



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 East Cleveland City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2013, 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 East Cleveland City School District, Cuyahoga County, Ohio, as of June 30, 2013 and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and Title I Grant 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 Federal Award Receipts and Expenditures Schedule 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 Federal Award Receipts and Expenditures Schedule 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 March 25, 2014, 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 style with a large loop at the end of the last name.

Dave Yost
Auditor of State
Columbus, Ohio

March 25, 2014

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East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
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, 2013. 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 2013 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 \$11,196,829 accounted for the remainder of all revenues.
- Program revenues decreased due to less grant funding in fiscal year 2013.
- The balance in the School District's governmental funds decreased from the prior year. This decrease is due to less grant funding, entitlements and property tax revenues in fiscal year 2013.

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 2013?" 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, 2013
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 fund begins on page 9. 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 2013 compared to fiscal year 2012:

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 1
Net Position

	Governmental Activities		
	2013	2012	Change
Assets			
Current and Other Assets	\$40,155,407	\$48,848,361	(\$8,692,954)
Capital Assets, Net	<u>80,917,116</u>	<u>83,518,050</u>	<u>(2,600,934)</u>
<i>Total Assets</i>	<u>121,072,523</u>	<u>132,366,411</u>	<u>(11,293,888)</u>
Deferred Outflows of Resources	<u>133,108</u>	<u>151,055</u>	<u>(17,947)</u>
Liabilities			
Current and Other Liabilities	4,812,118	5,368,619	556,501
Long-Term Liabilities:			
Due Within One Year	1,892,482	1,829,132	(63,350)
Due in More than One Year	<u>9,757,620</u>	<u>9,127,390</u>	<u>(630,230)</u>
<i>Total Liabilities</i>	<u>16,462,220</u>	<u>16,325,141</u>	<u>(137,079)</u>
Deferred Inflows of Resources	<u>6,505,873</u>	<u>6,362,033</u>	<u>(143,840)</u>
Net Position			
Net Investment in Capital Assets	75,695,085	77,925,563	(2,230,478)
Restricted:			
Capital Projects	1,117,320	1,353,907	(236,587)
Debt Service	1,982,770	1,959,797	22,973
Other Purposes	2,701,661	3,756,166	(1,054,505)
Unrestricted	<u>16,740,702</u>	<u>24,834,859</u>	<u>(8,094,157)</u>
<i>Total</i>	<u>\$98,237,538</u>	<u>\$109,830,292</u>	<u>(\$11,592,754)</u>

The net position decreased from 2012 to 2013. There were decreases in available cash on hand due to less tax revenues, entitlements and grants revenues compared to fiscal year 2012. The decrease is also attributable to the decrease in capital assets as of result of depreciation on capital assets outpacing additions during the year.

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 2 shows the changes in net position for the fiscal year ended June 30, 2013 compared to fiscal year 2012.

Table 2
Change in Net Position

	Governmental Activities		
	2013	2012	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$3,445,832	\$3,798,872	(\$353,040)
Operating Grants and Contributions and Interest	7,744,731	11,090,287	(3,345,556)
Capital Grants and Contributions	6,266	0	6,266
<i>Total Program Revenues</i>	<u>11,196,829</u>	<u>14,889,159</u>	<u>(3,692,330)</u>
General Revenues:			
Property Taxes	7,516,733	9,800,763	(2,284,030)
Grants and Entitlements	34,011,229	36,069,614	(2,058,385)
Investment Earnings	173,963	206,817	(32,854)
Unrestricted Contributions and Donations	183	10,369	(10,186)
Miscellaneous	584,315	1,437,546	(853,231)
<i>Total General Revenues</i>	<u>42,286,423</u>	<u>47,525,109</u>	<u>(5,238,686)</u>
Total Revenues	<u>53,483,252</u>	<u>62,414,268</u>	<u>(8,931,016)</u>
Program Expenses			
Instruction	38,040,283	39,499,900	1,459,617
Support Services:			
Pupil	4,017,826	3,820,719	(197,107)
Instructional Staff	4,153,925	5,685,135	1,531,210
Board of Education	54,160	53,429	(731)
Administration	4,446,814	4,347,732	(99,082)
Fiscal	2,090,617	2,389,736	299,119
Business	537,014	267,912	(269,102)
Operation and Maintenance of Plant	5,280,632	4,951,735	(328,897)
Pupil Transportation	1,394,849	1,212,484	(182,365)
Central	2,390,546	2,583,656	193,110
Operation of Non-Instructional Services:			
Food Service Operations	1,467,348	1,582,594	115,246
Other Non-Instructional Services	244,341	186,584	(57,757)
Extracurricular Activities	563,902	525,480	(38,422)
Interest and Fiscal Charges	393,750	294,912	(98,838)
Total Program Expenses	<u>65,076,007</u>	<u>67,402,008</u>	<u>2,326,001</u>
<i>Change in Net Position</i>	<u>(11,592,755)</u>	<u>(4,987,740)</u>	<u>(6,605,015)</u>
<i>Net Position Beginning of Year (Restated)</i>	<u>109,830,293</u>	<u>114,818,033</u>	<u>(4,987,740)</u>
<i>Net Position End of Year</i>	<u>\$98,237,538</u>	<u>\$109,830,293</u>	<u>(\$11,592,755)</u>

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
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 2013. Charges for services, investments and miscellaneous revenue made up the remainder of total revenues. The decrease in revenues is the result of lower property taxes, less grant funding for special education available in fiscal year 2013 as well as funding from the State.

