



Dave Yost • Auditor of State

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

East Cleveland City School District
Cuyahoga County
1843 Stanwood Road
East Cleveland, Ohio 44112-2707

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Cleveland City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Cleveland City School District, Cuyahoga County, Ohio, as of June 30, 2014 and the respective changes in financial position and the respective budgetary comparisons for the General Fund and Title I Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

May 13, 2015

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East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
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, 2014. 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 2014 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 \$17,277,173 accounted for the remainder of all revenues.
- The fund balance in the School District's governmental funds decreased from the prior year. This decrease is due to current year expenditures exceeding current year revenues by 5.3 million.

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 general fund is the most significant fund.

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 2014?" 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, 2014
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 and the title I special revenue fund.

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.

Fiduciary Funds The School District has only one type of fiduciary funds, agency funds. The agency funds are used to account for resources held for the benefit of parties outside the School District. The agency funds are not reflected on the government-wide statements because the resources from that fund are not available to support the School District's programs. These funds use 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 2014 compared to fiscal year 2013:

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 1
 Net Position

	Governmental Activities		
	2014	2013 (Restated)	Change
Assets			
Current and Other Assets	\$39,514,382	\$40,155,407	(\$641,025)
Capital Assets, Net	<u>75,597,795</u>	<u>78,702,735</u>	<u>(3,104,940)</u>
<i>Total Assets</i>	<u>115,112,177</u>	<u>118,858,142</u>	<u>(3,745,965)</u>
Deferred Outflows of Resources	<u>115,161</u>	<u>133,108</u>	<u>(17,947)</u>
Liabilities			
Current and Other Liabilities	4,318,052	4,812,118	494,066
Long-Term Liabilities:			
Due Within One Year	1,886,469	1,892,482	6,013
Due in More than One Year	<u>9,080,450</u>	<u>9,757,620</u>	<u>677,170</u>
<i>Total Liabilities</i>	<u>15,284,971</u>	<u>16,462,220</u>	<u>1,177,249</u>
Deferred Inflows of Resources	<u>6,625,832</u>	<u>6,505,873</u>	<u>(119,959)</u>
Net Position			
Net Investment in Capital Assets	70,289,212	73,480,704	(3,191,492)
Restricted:			
Capital Projects	652,229	1,117,320	(465,091)
Debt Service	1,954,224	1,982,770	(28,546)
Other Purposes	7,318,653	2,701,661	4,616,992
Unrestricted	<u>13,102,217</u>	<u>16,740,702</u>	<u>(3,638,485)</u>
<i>Total</i>	<u>\$93,316,535</u>	<u>\$96,023,157</u>	<u>(\$2,706,622)</u>

The net position decreased from 2013 to 2014. The decrease is primarily attributable to the decrease in capital assets as of result of depreciation on capital assets outpacing additions during the year. Liabilities decreased due to decreased accrued wages and intergovernmental payables, as well as the School District continuing to pay down their debt.

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2 shows the changes in net position for the fiscal year ended June 30, 2014 compared to fiscal year 2013.

Table 2
Change in Net Position

	Governmental Activities		
	2014	2013	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$3,091,574	\$3,445,832	(\$354,258)
Operating Grants and Contributions	14,185,599	10,393,468	3,792,131
Capital Grants and Contributions	0	6,266	(6,266)
<i>Total Program Revenues</i>	<u>17,277,173</u>	<u>13,845,566</u>	<u>3,431,607</u>
General Revenues:			
Property Taxes	8,228,873	7,516,733	712,140
Grants and Entitlements	31,106,831	31,362,492	(255,661)
Investment Earnings	(78,382)	173,963	(252,345)
Unrestricted Contributions and Donations	1,063	183	880
Miscellaneous	805,218	584,315	220,903
<i>Total General Revenues</i>	<u>40,063,603</u>	<u>39,637,686</u>	<u>425,917</u>
Total Revenues	<u>57,340,776</u>	<u>53,483,252</u>	<u>3,857,524</u>
Program Expenses			
Instruction	33,959,825	38,040,283	4,080,458
Support Services:			
Pupil	3,278,119	4,017,826	739,707
Instructional Staff	3,934,611	4,153,925	219,314
Board of Education	33,822	54,160	20,338
Administration	4,442,967	4,446,814	3,847
Fiscal	1,724,945	2,090,617	365,672
Business	504,769	537,014	32,245
Operation and Maintenance of Plant	4,921,750	5,280,632	358,882
Pupil Transportation	1,573,581	1,394,849	(178,732)
Central	2,918,311	2,390,546	(527,765)
Operation of Non-Instructional Services:			
Food Service Operations	1,431,687	1,467,348	35,661
Other Non-Instructional Services	453,806	244,341	(209,465)
Extracurricular Activities	628,515	563,902	(64,613)
Interest and Fiscal Charges	240,690	393,750	153,060
Total Program Expenses	<u>60,047,398</u>	<u>65,076,007</u>	<u>5,028,609</u>
<i>Change in Net Position</i>	<u>(2,706,622)</u>	<u>(11,592,755)</u>	<u>8,886,133</u>
<i>Net Position Beginning of Year (Restated)</i>	<u>96,023,157</u>	<u>107,615,912</u>	<u>(11,592,755)</u>
<i>Net Position End of Year</i>	<u><u>\$93,316,535</u></u>	<u><u>\$96,023,157</u></u>	<u><u>(\$2,706,622)</u></u>

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

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 the Ohio Evidence Based Model 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, entitlements and contributions made up the largest portion of total revenues while property taxes make up the second largest portion of total revenues in the School District for fiscal year 2014. Charges for services, investments and miscellaneous revenue made up the remainder of total revenues. The increase in operating grants is the result of additional funding from Title I. The increase in general revenues is primarily the result of additional property tax revenues as the economy takes an upturn.

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. Expenses decreased from fiscal year 2013, due to prudent spending.

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 2014	Total Cost of Services 2013	Net Cost of Services 2014	Net Cost of Services 2013
Instruction	\$33,959,825	\$38,040,283	\$25,840,281	\$31,140,723
Support Services:				
Pupils	3,278,119	4,017,826	1,153,610	3,082,597
Instructional Staff	3,934,611	4,153,925	893,802	1,189,848
Board of Education	33,822	54,160	31,788	50,683
Administration	4,442,967	4,446,814	3,012,234	3,973,437
Fiscal	1,724,945	2,090,617	1,531,057	1,857,378
Business	504,769	537,014	469,294	502,595
Operation and Maintenance of Plant	4,921,750	5,280,632	4,633,672	4,945,960
Pupil Transportation	1,573,581	1,394,849	1,297,971	1,264,401
Central	2,918,311	2,390,546	2,751,860	2,226,289
Operation of Non-Instructional Services:				
Operation of Food Services	1,431,687	1,467,348	(2,928)	(155,592)
Other Non-Instructional Services	453,806	244,341	334,280	244,341
Extracurricular Activities	628,515	563,902	582,614	514,031
Interest and Fiscal Charges	240,690	393,750	240,690	393,750
Total	\$60,047,398	\$65,076,007	\$42,770,225	\$51,230,441

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The dependence on tax revenues and State subsidies for governmental activities is apparent. For all governmental activities, general revenues support is 71.23 percent.

The School District's Funds

Information about the School District's governmental funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$52,315,396 and expenditures of \$57,625,353. The net change in fund balance for the fiscal year 2014 in the general fund was a decrease of \$4,884,666. Although expenditures decreased, they still exceeded revenues. The net change in fund balances for the year in the title I special revenue fund was an increase of \$219,289, due to grant revenues increasing while expenditures decreased.

