



OHIO AUDITOR OF STATE
KEITH FABER



**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY
JUNE 30, 2020**

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CUYAHOGA COUNTY
JUNE 30, 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Cleveland City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2020, 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 such 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.

Efficient • Effective • Transparent

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Cleveland City School District, Cuyahoga County, Ohio, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and Title I Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 24 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

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

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information 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 information 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 August 23, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio

August 23, 2021

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East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
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, 2020. 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 2020 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 \$13,616,636 made up the second largest share of all revenues.
- ❑ Net position increased from the prior fiscal year. This increase is due to current year revenues exceeding current year expenditures by \$528,313.

Using this Annual Financial Report

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

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the most significant funds are the General Fund and the Title I special revenue 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 fiscal year 2020?" 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.

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

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
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many factors, some strictly within the scope of the School District, some not. Non-financial factors include the School District's property tax base, community demographics, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

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

Reporting the School District's Most Significant Funds

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

Governmental Funds The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements of the governmental funds.

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

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 2020 compared to fiscal year 2019:

East Cleveland City School District
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Unaudited

Table 1
Net Position (Restated)

	Governmental Activities		
	2020	2019	Change
Assets			
Current and Other Assets	\$31,976,468	\$30,124,375	\$1,852,093
Capital Assets, Net	63,007,248	63,168,090	(160,842)
Net OPEB Asset	2,308,708	2,339,718	(31,010)
Total Assets	97,292,424	95,632,183	1,660,241
Deferred Outflows of Resources			
Deferred Charge on Refunding	7,479	25,426	(17,947)
Pension	7,459,976	10,236,627	(2,776,651)
OPEB	694,756	460,046	234,710
Total Deferred Outflows of Resources	8,162,211	10,722,099	(2,559,888)
Liabilities			
Current and Other Liabilities	3,750,444	3,066,847	(683,597)
Long-Term Liabilities:			
Due Within One Year	2,091,798	1,889,983	(201,815)
Due in More than One Year:			
Net Pension Liability	40,941,956	41,478,425	536,469
Net OPEB Liability	4,180,788	4,580,212	399,424
Other Amounts	5,651,859	4,481,961	(1,169,898)
Total Liabilities	56,616,845	55,497,428	(1,119,417)
Deferred Inflows of Resources			
Property Taxes	5,254,058	4,576,881	(677,177)
Pension	6,335,061	9,215,956	2,880,895
OPEB	4,986,133	5,329,792	343,659
Total Deferred Inflows of Resources	16,575,252	19,122,629	2,547,377
Net Position			
Net Investment in Capital Assets	59,581,702	61,062,543	(1,480,841)
Restricted:			
Capital Projects	279,632	532,316	(252,684)
Debt Service	2,412,648	2,450,096	(37,448)
Other Purposes	1,965,070	2,463,238	(498,168)
Unrestricted (Deficit)	(31,976,514)	(34,773,968)	2,797,454
Total Net Position	\$32,262,538	\$31,734,225	\$528,313

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2020. GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit

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provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Net position increased primarily as a result of changes in the net pension liability and net OPEB asset/liability. Other factors contributing to the increase in net position included an increase in grant monies received and an increase in tax collections.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2020 compared to fiscal year 2019.

Table 2
Change in Net Position

	Governmental Activities		
	2020	2019	Change
Revenues			
Program Revenues:			
Charges for Services and Sales	\$5,178,781	\$5,034,469	\$144,312
Operating Grants and Contributions	8,437,855	8,754,083	(316,228)
Total Program Revenues	13,616,636	13,788,552	(171,916)
General Revenues:			
Property Taxes	8,323,663	8,016,682	306,981
Grants and Entitlements	32,403,627	31,862,673	540,954
Investment Earnings	344,637	376,719	(32,082)
Unrestricted Contributions and Donations	15,200	0	15,200
Miscellaneous	447,113	350,541	96,572
Total General Revenues	41,534,240	40,606,615	927,625
Total Revenues	\$55,150,876	\$54,395,167	\$755,709

(continued)

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

Table 2
 Change in Net Position
 (Continued)

	Governmental Activities		
	2020	2019	Change
Program Expenses			
Instruction	\$32,171,619	\$26,043,663	\$6,127,956
Support Services:			
Pupil	2,541,877	1,740,409	801,468
Instructional Staff	2,379,491	1,822,969	556,522
Board of Education	118,888	43,666	75,222
Administration	3,722,110	3,894,251	(172,141)
Fiscal	1,644,354	1,579,064	65,290
Business	823,748	536,574	287,174
Operation and Maintenance of Plant	5,526,011	5,470,397	55,614
Pupil Transportation	1,027,646	1,332,401	(304,755)
Central	2,272,395	2,193,022	79,373
Operation of Non-Instructional Services:			
Food Service Operations	1,745,713	1,217,226	528,487
Other Non-Instructional Services	85,514	76,299	9,215
Extracurricular Activities	415,628	535,244	(119,616)
Interest and Fiscal Charges	147,569	116,758	30,811
Total Program Expenses	<u>54,622,563</u>	<u>46,601,943</u>	<u>8,020,620</u>
Change in Net Position	528,313	7,793,224	(7,264,911)
Net Position Beginning of Year	<u>31,734,225</u>	<u>23,941,001</u>	<u>7,793,224</u>
Net Position End of Year	<u><u>\$32,262,538</u></u>	<u><u>\$31,734,225</u></u>	<u><u>\$528,313</u></u>

Governmental Activities

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

The main sources of revenue for the School District are the State of Ohio payments through foundation and grants. Although the School District relies upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs. Grants, 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 2020. Charges for services, tuition and fees, extracurricular, contributions and donations, investments and miscellaneous revenue made up the remainder of total revenues.

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

The largest component of the increase in program expenses results from changes in assumptions and benefit terms related to pensions in the prior year. For the prior year, STRS adopted certain assumption changes, including a reduction in their discount rate, and also voted to suspend cost of living adjustments (COLA). As a result of these changes, pension expense increased from \$360,238 in fiscal year 2019 to \$2,568,716 for fiscal year 2020. OPEB expense also increased \$4,265,916 from (\$5,162,319) in fiscal year 2019 to (\$896,403) for fiscal year 2020.

East Cleveland City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
Unaudited

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

Table 3
 Net Cost of Governmental Activities

	Total Cost of Services 2020	Net Cost of Services 2020	Total Cost of Services 2019	Net Cost of Services 2019
Instruction:	\$32,171,619	\$25,019,744	\$26,043,663	\$17,539,522
Support Services:				
Pupils	2,541,877	1,608,296	1,740,409	1,010,768
Instructional Staff	2,379,491	714,354	1,822,969	547,117
Board of Education	118,888	106,825	43,666	38,974
Administration	3,722,110	2,875,494	3,894,251	3,070,522
Fiscal	1,644,354	1,490,835	1,579,064	1,415,959
Business	823,748	728,513	536,574	479,071
Operation and Maintenance of Plant	5,526,011	4,434,936	5,470,397	4,878,421
Pupil Transportation	1,027,646	892,598	1,332,401	1,146,972
Central	2,272,395	2,033,615	2,193,022	1,952,472
Operation of Non-Instructional Services:				
Operation of Food Services	1,745,713	584,727	1,217,226	143,511
Other Non-Instructional Services	85,514	9,594	76,299	(1,359)
Extracurricular Activities	415,628	358,827	535,244	474,683
Interest and Fiscal Charges	147,569	147,569	116,758	116,758
<i>Total</i>	<u>\$54,622,563</u>	<u>\$41,005,927</u>	<u>\$46,601,943</u>	<u>\$32,813,391</u>

The dependence on tax revenues and State subsidies for governmental activities is apparent, representing 73.85 percent of all revenues.