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 2012, 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 2013	Total Cost of Services 2012	Net Cost of Services 2013	Net Cost of Services 2012
Instruction	\$38,040,283	\$39,499,900	\$33,789,460	\$35,161,691
Support Services:				
Pupils	4,017,826	3,820,719	3,082,597	2,259,683
Instructional Staff	4,153,925	5,685,135	1,189,848	1,040,918
Board of Education	54,160	53,429	50,683	49,660
Administration	4,446,814	4,347,732	3,973,437	2,849,705
Fiscal	2,090,617	2,389,736	1,857,378	1,954,858
Business	537,014	267,912	502,595	249,037
Operation and Maintenance of Plant	5,280,632	4,951,735	4,945,960	4,586,055
Pupil Transportation	1,394,849	1,212,484	1,264,401	1,048,021
Central	2,390,546	2,583,656	2,226,289	2,393,225
Operation of Non-Instructional Services:				
Operation of Food Services	1,467,348	1,582,594	(155,592)	13,780
Other Non-Instructional Services	244,341	186,584	244,341	144,155
Extracurricular Activities	563,902	525,480	514,031	467,149
Interest and Fiscal Charges	393,750	294,912	393,750	294,912
<i>Total</i>	<u>\$65,076,007</u>	<u>\$67,402,008</u>	<u>\$53,879,178</u>	<u>\$52,512,849</u>

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The dependence on tax revenues and State subsidies for governmental activities is apparent. For all governmental activities, general revenues support is 64.98 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 \$53,775,929 and expenditures of \$62,443,606. The net change in fund balance for the fiscal year 2013 in the general fund was a decrease of \$6,677,289. Although expenditures decreased, the revenues decreased at a greater rate, particularly in intergovernmental revenues. Intergovernmental revenue decreased due to less State funding available in fiscal year 2013. The net change in fund balances for the year in the title I special revenue fund was a decrease of \$738,136, due to revenues decreasing at a greater rate than expenditures.

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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 2013, the School District amended its general fund budget several times. The general fund final budgeted and actual revenue amounts were in the amounts of \$44,555,722 and \$44,555,720, respectively. Final budgeted revenues fell short of the original budgeted revenues of \$44,987,342 by \$431,620. The difference between the original and final budgeted amounts is due to an overestimate of tuition and fees revenue for the fiscal year. The final budgeted expenditures of \$56,155,047 were \$2,303,326 higher than actual expenditures of \$53,851,721 and \$442,287 higher than original budgeted expenditures of \$55,712,730. The School District ended the current fiscal year with a decrease in fund balance over fiscal year 2012.

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, 2013
Unaudited

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2013 balances compared to fiscal year 2012.

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

	Governmental Activities	
	2013	2012
Land	\$2,389,900	\$2,389,900
Land Improvements	1,462,609	1,592,999
Buildings and Improvements	73,170,940	75,511,575
Furniture and Equipment	3,441,034	3,460,781
Vehicles	123,679	138,128
Textbooks	328,954	424,667
	\$80,917,116	\$83,518,050

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 2013, Ohio law required school districts to expend or otherwise reserve three percent of qualifying revenues for the purpose of capital improvements. For fiscal year 2013, this amounted to \$514,811. The School District had qualifying disbursements exceeding these requirements. See Note 20 for additional set-aside information.

Debt

At June 30, 2013, the School District had the following outstanding debt:

Table 5
Outstanding Debt at June 30

	Governmental Activities	
	2013	2012
General Obligation Bonds:		
2007 School Improvement Refunding Bonds	\$5,355,139	\$5,911,843

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, 2013
Unaudited

The School District's overall debt margin was \$14,062,669 with an unvoted debt margin of \$192,311. 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, 2013