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.

During the course of fiscal year 2014, the School District amended its general fund budget several times. The general fund final budgeted and actual revenue amounts were in the amounts of \$45,184,930 and \$45,280,641, respectively. Final budgeted revenues surpassed original budgeted revenues of \$43,262,890 by \$1,922,040. The difference between the original and final budgeted amounts is due to an underestimate of intergovernmental revenue for the fiscal year. The final budgeted expenditures of \$51,953,363 were \$359,558 lower than actual expenditures of \$52,312,921 and \$2,779,020 lower than original budgeted expenditures of \$54,732,383. The School District ended the current fiscal year with a decrease in fund balance over fiscal year 2013.

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.

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2014 balances compared to fiscal year 2013.

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

	Governmental Activities	
	2014	2013 (Restated)
Land	\$2,389,900	\$2,389,900
Land Improvements	1,434,494	1,551,878
Buildings and Improvements	70,513,109	73,196,318
Furniture and Equipment	1,169,166	1,388,660
Vehicles	91,126	113,942
Textbooks	0	62,037
	\$75,597,795	\$78,702,735

All capital assets, except land, are reported net of depreciation. The decrease in capital assets was due to current year depreciation outpacing acquisitions of capital assets. In prior years, the School District was able to replace all buildings through the Ohio Schools Facility Commission program. For additional information on capital assets, see Note 11 of the notes to the basic financial statements.

For fiscal year 2014, Ohio law required school districts to expend or otherwise reserve three percent of qualifying revenues for the purpose of capital improvements. For fiscal year 2014, this amounted to \$468,184. The School District had qualifying disbursements exceeding these requirements. See Note 21 for additional set-aside information.

Debt

At June 30, 2014, the School District had the following outstanding debt:

Table 5
 Outstanding Debt at June 30

	Governmental Activities	
	2014	2013
General Obligation Bonds:		
2007 School Improvement Refunding Bonds	\$4,778,435	\$5,355,139

The School District's general obligation bonds were issued for the purposes of renovations of all School District facilities over a ten year period.

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District's overall debt margin was \$12,832,685 with an unvoted debt margin of \$193,419. For additional information on long-term obligations, see Note 19 of the notes to the basic financial statements.

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. In keeping with its mission statement the Board of Education has adopted an Economy and Efficiency Plan.

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 one 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 the Treasurer of East Cleveland City School District, 1843 Stanwood Road, East Cleveland, OH 44112-2901.

Basic Financial Statements

East Cleveland City School District
Statement of Net Position
June 30, 2014

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$24,716,687
Cash and Cash Equivalents in Segregated Accounts	10,394
Accounts Receivable	25,850
Intergovernmental Receivable	4,973,669
Materials and Supplies Inventory	18,872
Property Taxes Receivable	9,768,910
Nondepreciable Capital Assets	2,389,900
Depreciable Capital Assets	73,207,895
<i>Total Assets</i>	115,112,177
Deferred Outflows of Resources	
Deferred Charge on Refunding	115,161
Liabilities	
Accounts Payable	119,744
Accrued Wages and Benefits Payable	3,324,759
Intergovernmental Payable	429,992
Matured Compensated Absences Payable	424,561
Accrued Interest Payable	18,996
Long-Term Liabilities:	
Due Within One Year	1,886,469
Due in More Than One Year	9,080,450
<i>Total Liabilities</i>	15,284,971
Deferred Inflows of Resources	
Property Taxes	6,625,832
Net Position	
Net Investment in Capital Assets	70,289,212
Restricted for:	
Capital Projects	652,229
Debt Service	1,954,224
Food Service	1,195,010
Educational Services	6,028,627
Other Purposes	3,117
Unclaimed Monies	91,899
Unrestricted	13,102,217
<i>Total Net Position</i>	\$93,316,535

See accompanying notes to the basic financial statements

East Cleveland City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	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	\$15,025,921	\$782,939	\$354,660	(\$13,888,322)
Special	10,926,841	581,946	5,678,980	(4,665,915)
Vocational	1,270,677	69,287	0	(1,201,390)
Adult/Continuing	38,849	2,336	0	(36,513)
Student Intervention Services	6,697,537	400,621	248,775	(6,048,141)
Support Services:				
Pupil	3,278,119	158,546	1,965,963	(1,153,610)
Instructional Staff	3,934,611	84,845	2,955,964	(893,802)
Board of Education	33,822	2,034	0	(31,788)
Administration	4,442,967	240,760	1,189,973	(3,012,234)
Fiscal	1,724,945	100,303	93,585	(1,531,057)
Business	504,769	35,475	0	(469,294)
Operation and Maintenance of Plant	4,921,750	277,129	10,949	(4,633,672)
Pupil Transportation	1,573,581	73,455	202,155	(1,297,971)
Central	2,918,311	164,084	2,367	(2,751,860)
Operation of Non-Instructional Services:				
Operation of Food Services	1,431,687	71,837	1,362,778	2,928
Other Non-Instructional Services	453,806	76	119,450	(334,280)
Extracurricular Activities	628,515	45,901	0	(582,614)
Interest and Fiscal Charges	240,690	0	0	(240,690)
<i>Total Governmental Activities</i>	<u>\$60,047,398</u>	<u>\$3,091,574</u>	<u>\$14,185,599</u>	<u>(42,770,225)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				7,404,130
Debt Service				753,487
Capital Outlay				71,256
Grants and Entitlements not Restricted to Specific Programs				31,106,831
Investment Earnings				(78,382)
Unrestricted Contributions and Donations				1,063
Miscellaneous				805,218
<i>Total General Revenues</i>				<u>40,063,603</u>
Change in Net Position				(2,706,622)
<i>Net Position Beginning of Year - Restated (See Note 3)</i>				<u>96,023,157</u>
<i>Net Position End of Year</i>				<u>\$93,316,535</u>

See accompanying notes to the basic financial statements

East Cleveland City School District

*Balance Sheet
Governmental Funds
June 30, 2014*

	General	Title I	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$10,721,932	\$6,424,194	\$7,478,662	\$24,624,788
Cash and Cash Equivalents in Segregated Accounts	10,394	0	0	10,394
Restricted Equity in Pooled Cash and Cash Equivalents	91,899	0	0	91,899
Accounts Receivable	25,326	0	524	25,850
Intergovernmental Receivable	0	3,918,535	1,055,134	4,973,669
Materials and Supplies Inventory	0	0	18,872	18,872
Interfund Receivable	8,207,229	0	288,998	8,496,227
Property Taxes Receivable	8,806,208	0	962,702	9,768,910
<i>Total Assets</i>	<u>\$27,862,988</u>	<u>\$10,342,729</u>	<u>\$9,804,892</u>	<u>\$48,010,609</u>
Liabilities				
Accounts Payable	\$6,261	\$306	\$113,177	\$119,744
Accrued Wages and Benefits Payable	2,901,666	174,481	248,612	3,324,759
Intergovernmental Payable	322,935	26,274	80,783	429,992
Interfund Payable	0	5,520,476	2,975,751	8,496,227
Matured Compensated Absences Payable	375,994	44,730	3,837	424,561
<i>Total Liabilities</i>	<u>3,606,856</u>	<u>5,766,267</u>	<u>3,422,160</u>	<u>12,795,283</u>
Deferred Inflows of Resources				
Unavailable Revenue	1,581,571	3,918,535	1,215,688	6,715,794
Property Taxes	6,003,927	0	621,905	6,625,832
<i>Total Deferred Inflows of Resources</i>	<u>7,585,498</u>	<u>3,918,535</u>	<u>1,837,593</u>	<u>13,341,626</u>
Fund Balances				
Nonspendable	91,899	0	18,872	110,771
Restricted	0	657,927	4,846,927	5,504,854
Assigned	2,393,927	0	0	2,393,927
Unassigned (Deficit)	14,184,808	0	(320,660)	13,864,148
<i>Total Fund Balances</i>	<u>16,670,634</u>	<u>657,927</u>	<u>4,545,139</u>	<u>21,873,700</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$27,862,988</u>	<u>\$10,342,729</u>	<u>\$9,804,892</u>	<u>\$48,010,609</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, 2014*