The School District's Funds

Information about the School District's governmental funds begins with the balance sheet on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$54,479,891 and expenditures of \$57,303,714. The net change in fund balance for the fiscal year 2020 in the general fund was a decrease of \$591,381, due to expenditures outpacing revenues. The net change in fund balance for the year in the Title I special revenue fund was an increase of \$243,437 due to revenues exceeding expenditures.

General Fund Budgeting Highlights

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

The general fund original budgeted revenues amounted to \$37,010,773, final budgeted revenues amounted to \$48,168,467, and actual revenue amounted to \$48,260,067. Actual revenues exceeded final budgeted revenues by \$91,600, primarily due to higher than anticipated property taxes, intergovernmental and tuition and fees receipts. The general fund original budgeted expenditures amounted to \$50,250,894, final budgeted expenditures amounted to \$53,611,957, and actual expenditures amounted to \$52,364,356. Actual expenditures were lower than final budgeted expenditures by \$1,247,601, primarily due to prudent spending. The School District ended the current fiscal year with a decrease in fund balance from fiscal year 2019, primarily due to expenditures outpacing revenues.

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

Capital Assets and Debt Administration

Capital Assets

Table 4 shows fiscal year 2020 balances compared to fiscal year 2019.

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

	Governmental Activities		
	2020	2019	Change
Land	\$2,389,900	\$2,389,900	\$0
Construction in Process	2,318,203	0	2,318,203
Land Improvements	767,172	885,556	(118,384)
Buildings and Improvements	56,816,059	59,143,240	(2,327,181)
Furniture and Equipment	582,657	721,799	(139,142)
Vehicles	133,257	27,595	105,662
Total Capital Assets	\$63,007,248	\$63,168,090	(\$160,842)

All capital assets, except land and construction in progress, are reported net of depreciation. The decrease in capital assets was due to current year depreciation exceeding additions to capital assets. In prior fiscal 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 13 of the notes to the basic financial statements.

For fiscal year 2020, Ohio law required school districts to expend or otherwise reserve three percent of qualifying revenues for the purpose of capital improvements. For fiscal year 2020, this amounted to \$335,405. The School District had qualifying disbursements from the current year and carried over from the prior year, exceeding these requirements. See Note 20 for additional set-aside information.

Debt

At June 30, 2020, the School District had the following outstanding debt:

Table 5
 Outstanding Debt at June 30

	Governmental Activities	
	2020	2019
General Obligation Bonds:		
2007 School Improvement Refunding Bonds	\$768,210	\$1,514,915
Capital Leases	2,917,499	616,058
Total Outstanding Debt	\$3,685,709	\$2,130,973

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

During fiscal year 2020, the School District entered into an energy conservation lease for lighting improvements throughout the School District.

The School District's overall debt margin was \$13,539,443 with an unvoted debt margin of \$133,810. For additional information on long-term obligations, see Note 18 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.

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Diana C. Whitt, Treasurer/CFO at East Cleveland City School District, 1843 Stanwood Road, East Cleveland, Ohio 44112-2901.

Basic Financial Statements

East Cleveland City School District
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$18,377,020
Cash and Cash Equivalents with Fiscal Agents	2,530,536
Accrued Interest Receivable	4,713
Intergovernmental Receivable	2,460,164
Prepaid Items	92,254
Inventory Held for Resale	6,983
Materials and Supplies Inventory	2,624
Property Taxes Receivable	8,502,174
Nondepreciable Capital Assets	4,708,103
Depreciable Capital Assets	58,299,145
Net OPEB Asset (See Note 23)	2,308,708
<i>Total Assets</i>	97,292,424
Deferred Outflows of Resources	
Deferred Charge on Refunding	7,479
Pension	7,459,976
OPEB	694,756
<i>Total Deferred Outflows of Resources</i>	8,162,211
Liabilities	
Accounts Payable	327,830
Accrued Wages and Benefits Payable	1,796,408
Intergovernmental Payable	1,010,089
Contracts Payable	36,238
Accrued Interest Payable	16,563
Claims Payable	563,316
Long-Term Liabilities:	
Due Within One Year	2,091,798
Due in More Than One Year:	
Net Pension Liability (See Note 22)	40,941,956
Net OPEB Liability (See Note 23)	4,180,788
Other Amounts Due in More Than One Year	5,651,859
<i>Total Liabilities</i>	56,616,845
Deferred Inflows of Resources	
Property Taxes	5,254,058
Pension	6,335,061
OPEB	4,986,133
<i>Total Deferred Inflows of Resources</i>	16,575,252
Net Position	
Net Investment in Capital Assets	59,581,702
Restricted for:	
Capital Projects	279,632
Debt Service	2,412,648
Food Service	259,601
Educational Services	1,527,837
Other Purposes	92,924
Unclaimed Monies	84,708
Unrestricted (Deficit)	(31,976,514)
<i>Total Net Position</i>	\$32,262,538

See accompanying notes to the basic financial statements

East Cleveland City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$12,391,972	\$1,065,116	\$49,204	(\$11,277,652)
Special	10,234,770	944,527	3,803,333	(5,486,910)
Vocational	1,105,683	113,818	319,571	(672,294)
Adult/Continuing	456	48	0	(408)
Student Intervention Services	8,438,738	856,258	0	(7,582,480)
Support Services:				
Pupil	2,541,877	227,548	706,033	(1,608,296)
Instructional Staff	2,379,491	133,314	1,531,823	(714,354)
Board of Education	118,888	12,063	0	(106,825)
Administration	3,722,110	345,468	501,148	(2,875,494)
Fiscal	1,644,354	153,519	0	(1,490,835)
Business	823,748	95,235	0	(728,513)
Operation and Maintenance of Plant	5,526,011	807,980	283,095	(4,434,936)
Pupil Transportation	1,027,646	100,386	34,662	(892,598)
Central	2,272,395	227,980	10,800	(2,033,615)
Operation of Non-Instructional Services:				
Operation of Food Services	1,745,713	38,720	1,122,266	(584,727)
Other Non-Instructional Services	85,514	0	75,920	(9,594)
Extracurricular Activities	415,628	56,801	0	(358,827)
Interest and Fiscal Charges	147,569	0	0	(147,569)
<i>Total Governmental Activities</i>	<u>\$54,622,563</u>	<u>\$5,178,781</u>	<u>\$8,437,855</u>	<u>(41,005,927)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes				7,602,426
Debt Service				668,296
Capital Outlay				52,941
Grants and Entitlements not Restricted to Specific Programs				32,403,627
Unrestricted Contributions and Donations				15,200
Investment Earnings				344,637
Miscellaneous				447,113
<i>Total General Revenues</i>				<u>41,534,240</u>
Change in Net Position				528,313
<i>Net Position Beginning of Year</i>				<u>31,734,225</u>
<i>Net Position End of Year</i>				<u><u>\$32,262,538</u></u>