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$30,323,297
Cash and Cash Equivalents in Segregated Accounts	7,889
Accounts Receivable	51,746
Intergovernmental Receivable	498,449
Materials and Supplies Inventory	10,363
Property Taxes Receivable	9,263,663
Nondepreciable Capital Assets	2,389,900
Depreciable Capital Assets	78,527,216
<i>Total Assets</i>	<i>121,072,523</i>
Deferred Outflows of Resources	
Deferred Charge on Refunding	133,108
Liabilities	
Accounts Payable	204,161
Accrued Wages and Benefits Payable	3,521,376
Intergovernmental Payable	637,484
Matured Compensated Absences Payable	428,284
Accrued Interest Payable	20,813
Long-Term Liabilities:	
Due Within One Year	1,892,482
Due in More Than One Year	9,757,620
<i>Total Liabilities</i>	<i>16,462,220</i>
Deferred Inflows of Resources	
Property Taxes	6,505,873
Net Position	
Net Investment in Capital Assets	75,695,085
Restricted for:	
Capital Projects	1,117,320
Debt Service	1,982,770
Food Service	1,192,082
Other Purposes	1,337,814
Unclaimed Monies	171,765
Unrestricted	16,740,702
<i>Total Net Position</i>	<i>\$98,237,538</i>

See accompanying notes to the basic financial statements

East Cleveland City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$18,294,038	\$916,220	\$722,912	\$0	(\$16,654,906)
Special	11,880,786	640,450	1,464,115	0	(9,776,221)
Vocational	1,584,428	101,990	1,891	0	(1,480,547)
Adult/Continuing	37,878	2,432	0	0	(35,446)
Student Intervention Services	6,243,153	400,813	0	0	(5,842,340)
Support Services:					
Pupil	4,017,826	201,479	733,750	0	(3,082,597)
Instructional Staff	4,153,925	80,314	2,883,763	0	(1,189,848)
Board of Education	54,160	3,477	0	0	(50,683)
Administration	4,446,814	265,600	207,777	0	(3,973,437)
Fiscal	2,090,617	125,473	107,766	0	(1,857,378)
Business	537,014	34,419	0	0	(502,595)
Operation and Maintenance of Plant	5,280,632	323,836	4,570	6,266	(4,945,960)
Pupil Transportation	1,394,849	82,494	47,954	0	(1,264,401)
Central	2,390,546	151,657	12,600	0	(2,226,289)
Operation of Non-Instructional Services:					
Operation of Food Services	1,467,348	65,307	1,557,633	0	155,592
Other Non-Instructional Services	244,341	0	0	0	(244,341)
Extracurricular Activities	563,902	49,871	0	0	(514,031)
Interest and Fiscal Charges	393,750	0	0	0	(393,750)
<i>Total Governmental Activities</i>	<u>\$65,076,007</u>	<u>\$3,445,832</u>	<u>\$7,744,731</u>	<u>\$6,266</u>	<u>(53,879,178)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					6,807,784
Debt Service					646,263
Capital Outlay					62,686
Grants and Entitlements not Restricted to Specific Programs					34,011,229
Investment Earnings					173,963
Unrestricted Contributions and Donations					183
Miscellaneous					584,315
<i>Total General Revenues</i>					<u>42,286,423</u>
Change in Net Position					(11,592,755)
<i>Net Position Beginning of Year - Restated (See Note 3)</i>					<u>109,830,293</u>
<i>Net Position End of Year</i>					<u>\$98,237,538</u>

See accompanying notes to the basic financial statements

East Cleveland City School District

Balance Sheet

Governmental Funds

June 30, 2013

	General	Title I	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$18,161,872	\$4,485,502	\$7,504,157	\$30,151,531
Cash and Cash Equivalents in Segregated Accounts	7,889	0	0	7,889
Restricted Equity in Pooled Cash and Cash Equivalents	171,765	0	0	171,765
Accounts Receivable	6,087	0	45,659	51,746
Intergovernmental Receivable	196,333	0	302,116	498,449
Materials and Supplies Inventory	0	0	10,363	10,363
Interfund Receivable	5,855,392	0	288,998	6,144,390
Property Taxes Receivable	8,345,756	0	917,907	9,263,663
<i>Total Assets</i>	<u>\$32,745,094</u>	<u>\$4,485,502</u>	<u>\$9,069,200</u>	<u>\$46,299,796</u>
Liabilities				
Accounts Payable	\$177,948	\$354	\$25,859	\$204,161
Accrued Wages and Benefits Payable	2,965,400	254,076	301,900	3,521,376
Intergovernmental Payable	485,157	58,457	93,870	637,484
Interfund Payable	0	3,720,476	2,423,914	6,144,390
Matured Compensated Absences Payable	413,774	13,501	1,009	428,284
<i>Total Liabilities</i>	<u>4,042,279</u>	<u>4,046,864</u>	<u>2,846,552</u>	<u>10,935,695</u>
Deferred Inflows of Resources				
Unavailable Revenue	1,258,649	0	415,922	1,674,571
Property Taxes	5,888,866	0	617,007	6,505,873
<i>Total Deferred Inflows of Resources</i>	<u>7,147,515</u>	<u>0</u>	<u>1,032,929</u>	<u>8,180,444</u>
Fund Balances				
Nonspendable	171,765	0	10,363	182,128
Restricted	0	438,638	5,395,128	5,833,766
Assigned	14,694,878	0	0	14,694,878
Unassigned (Deficit)	6,688,657	0	(215,772)	6,472,885
<i>Total Fund Balances</i>	<u>21,555,300</u>	<u>438,638</u>	<u>5,189,719</u>	<u>27,183,657</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$32,745,094</u>	<u>\$4,485,502</u>	<u>\$9,069,200</u>	<u>\$46,299,796</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, 2013*