Total Governmental Funds Balances	\$21,873,700
 <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.	75,597,795
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	1,761,495
Intergovernmental	<u>4,954,299</u>
Total	6,715,794
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(18,996)
Deferred outflows of resources represent deferred charges on refundings, which are not reported in the funds.	115,161
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(4,778,435)
Capital Leases	(645,309)
Compensated Absences	<u>(5,543,175)</u>
Total	<u>(10,966,919)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$93,316,535</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, 2014

	General	Title I	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$7,081,208	\$0	\$786,941	\$7,868,149
Intergovernmental	34,088,369	2,044,460	4,306,673	40,439,502
Interest	(78,382)	0	0	(78,382)
Charges for Services	5,797	0	71,837	77,634
Tuition and Fees	2,975,345	0	0	2,975,345
Rentals	6,396	0	250	6,646
Extracurricular Activities	9,481	0	22,468	31,949
Contributions and Donations	5,051	0	168,441	173,492
Miscellaneous	811,583	0	9,478	821,061
<i>Total Revenues</i>	<u>44,904,848</u>	<u>2,044,460</u>	<u>5,366,088</u>	<u>52,315,396</u>
Expenditures				
Current:				
Instruction:				
Regular	13,133,482	0	335,531	13,469,013
Special	9,669,779	712,425	555,906	10,938,110
Vocational	1,215,801	0	0	1,215,801
Adult/Continuing	38,831	0	0	38,831
Student Intervention Services	6,659,499	0	35,000	6,694,499
Support Services:				
Pupil	2,651,054	532,390	136,254	3,319,698
Instructional Staff	1,337,034	279,344	1,915,406	3,531,784
Board of Education	33,807	0	0	33,807
Administration	3,819,971	257,533	54,373	4,131,877
Fiscal	1,638,630	9,279	47,556	1,695,465
Business	478,399	0	0	478,399
Operation and Maintenance of Plant	4,472,275	1,663	395,820	4,869,758
Pupil Transportation	1,227,032	518	152,436	1,379,986
Central	2,766,833	0	2,041	2,768,874
Operation of Non-Instructional Services	1,264	32,019	14,804	48,087
Operation of Food Services	0	0	1,418,926	1,418,926
Extracurricular Activities	289,519	0	185,905	475,424
Capital Outlay	0	0	156,860	156,860
Debt Service:				
Principal Retirement	158,890	0	545,000	703,890
Interest and Fiscal Charges	17,414	0	238,850	256,264
<i>Total Expenditures</i>	<u>49,609,514</u>	<u>1,825,171</u>	<u>6,190,668</u>	<u>57,625,353</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(4,704,666)</u>	<u>219,289</u>	<u>(824,580)</u>	<u>(5,309,957)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	180,000	180,000
Transfers Out	(180,000)	0	0	(180,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(180,000)</u>	<u>0</u>	<u>180,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(4,884,666)	219,289	(644,580)	(5,309,957)
<i>Fund Balances Beginning of Year</i>	<u>21,555,300</u>	<u>438,638</u>	<u>5,189,719</u>	<u>27,183,657</u>
<i>Fund Balances End of Year</i>	<u>\$16,670,634</u>	<u>\$657,927</u>	<u>\$4,545,139</u>	<u>\$21,873,700</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, 2014*

Net Change in Fund Balances -Total Governmental Funds (\$5,309,957)

*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 depreciation exceeded capital outlay in the current period.

Capital Asset Additions	131,176	
Current Year Depreciation	<u>(2,791,162)</u>	
Total		(2,659,986)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (444,954)

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

Delinquent Property Taxes	360,724	
Intergovernmental	<u>4,680,499</u>	
Total		5,041,223

In the statement of activities, interest accrued on outstanding bonds, bond premium, and loss on refunding are amortized over the term of the bonds, whereas in governmental funds an interest expenditure is reported when due and premiums, and loss on refunding are reported when the bonds are issued.

Accrued Interest	1,817	
Amortization of Bond Premium	31,704	
Amortization of Accounting Loss	<u>(17,947)</u>	
Total		15,574

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 703,890

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. (52,412)

Change in Net Position of Governmental Activities (\$2,706,622)

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, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$6,702,762	\$7,058,739	\$7,058,739	\$0
Intergovernmental	32,785,628	34,284,702	34,284,702	0
Interest	120,000	113,353	113,353	0
Charges for Services	0	5,797	5,797	0
Tuition and Fees	3,210,000	2,975,345	2,975,345	0
Rentals	1,000	6,396	6,396	0
Extracurricular Activities	0	6,098	6,098	0
Contributions and Donations	500	1,063	1,063	0
Miscellaneous	443,000	733,437	829,148	95,711
<i>Total Revenues</i>	<u>43,262,890</u>	<u>45,184,930</u>	<u>45,280,641</u>	<u>95,711</u>
Expenditures				
Current:				
Instruction:				
Regular	14,443,873	13,712,905	13,942,713	(229,808)
Special	10,719,982	10,175,018	10,020,462	154,556
Vocational	1,382,886	1,312,585	1,297,713	14,872
Adult/Continuing	43,035	40,847	39,268	1,579
Student Intervention Services	7,298,222	6,927,274	6,659,499	267,775
Support Services:				
Pupil	2,900,955	2,753,481	2,667,746	85,735
Instructional Staff	1,465,023	1,390,547	1,363,337	27,210
Board of Education	45,343	43,038	46,353	(3,315)
Administration	4,180,830	3,968,292	3,999,789	(31,497)
Fiscal	1,809,456	1,717,470	1,771,966	(54,496)
Business	524,278	497,626	517,241	(19,615)
Operation and Maintenance of Plant	5,162,408	4,899,970	5,278,057	(378,087)
Pupil Transportation	1,357,179	1,288,185	1,285,749	2,436
Central	3,080,314	2,923,722	3,132,315	(208,593)
Operation of Non-Instructional Services	1,370	1,300	1,250	50
Extracurricular Activities	317,229	301,103	289,463	11,640
<i>Total Expenditures</i>	<u>54,732,383</u>	<u>51,953,363</u>	<u>52,312,921</u>	<u>(359,558)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(11,469,493)</u>	<u>(6,768,433)</u>	<u>(7,032,280)</u>	<u>(263,847)</u>
Other Financing Sources (Uses)				
Advances In	6,300,000	999,663	999,663	0
Advances Out	(9,478,778)	(3,351,500)	(3,351,500)	0
Transfers Out	(293,101)	(180,000)	(180,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(3,471,879)</u>	<u>(2,531,837)</u>	<u>(2,531,837)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(14,941,372)</u>	<u>(9,300,270)</u>	<u>(9,564,117)</u>	<u>(263,847)</u>
<i>Fund Balance Beginning of Year</i>	<u>15,840,146</u>	<u>15,840,146</u>	<u>15,840,146</u>	<u>0</u>
Prior Year Encumbrances Appropriated	2,279,180	2,279,180	2,279,180	0
<i>Fund Balance End of Year</i>	<u>\$3,177,954</u>	<u>\$8,819,056</u>	<u>\$8,555,209</u>	<u>(\$263,847)</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, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$4,828,107	\$2,044,460	\$2,044,460	\$0
Expenditures				
Current:				
Instruction:				
Special	2,652,616	3,877,100	2,654,707	1,222,393
Support Services:				
Pupil	1,773,285	806,066	547,624	258,442
Instructional Staff	936,597	885,773	297,520	588,253
Administration	699,759	258,029	216,099	41,930
Fiscal	30,047	9,279	9,279	0
Operation and Maintenance of Plant	4,394	27,500	1,357	26,143
Operation of Non-Instructional Services	74,448	119,926	42,088	77,838
<i>Total Expenditures</i>	<u>6,171,146</u>	<u>5,983,673</u>	<u>3,768,674</u>	<u>2,214,999</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,343,039)	(3,939,213)	(1,724,214)	2,214,999
Other Financing Sources (Uses)				
Advances In	<u>0</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,343,039)	(2,139,213)	75,786	2,214,999
<i>Fund Balance Beginning of Year</i>	4,464,832	4,464,832	4,464,832	0
Prior Year Encumbrances Appropriated	<u>20,677</u>	<u>20,677</u>	<u>20,677</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,142,470</u></u>	<u><u>\$2,346,296</u></u>	<u><u>\$4,561,295</u></u>	<u><u>\$2,214,999</u></u>