See accompanying notes to the basic financial statements

East Cleveland City School District

*Balance Sheet
Governmental Funds
June 30, 2020*

	<u>General</u>	<u>Title I</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$14,584,947	\$90,851	\$3,616,514	\$18,292,312
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	84,708	0	0	84,708
Accrued Interest Receivable	4,713	0	0	4,713
Intergovernmental Receivable	289,819	1,348,997	821,348	2,460,164
Prepaid Items	89,673	0	2,581	92,254
Inventory Held for Resale	0	0	6,983	6,983
Materials and Supplies Inventory	0	0	2,624	2,624
Interfund Receivable	586,752	0	0	586,752
Property Taxes Receivable	7,953,107	0	549,067	8,502,174
<i>Total Assets</i>	<u>\$23,593,719</u>	<u>\$1,439,848</u>	<u>\$4,999,117</u>	<u>\$30,032,684</u>
Liabilities				
Accounts Payable	\$192,617	\$59,990	\$75,223	\$327,830
Accrued Wages and Benefits Payable	1,605,665	94,809	95,934	1,796,408
Intergovernmental Payable	958,547	23,763	27,779	1,010,089
Contracts Payable	31,238	0	5,000	36,238
Interfund Payable	515,960	252,254	381,854	1,150,068
<i>Total Liabilities</i>	<u>3,304,027</u>	<u>430,816</u>	<u>585,790</u>	<u>4,320,633</u>
Deferred Inflows of Resources				
Unavailable Revenue	2,072,838	1,190,042	658,282	3,921,162
Property Taxes	5,013,806	0	240,252	5,254,058
<i>Total Deferred Inflows of Resources</i>	<u>7,086,644</u>	<u>1,190,042</u>	<u>898,534</u>	<u>9,175,220</u>
Fund Balances				
Nonspendable	174,381	0	5,205	179,586
Restricted	0	0	3,796,564	3,796,564
Assigned	10,202,096	0	0	10,202,096
Unassigned (Deficit)	2,826,571	(181,010)	(286,976)	2,358,585
<i>Total Fund Balances (Deficit)</i>	<u>13,203,048</u>	<u>(181,010)</u>	<u>3,514,793</u>	<u>16,536,831</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$23,593,719</u>	<u>\$1,439,848</u>	<u>\$4,999,117</u>	<u>\$30,032,684</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, 2020*

Total Governmental Funds Balances	\$16,536,831
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	63,007,248
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	2,101,599
Intergovernmental	1,665,677
Tuition and Fees	<u>153,886</u>
Total	3,921,162
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(16,563)
The internal service funds are used by management to charge the costs of insurance and goods warehoused and distributed to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	2,530,536
Deferred outflows of resources represent deferred charges on refundings, which are not reported in the funds.	7,479
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(768,210)
Capital Leases	(2,917,499)
Compensated Absences	<u>(4,057,948)</u>
Total	(7,743,657)
The net pension liability and net OPEB asset/liability is not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in the governmental funds:	
Deferred Outflows - Pension	7,459,976
Net Pension Liability	(40,941,956)
Deferred Inflows - Pension	(6,335,061)
Net OPEB Asset	2,308,708
Deferred Outflows - OPEB	694,756
Net OPEB Liability	(4,180,788)
Deferred Inflows - OPEB	<u>(4,986,133)</u>
Total	<u>(45,980,498)</u>
 <i>Net Position of Governmental Activities</i>	 <u><u>\$32,262,538</u></u>

See accompanying notes to the basic financial statements

East Cleveland City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Title I	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$7,152,685	\$0	\$680,042	\$7,832,727
Intergovernmental	34,891,638	2,413,279	3,215,970	40,520,887
Interest	279,424	0	0	279,424
Charges for Services	3,750	0	38,720	42,470
Tuition and Fees	5,086,570	0	0	5,086,570
Rentals	2,154	0	0	2,154
Extracurricular Activities	4,739	0	21,518	26,257
Contributions and Donations	14,014	0	278,546	292,560
Miscellaneous	396,842	0	0	396,842
<i>Total Revenues</i>	<u>47,831,816</u>	<u>2,413,279</u>	<u>4,234,796</u>	<u>54,479,891</u>
Expenditures				
Current:				
Instruction:				
Regular	10,305,625	0	37,297	10,342,922
Special	9,293,960	708,865	818,574	10,821,399
Vocational	1,120,917	0	62,832	1,183,749
Adult/Continuing	456	0	0	456
Student Intervention Services	8,438,738	0	0	8,438,738
Support Services:				
Pupil	2,269,579	291,645	225,019	2,786,243
Instructional Staff	1,240,327	844,561	292,869	2,377,757
Board of Education	118,888	0	0	118,888
Administration	3,696,707	250,057	178,072	4,124,836
Fiscal	1,583,735	0	33,401	1,617,136
Business	923,373	0	0	923,373
Operation and Maintenance of Plant	7,961,050	304	79,935	8,041,289
Pupil Transportation	992,480	15,639	13,177	1,021,296
Central	2,245,136	0	21,784	2,266,920
Operation of Non-Instructional Services	0	58,771	5,743	64,514
Operation of Food Services	0	0	1,610,860	1,610,860
Extracurricular Activities	327,027	0	79,363	406,390
Capital Outlay	21,000	0	0	21,000
Debt Service:				
Principal Retirement	269,446	0	715,000	984,446
Interest and Fiscal Charges	90,314	0	61,188	151,502
<i>Total Expenditures</i>	<u>50,898,758</u>	<u>2,169,842</u>	<u>4,235,114</u>	<u>57,303,714</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,066,942)</u>	<u>243,437</u>	<u>(318)</u>	<u>(2,823,823)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	2,570,887	0	0	2,570,887
Transfers In	0	0	95,326	95,326
Transfers Out	(95,326)	0	0	(95,326)
<i>Total Other Financing Sources (Uses)</i>	<u>2,475,561</u>	<u>0</u>	<u>95,326</u>	<u>2,570,887</u>
<i>Net Change in Fund Balances</i>	(591,381)	243,437	95,008	(252,936)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>13,794,429</u>	<u>(424,447)</u>	<u>3,419,785</u>	<u>16,789,767</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$13,203,048</u>	<u>(\$181,010)</u>	<u>\$3,514,793</u>	<u>\$16,536,831</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, 2020*

