

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified - AL # 84.425 Education Stabilization Fund Unmodified – All other programs
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	AL # 84.425 - Education Stabilization Fund AL # 32.009 – Emergency Connectivity Fund Program
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022
(CONTINUED)**

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

FINDING NUMBER 2022-001

Significant Deficiency – Unreconciled Payroll Bank Variance

Sound accounting practices require that when designing the public office’s system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft, and fraud to occur without timely detection. The Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board of Education is responsible for reviewing the reconciliations and related support.

The District uses a payroll checking account for the processing of employee payroll checks and related deductions. This is a clearing account and should reconcile with the bank account balance less reconciling adjustments equaling \$0. The District’s June 30, 2022, bank reconciliation, however, did not reconcile to \$0 but instead showed a difference of (\$22,268) between the bank balance less identified reconciling items.

Management believes this difference relates to certain errors occurring in the processing of payroll deductions beginning in May of 2021. However, to date, management has yet to identify all the specific items comprising this difference and has yet to record correcting adjustments to their accounting system. Additionally, the payroll account unreconciled variance has continued to fluctuate each month subsequent to year end indicating additional errors are likely occurring.

Failure to properly reconcile all bank accounts, including the payroll bank account, increases the possibility the District will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The District should perform complete bank to book reconciliations each month for all accounts and these bank reconciliations should be presented to the Board of Education for review and approval. Additionally, the District should continue to investigate the errors that contributed to the payroll account unreconciled difference and should record correcting adjustments to their accounting system as errors are identified, as necessary.

Official’s Response:

Fiscal years 2021 and 2022 were audited in late 2022 and the beginning month of 2023. The plan has been implemented since the filing of the 2021 audit.

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022
(CONTINUED)**

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

Planned Corrective Action:

- (1) The Treasurer's Office will continue to use the services of an outside Independent Public Accountant (IPA) for monthly reconciliation.
- (2) IPA will provide training for monthly balancing and bank reconciliations.
- (3) The Treasurer will continue to provide training and oversight to payroll staff for month end balancing and bank reconciliations.
- (4) Documentation for month end bank reconciliations will be provided to and reviewed by the Board of Education each month.

3. FINDINGS FOR FEDERAL AWARDS

1. Prevailing Wage Rate Requirement

Finding Number:	2022-002
Assistance Listing Number and Title:	84.425 Education Stabilization Fund
Federal Award Identification Number / Year:	N/A/ 2022
Federal Agency:	U.S. Department of Education
Compliance Requirement:	Special Test and Provisions- Wage Rate Requirements
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND MATERIAL WEAKNESS

2 CFR § 3474.1 provides that the Department of Education (DOE) adopts the Office of Management and Budget (OMB) Guidance in **2 CFR part 200**. Thus, this section gives regulatory effect to the OMB guidance and supplements the guidance as needed for the DOE.

Appendix II to 2 CFR part 200, Paragraph D states that all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following:

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141-3148). When required by Federal program legislation, all prime construction contracts in excess of \$2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. The non-Federal entity must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency. . .

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2022
(CONTINUED)**

3. FINDINGS FOR FEDERAL AWARDS

The District entered into a contract with SCG Fields LLC for upgrades to their Stadium. During fiscal year 2022, the District paid SCG Fields \$1,290,226 with Elementary and Secondary School Emergency Relief (ESSER II) Fund (Assistance Listing #84.425A) monies. These expenditures included contractor labor charges for periods prior to June 30, 2022. However, due to the lack of formal controls and procedures, the District did not obtain the required weekly certified payroll information for this contractor.

This weakness resulted in the District being non-compliant with the aforementioned federal codes and could result in future reductions or loss of federal funding.

The District should ensure certified payroll reports are provided weekly by contractors. The District should obtain the necessary information from contractors to document compliance with program requirements and, if contractors fail to comply, the District has an obligation under Appendix II to 2 CFR part 200 to report all suspected or reported violations to the Federal awarding agency.