See accompanying notes to the basic financial statements

East Cleveland City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$143,629</u>
Liabilities	
Undistributed Monies	\$17,797
Due to Students	<u>125,832</u>
<i>Total Liabilities</i>	<u>\$143,629</u>

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, 2014*

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 614 school districts in the State of Ohio and one of 33 in Cuyahoga County, and provides education to 2,400 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 one elementary school, one middle school and one high school, staffed by 159 support staff personnel, 299 certified teaching personnel and 39 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 an insurance purchasing pool, a related organization and two jointly governed organizations. These organizations are the Ohio School Boards Association Workers' Compensation Group Rating Program, East Cleveland Public Library, the North Coast Council, and Ohio Schools Council Association. These organizations are presented in Notes 17, 18 and 22 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 below.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. 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. Fiduciary funds are reported by type.

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 two categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities 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, 2014

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.

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.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds report resources belonging to the student bodies of the various schools and college scholarship money.

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.

Basis of Accounting

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

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

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

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 position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the 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 and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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.

Budgetary Data

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

East Cleveland City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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. Prior to June 30, the Board requested and received an amended certificate in which estimated revenue closely reflects the actual revenue for the fiscal year.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues 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.

During fiscal year 2014, the School District's investments were limited to federal national mortgage association bonds, federal farm credit bank bonds, federal home loan mortgage corporation bonds and STAR Ohio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share which is the price the investment could be sold for on June 30, 2014.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during fiscal year 2014 amounted to (\$78,382), which includes (44,269) assigned from other School District funds. Interest revenue was negative due to the market value of investments being lower than the cost basis at fiscal year end.

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.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

Capital Assets

All capital assets 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 fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land 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

Bond Premium

On government-wide financial statement, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are received in the year the bonds are issued.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

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.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

On the financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave 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.

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, compensated absence that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

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. 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.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 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 represents the remaining amount that is not restricted or committed. These amounts are assigned 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 support services.

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.

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.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 3 –Restatement of Prior Year’s Net Position

During fiscal year 2014, it was determined that capital assets were overstated. This restatement decreased net position at June 30, 2013 from \$98,237,538 to \$96,023,157.

Note 4 – Fund Deficits

At June 30, 2014, the following funds had deficit fund balances:

	<u>Amount</u>
Public School Preschool	\$28,867
School Improvement Subsidy	219,871
Title I School Improvement Subsidy	71,922

The deficits are due to adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

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 fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are 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. Unrecorded cash is not reported by the School District on the operating statements (budget), but is reported on the GAAP basis operating statements.
7. 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, 2014

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 special revenue fund.

Net Change in Fund Balances		
	General	Title I
GAAP Basis	(\$4,884,666)	\$219,289
Net Adjustment for Revenue Accruals	599,908	0
Advances In	999,663	1,800,000
Ending Unrecorded Cash	(39,791)	0
Ending Fair Value Adjustment for Investments	(191,735)	0
Perspective Differences:		
Public School Support	(1,743)	0
Net Adjustment for Expenditure Accruals	(328,916)	(80,604)
Advances Out	(3,351,500)	0
Adjustment for Encumbrances	(2,365,337)	(1,862,899)
Budget Basis	(\$9,564,117)	\$75,786

Note 6 - Deposits and Investments

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

Active monies 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

East Cleveland City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

3. 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;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) 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 to market daily, and the term of the agreement must not exceed thirty days.

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of 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 fiscal year end, \$13,803,814 of the School District's bank balance of \$14,064,208 was uninsured and uncollateralized. Although the collateral securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

Investments are reported at fair value. As of June 30, 2014, the School District had the following investments:

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Investment Type	Fair Value	Maturity	Standard and Poor's Rating	Percentage of Total Investments
Federal National Mortgage Association Bonds	\$2,458,563	Less than five years	AA+	21.49 %
Federal Farm Credit Bank Bonds	1,496,793	Less than five years	AA+	13.08
Federal Home Loan Mortgage Corporation Bonds	6,914,159	Less than five years	AA+	60.44
STAR Ohio	570,519	51.4 Days	AAAm	N/A
Total Investments	<u>\$11,440,034</u>			

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.

Note 7 - Receivables

Receivables at June 30, 2014, consisted of taxes, accounts (miscellaneous), 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	\$3,918,535
Non-ARRA School Competitive	611,692
School Improvement Sub A, Title I	220,000
Title II-A	162,430
Race to the Top	26,266
Special Education, Part B-IDEA	15,376
Cuyahoga County	12,281
Food Service Reimbursement	7,089
<i>Total Intergovernmental Receivables</i>	<u>\$4,973,669</u>

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 8 - 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.

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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in calendar year 2014 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, 2014, are available to finance fiscal year 2015 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, 2014 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, 2014, was \$1,220,685 in the general fund, \$146,808 in the general obligation bond retirement debt service fund and \$14,063 in the classroom facilities maintenance capital projects fund. The amount available as an advance at June 30, 2013, was \$1,198,152 in the general fund, \$144,912 in the general obligation bond retirement debt service fund, and \$13,861 in the classroom facilities maintenance capital projects fund. The difference was in the timing and collection by the County Fiscal Officer.

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 – property taxes.