Net Change in Fund Balances -Total Governmental Funds	(\$252,936)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
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	2,667,356
Current Year Depreciation	<u>(2,828,198)</u>
Total	(160,842)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Delinquent Property Taxes	490,936
Intergovernmental	43,235
Tuition and Fees	21,330
Ohio Bureau of Workers' Compensation Rebate	<u>(158,423)</u>
Total	397,078
Other financing sources, such as inception of capital lease, in the governmental funds increase long-term liabilities in the statement of net position.	
	(2,570,887)
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	(9,825)
Amortization of Bond Premium	31,705
Amortization of Accounting Loss	<u>(17,947)</u>
Total	3,933
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
	984,446
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.	
	183,023
The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund are allocated among the governmental activities.	
	357,002
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts in deferred outflows:	
Pension	3,209,429
OPEB	<u>50,380</u>
Total	3,259,809
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension expense in the statement of activities:	
Pension	(2,568,716)
OPEB	<u>896,403</u>
Total	<u>(1,672,313)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$528,313</u></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
General Fund
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$6,721,505	\$7,793,154	\$7,817,355	\$24,201
Intergovernmental	26,022,845	34,695,369	34,766,174	70,805
Interest	129,201	172,259	172,611	352
Tuition and Fees	3,807,351	5,076,211	5,086,570	10,359
Rentals	1,612	2,150	2,154	4
Extracurricular Activities	1,572	2,096	2,100	4
Contributions and Donations	7,710	10,279	10,300	21
Miscellaneous	318,977	416,949	402,803	(14,146)
<i>Total Revenues</i>	<u>37,010,773</u>	<u>48,168,467</u>	<u>48,260,067</u>	<u>91,600</u>
Expenditures				
Current:				
Instruction:				
Regular	12,736,191	11,118,826	10,111,054	1,007,772
Special	9,309,088	9,370,519	9,370,519	0
Vocational	2,358,060	1,199,090	1,137,462	61,628
Adult/Continuing	575	575	456	119
Student Intervention Services	4,287,158	8,281,522	8,281,522	0
Support Services:				
Pupil	2,699,983	2,279,282	2,279,282	0
Instructional Staff	1,724,131	1,297,878	1,297,878	0
Board of Education	126,300	218,920	128,825	90,095
Administration	4,629,286	3,805,210	3,785,299	19,911
Fiscal	1,895,992	1,625,408	1,625,407	1
Business	623,361	923,834	923,834	0
Operation and Maintenance of Plant	6,455,875	9,054,845	8,989,232	65,613
Pupil Transportation	1,012,924	1,401,574	1,401,574	0
Central	2,034,783	2,531,801	2,531,801	0
Operation of Non-Instructional Services	31	31	0	31
Extracurricular Activities	292,850	322,512	320,081	2,431
Capital Outlay	64,306	180,130	180,130	0
<i>Total Expenditures</i>	<u>50,250,894</u>	<u>53,611,957</u>	<u>52,364,356</u>	<u>1,247,601</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(13,240,121)</u>	<u>(5,443,490)</u>	<u>(4,104,289)</u>	<u>1,339,201</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	1,924,336	2,565,651	2,570,887	5,236
Advances In	742,789	990,335	992,356	2,021
Advances Out	(664,906)	(1,173,504)	(586,752)	586,752
Transfers Out	(25,558)	(116,726)	(95,326)	21,400
<i>Total Other Financing Sources (Uses)</i>	<u>1,976,661</u>	<u>2,265,756</u>	<u>2,881,165</u>	<u>615,409</u>
<i>Net Change in Fund Balance</i>	(11,263,460)	(3,177,734)	(1,223,124)	1,954,610
<i>Fund Balance Beginning of Year</i>	11,612,267	11,612,267	11,612,267	0
Prior Year Encumbrances Appropriated	1,900,358	1,900,358	1,900,358	0
<i>Fund Balance End of Year</i>	<u>\$2,249,165</u>	<u>\$10,334,891</u>	<u>\$12,289,501</u>	<u>\$1,954,610</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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$2,500,000	\$3,230,000	\$2,254,324	(\$975,676)
Expenditures				
Current:				
Instruction:				
Special	1,074,226	1,005,582	716,731	288,851
Support Services:				
Pupil	396,309	377,883	274,930	102,953
Instructional Staff	1,295,450	1,394,330	876,039	518,291
Administration	381,518	270,911	244,708	26,203
Operation and Maintenance of Plant	1,500	10,804	304	10,500
Pupil Transportation	28,473	75,573	16,354	59,219
Operation of Non-Instructional Services	102,251	192,204	78,005	114,199
<i>Total Expenditures</i>	3,279,727	3,327,287	2,207,071	1,120,216
<i>Excess of Revenues Over (Under) Expenditures</i>	(779,727)	(97,287)	47,253	144,540
Other Financing Sources (Uses)				
Advances In	0	0	227,484	227,484
Advances Out	0	0	(401,067)	(401,067)
<i>Total Other Financing Sources (Uses)</i>	0	0	(173,583)	(173,583)
<i>Net Change in Fund Balance</i>	(779,727)	(97,287)	(126,330)	(29,043)
<i>Fund Balance Beginning of Year</i>	27,974	27,974	27,974	0
Prior Year Encumbrances Appropriated	98,356	98,356	98,356	0
<i>Fund Deficit End of Year</i>	(\$653,397)	\$29,043	\$0	(\$29,043)

See accompanying notes to the basic financial statements

East Cleveland City School District

Statement of Fund Net Position

Internal Service Fund

June 30, 2020

	<u>Self Insurance</u>
Assets	
Cash and Cash Equivalents with Fiscal Agents	\$2,530,536
Interfund Receivable	<u>563,316</u>
<i>Total Assets</i>	3,093,852
Liabilities	
Claims Payable	<u>563,316</u>
Net Position	
Unrestricted	<u><u>\$2,530,536</u></u>

See accompanying notes to the basic financial statements

East Cleveland City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Fiscal Year Ended June 30, 2020*

	Self Insurance
Operating Revenues	
Charges for Services	\$6,463,624
Miscellaneous	50,271
<i>Total Operating Revenues</i>	6,513,895
Operating Expenses	
Purchased Services	201,629
Claims	6,020,477
<i>Total Operating Expenses</i>	6,222,106
<i>Operating Income</i>	291,789
Non-Operating Revenues	
Interest	65,213
<i>Change in Net Position</i>	357,002
<i>Net Position Beginning of Year</i>	2,173,534
<i>Net Position End of Year</i>	\$2,530,536

See accompanying notes to the basic financial statements

East Cleveland City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2020

	Self Insurance
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$6,403,520
Cash Received from Other Sources	50,271
Cash Payments for Services	(201,629)
Cash Payments for Claims	(5,960,373)
<i>Net Cash Provided by Operating Activities</i>	291,789
Cash Flows from Investing Activities	
Interest on Investments	65,213
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	357,002
<i>Cash and Cash Equivalents Beginning of Year</i>	2,173,534
<i>Cash and Cash Equivalents End of Year</i>	\$2,530,536
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	\$291,789
Adjustments:	
<i>Increase (Decrease) in Liabilities:</i>	
Due from Other Funds	60,104
Claims Payable	(60,104)
<i>Total Adjustments</i>	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$291,789

See accompanying notes to the basic financial statements

East Cleveland City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2020

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$112,369</u>
Liabilities	
Undistributed Monies	\$67,354
Due to Students	<u>45,015</u>
<i>Total Liabilities</i>	<u>\$112,369</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, 2020

Note 1 – Description of the School District and Reporting Entity

East Cleveland City School District (the School District) is a city school district as defined by Section 3311.02 of the Ohio Revised Code. Although the first public school in East Cleveland was established by the township in 1846, the will of John Shaw in 1835 provided for the establishment of a private academy in East Cleveland Township. In 1870, the Board of Education of East Cleveland Township assumed management of the academy and in 1883, the Board and the Shaw Trustees agreed on the Board's long-range operation of the school. The School District is one of the 611 school districts in the State of Ohio and one of 31 in Cuyahoga County, and provides education to 1,693 students in grades K through 12. The School District is located in northeast Ohio, covers approximately 2.8 square miles and includes all of the City of East Cleveland and a small portion of the City of Cleveland Heights. The operation of the School District is governed by an elected five-member Board of Education.

The Board controls the School District's two elementary schools, one middle school and one high school, staffed by 109 support staff personnel, 190 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 two insurance purchasing pools, a related organization and two jointly governed organizations. These organizations are the Ohio School Boards Association Workers' Compensation Group Rating Program, the Jefferson Health Plan, East Cleveland Public Library, Connect, and Ohio Schools' Council Association. These organizations are presented in Notes 15, 16, and 17 of the notes to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described as follows.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has only governmental activities; therefore, no business-type activities are presented.

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

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. 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 three categories: governmental, proprietary 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, 2020

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

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

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

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's internal service fund accounts for self insurance for medical claims of School District employees.

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.

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

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

Basis of Accounting

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

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

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 are reported on the government-wide statement of net position for deferred charges on refunding, pension, and OPEB plans. 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. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 22 and 23.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB plans and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2020, but which were levied to finance fiscal year 2021 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, intergovernmental

East Cleveland City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2020

revenue and tuition and fees. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities fund on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 22 and 23)

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Budgetary Data

All funds, 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 Board. The legal level of control has been established by the Board of Education at the fund level for all funds. The budgets are monitored at the object level within a function and fund. The Treasurer has been given the authority to allocate appropriations to the function and object levels within each fund.

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

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

Cash and Cash Equivalents

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

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

During fiscal year 2020, the School District’s investments were limited to STAR Ohio and U.S. Treasury securities.

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

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$100 million or more. STAR Ohio reserves the right to limit the transactions to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2020 amounted to \$279,424, which includes \$57,731 assigned from other School District funds.

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

Restricted Assets

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

Inventory

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

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.

East Cleveland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
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 statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are receipted in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

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 straight line 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 year of service.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be 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 governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Internal Activity

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

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

Net Position

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

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

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

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 includes the remaining amount that is not restricted or committed. These assigned balances are established by the School District Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or a School District official delegated that authority by resolution by State statute. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District’s Board of Education assigned fund balance for public school support services and for fiscal year 2021 operations.