Total Governmental Funds Balances \$27,183,657

*Amounts reported for governmental activities in the
statement of net position are different because*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 80,917,116

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	1,400,772
Intergovernmental	<u>273,800</u>

Total 1,674,572

In the statement of activities, interest is accrued on outstanding
bonds, whereas in governmental funds, an interest
expenditure is reported when due. (20,813)

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the funds:

General Obligation Bonds	(5,355,139)
Capital Leases	(804,199)
Compensated Absences	(5,490,764)
Deferred Charge on Refunding	<u>133,108</u>

Total (11,516,994)

Net Position of Governmental Activities \$98,237,538

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, 2013

	General	Title I	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$7,025,948	\$0	\$756,547	\$7,782,495
Intergovernmental	33,862,243	1,625,849	6,037,802	41,525,894
Interest	173,963	0	0	173,963
Charges for Services	0	0	65,307	65,307
Tuition and Fees	3,316,884	0	0	3,316,884
Rentals	750	0	0	750
Extracurricular Activities	41,597	0	21,294	62,891
Contributions and Donations	8,655	0	254,775	263,430
Miscellaneous	537,098	0	47,217	584,315
<i>Total Revenues</i>	<u>44,967,138</u>	<u>1,625,849</u>	<u>7,182,942</u>	<u>53,775,929</u>
Expenditures				
Current:				
Instruction:				
Regular	14,110,601	0	869,762	14,980,363
Special	9,841,825	1,068,168	834,799	11,744,792
Vocational	1,560,023	0	1,308	1,561,331
Adult/Continuing	37,878	0	0	37,878
Student Intervention Services	6,243,153	0	0	6,243,153
Support Services:				
Pupil	2,826,258	733,200	379,399	3,938,857
Instructional Staff	1,224,938	269,889	2,497,443	3,992,270
Board of Education	54,160	0	0	54,160
Administration	4,048,950	227,096	231,500	4,507,546
Fiscal	1,952,125	30,678	105,548	2,088,351
Business	530,506	0	0	530,506
Operation and Maintenance of Plant	5,007,523	6,708	220,550	5,234,781
Pupil Transportation	1,273,779	11,672	74,437	1,359,888
Central	2,404,495	0	9,772	2,414,267
Operation of Non-Instructional Services	0	16,574	170,840	187,414
Operation of Food Services	0	0	1,284,158	1,284,158
Extracurricular Activities	293,079	0	218,606	511,685
Capital Outlay	856,065	0	101,507	957,572
Debt Service:				
Principal Retirement	26,116	0	525,000	551,116
Interest and Fiscal Charges	3,268	0	260,250	263,518
<i>Total Expenditures</i>	<u>52,294,742</u>	<u>2,363,985</u>	<u>7,784,879</u>	<u>62,443,606</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(7,327,604)</u>	<u>(738,136)</u>	<u>(601,937)</u>	<u>(8,667,677)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	830,315	0	0	830,315
Transfers In	0	0	180,000	180,000
Transfers Out	(180,000)	0	0	(180,000)
<i>Total Other Financing Sources (Uses)</i>	<u>650,315</u>	<u>0</u>	<u>180,000</u>	<u>830,315</u>
<i>Net Change in Fund Balances</i>	(6,677,289)	(738,136)	(421,937)	(7,837,362)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>28,232,589</u>	<u>1,176,774</u>	<u>5,611,656</u>	<u>35,021,019</u>
<i>Fund Balances End of Year</i>	<u>\$21,555,300</u>	<u>\$438,638</u>	<u>\$5,189,719</u>	<u>\$27,183,657</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, 2013*

Net Change in Fund Balances -Total Governmental Funds (\$7,837,362)

*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	1,267,819	
Capital Contribution	6,266	
Current Year Depreciation	<u>(3,875,019)</u>	
Total		(2,600,934)

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

Delinquent Property Taxes	(265,762)	
Intergovernmental	<u>(33,181)</u>	
Total		(298,943)

Other financing sources in the governmental funds increase long-term liabilities in the statement
of net assets.

Inception of Capital Lease		(830,315)
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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	(143,989)	
Amortization of Bond Premium	31,704	
Amortization of Accounting Loss	<u>(17,947)</u>	
Total		(130,232)

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

551,116

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.