The assessed values upon which the fiscal year 2014 taxes were collected are:

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate				
Residential/Agricultural	\$134,893,940	70.14 %	\$133,002,110	68.76 %
Other Real Estate	47,031,790	24.46	49,027,210	25.35
Tangible Personal Property				
Public Utility	10,384,770	5.40	11,389,400	5.89
Total	\$192,310,500	100.00 %	\$193,418,720	100.00 %
Tax rate per \$1,000 of assessed valuation	\$94.10		\$94.10	

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 below:

Fund Balances	General	Title I	Other Governmental Funds	Total
<i>Nonspendable:</i>				
Unclaimed Monies	\$91,899	\$0	\$0	\$91,899
Inventory	0	0	18,872	18,872
<i>Total Nonspendable</i>	91,899	0	18,872	110,771
<i>Restricted for:</i>				
Food Service Operations	0	0	1,280,975	1,280,975
College Scholarships	0	0	86,707	86,707
Athletics and Music	0	0	3,117	3,117
Vocational Education	0	0	32,975	32,975
Community Involvement	0	0	164	164
Technology Improvements	0	0	39,837	39,837
Educational Services	0	657,927	923,024	1,580,951
Remedial Reading	0	0	22,419	22,419
Student Services	0	0	12,184	12,184
Debt Service Payments	0	0	1,809,022	1,809,022
Capital Improvements	0	0	636,503	636,503
<i>Total Restricted</i>	\$0	\$657,927	\$4,846,927	\$5,504,854

(continued)

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Fund Balances	General	Title I	Other Governmental Funds	Total
<i>Assigned to:</i>				
Support Services	\$33,398	\$0	\$0	\$33,398
Purchases on Order	2,360,529	0	0	2,360,529
<i>Total Assigned</i>	2,393,927	0	0	2,393,927
<i>Unassigned (Deficit)</i>	14,184,808	0	(320,660)	13,864,148
<i>Total Fund Balances</i>	\$16,670,634	\$657,927	\$4,545,139	\$21,873,700

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, 2014.

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 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Restated Balance 6/30/13	Additions	Deletions	Balance 6/30/14
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$2,389,900	\$0	\$0	\$2,389,900
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,433,817	0	0	2,433,817
Buildings and Improvements	97,427,608	110,160	(635,649)	96,902,119
Furniture and Equipment	7,000,939	21,016	0	7,021,955
Vehicles	541,048	0	0	541,048
Textbooks	1,853,856	0	0	1,853,856
<i>Total Capital Assets, being Depreciated</i>	\$109,257,268	\$131,176	(\$635,649)	\$108,752,795

(continued)

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

	Restated Balance 6/30/13	Additions	Deletions	Balance 6/30/14
Less Accumulated Depreciation:				
Land Improvements	(\$881,939)	(\$117,384)	\$0	(\$999,323)
Buildings and Improvements	(24,231,290)	(2,348,415)	190,695	(26,389,010)
Furniture and Equipment	(5,612,279)	(240,510)	0	(5,852,789)
Vehicles	(427,106)	(22,816)	0	(449,922)
Textbooks	(1,791,819)	(62,037)	0	(1,853,856)
<i>Total Accumulated Depreciation</i>	<u>(32,944,433)</u>	<u>(2,791,162)</u>	<u>190,695</u>	<u>(35,544,900)</u>
<i>Total Capital Assets, being Depreciated, Net</i>	<u>76,312,835</u>	<u>(2,659,986)</u>	<u>(444,954)</u>	<u>73,207,895</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$78,702,735</u>	<u>(\$2,659,986)</u>	<u>(\$444,954)</u>	<u>\$75,597,795</u>

Depreciation expense was charged to governmental functions as follow:

Instruction:	
Regular	\$1,229,481
Special	4,521
Vocational	118,396
Support Services:	
Instructional Staff	395,383
Administration	61,271
Business	11,217
Operation and Maintenance of Plant	25,820
Pupil Transportation	199,679
Central	187,472
Operation of Non-Instructional Services	405,047
Extracurricular Activities	152,875
<i>Total Depreciation Expense</i>	<u>\$2,791,162</u>

Note 12 - Interfund Transactions

Transfers

During fiscal year 2014, the School District transferred \$180,000 from the general fund to other governmental funds to support programs and projects accounted for in other funds.

Balances

Interfund balances at June 30, 2014 consisted of the following:

Interfund Payable	Interfund Receivable		Total
	General Fund	Other Governmental Funds	
Title I	\$5,520,476	\$0	\$5,520,476
Other Governmental Funds	2,686,753	288,998	2,975,751
	<u>\$8,207,229</u>	<u>\$288,998</u>	<u>\$8,496,227</u>

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

The interfund payables are advances for grant monies that were not received by fiscal year-end. The School District expects to receive the grant monies and repay the advances within the next fiscal year.

Note 13 - 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 2014, the School District contracted with Mid-American Fire and Casualty Insurance Company for property insurance of \$138,057,522, fleet insurance of \$1,000,000 and liability coverage of \$1,000,000 per occurrence with no deductible.

Professional liability is protected by the Mid-American Fire and Casualty Insurance Company. General liability is protected with Mid-American Fire and Casualty 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 Mid-American Fire and Casualty Insurance Company.

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 2014, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). 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 Gates McDonald and Co. provides administrative, cost control, and actuarial services to the GRP.

Employee Benefits

The School District has contracted with Anthem to provide employee medical, surgical, prescription drug and dental benefits. The School District pays \$1,891 for family coverage, \$1,261 for single plus one coverage and \$630 for single coverage per month. The employees pay five percent of the premium through a payroll deduction.

The School District provides life insurance and accidental death and dismemberment insurance in the amount of one times their salary for teachers, \$30,000 for classified employees and part-time employees, and one and one-half times their salaries for administrators. The insurance is provided through Fort Dearborn Life Insurance Company.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 – Defined Benefit Pension Plans

School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, 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 and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

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, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$693,808, \$796,041 and \$840,882, respectively. For fiscal year 2014, 95.87 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 9.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. The statutory maximum employee contribution rate was increased one percent July 1, 2013, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$2,531,036 and \$56,272 for the fiscal year ended June 30, 2014, \$2,835,967 and \$55,500 for the fiscal year ended June 30, 2013, and \$2,821,579 and \$68,307 for the fiscal year ended June 30, 2012. For fiscal year 2014, 95.87 percent has been contributed for the DB plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

Contributions made to STRS Ohio for the DC Plan for fiscal year 2014 were \$54,100 made by the School District and \$42,507 made by the plan members. In addition, member contributions of \$44,214 were made for fiscal year 2014 for the defined contribution portion of the Combined Plan.

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Note 16 – Postemployment Benefits

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$70,896 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$78,311, \$80,379 and \$135,734, respectively. For fiscal year 2014, 95.87 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012, were \$40,251, \$44,967 and \$49,658, respectively. For fiscal year 2014, 95.87 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

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

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$194,695, \$218,151 and \$217,045, respectively. For fiscal year 2014, 95.87 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

Note 17 – Public Entity Risk Pool

Insurance Purchasing Pool

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 18 – 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 19 - Long Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the School District’s long-term obligations follows:

<u>Debt Issue</u>	<u>Original Issue Date</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>
<i>General Obligation Bonds:</i>				
School Improvement Refunding Bonds	2007	\$5,645,000	4.00-5.50%	December 1, 2020

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

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

	Principal Outstanding 6/30/13	Additions	(Reductions)	Principal Outstanding 6/30/14	Amount Due in One Year
Governmental Activities:					
General Obligations Bonds:					
School Improvement Refunding - 2007					
Serial Bonds	\$5,120,000	\$0	(\$545,000)	\$4,575,000	\$570,000
Unamortized Premium	235,139	0	(31,704)	203,435	0
<i>Total General Obligation Bonds</i>	5,355,139	0	(576,704)	4,778,435	570,000
Capital Lease	804,199	0	(158,890)	645,309	162,713
Compensated Absences	5,490,763	684,245	(631,833)	5,543,175	1,153,756
Total Governmental Activities	<u>\$11,650,101</u>	<u>\$684,245</u>	<u>(\$1,367,427)</u>	<u>\$10,966,919</u>	<u>\$1,886,469</u>

In August 2007, the School District issued school improvement refunding bonds having an original face value of \$5,645,000. The bonds were issued at a \$422,721 premium and issuance costs were \$138,463.