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

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

Operating Revenues and Expenses

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

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Estimates

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

Note 3 – Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The School District evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For fiscal year 2020, the School District also implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the School District’s 2020 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 – Accountability and Compliance

Accountability

At June 30, 2020, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Major Governmental Fund	
Title I	\$181,010
Other Governmental Funds	
Local Grants	180,337
Title VI-B	38,170
Public School Preschool	36,305
Miscellaneous Federal Grants	15,436
Title VIR	8,866
Vocational Education	7,559

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.

Compliance

As of June 30, 2020, the Title I special revenue fund had original appropriations of \$3,279,727 in excess of estimated resources plus carryover balances of \$2,626,330, in the amount of \$653,397, contrary to Section 5705.39, Ohio Revised Code:

Management has indicated that appropriations will be closely monitored to prevent future violations.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 5 – Budgetary Basis of Accounting

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balance (GAAP basis).
5. Budgetary revenues and expenditures of the public school support fund are reclassified to the general fund for GAAP reporting.
6. Investments are reported at fair value (GAAP) rather than cost (budget 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.

	General	Title I
GAAP Basis	(\$591,381)	\$243,437
Net Adjustment for Revenue Accruals	520,248	(158,955)
Advances In	992,356	227,484
Beginning Fair Value Adjustment for Investments	138,309	0
Ending Fair Value Adjustment for Investments	(240,409)	0
Net Adjustment for Expenditure Accruals	613,524	53,622
Advances Out	(586,752)	(401,067)
Perspective Difference:		
Public School Support	8,682	0
Encumbrances	(2,077,701)	(90,851)
Budget Basis	(\$1,223,124)	(\$126,330)

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 6 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met. The investment in commercial paper notes of a single issuer shall not exceed in the aggregate five percent of interim moneys available for investment at the time of purchase.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2020, \$5,079,777 of the School District's total bank balance of \$13,344,212 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the School District's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

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

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

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

Investments

Investments are reported at fair value. As of June 30, 2020, the School District had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard and Poor's Rating	Percentage of Total Investments
Net Asset Value (NAV) Per Share:				
STAR Ohio	\$468,644	41.5 Days	AAAm	N/A
Fair Value - Level Two Inputs:				
US Treasury Securities	<u>5,121,440</u>	Less than two years	AAA	91.62%
Total Investments	<u><u>\$5,590,084</u></u>			

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2020. All of the School District's investments measured at fair value are valued using methodologies that incorporate market inputs

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For the Fiscal Year Ended June 30, 2020

such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

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

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

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

Note 7 – Receivables

Receivables at June 30, 2020, consisted of taxes, intergovernmental and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except for delinquent property taxes are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Title I	\$1,348,997
Department of Education	524,998
Title VI-B	187,350
Early Childhood Education	122,849
Title IV-A	107,169
Title II-A	103,205
Carl Perkins	28,064
Ohio School Climate Grant	20,000
Early Childhood Special Education IDEA	6,769
Parent Mentor Project	4,143
Students with Disabilities	4,650
Cuyahoga County	1,970
Total	\$2,460,164

Note 8 – Property Taxes

Property Taxes

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

East Cleveland City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

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 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, 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 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2018, were levied after April 1, 2019 and are collected in calendar year 2020 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Cuyahoga County. The County Fiscal Officer periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2021 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, 2020 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, 2020, was \$1,029,432 in the general fund, \$108,373 in the general obligation bond retirement debt service fund and \$8,712 in the classroom facilities maintenance capital projects fund. The amount available as an advance at June 30, 2019, was \$1,694,102 in the general fund, \$178,579 in the general obligation bond retirement debt service fund, and \$14,355 in the classroom facilities maintenance capital projects fund.

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

The assessed values upon which the fiscal year 2020 taxes were collected are:

	2019 Second Half Collections		2020 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate				
Residential/Agricultural	\$81,791,700	61.83 %	\$81,264,690	60.73 %
Other Real Estate	36,788,950	27.81	37,661,560	28.15
Public Utility	13,706,140	10.36	14,884,090	11.12
Total	\$132,286,790	100.00 %	\$133,810,340	100.00 %
Tax rate per \$1,000 of assessed valuation	\$95.10		\$95.10	

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Tax Abatements

The School District property taxes were reduced by \$92,323 under various community reinvestment area agreements entered into by the City of East Cleveland.

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 governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

Fund Balances	General	Title I	Other Governmental Funds	Total
<i>Nonspendable:</i>				
Unclaimed Monies	\$84,708	\$0	\$0	\$84,708
Inventory	0	0	2,624	2,624
Prepays	89,673	0	2,581	92,254
<i>Total Nonspendable</i>	174,381	0	5,205	179,586
<i>Restricted for:</i>				
Food Service Operations	0	0	455,487	455,487
Adult Education	0	0	316	316
Technology Improvements	0	0	23,246	23,246
Educational Services	0	0	98,892	98,892
Student Services	0	0	434,795	434,795
Debt Service Payments	0	0	2,251,512	2,251,512
Capital Improvements	0	0	532,316	532,316
<i>Total Restricted</i>	0	0	3,796,564	3,796,564
<i>Assigned to:</i>				
Public School Support Services	62,087	0	0	62,087
Fiscal Year 2021 Appropriations	8,328,452	0	0	8,328,452
Purchases on Order:				
Instruction	155,790	0	0	155,790
Support Services	1,655,767	0	0	1,655,767
<i>Total Assigned</i>	10,202,096	0	0	10,202,096
<i>Unassigned (Deficit)</i>	2,826,571	(181,010)	(286,976)	2,358,585
Total Fund Balances (Deficit)	\$13,203,048	(\$181,010)	\$3,514,793	\$16,536,831

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

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, 2020.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. ODE has finalized the impact of enrollment adjustments to the June 30, 2020 foundation funding for the School District and they did not have any significant impact on the District's funding.

Litigation

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

Note 11 – Risk Management

Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2020, the School District contracted with Liberty Mutual Insurance Company for property insurance of \$169,434,455, fleet insurance of \$1,000,000 and liability coverage of \$1,000,000 per occurrence with no deductible.

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

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 2020, the School District participated in the Ohio School Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management Company provides administrative, cost control and actuarial services to the GRP.

Employee Benefits

For fiscal year 2020, the School District participated in the Jefferson Health Plan, an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District offers medical, surgical, and dental insurance to employees through a self-insurance program. The School District's monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$563,316 reported in the internal service funds at June 30, 2020, is estimated by and based on the requirements of the Governmental Accounting Standards Board Statement No. 30 which required that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the funds' claims liability amounts for 2019 and 2020 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2019	\$433,735	\$4,958,651	(\$4,889,174)	\$503,212
2020	503,212	6,020,477	(5,960,373)	563,316

Note 12 – Interfund Transactions

Balances

Interfund balances at June 30, 2020 consisted of the following:

	Interfund Receivable		
Interfund Payable	General	Internal Service	Total
General	\$0	\$515,960	\$515,960
Title I	227,484	24,770	252,254
Other Governmental Funds	359,268	22,586	381,854
Total	\$586,752	\$563,316	\$1,150,068

The interfund receivables and payables are advances due to the timing of the receipt of grant monies received by various funds. The general fund provides money to operate the programs until grants are received and the advances can be repaid. These advances are expected to be repaid within the next fiscal year. Also included in interfund balances, the general fund owed \$515,960, title I owed \$24,770, and other governmental funds owed \$22,586 to the self insurance fund for charges for services.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Transfers

During fiscal year 2020, the general fund transferred \$95,326 to other governmental funds to support programs and projects accounted for in other funds.