(446,085)

Change in Net Position of Governmental Activities

(\$11,592,755)

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, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$6,996,842	\$6,969,875	\$6,969,875	\$0
Intergovernmental	33,495,160	33,754,836	33,666,012	(88,824)
Interest	168,000	121,294	121,294	0
Tuition and Fees	3,800,000	3,316,884	3,316,884	0
Rentals	0	750	750	0
Extracurricular Activities	0	9,775	9,775	0
Contributions and Donations	1,500	183	183	0
Miscellaneous	745,000	470,949	470,947	(2)
<i>Total Revenues</i>	<u>45,206,502</u>	<u>44,644,546</u>	<u>44,555,720</u>	<u>(88,826)</u>
Expenditures				
Current:				
Instruction:				
Regular	17,145,146	16,790,097	14,633,714	2,156,383
Special	10,447,021	10,601,220	10,601,220	0
Vocational	1,560,779	1,568,041	1,568,041	0
Adult/Continuing	37,039	37,039	37,039	0
Student Intervention Services	6,243,153	6,243,153	6,243,153	0
Support Services:				
Pupil	2,554,962	2,561,962	2,561,962	0
Instructional Staff	1,246,003	1,262,003	1,262,003	0
Board of Education	179,225	179,225	64,190	115,035
Administration	4,166,637	4,169,035	4,169,035	0
Fiscal	1,884,605	2,084,605	2,084,605	0
Business	678,073	671,073	604,177	66,896
Operation and Maintenance of Plant	5,334,021	5,495,519	5,495,519	0
Pupil Transportation	1,361,265	1,381,265	1,381,265	0
Central	2,823,404	2,823,404	2,823,404	0
Extracurricular Activities	296,644	296,644	296,644	0
Capital Outlay	250,000	250,000	25,750	224,250
<i>Total Expenditures</i>	<u>56,207,977</u>	<u>56,414,285</u>	<u>53,851,721</u>	<u>2,562,564</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(11,001,475)</u>	<u>(11,769,739)</u>	<u>(9,296,001)</u>	<u>2,473,738</u>
Other Financing Sources (Uses)				
Advances In	6,300,000	2,787,960	2,787,960	0
Advances Out	(8,000,000)	(10,370,537)	(7,222,498)	3,148,039
Transfers Out	(250,000)	(250,000)	(180,000)	70,000
<i>Total Other Financing Sources (Uses)</i>	<u>(1,950,000)</u>	<u>(7,832,577)</u>	<u>(4,614,538)</u>	<u>3,218,039</u>
<i>Net Change in Fund Balance</i>	<u>(12,951,475)</u>	<u>(19,602,316)</u>	<u>(13,910,539)</u>	<u>5,691,777</u>
<i>Fund Balance Beginning of Year</i>	27,255,184	27,255,184	27,255,184	0
Prior Year Encumbrances Appropriated	2,495,501	2,495,501	2,495,501	0
<i>Fund Balance End of Year</i>	<u>\$16,799,210</u>	<u>\$10,148,369</u>	<u>\$15,840,146</u>	<u>\$5,691,777</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$1,625,850	\$1,625,850	\$1,625,849	(\$1)
Expenditures				
Current:				
Instruction:				
Special	3,823,540	2,212,337	1,148,474	1,063,863
Support Services:				
Pupil	659,208	1,590,804	766,915	823,889
Instructional Staff	749,960	2,154,623	294,661	1,859,962
Administration	100,000	352,843	226,995	125,848
Fiscal	591	30,678	30,678	0
Operation and Maintenance of Plant	132	76,132	6,708	69,424
Pupil Transportation	9,543	11,000	10,734	266
Operation of Non-Instructional Services	16,424	104,112	25,031	79,081
<i>Total Expenditures</i>	5,359,398	6,532,529	2,510,196	4,022,333
<i>Excess of Revenues Under Expenditures</i>	(3,733,548)	(4,906,679)	(884,347)	4,022,332
Other Financing Sources				
Advances In	2,247,944	3,366,785	3,366,785	0
<i>Net Change in Fund Balance</i>	(1,485,604)	(1,539,894)	2,482,438	4,022,332
<i>Fund Balance Beginning of Year</i>	1,687,996	1,687,996	1,687,996	0
Prior Year Encumbrances Appropriated	294,398	294,398	294,398	0
<i>Fund Balance End of Year</i>	\$496,790	\$442,500	\$4,464,832	\$4,022,332

See accompanying notes to the basic financial statements

East Cleveland City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$131,986
Liabilities	
Undistributed Monies	\$20,297
Due to Students	111,689
<i>Total Liabilities</i>	<u>\$131,986</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, 2013*

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 2,815 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 149 support staff personnel, 303 certified teaching personnel and 36 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, 2013

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, 2013*

Title I Fund This 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 inflows or 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, 2013

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, 2013, but which were levied to finance fiscal year 2014 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, 2013

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.

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 2013, the School District's investments were limited to federal national mortgage association bonds, federal farm credit bank bonds, federal home loan mortgage corporation bonds, money market 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, 2013.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$173,963, which includes \$69,240 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

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.

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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.

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

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

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

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 Board assigned fund balance to cover a gap between estimated revenue and appropriations in fiscal 2014’s appropriated budget.