The refunding bonds were issued to defease the 1999 school improvement general obligation term bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. School improvement refunding bonds will be paid from the bond retirement fund.

The overall debt margin of the School District as of June 30, 2014, was \$12,832,685 with an unvoted debt margin of \$193,419. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014, are as follows:

	General Obligation Bonds	
	Principal	Interest
2015	\$570,000	\$216,550
2016	595,000	192,506
2017	615,000	166,794
2018	645,000	135,988
2019	680,000	99,550
2019-2021	1,470,000	81,949
Total	<u>\$4,575,000</u>	<u>\$893,337</u>

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 20 - Leases

Capital Leases

The School District entered into capitalized lease obligations for the purchase of copiers. The lease meets the criteria for capital leases and have been recorded on the government-wide statements. The original amounts capitalized for the capital leases and their book values as of June 30, 2014 are as follows:

	Amounts
Assets:	
Equipment	\$830,315
Less: Accumulated Depreciation	(103,790)
Current Book Value	\$726,525

The following is a schedule of the future minimum leases payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2014.

	Amounts
2015	\$176,304
2016	176,304
2017	176,304
2018	146,919
Total Minimum Lease Payments	675,831
Less: Amount Representing Interest	(30,522)
Present Value of Minimum Lease Payments	\$645,309

Operating Leases

In prior fiscal years, the School District entered into an operating lease with City Management Group, Limited, for the purpose of leasing a bus garage and warehouse to house the School District's buses and maintenance equipment. This is a cancelable lease that is renewed annually. The School District pays \$4,000 per month. For fiscal year 2014, the School District paid rental costs of \$48,000. The School District must provide the lessor written notice at least 90 days prior to termination of the lease.

Note 21 - 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.

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

	Capital Improvement
Set-aside Balances as of June 30, 2013	(\$7,774,871)
Current Year Set-aside Requirement	468,184
Levy Proceeds Offsets	(68,592)
Qualifying Disbursements	(183,652)
Totals	<u>(\$7,558,931)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$7,558,931)</u>
Set-aside Balances as of June 30, 2014	<u>\$0</u>

Note 22 - Jointly Governed Organizations

North Coast Council The North Coast Council (NCC) is a jointly governed computer service bureau owned and operated by eleven public school districts. The primary function of NCC is to provide data services to the thirteen member districts. Major areas of service provided by NCC include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Each school is represented on the NCC Board of Directors by its superintendent. The NCC's Board exercises total control over the operations of the NCC including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. Each school district supports NCC based upon a per student charge dependent upon software package used. The School District paid \$55,525 for fiscal year 2014 to purchase EMIS reporting services, internet services and library services. The Cuyahoga County Education Service Center serves as the fiscal agent of NCC. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valley View, OH 44125.

Ohio Schools' Council Association The Ohio Schools Council Association (Council) is a jointly governed organization among 199 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 superintendent serves as a representative of 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 nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly from September through 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. The Council's Assembly exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Assembly. In fiscal year 2014, the School District paid \$1,923 to the Council. Financial information can be obtained by contacting William Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Boulevard, Suite 377, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2011 through March 31, 2014. There are currently 143 participants in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

The School District also participates in the Council’s electric purchase program. The Council provides 238 school districts and 11 Developmental Disabilities boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, and Toledo Edison) 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 May 2014, converting to a new fixed price or percent off the Price to Compare (PTC), whichever provides the greatest savings until December 2019.

Note 23 – Encumbrances

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

General	\$2,365,337
Title I	1,862,899
Other Governmental Funds	<u>568,829</u>
Total	<u><u>\$4,797,065</u></u>

Note 24 – Compliance

Contrary to Section 5705.41 (B), Ohio Revised Code, the general fund had expenditures plus encumbrances in excess of appropriations in the amount of \$359,558. Although this budgetary violation was not corrected by year end, management has indicated that appropriations will be closely monitored to prevent future violations.

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**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$92,834	\$92,834
Cash Assistance:			
National School Lunch Program	10.555	950,030	950,030
School Breakfast Program	10.553	327,433	327,433
Summer Food Service Program for Children	10.559	31,314	31,314
Cash Assistance Subtotal		<u>1,308,777</u>	<u>1,308,777</u>
Total Child Nutrition Cluster		<u>1,401,611</u>	<u>1,401,611</u>
Fresh Fruit and Vegetable Program	10.582	81,963	81,963
State Administrative Expenses for Child Nutrition	10.560	3,245	3,245
Total U.S. Department of Agriculture		<u>1,486,819</u>	<u>1,486,819</u>
U.S. DEPARTMENT OF DEFENSE			
<i>Direct Assistance:</i>			
Junior ROTC	12.000	47,674	47,674
Total U.S. Department of Defense		<u>47,674</u>	<u>47,674</u>
U. S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	2,044,460	2,125,639
Special Education Cluster (IDEA):			
Special Education Grants to States	84.027	937,219	746,600
Special Education Preschool Grants	84.173	35,283	28,355
Total Special Education Cluster		<u>972,502</u>	<u>774,955</u>
Career and Technical Education - Basic Grants to States	84.048	114,750	108,822
Improving Teacher Quality State Grants	84.367	442,844	404,695
School Improvement Grants Cluster:			
School Improvement Grants	84.377	479,653	584,939
ARRA - School Improvement Grants, Recovery Act	84.388	273,800	248,222
Total School Improvement Grants Cluster		<u>753,453</u>	<u>833,161</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	341,128	358,444
Total Pass Through Ohio Department of Education		<u>4,669,137</u>	<u>4,605,716</u>
Total U.S. Department of Education		<u>4,669,137</u>	<u>4,605,716</u>
Total Federal Assistance		<u>\$6,203,630</u>	<u>\$6,140,209</u>

See the accompanying notes to the Schedule of Federal Awards Receipts and Expenditures

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the East Cleveland City School District's (the District) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FEDERAL ASSISTANCE TRANSFERS

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with ODE's approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2014, the Ohio Department of Education (ODE) authorized the following transfers:

CFDA Number	Program Title	Pass-Through Entity Number (or Grant Year)	Transfers Out	Transfers In
84.010	Title I Grants to Local Educational Agencies	ODE FY 13	2,436,565	
84.010	Title I Grants to Local Educational Agencies	ODE FY 14		2,436,565
84.367	Improving Teacher Quality State Grants	ODE FY 13	87,963	
84.367	Improving Teacher Quality State Grants	ODE FY 14		87,963
84.027	Special Education Grants to States	ODE FY 13	178,078	
84.027	Special Education Grants to States	ODE FY 14		178,078
84.395	ARRA - Race-to-the-Top Incentive Grants	ODE FY 13	300,000	
84.395	ARRA - Race-to-the-Top Incentive Grants	ODE FY 14		300,000
84.377	School Improvement Grants	ODE FY 13	316,345	
84.377	School Improvement Grants	ODE FY 14		316,345
		Total	\$3,318,951	\$3,318,951

NOTE C – 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 D – FOOD DONATION PROGRAM

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

NOTE E – 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.