Official's Response:

This District is aware of the Prevailing Wage Rate Requirements. The auditors actually tested two vendors, Gardiner and SCG Fields. The Prevailing Wage documentation for Gardiner was reviewed and the district was compliant. In the case of SCG Fields, a different employee was overseeing this project. This employee attended all weekly meetings for SCG Fields where construction costs, including wages and construction updates were discussed. On a monthly basis invoices were received from the vendor which were reviewed and signed off by the manager. The manager did not have the weekly copies of the wages in his file cabinet because the supervisor with whom he met on a weekly basis has the copies in his file cabinet. At this time the District is in possession of the weekly prevailing wage payroll reports.

Also, the Finding stated that \$1,290,226 was paid to SCG Fields. That is true, however, approximately \$191,400 were gross wages, which represents approximately 15% of the total amount paid in fiscal year 2022 for gross wages.

Corrective Action Plan

1. All copies of the weekly payroll are now in the office of the Business and Operations Manager.
2. Copies of the Prevailing Wage Payroll are being emailed weekly.

East Cleveland City Schools



Diana Whitt

Treasurer, Chief Financial Officer

✉ dwhitt@eastclevelandschools.org

☎ 216.268.6587

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) June 30, 2022

Finding Number	Finding Summary	Status	Additional Information
2021-001	Significant Deficiency – Unreconciled Payroll Bank Variance	Partially Corrected	District is continuing to work to correct this error. Treasurer is more involved in the payroll process.
2021-002	Findings for Recovery - Repaid Under Audit	Finding no Longer Valid	Findings for Recovery was repaid under audit. Employee was separated from the District

Dr. Henry Pettiegrew II

Chief Executive Officer & Superintendent

East Cleveland Board of Education

1843 Stanwood Rd. East Cleveland, OH 44112

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East Cleveland City Schools



Diana Whitt

Treasurer, Chief Financial Officer

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CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

June 30, 2022

Finding Number: 2022-001

Fiscal years 2021 and 2022 were audited in late 2022 and the beginning months of 2023. The plan has been implemented since the filing of the 2021 audit.

Planned Corrective Action:

- (1) The Treasurer's Office will continue to use the services of an outside Independent Public Accountant (IPA) for monthly reconciliation.
- (2) IPA will provide training for monthly balancing and bank reconciliations.
- (3) The Treasurer will continue to provide training and oversight to payroll staff for month end balancing and bank reconciliations.
- (4) Documentation for month end bank reconciliations will be provided to and reviewed by the Board of Education each month.

Anticipated Completion Date: June 30, 2023
Responsible Contact Person: Diana C. Whitt

Dr. Henry Pettiegrew II

Chief Executive Officer & Superintendent

East Cleveland Board of Education

1843 Stanwood Rd. East Cleveland, OH 44112

East Cleveland City Schools



Diana Whitt

Treasurer, Chief Financial Officer

✉ dwhitt@eastclevelandschools.org

☎ 216.268.6587

Finding Number: 2022-002
Prevailing Wage Rate Requirement

This district is aware of the Prevailing Wage Rate Requirements. The auditors actually tested two vendors, Gardiner and SCG Fields. The Prevailing Wage documentation for Gardiner was reviewed and the district was compliant. In the case of SCG Fields, a different employee was overseeing this project. This employee attended all weekly meetings for SCG Fields where construction costs, including wages and construction updates were discussed. On a monthly basis invoices were received from the vendor which were reviewed and signed off by the manager. The manager did not have the weekly copies of the wages in his file cabinet because the supervisor with whom he met on a weekly basis has the copies in his file cabinet. At this time the District is in possession of the weekly prevailing wage payroll reports.

Also, the Finding stated that \$1,290,226 was paid to SCG Fields. That is true, however, approximately \$191,400 were gross wages, which represents approximately 15% of the total amount paid in fiscal year 2022 for gross wages.

Corrective Action Plan

1. All copies of the weekly payroll are now in the office of the Business and Operations Manager.
2. Copies of the Prevailing Wage Payroll are being emailed weekly.

Anticipated Completion Date: This plan went into effect immediately, March 2023

Responsible Contact Person: Diana C. Whitt

Dr. Henry Pettiegrew II

Chief Executive Officer & Superintendent

East Cleveland Board of Education

1843 Stanwood Rd. East Cleveland, OH 44112

OHIO AUDITOR OF STATE KEITH FABER



EAST CLEVELAND CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/4/2023

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

This report is a matter of public record and is available online at
www.ohioauditor.gov