Note 13 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance 6/30/19	Additions	Deletions	Balance 6/30/20
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$2,389,900	\$0	\$0	\$2,389,900
Construction in Progress	0	2,318,203	0	2,318,203
<i>Total Capital Assets, not being Depreciated</i>	<u>2,389,900</u>	<u>2,318,203</u>	<u>0</u>	<u>4,708,103</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,473,800	0	0	2,473,800
Buildings and Improvements	97,254,567	23,200	0	97,277,767
Furniture and Equipment	7,112,143	199,163	0	7,311,306
Vehicles	541,048	126,790	0	667,838
Textbooks	1,853,856	0	0	1,853,856
<i>Total Capital Assets, being Depreciated</i>	<u>109,235,414</u>	<u>349,153</u>	<u>0</u>	<u>109,584,567</u>
Less Accumulated Depreciation:				
Land Improvements	(1,588,244)	(118,384)	0	(1,706,628)
Buildings and Improvements	(38,111,327)	(2,350,381)	0	(40,461,708)
Furniture and Equipment	(6,390,344)	(338,305)	0	(6,728,649)
Vehicles	(513,453)	(21,128)	0	(534,581)
Textbooks	(1,853,856)	0	0	(1,853,856)
<i>Total Accumulated Depreciation</i>	<u>(48,457,224)</u>	<u>(2,828,198) *</u>	<u>0</u>	<u>(51,285,422)</u>
<i>Total Capital Assets, being Depreciated, Net</i>	<u>60,778,190</u>	<u>(2,479,045)</u>	<u>0</u>	<u>58,299,145</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$63,168,090</u>	<u>(\$160,842)</u>	<u>\$0</u>	<u>\$63,007,248</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,664,048
Vocational	12,296
Support Services:	
Instructional Staff	15,732
Administration	4,236
Business	11,959
Operation and Maintenance of Plant	45,020
Pupil Transportation	11,204
Central	6,819
Operation of Non-Instructional Services	47,646
Extracurricular Activities	9,238
<i>Total Depreciation Expense</i>	<u>\$2,828,198</u>

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 – Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service and hours worked. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

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

Note 15 – Related Organization

The East Cleveland Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the East Cleveland City School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the East Cleveland Public Library, Mr. Ross Cockfield, Fiscal Officer, at 14101 Euclid Avenue, East Cleveland, Ohio 44112.

Note 16 – Public Entity Risk Pool

Insurance Purchasing Pools

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

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

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

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

Note 17 – Jointly Governed Organizations

Connect Connect is a jointly governed organization comprised of twenty-four member school districts, three educational service centers, and the Ohio Schools' Council. The jointly governed organization was formed for the purpose of providing support and leadership which enables organizations to achieve their objectives through innovative and cost effective shared technology solutions. Connect is governed by a four member Board of Directors consisting of the Superintendent of the Educational Service Center of Cuyahoga County, the Superintendent of the Educational Service Center of Lorain County, the Superintendent of the Educational Service Center of Medina County and the Executive Director of the Ohio Schools Council. The degree of control exercised by any participating school district is limited to its representation of the Governing Board. The Board exercises total control over the operation of the organization including budgeting, appropriating, contracting and designating management. Each participating entity's contribution to Connect is dependent upon student enrollment and/or software packages and services utilized. Financial information for Connect can be obtained by contacting the Treasurer at the Cuyahoga County Educational Service Center, which serves as fiscal agent. During fiscal year 2020, the School District contributed \$193,979 to Connect. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 6393 Oak Tree Boulevard, Independence, Ohio 44131.

Ohio Schools' Council Association The Ohio Schools Council Association (Council) is a jointly governed organization among 241 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The degree of control exercised by any participating school district is limited to its representation on the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board exercises total control over the operations of the Council including budgetary, appropriating, contracting and designating management. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2020, the School District paid \$89,942 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
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For the Fiscal Year Ended June 30, 2020

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Constellation New Energy was the supplier from July 1, 2018 to June 30, 2019 and again from July 1, 2019 through June 30, 2022. There are currently 165 participants in the program. The participants make monthly payments based on estimated usage and estimated prices. Each August, these estimated payments are compared to their actual usage and actual prices for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in August until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the August monthly estimated billing. Any School District that requests a refund of their excess amount has the amount returned in November of that fiscal year.

The School District participates in the Council's electric purchase program. The Council provides over 250 school districts in the Ohio Edison, The Illuminating Company, Toledo Edison, Duke Energy and AEP Ohio Power service areas the ability to purchase electricity at reduced rates. The Council's current program, Power 4 Schools, provides for a fixed per kilowatt-hour for electricity generation until December 2021.

Note 18 – 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 6/30/19	Additions	(Reductions)	Principal Outstanding 6/30/20	Amount Due in One Year
Governmental Activities:					
<i>General Obligations Bonds:</i>					
School Improvement Refunding - 2007:					
Serial Bonds	\$1,470,000	\$0	(\$715,000)	\$755,000	\$755,000
Unamortized Premium	44,915	0	(31,705)	13,210	0
<i>Total General Obligation Bonds</i>	<u>1,514,915</u>	<u>0</u>	<u>(746,705)</u>	<u>768,210</u>	<u>755,000</u>
<i>Other Long-Term Obligations:</i>					
Net Pension Liability:					
STRS	32,015,191	0	(1,188,923)	30,826,268	0
SERS	9,463,234	652,454	0	10,115,688	0
Total Net Pension Liability	<u>\$41,478,425</u>	<u>\$652,454</u>	<u>(\$1,188,923)</u>	<u>\$40,941,956</u>	<u>\$0</u>

(continued)

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For the Fiscal Year Ended June 30, 2020

	Principal Outstanding 6/30/19	Additions	(Reductions)	Principal Outstanding 6/30/20	Amount Due in One Year
Governmental Activities (Continued):					
<i>Other Long-Term Obligations:</i>					
Net OPEB Liability:					
SERS	\$4,580,212	\$0	(\$399,424)	\$4,180,788	\$0
Capital Leases	616,058	2,570,887	(269,446)	2,917,499	392,932
Compensated Absences	4,240,971	827,013	(1,010,036)	4,057,948	943,866
<i>Total Other Long-Term Obligations</i>	<u>50,915,666</u>	<u>4,050,354</u>	<u>(2,867,829)</u>	<u>52,098,191</u>	<u>1,336,798</u>
<i>Total Governmental Activities</i>	<u>\$52,430,581</u>	<u>\$4,050,354</u>	<u>(\$3,614,534)</u>	<u>\$52,866,401</u>	<u>\$2,091,798</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, 2020, was \$13,539,443 with an unvoted debt margin of \$133,810.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2020, are as follows:

	General Obligation Bonds	
	Principal	Interest
2021	<u>\$755,000</u>	<u>\$20,762</u>

The general obligation bonds will be paid from property taxes reported within the bond retirement debt service fund. There is no repayment schedule for the net pension liability or net OPEB liability. However, employer pension contributions are made from the following funds: general, food service, other local grants, public school preschool, title VI-B, title I school improvement, title I and class size reduction grant special revenue funds. For additional information related to the net pension liability and net OPEB liability, see Notes 22 and 23, respectively. Payments related to the capital lease are paid from the general fund. Compensated absences will be paid from the general, other local grants, food service, public school preschool, title VI-B, title I, and class size reduction grant special revenue funds.

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 19 – Leases

Capital Leases

During fiscal year 2020, the School District entered into an energy conservation lease. In the prior year, the School District consolidated its existing capital leases for copiers into one new master lease agreement. The lease meets the criteria for capital leases and has been recorded on the government-wide statements. The original amounts capitalized for the capital leases and their book values as of June 30, 2020 are as follows:

	Amounts
Assets:	
Equipment	\$3,277,834
Less: Accumulated Depreciation	(282,778)
Current Book Value	\$2,995,056

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, 2020.