CFDA – Catalog of Federal Domestic Assistance



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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 Road
East Cleveland, Ohio 44112-2707

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Cleveland City School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 13, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider a significant deficiency in internal control. We consider finding 2014-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

May 13, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

East Cleveland City School District
Cuyahoga County
1843 Stanwood Road
East Cleveland, Ohio 44112-2707

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the East Cleveland City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the East Cleveland City School District's major federal programs for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

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Basis for Qualified Opinion on the Career and Technical Education – Basic Grants to States and Child Nutrition Cluster Programs

As described in findings 2014-002 through 2014-004 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-002	10.553,10.555 and 10.559	Child Nutrition Cluster	Procurement and Suspension and Debarment
2014-003	84.048	Career and Technical Education – Basic Grants to States	Activities Allowed or Unallowed and Allowable Costs /Cost Principals
2014-004	84.048	Career and Technical Education – Basic Grants to States	Activities Allowed or Unallowed and Allowable Costs /Cost Principals

Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

Qualified Opinion on the Career and Technical Education – Basic Grants to States and Child Nutrition Cluster Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on the Career and Technical Education – Basic Grants to States and Child Nutrition Cluster Programs paragraph, the East Cleveland City School District, Cuyahoga County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect the Career and Technical Education – Basic Grants to States and Child Nutrition Cluster Programs for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the East Cleveland City School District complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and questioned costs as items 2014-005 and 2014-006. These findings did not require us to modify our compliance opinion on each major federal program.

The District's responses to our noncompliance findings are described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not audit the District responses and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as item 2014-002 to 2014-004 to be material weaknesses.

The District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and questioned costs and corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

May 13, 2015

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**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses 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 internal control weaknesses 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	Unmodified for all major programs except for the Child Nutrition Cluster and Career and Technical Education – Basic Grants to States federal programs which were qualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: CFDA# 10.555 – National School Lunch Program CFDA# 10.553 – School Breakfast Program CFDA# 10.559 – Summer Food Service Program for Children Special Education Cluster (IDEA): CFDA# 84.027 – Special Education Grants to States CFDA# 84.173 – Special Education Preschool Grants CFDA# 84.048 - Career and Technical Education – Basic Grants to States School Improvement Grants Cluster: CFDA# 84.377 – School Improvement Grants CFDA# 84.388 – ARRA- School Improvement Grants, Recovery Act
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(Continued)**

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

Finding Number	2014-001
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Significant Deficiency, Reconciling the Bank and Investment Accounts to the Book Balances

Reconciliation of the District's bank accounts with its cash ledgers is a necessary control procedure to adequately safeguard cash and to provide an accurate financial picture of the District. A necessary step in internal control over financial reporting is to determine the accuracy of both the balance of the bank and the balance of "cash" in the accounting records. As part of the bank reconciliation, all differences between the balance appearing on the bank statements and the balance of cash according to the District's records should be accounted for.

The District's June 30, 2014 bank reconciliation included \$41,213 in adjustments that were not supported. In order to correct this situation, the District hired the Auditor of State's Local Government Services Division (LGS) to reconcile the activity. LGS identified adjustments totaling \$54,394 to reconcile the books to the bank and investment accounts. The accompanying financial statements and accounting records reflect the correcting adjustments. The failure to resolve discrepancies in a timely manner may result in errors in the cash fund balances, budgeting and financial reporting

The District has been removing old outstanding checks from the bank reconciliations, in the past, in accordance with the guidance provided for in Auditor of State Management Advisory Services Bulletin 91-11 and Ohio Rev. Code Section 9.39. However, the June 30, 2014 bank reconciliation included 474 outstanding checks greater than one year old totaling \$27,271, dating back to March 2012. This results in an inefficient bank reconciliation process.

We recommend the bank reconciliations be performed in a timely manner and that discrepancies be investigated promptly. We also recommend District continue removing old outstanding checks from the bank reconciliations and following the guidance provided for in Auditor of State Management Advisory Services Bulletin 91-11 and Ohio Rev. Code Section 9.39.

District's Response

The District will continue its efforts to reconcile on a monthly basis. Should an imbalance occur, every effort will continue to be made to identify any reconciling items and follow through with corrective action. If an imbalance persists, the Treasurer will follow proper protocol and notify the Local Government Services Division of the Ohio Auditor of State.

The transfer of outstanding checks will continue to be monitored and transferred to Unclaimed Funds.

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2014-002
CFDA Title and Number	Child Nutrition Cluster: National School Lunch Program, CFDA# 10.555 School Breakfast Program, CFDA# 10.553 Summer Food Service Program for Children, CFDA#10.559
Year	2014
Federal Agency	U. S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Material Weakness, Material Noncompliance Finding, Procurement and Suspension and Debarment

2 CFR 180.300 states that Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the government-wide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transactions with that entity.

A test of 25 non-payroll expenditures for the Child Nutrition Cluster disclosed 10 expenditures, comprising five vendors, received payments totaling more than \$25,000 and there was no evidence the District checked the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collected a certification from the District, or added a clause or condition to the covered transaction with the vendor.

We recommend that prior to contracting with vendors that will be paid with federal funds, the District should verify the vendor is not suspended or debarred by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the vendor, or adding a clause or condition to the covered transaction with the vendor.

District's Response

All twenty-two vendors used for the Food Service Program have been verified as not being suspended or debarred by checking with the Excluded Parties List System (EPLS). This process will occur without exception as needed.

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2014-003
CFDA Title and Number	Career and Technical Education – Basic Grants to States, CFDA# 84.048
Year	2014
Federal Agency	U. S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness, Material Noncompliance and Questioned Cost Finding, Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Title 20 United States Code (USC) Section 2355 (b) (1) states the following:

(b) Requirements for uses of funds

Funds made available to eligible recipients under this part shall be used to support career and technical education programs that-

(1) strengthen the academic and career and technical skills of students participating in career and technical education programs, by strengthening the academic and career and technical education components of such programs through the integration of academics with career and technical education programs through a coherent sequence of courses, such as career and technical programs of study described in section 2342(c)(1)(A) of this title, to ensure learning in-

- (A) the core academic subjects (as defined in section 7801 of this title); and
- (B) career and technical education subjects.

Ohio Department of Education Memo, "Guidelines for Compliance with Perkins IV Regulations," January 12, 2010 states in part the intent of the Perkins legislation is to "develop more fully the academic and career and technical skills of secondary education students and postsecondary education students." Perkins allocations must be used to fund career-technical programs, not individual student activities, efforts or outcomes. Therefore, it is not advisable to use Perkins money to fund student incentives, awards or membership fees.

A test of six Career and Technical Education - Basic Grants to States (Perkins IV) grant expenditures disclosed two expenditures (33%) were used to fund student incentives, awards or membership fees and were deemed unallowable. The exceptions are as follows:

- \$1,429 was spent on student's membership to the National Technical Honor Society and awards given to students at graduation which consisted of souvenir tassel key rings, silver stoles, neck draped medallions and honor cords.
- \$93 was spent on awards and lapel pins given to students receiving their nursing certification.

This projects to questioned costs in excess of \$10,000.

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2014-003
(Continued)	

We recommend that controls be developed to monitor grant expenditures and ensure they are not used to fund student incentives, awards or membership fees.

District's Response

The amounts in question have been returned to the Ohio Department of Education. Such expenditures relative to student incentives will not be charged to the Carl D. Perkins Secondary Grant in the future.