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, 2013

Note 3 – Changes in Accounting Principles and Restatement of Net Position

Changes in Accounting Principles

For 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements,” Statement No. 61, “The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34, Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 65, “Items Previously Reported as Assets and Liabilities” and Statement No. 66, “Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62”.

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. These changes were incorporated in the School District’s 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the School District’s 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These changes were incorporated in the School District’s 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School District’s financial statements.

Restatement of Prior Year’s Net Position

During fiscal year 2013, it was determined that delinquent property taxes receivable were overstated. This restatement decreased net position at June 30, 2012 from \$119,460,727 to \$109,830,293.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 4 – Fund Deficits

At June 30, 2013, the following funds had deficit fund balances:

	<u>Amount</u>
District Managed Activities	\$1,612
Public School Preschool	45,475
Alternative Schools	40,404
Title VI-B	124,794
Preschool Handicapped	3,487

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 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).

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.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Net Change in Fund Balances

	General	Title I
GAAP Basis	(\$6,677,289)	(\$738,136)
Net Adjustment for Revenue Accruals	(1,241,733)	0
Advances In	2,787,960	3,366,785
Net Adjustment for Expenditure Accruals	722,661	(125,534)
Advances Out	(7,222,498)	0
Adjustment for Encumbrances	(2,279,640)	(20,677)
Budget Basis	(\$13,910,539)	\$2,482,438

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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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, \$17,113,376 of the School District's bank balance of \$17,363,376 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, 2013, the School District had the following investments:

Investment Type	Fair Value	Maturity	Standard and Poor's Rating	Percentage of Total Investments
Federal National Mortgage Association Bonds	\$2,531,875	Less than five years	AA+	17.82 %
Federal Farm Credit Bank Bonds	1,507,783	Less than five years	AA+	10.61
Federal Home Loan Mortgage Corporation Bonds	7,035,000	Less than five years	AA+	49.50
STAR Ohio	3,137,232	57.5 Days	AAA	22.07
Total Investments	\$14,211,890			

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.

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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, 2013, 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:

<u>Governmental Activities</u>	<u>Amount</u>
ARRA School Improvement	\$273,800
Bureau of Workers' Compensation Refund	187,958
Other Grants	28,316
Cuyahoga County	<u>8,375</u>
<i>Total Intergovernmental Receivables</i>	<u><u>\$498,449</u></u>

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 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected 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.

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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, 2013, are available to finance fiscal year 2013 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, 2013 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, 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 amount available as an advance June 30, 2012, was \$1,142,079 in the general fund, \$132,108 in the general obligation bond retirement debt service fund, and \$14,611 and 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 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate				
Residential/Agricultural	\$170,741,430	73.55 %	\$134,893,940	70.14 %
Other Real Estate	51,754,510	22.30	47,031,790	24.46
Tangible Personal Property				
Public Utility	9,632,540	4.15	10,384,770	5.40
Total	\$232,128,480	100.00 %	\$192,310,500	100.00 %
Tax rate per \$1,000 of assessed valuation		\$93.00		\$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:

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Fund Balances	General	Title I	Other Governmental Funds	Total
<i>Nonspendable:</i>				
Unclaimed Monies	\$171,765	\$0	\$0	\$171,765
Inventory	<u>0</u>	<u>0</u>	<u>10,363</u>	<u>10,363</u>
<i>Total Nonspendable</i>	<u>171,765</u>	<u>0</u>	<u>10,363</u>	<u>182,128</u>
<i>Restricted For:</i>				
Food Service Operations	0	0	1,273,795	1,273,795
College Scholarships	0	0	226,827	226,827
Vocational Education	0	0	6,394	6,394
Community Involvement	0	0	69	69
Technology Improvements	0	0	38,237	38,237
Educational Services	0	438,638	545,664	984,302
Remedial Reading	0	0	22,419	22,419
Student Services	0	0	302,942	302,942
Debt Service Payments	0	0	1,874,724	1,874,724
Capital Improvements	<u>0</u>	<u>0</u>	<u>1,104,057</u>	<u>1,104,057</u>
<i>Total Restricted</i>	<u>0</u>	<u>438,638</u>	<u>5,395,128</u>	<u>5,833,766</u>
<i>Assigned To:</i>				
Fiscal Year 2014 Appropriations	12,559,497	0	0	12,559,497
Purchases on Order	2,099,324	0	0	2,099,324
Instructional Services	<u>36,057</u>	<u>0</u>	<u>0</u>	<u>36,057</u>
<i>Total Assigned</i>	<u>14,694,878</u>	<u>0</u>	<u>0</u>	<u>14,694,878</u>
<i>Unassigned (Deficit)</i>	<u>6,688,657</u>	<u>0</u>	<u>(215,772)</u>	<u>6,472,885</u>
<i>Total Fund Balances</i>	<u>\$21,555,300</u>	<u>\$438,638</u>	<u>\$5,189,719</u>	<u>\$27,183,657</u>