	Amounts
2021	\$522,200
2022	522,200
2023	403,235
2024	318,260
2025	318,260
2026 - 2030	1,432,170
Total Minimum Lease Payments	3,516,325
Less: Amount Representing Interest	(598,826)
Present Value of Minimum Lease Payments	\$2,917,499

Operating Leases

On October 1 2018, the School District entered into an operating lease with Mercantile Street Real Estate, LLC, for the purpose of leasing a bus garage and warehouse to house the School District’s buses and maintenance equipment. This lease is renewed semi-annually. The School District pays \$4,100 per month. For fiscal year 2020, the School District paid rental costs of \$48,900. The School District must provide the lessor written notice at least 180 days prior to termination of the lease.

Note 20 – 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
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	Capital Improvement
Set-aside Balances as of June 30, 2019	(\$9,897,521)
Current Year Set-aside Requirement	335,405
Levy Proceeds Offsets	(64,587)
Qualifying Disbursements	(13,102)
Totals	(\$9,639,805)
Set-aside Balance Carried Forward to Future Fiscal Years	(\$9,639,805)
Set-aside Balances as of June 30, 2020	\$0

Note 21 – Encumbrances

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

General	\$2,077,701
Title I	90,851
Other Governmental Funds	328,179
Total	\$2,496,731

Note 22 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability (Asset)

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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, 2020, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$869,192 for fiscal year 2020. Of this amount \$18,235 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$2,340,237 for fiscal year 2020. Of this amount \$268,220 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Prior Measurement Date	0.16523360%	0.14560464%	
Current Measurement Date	<u>0.16906890%</u>	<u>0.13939456%</u>	
Change in Proportionate Share	<u>0.00383530%</u>	<u>-0.00621008%</u>	
Proportionate Share of the Net Pension Liability	\$10,115,688	\$30,826,268	\$40,941,956
Pension Expense	\$975,555	\$1,593,161	\$2,568,716

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$256,511	\$250,977	\$507,488
Changes of assumptions	0	3,621,141	3,621,141
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	121,918	0	121,918
School District contributions subsequent to the measurement date	<u>869,192</u>	<u>2,340,237</u>	<u>3,209,429</u>
Total Deferred Outflows of Resources	<u>\$1,247,621</u>	<u>\$6,212,355</u>	<u>\$7,459,976</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$133,441	\$133,441
Net difference between projected and actual earnings on pension plan investments	129,847	1,506,621	1,636,468
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>425,762</u>	<u>4,139,390</u>	<u>4,565,152</u>
Total Deferred Inflows of Resources	<u>\$555,609</u>	<u>\$5,779,452</u>	<u>\$6,335,061</u>

\$3,209,429 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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	SERS	STRS	Total
Fiscal Year Ending June 30:			
2021	(\$58,244)	\$228,592	\$170,348
2022	(183,934)	(964,828)	(1,148,762)
2023	(8,642)	(1,100,786)	(1,109,428)
2024	73,640	(70,312)	3,328
Total	(\$177,180)	(\$1,907,334)	(\$2,084,514)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

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The most recent experience study was completed for the five year period ended June 30, 2015.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	<u>10.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$14,175,696	\$10,115,688	\$6,710,864

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

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Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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

Actuarial assumptions used in the July 1, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

** 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and

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their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$45,049,158	\$30,826,268	\$18,785,865

Note 23 – Defined Benefit OPEB Plans

See Note 22 for a description of the net OPEB liability

Plan Description - School Employees Retirement System (SERS)

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

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

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

For fiscal year 2020, the School District's surcharge obligation was \$50,380.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$50,380 for fiscal year 2020. Of this amount \$50,380 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability:			
Prior Measurement Date	0.16509610%	0.14560464%	
Current Measurement Date	<u>0.16624800%</u>	<u>0.13939456%</u>	
Change in Proportionate Share	<u>0.00115190%</u>	<u>-0.00621008%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$4,180,788	\$0	\$4,180,788
Net OPEB (Asset)	\$0	(\$2,308,708)	(\$2,308,708)
OPEB Expense	(\$84,211)	(\$812,192)	(\$896,403)

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$61,371	\$209,301	\$270,672
Changes of assumptions	305,359	48,529	353,888
Net difference between projected and actual earnings on OPEB plan investments	10,035	0	10,035
Changes in proportionate Share and difference between School District contributions and proportionate share of contributions	0	9,781	9,781
School District contributions subsequent to the measurement date	<u>50,380</u>	<u>0</u>	<u>50,380</u>
Total Deferred Outflows of Resources	<u>\$427,145</u>	<u>\$267,611</u>	<u>\$694,756</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$918,491	\$117,458	\$1,035,949
Changes of assumptions	234,279	2,531,228	2,765,507
Net difference between projected and actual earnings on OPEB plan investments	0	145,004	145,004
Changes in Proportionate Share and Difference between School District contributions and proportionate share of contributions	<u>509,377</u>	<u>530,296</u>	<u>1,039,673</u>
Total Deferred Inflows of Resources	<u>\$1,662,147</u>	<u>\$3,323,986</u>	<u>\$4,986,133</u>

\$50,380 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Fiscal Year Ending June 30:	SERS	STRS	Total
2021	(\$430,677)	(\$656,464)	(\$1,087,141)
2022	(216,776)	(656,466)	(873,242)
2023	(213,831)	(598,351)	(812,182)
2024	(214,310)	(577,966)	(792,276)
2025	(155,761)	(567,810)	(723,571)
Thereafter	(54,027)	682	(53,345)
Total	(\$1,285,382)	(\$3,056,375)	(\$4,341,757)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

East Cleveland City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020*

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

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019, was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2029. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$5,074,683	\$4,180,788	\$3,470,036

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

	1% Decrease (6.00 % decreasing to 3.75%)	Current Trend Rate (7.00 % decreasing to 4.75%)	1% Increase (8.00 % decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$3,349,658	\$4,180,788	\$5,283,496

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 initial, 4 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

East Cleveland City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$1,970,023)	(\$2,308,708)	(\$2,593,464)
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$2,617,969)	(\$2,308,708)	(\$1,929,939)

Note 24 –COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the School District. The District's investment portfolio and the investments of the pension and other employee benefit plans in which the District participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the School District's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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

	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.16906890%	0.16523360%	0.18753560%
School District's Proportionate Share of the Net Pension Liability	\$10,115,688	\$9,463,234	\$11,204,839
School District's Covered Payroll	\$6,234,474	\$6,000,237	\$6,000,179
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	162.25%	157.71%	186.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.85%	71.36%	69.50%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2017	2016	2015	2014
0.20124960%	0.17535119%	0.19417047%	0.19417047%
\$14,729,613	\$11,483,988	\$11,160,847	\$13,114,152
\$6,224,693	\$6,134,211	\$6,685,412	\$6,419,908
236.63%	187.21%	166.94%	204.27%
62.98%	69.16%	71.70%	65.52%

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

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability	0.16624800%	0.16509610%	0.18321750%	0.19828290%
School District's Proportionate Share of the Net OPEB Liability	\$4,180,788	\$4,580,212	\$4,917,077	\$5,651,796
School District's Covered Payroll	\$6,234,474	\$6,000,237	\$6,000,179	\$6,224,693
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	67.06%	76.33%	81.95%	90.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.57%	13.57%	12.46%	11.49%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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

	2020	2019	2018
School District's Proportion of the Net Pension Liability	0.13939456%	0.14560464%	0.16225731%
School District's Proportionate Share of the Net Pension Liability	\$30,826,268	\$32,015,191	\$38,544,572
School District's Covered Payroll	\$16,066,386	\$16,538,050	\$16,711,821
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	191.87%	193.59%	230.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.40%	77.30%	75.30%