Finding Number	2014-004
CFDA Title and Number	Career and Technical Education – Basic Grants to States, CFDA# 84.048
Year	2014
Federal Agency	U. S. Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness, Material Noncompliance and Questioned Cost Finding, Activities Allowed or Unallowed and Allowable Costs/Cost Principles

OMB Circular A-87, Appendix B, paragraph 8.h.(4), (5), and (6) states that when an employee who works in part on a single cost objective (i.e., the consolidated administrative cost objective) and in part on a Federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources must maintain time and effort distribution records documenting the portion of time and effort dedicated to: (a) The single cost objective, and (b) Each program or other cost objective supported by non-consolidated Federal funds or other revenue sources.

The District's Administrator for the Career and Technical Education - Basic Grants to States (Perkins IV) Federal Grant charges 100% of his salary (\$91,919) to the Grant. However, the Administrator was also appointed to position of Expulsion Hearing Officer for the District and did not prepare the time and effort summaries required to support the time charged to the Grant.

This results in questioned cost of \$91,919.

We recommend that the District utilize time and effort summaries when required to comply with the A-87 requirement. Time and effort summaries should be properly prepared and approved by the respective federal grant employee's supervisor. The District should also monitor all employees charging the program throughout the year to ensure that only proper employees are charging the program.

District's Response

Time and effort summaries will be completed by the Director of Career and Technical Education. Said summaries will be monitored and approved by the supervisor on an on-going basis.

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2014-005
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Other Federal Noncompliance Finding – Activities Allowed or Unallowed and Questioned Cost

2 CFR 225 Appendix A(C) provides that to be allowable under Federal awards, costs must meet the general criteria listed in the statute. One of the general criteria under 2 CFR 225 Appendix A (C) states the following:

(j) to be allowable under Federal awards, costs must be adequately documented.

As of June 30, 2014, the financial statements reported inter-fund receivables for the Reading First Grant and Improving Teacher Quality Grant in the amount of \$242,492 and \$46,506, respectively, that were payable from the General Fund. However, these amounts represented the repayment of prior year advances from the General Fund that was made in excess of the original amount of the advances. This was due to the District failing to maintain a schedule that tracks advances or comparing the amount of the repayments with the original advances or outstanding amount due. This results in questioned costs of \$288,998.

We recommend a schedule of all advances be maintained in order to ensure the repayments are made timely and are correct. The schedule should include the dates of the advance and repayment and should be monitored on a regular basis to ensure all advances are repaid within one year.

District’s Response

The District will follow the recommendation of the Auditor of State and make advances only at year end for federal programs, thus substantially reducing the risk of failing to return money that had been advanced.

Finding Number	2014-006
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Other Federal Noncompliance Finding – Adjustments to the Federal Schedule

A-133.300 includes the following auditee responsibilities.

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §___.310.

Management is responsible for developing internal control procedures which provide reasonable assurance the District’s Federal Awards Receipts and Expenditures Schedule (the Schedule) is complete and accurate. Sound internal controls require a review of the Schedule be performed and documented to verify the information reported is complete and accurate before finalizing the Schedule.

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2014-006
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(Continued)

While the District has written procedures pertaining to completing the Schedule, we noted the following exceptions to the reporting of the major programs which Management made to the Schedule:

- The receipts and expenditures for the Child Nutrition Cluster federal programs were over/understated as follows:

Federal Program	CFDA #	Amount Reported	Corrected Amount	Difference
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution) National School Lunch Program	10.555	\$0	\$92,834	\$92,834
National School Lunch Program	10.555	973,636	950,030	23,606
School Breakfast Program	10.553	335,140	327,433	7,707
Summer Food Service Program for Children	10.559	0	31,314	31,314

- For the School Improvement Grants, CFDA# 84.377, the ARRA portion of the funding was not reported under the proper Title and CFDA#. As a result, receipts and expenditures in the amount of \$273,800 and \$248,222 were reclassified to the ARRA – School Improvement Grants, Recovery Act, CFDA# 84.388, federal program. Expenditures for the School Improvement Grant were still overstated by \$31,046 after the reclassification.

We also noted the following exceptions in the reporting of non-major programs and Management made the necessary adjustments to the Schedule:

- The receipts and expenditures for the Fresh Fruit and Vegetable Program, State Administrative Expenses for Child Nutrition, and the Junior ROTC federal programs were over/understated as follows:

Federal Program	CFDA #	Amount Reported	Corrected Amount	Difference
Fresh Fruit and Vegetable Program	10.582	\$59,256	\$81,963	\$22,707
State Administrative Expenses for Child Nutrition	10.560	0	3,245	3,245
Junior ROTC	12.000	43,535	47,674	4,139

The Fresh Fruit and Vegetable Program was also incorrectly reported as CFDA# 10.554 when it is CFDA# 10.582. The Junior ROTC was incorrectly reported as CFDA# 84.215 when it is CFDA# 12.000.

- For Title I Grants to Local Educational Agencies, CFDA# 84.010, receipts and expenditures in the amount of \$2,044,459 and \$1,905,768 were incorrectly reported as Title I School-Wide, CFDA# 84.389.

We recommend that monitoring controls be developed to ensure the Schedule is properly prepared. The School should also consider obtaining the Ohio Department of Education (ODE) federal subsidy report and comparing their distributions by federal CFDA# with the amounts posted in the accounting system.

EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014
(Continued)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2014-006
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(Continued)

District's Response

District Response: The district will follow the recommendation of the Ohio Auditor of State (AOS) and use the following ODE website to confirm the accuracy of the federal schedule:
<https://paymentdetail.ode.state.oh.us/AnnualSubsidyVoucherPaymentReportForm.aspx>

We understand from AOS that the information is not available on this website until after the fiscal year is closed. Additionally, the District will use the AOS federal schedule format when reporting this information.

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FOR THE YEAR ENDED JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	<p>The District will continue its efforts to reconcile on a monthly basis. Should an imbalance occur, every effort will continue to be made to identify any reconciling items and follow through with corrective action. If an imbalance persists, the Treasurer will follow proper protocol and notify the Local Government Services Division of the Ohio Auditor of State.</p> <p>The transfer of outstanding checks will continue to be monitored and transferred to Unclaimed Funds.</p>	6-30-15	Mary Ann Nowak
2014-002	All twenty-two vendors used for the Food Service Program have been verified as not being suspended or debarred by checking with the Excluded Parties List System [EPLS]. This process will occur without exception as needed.	3-18-15	Myrna Loy Corley
2014-003	The amounts in question have been returned to the Ohio Department of Education. Such expenditures relative to student incentives will not be charged to the Carl D. Perkins Secondary Grant in the future.	3-12-15	Myrna Loy Corley
2014-004	Time and effort summaries will be completed by the Director of Career and Technical Education. Said summaries will be monitored and approved by the supervisor on an on-going basis.	6-30-15	Myrna Loy Corley
2014-005	The District will follow the recommendation of the Auditor of State and make advances only at year end for federal programs, thus substantially reducing the risk of failing to return money that had been advanced.	6-30-15	Mary Ann Nowak
2014-006	<p>The district will follow the recommendation of the Ohio Auditor of State [AOS] and use the following ODE website to confirm the accuracy of the federal schedule: https://paymentdetail.ode.state.oh.us/AnnualSubsidyVoucherPaymentReportForm.aspx</p> <p>We understand from AOS that the information is not available on this website until after the fiscal year is closed. Additionally, the District will use the AOS federal schedule format when reporting this information.</p>	7-31-15	Mary Ann Nowak

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Dave Yost • Auditor of State

EAST CLEVELAND CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 28, 2015**