Note 10 - Contingencies

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

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.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13
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	97,421,858	5,750	0	97,427,608
Furniture and Equipment	9,401,838	1,268,335	0	10,670,173
Vehicles	541,048	0	0	541,048
Textbooks	1,853,856	0	0	1,853,856
<i>Total Capital Assets, being Depreciated</i>	<u>111,652,417</u>	<u>1,274,085</u>	<u>0</u>	<u>112,926,502</u>
Less Accumulated Depreciation:				
Land Improvements	(840,818)	(130,390)	0	(971,208)
Buildings and Improvements	(21,910,283)	(2,346,385)	0	(24,256,668)
Furniture and Equipment	(5,941,057)	(1,288,082)	0	(7,229,139)
Vehicles	(402,920)	(14,449)	0	(417,369)
Textbooks	(1,429,189)	(95,713)	0	(1,524,902)
<i>Total Accumulated Depreciation</i>	<u>(30,524,267)</u>	<u>(3,875,019)</u>	<u>0</u>	<u>(34,399,286)</u>
<i>Total Capital Assets, being Depreciated, Net</i>	<u>81,128,150</u>	<u>(2,600,934)</u>	<u>0</u>	<u>78,527,216</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$83,518,050</u>	<u>(\$2,600,934)</u>	<u>\$0</u>	<u>\$80,917,116</u>

Depreciation expense was charged to governmental functions as follow:

Instruction:	
Regular	\$3,199,953
Special	65,410
Vocational	421
Support Services:	
Instructional Staff	65,151
Administration	59,376
Business	890
Operation and Maintenance of Plant	29,551
Pupil Transportation	24,118
Central	126,306
Operation of Non-Instructional Services	225,371
Extracurricular Activities	57,714
<i>Total Depreciation Expense</i>	<u>\$3,854,261</u>

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 12 - Interfund Transactions

Transfers

During fiscal year 2013, 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, 2013 consisted of the following:

Interfund Payable	Interfund Receivable		Total
	General Fund	Other Governmental Funds	
Major Fund:			
Title I	\$3,720,476	\$0	\$3,720,476
Other Governmental Funds	2,134,916	288,998	2,423,914
	\$5,855,392	\$288,998	\$6,144,390

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 2013, the School District contracted with Mid-American Fire and Casualty Insurance Company for property insurance of \$135,557,552, fleet insurance of \$1,000,000 and liability coverage of \$5,000,000 with a \$5,000 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 2013, 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

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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 \$1,800 for family coverage, \$1,200 for single plus one coverage and \$600 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.

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 participates in 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.

East Cleveland City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

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, 2013, 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, 2013, 2012, and 2011 were \$796,041, \$840,882 and \$805,180, respectively. For fiscal year 2013, 95.73 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

State Teachers Retirement System

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 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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 will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 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.

East Cleveland City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2013

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$2,835,967 and \$55,500 for the fiscal year ended June 30, 2013, \$2,821,579 and \$68,307 for the fiscal year ended June 30, 2012, and \$2,820,926 and \$74,775 for the fiscal year ended June 30, 2011. For fiscal year 2013, 90.83 percent has been contributed for the DB plan and 90.83 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2013 were \$52,155 made by the School District and \$37,254 made by the plan members. In addition, member contributions of \$39,643 were made for fiscal year 2013 for the defined contribution portion of the Combined Plan.

Note 16 - Postemployment Benefits

School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated 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 2013, 0.16 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 2013, this amount was \$20,525. During fiscal year 2013, the School District paid \$70,656 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, 2013, 2012, and 2011 were \$80,379, \$135,734, and \$199,761, respectively. For fiscal year 2013, 95.73 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011, were \$44,967, \$49,658, and \$51,815 respectively. For fiscal year 2013, 95.73 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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.

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 2013, 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, 2013, 2012, and 2011 were \$218,151, \$217,045, and \$221,122 respectively. For fiscal year 2013, 90.83 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2012 and 2011.

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, Ms. Charlene Hollowell, Clerk/Treasurer, at 14101 Euclid Avenue, East Cleveland, Ohio 44112.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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:

Debt Issue	Original Issue Date	Original Issue Amount	Interest Rate	Date of Maturity
<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:

	Principal Outstanding 6/30/12	Additions	(Reductions)	Principal Outstanding 6/30/13	Amount Due in One Year
Governmental Activities:					
General Obligations Bonds:					
School Improvement Refunding - 2007					
Serial Bonds	\$5,645,000	\$0	(\$525,000)	\$5,120,000	\$545,000
Unamortized Premium	266,843	0	(31,704)	235,139	0
<i>Total General Obligation Bonds</i>	5,911,843	0	(556,704)	5,355,139	545,000
Capital Lease	0	830,315	(26,116)	804,199	158,890
Compensated Absences	5,044,679	889,446	(443,361)	5,490,764	1,188,592
Total Governmental Activities	<u>\$10,956,522</u>	<u>\$1,719,761</u>	<u>(\$1,026,181)</u>	<u>\$11,650,102</u>	<u>\$1,892,482</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, 2013, was \$14,062,669 with an unvoted debt margin of \$192,311. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2013, are as follows:

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

	General Obligation Bonds	
	Principal	Interest
2014	\$545,000	\$238,850
2015	570,000	216,550
2016	595,000	192,506
2017	615,000	166,794
2018	645,000	135,988
2019-2021	2,150,000	181,499
Total	\$5,120,000	\$1,132,187

Note 20 - 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, 2013 are as follows:

	Amounts
Assets:	
Equipments	\$830,315
Less: Accumulated Depreciation	(20,758)
Current Book Value	\$809,557

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, 2013.

	Amounts
2014	\$176,304
2015	176,304
2016	176,304
2017	176,304
2018	146,919
Total Minimum Lease Payments	852,135
Less: Amount Representing Interest	(47,936)
Present Value of Minimum Lease Payments	\$804,199

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, 2013

	Capital Improvement
Set-aside Balances as of June 30, 2012	(\$7,709,478)
Current Year Set-aside Requirement	514,811
Levy Proceeds Offsets	(69,065)
Qualifying Disbursements	(511,139)
Totals	(\$7,774,871)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$7,774,871)
Set-aside Balances as of June 30, 2013	\$0

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 \$66,215 for fiscal year 2013 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 198 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 2013, the School District paid \$4,304 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.

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013*

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, 2010 through March 31, 2013. 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 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 - Operating Lease

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 2013, 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 24 – 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 fund	\$2,279,640
Title I	20,677
Other governmental funds	598,651
Total	<u><u>\$2,898,968</u></u>

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**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES 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	\$96,052	\$96,052
Cash Assistance:			
National School Lunch Program	10.555	1,098,327	1,098,327
School Breakfast Program	10.553	409,961	409,961
Summer Food Service Program for Children	10.559	37,575	37,575
Cash Assistance Subtotal		<u>1,545,863</u>	<u>1,545,863</u>
Total Child Nutrition Cluster		<u>1,641,915</u>	<u>1,641,915</u>
 Fresh Fruit and Vegetable Program	 10.582	 73,003	 73,003
Total U.S. Department of Agriculture		<u>1,714,918</u>	<u>1,714,918</u>
 U.S. DEPARTMENT OF DEFENSE			
<i>Direct Assistance:</i>			
Junior ROTC	12.000	50,998	50,998
Total U.S. Department of Defense		<u>50,998</u>	<u>50,998</u>
 U. S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	1,844,022	2,709,519
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	1,828	0
Total Title I, Part A Cluster		<u>1,845,850</u>	<u>2,709,519</u>
Special Education Cluster:			
Special Education Grants to States	84.027	961,150	1,284,109
Special Education Preschool Grants	84.173	18,764	28,835
Total Special Education Cluster		<u>979,914</u>	<u>1,312,944</u>
 Career and Technical Education - Basic Grants to States	 84.048	 111,038	 146,255
 Education Technology State Grants	 84.318	 20,562	 28,108
 Improving Teacher Quality State Grants	 84.367	 489,119	 552,141
 School Improvement Grants	 84.377	 1,009,701	 1,417,085
 ARRA - School Improvement Grants, Recovery Act	 84.388	 126,200	 151,778
 ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	 84.395	 1,180,907	 537,432
 Education Jobs Fund	 84.410	 0	 92,138
 Total Pass Through Ohio Department of Education		<u>5,763,291</u>	<u>6,947,400</u>
Total U.S. Department of Education		<u>5,763,291</u>	<u>6,947,400</u>
 Total Federal Assistance		<u>\$7,529,207</u>	<u>\$8,713,316</u>

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

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - 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 C – FOOD DONATION PROGRAM

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

NOTE D - 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.



Dave Yost • Auditor of State

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 East Cleveland City School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 25, 2014.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

March 25, 2014



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, 2013. 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.

Opinion on Each Major Federal Program

In our opinion, East Cleveland City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

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.

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 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests 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

March 25, 2014

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

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)?	No
(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?	No
(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
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster: CFDA# 84.010 – Title I Grants to Local Educational Agencies CFDA# 84.389 – Title I Grants to Local Educational Agencies, Recovery Act Special Education Cluster: CFDA# 84.027 – Special Education Grants to States CFDA# 84.173 – Special Education Preschool Grants CFDA# 84.367 - Improving Teacher Quality State Grants CFDA# 84.395 – Race-to-the-Top Incentive 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
OMB CIRCULAR A -133 § .505
JUNE 30, 2013
(Continued)**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Semi-annual certification lists were not properly maintained for the Title 1 federal program, as required by OMB Circular A-87 and a questioned cost.	Yes	

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the East Cleveland City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 19, 2014 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

March 25, 2014

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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
APRIL 8, 2014**