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information

2017	2016	2015	2014
0.16919372%	0.17535119%	0.19417040%	0.19417047%
\$56,634,237	\$48,461,939	\$47,228,977	\$56,258,850
\$18,342,043	\$18,037,057	\$19,650,654	\$22,242,054
308.77%	268.68%	240.34%	252.94%
66.80%	72.10%	74.70%	69.30%

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

	2020	2019	2018	2017
School District's Proportion of the Net OPEB Liability (Asset)	0.13939456%	0.14560464%	0.16225731%	0.16193720%
School District's Proportionate Share of the Net OPEB Liability (Asset)	(\$2,308,708)	(\$2,339,718)	\$6,330,682	\$8,660,444
School District's Covered Payroll	\$16,066,386	\$16,538,050	\$16,711,821	\$18,342,043
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	-14.37%	-14.15%	37.88%	47.22%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	174.70%	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Pension Liability				
Contractually Required Contribution	\$869,192	\$841,654	\$810,032	\$840,025
Contributions in Relation to the Contractually Required Contribution	<u>(869,192)</u>	<u>(841,654)</u>	<u>(810,032)</u>	<u>(840,025)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$6,208,514	\$6,234,474	\$6,000,237	\$6,000,179
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.50%</u>	<u>13.50%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution (2)	50,380	99,771	107,942	67,073
Contributions in Relation to the Contractually Required Contribution	<u>(50,380)</u>	<u>(99,771)</u>	<u>(107,942)</u>	<u>(67,073)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.81%</u>	<u>1.60%</u>	<u>1.80%</u>	<u>1.12%</u>
Total Contributions as a Percentage of Covered Payroll (2)	<u>14.81%</u>	<u>15.10%</u>	<u>15.30%</u>	<u>15.12%</u>

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

(2) Includes Surcharge

See accompanying notes to the required supplementary information

2016	2015	2014	2013	2012	2011
\$871,457	\$808,489	\$875,789	\$841,008	\$890,540	\$856,995
(871,457)	(808,489)	(875,789)	(841,008)	(890,540)	(856,995)
\$0	\$0	\$0	\$0	\$0	\$0
\$6,224,693	\$6,134,211	\$6,685,412	\$6,419,908	\$7,012,126	\$7,256,520
14.00%	13.18%	13.10%	13.10%	12.70%	11.81%
76,042	116,220	80,256	80,928	137,885	206,035
(76,042)	(116,220)	(80,256)	(80,928)	(137,885)	(206,035)
\$0	\$0	\$0	\$0	\$0	\$0
1.22%	1.89%	1.20%	1.26%	1.97%	2.84%
15.22%	15.07%	14.30%	14.36%	14.67%	14.65%

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

	2020	2019	2018	2017
Net Pension Liability				
Contractually Required Contribution	\$2,340,237	\$2,249,294	\$2,315,327	\$2,339,655
Contributions in Relation to the Contractually Required Contribution	<u>(2,340,237)</u>	<u>(2,249,294)</u>	<u>(2,315,327)</u>	<u>(2,339,655)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
School District Covered Payroll (1)	\$16,715,979	\$16,066,386	\$16,538,050	\$16,711,821
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability				
Contractually Required Contribution	\$0	\$0	\$0	\$0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>

(1) The School District's covered payroll is the same for Pension and OPEB.
See accompanying notes to the required supplementary information

2016	2015	2014	2013	2012	2011
\$2,567,886	\$2,525,188	\$2,554,585	\$2,891,467	\$2,889,886	\$2,895,701
(2,567,886)	(2,525,188)	(2,554,585)	(2,891,467)	(2,889,886)	(2,895,701)
\$0	\$0	\$0	\$0	\$0	\$0
\$18,342,043	\$18,037,057	\$19,650,654	\$22,242,054	\$22,229,892	\$22,274,623
14.00%	14.00%	13.00%	13.00%	13.00%	13.00%
\$0	\$0	\$196,507	\$222,421	\$222,299	\$222,746
0	0	(196,507)	(222,421)	(222,299)	(222,746)
\$0	\$0	\$0	\$0	\$0	\$0
0.00%	0.00%	1.00%	1.00%	1.00%	1.00%
14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

East Cleveland City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

Net Pension Liability

Changes in Assumptions – SERS

Beginning in fiscal year 2018, an assumption of 2.5 percent was used for COLA or Ad Hoc Cola. Prior to 2018, an assumption of 3 percent was used.

Beginning with fiscal year 2017, amounts reported incorporate changes in assumptions used by SERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 and prior are presented below:

	Fiscal Year 2017	Fiscal Year 2016 and Prior
Wage Inflation	3.00 percent	3.25 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation

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

Changes in Assumptions - STRS

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

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

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

East Cleveland City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

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

Net OPEB Liability

Changes in Assumptions – SERS

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

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

Changes in Assumptions – STRS

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

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

Changes in Benefit Terms – STRS OPEB

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

East Cleveland City School District
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

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

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

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR <i>Pass Through Grantor</i> <u>Program Title</u>	Federal CFDA Number	<u>Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through the Ohio Department of Education:</i>		
Child Nutrition Cluster:		
Non-Cash Assistance (Food Distribution):		
National School Lunch Program	10.555	\$ 87,330
Cash Assistance:		
National School Lunch Program	10.555	548,831
National School Lunch Program, COVID-19	10.555	72,518
School Breakfast Program	10.553	207,580
School Breakfast Program, COVID-19	10.553	37,548
Summer Food Service Program for Children	10.559	59,412
Cash Assistance Subtotal		<u>925,889</u>
Total Child Nutrition Cluster		<u>1,013,219</u>
 Fresh Fruit and Vegetable Program	 10.582	 <u>34,407</u>
Total U.S. Department of Agriculture		<u>1,047,626</u>
U.S. DEPARTMENT OF DEFENSE		
<i>Direct Program:</i>		
Junior ROTC	12.000	49,473
Total U.S. Department of Defense		<u>49,473</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through the Ohio Department of Education:</i>		
Title I Grants to Local Educational Agencies	84.010	2,243,301
Special Education Cluster:		
Special Education Grants to States	84.027	579,885
Special Education Preschool Grants	84.173	6,768
Total Special Education Cluster		<u>586,653</u>
Career and Technical Education - Basic Grants to States	84.048	104,862
Improving Teacher Quality State Grants	84.367	78,872
Student Support and Academic Enrichment	84.424	<u>129,446</u>
Total U.S. Department of Education		3,143,134
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 4,240,233</u>

See the accompanying notes to the Schedule

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**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the East Cleveland City School District (the District's) under programs of the federal government for the year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - MATCHING REQUIREMENTS

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

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2020
(CONTINUED)**

NOTE G - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2019 to 2020 programs:

Title I Grants to Local Educational Agencies	84.010	\$	977,453
Special Education - Grants to States	84.027	\$	117,100
Student Support & Academic Enrichment	84.424	\$	83,731
Title II-A Supporting Effective Instruction	84.367	\$	58,531
Title I, Supplemental School Improvement	84.010	\$	106,600

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Cleveland City School District, Cuyahoga County, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 23, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

August 23, 2021

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

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) *Compliance Supplement* that could directly and materially affect East Cleveland City School District's major federal program for the year ended June 30, 2020. The Summary of Auditor's 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). These standards and the Uniform Guidance 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 program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the East Cleveland City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2020.

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 the major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 weakness may exist that have not been identified.

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



Keith Faber
Auditor of State
Columbus, Ohio

August 23, 2021

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	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 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.010 – Title I Grants to Local Educational Agencies
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**EAST CLEVELAND CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020
(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

OHIO AUDITOR OF STATE KEITH FABER



EAST CLEVELAND CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/7/2021

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov