



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CINCINNATI CITY SCHOOL DISTRICT
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REPORT OF INDEPENDENT ACCOUNTANTS

Cincinnati City School District
Hamilton County
2651 Burnet Avenue
Cincinnati, Ohio 45219

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Cincinnati City School District, Hamilton County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because of inadequacies in the District's accounting records, we are unable to obtain sufficient documentation regarding the amounts reported as fixed assets in the General Fixed Assets Account Group and the Proprietary Fund Type at June 30, 1999 (stated at \$295,921,496 and \$1,485,258 respectively) or the amount of Proprietary Fund Type depreciation expense for the year then ended.

In our opinion, except that we express no opinion on the amounts shown in the General Fixed Assets Account Group, and except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain records concerning Proprietary Fund Type fixed assets, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Cincinnati City School District as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in accordance with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2000 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 grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

March 24, 2000

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CINCINNATI CITY SCHOOL DISTRICT
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 AT JUNE 30, 1999

	GOVERNMENTAL FUND TYPES			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and investments	\$ 21,858,649	\$ 17,585,772	\$ 3,453,868	\$ 8,603,244
Restricted pooled cash and investments	1,420,826	-	-	-
Investments	-	-	-	-
Receivables (net of allowances for uncollectibles)	-	-	-	-
Property taxes	198,963,040	-	845,952	1,283,321
Accounts	242,921	532,490	-	4
Accrued interest	-	-	-	-
Intergovernmental - state & local	234,319	11,052	-	-
Intergovernmental - federal	203,487	221,972	-	-
Interfund loan receivable	1,134,338	-	-	-
Advances to other funds	3,931,381	-	-	-
Materials and supplies inventory	69,504	-	-	-
Inventory held for resale	-	-	-	-
Property, plant, & equipment	-	-	-	-
Other Debits:				
Amount available in debt service fund	-	-	-	-
Amount to be provided for retirement of general long term obligations	-	-	-	-
TOTAL ASSETS AND OTHER DEBITS	\$ 228,058,465	\$ 18,351,286	\$ 4,299,820	\$ 9,886,571
LIABILITIES, EQUITY & OTHER CREDITS				
LIABILITIES:				
Accounts payable	2,831,558	1,964,416	-	1,102,074
Accrued wages and benefits	17,577,591	2,303,803	-	17,738
Compensated absences payable	1,745,881	-	-	-
Interfund loans payable	-	1,134,338	-	-
Advances from other funds	-	3,908,098	-	23,283
Deferred revenue-commodities	-	-	-	-
Deferred revenue-taxes	128,098,041	44,007	549,952	448,321
Intergovernmental payable	3,283,590	697,826	-	18,978
Due to students	-	-	-	-
Due to others	-	-	-	-
Accrued interest payable	870,123	-	-	279,500
Notes payable	24,880,000	-	-	8,000,000
Long term tax anticipation notes payable	42,700,000	-	-	-
Long term revenue anticipation notes payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Obligations under capital leases	-	-	-	-
TOTAL LIABILITIES	221,986,784	10,052,488	549,952	9,889,894
EQUITY & OTHER CREDITS:				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings, Unreserved	-	-	-	-
Fund Balances:				
Reserved for encumbrances	8,626,947	4,429,308	-	2,209,446
Reserved for endowments	-	-	-	-
Reserved for supplies inventory	69,504	-	-	-
Reserved for property taxes	70,865,000	-	296,000	835,000
Reserved for debt service	-	-	3,453,868	-
Reserved for advances	3,931,381	-	-	-
Reserved for budget stabilization	1,420,826	-	-	-
Unreserved:				
Undesignated	(78,841,977)	3,869,489	-	(3,047,769)
TOTAL EQUITY & OTHER CREDITS	6,071,680	8,298,797	3,749,868	(3,323)
TOTAL LIABILITIES, EQUITY & OTHER CREDITS	\$ 228,058,465	\$ 18,351,286	\$ 4,299,820	\$ 9,886,571

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUND TYPE	FUDICIARY FUND TYPES	ACCOUNT GROUPS		Totals - (Memorandum Only)
		General Fixed Assets Account Group	General Long Term Obligations Group	
Enterprise Funds	Trust and Agency Funds			
\$ 6,534,603	\$ 1,498,422	\$ -	\$ -	\$ 59,578,732
-	625,922	-	-	1,420,826
-	-	-	-	625,722
-	-	-	-	201,092,313
-	1	-	-	775,416
154	1,928	-	-	2,082
109,096	-	-	-	354,467
1,277,476	-	-	-	1,702,935
-	-	-	-	1,134,338
-	-	-	-	3,931,381
56,735	-	-	-	126,239
25,791	-	-	-	25,791
1,754,679	-	295,921,496	-	297,676,175
-	-	-	3,749,868	3,749,868
-	-	-	38,075,007	38,075,007
<u>\$ 9,758,534</u>	<u>\$ 2,170,247</u>	<u>\$ 295,921,496</u>	<u>\$ 41,824,875</u>	<u>\$ 610,271,292</u>
61,010	6,365	-	-	5,965,420
77,487	147	-	-	19,976,767
435,952	-	-	34,122,563	36,304,396
-	-	-	-	1,134,338
-	-	-	-	3,931,381
25,791	-	-	-	25,791
-	-	-	-	129,140,321
138,882	319	-	-	4,139,595
-	161,065	-	-	161,065
-	74,241	-	-	74,241
-	-	-	-	1,149,624
-	-	-	-	32,880,000
-	-	-	-	42,700,000
-	-	-	-	-
-	-	-	7,465,000	7,465,000
-	-	-	237,312	237,312
<u>739,122</u>	<u>242,137</u>	<u>-</u>	<u>41,824,875</u>	<u>285,305,251</u>
-	-	295,921,496	-	295,921,496
9,019,412	-	-	-	9,019,412
-	-	-	-	15,255,700
-	410,658	-	-	410,658
-	-	-	-	69,504
-	-	-	-	71,700,000
-	-	-	-	3,453,868
-	-	-	-	3,931,381
-	-	-	-	1,420,826
-	1,517,452	-	-	(76,206,806)
<u>9,019,412</u>	<u>1,928,110</u>	<u>295,921,496</u>	<u>-</u>	<u>324,986,041</u>
<u>\$ 9,758,534</u>	<u>\$ 2,170,247</u>	<u>\$ 295,921,496</u>	<u>\$ 41,824,875</u>	<u>\$ 610,271,292</u>

CINCINNATI CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	GOVERNMENTAL FUND TYPES				FIDUCIARY	TOTALS (MEMORANDUM ONLY)
	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS	EXPENDABLE TRUST FUND	
REVENUES:						
From local sources:						
Taxes	\$ 229,800,058	\$ -	\$ 912,038	\$ 2,635,944	\$ -	\$ 233,348,040
Tuition	294,984	1,010,076	-	-	-	1,305,060
Earnings on investments	4,385,817	219,387	-	-	36,250	4,641,454
Intergovernmental - State	124,769,026	25,568,714	-	3,937,072	-	154,274,812
Intergovernmental - Federal	2,149,863	28,142,735	-	-	-	30,292,599
Other revenue	4,633,692	5,103,054	-	1,000	167,640	9,905,386
Total Revenues	366,033,440	60,043,966	912,038	6,574,016	203,890	433,767,350
EXPENDITURES:						
Current:						
Instruction:						
Regular	153,991,734	11,290,209	-	(10,626)	26,743	165,298,060
Special	38,576,648	11,417,176	-	84,502	-	50,078,326
Vocational	10,855,735	1,945,895	-	(720)	-	12,800,910
Other	-	3,567,379	-	-	-	3,567,379
Support services:						
Pupil	8,917,439	5,922,186	-	7,539,479	-	22,379,104
Instructional staff	12,199,369	11,810,009	-	731,435	-	24,740,813
General administration	208,871	24,999	-	33,300	5,228	272,398
School administration	25,652,041	1,960,248	11,691	-	272	27,624,252
Fiscal	2,536,804	240,992	-	-	-	2,777,796
Business	911,731	-	-	1,046,767	-	1,958,498
Operations and maintenance	27,728,002	112,518	-	(711,838)	-	27,128,682
Pupil transportation	20,361,569	39,960	-	276,753	-	20,678,282
Central	12,512,858	659,616	-	277,994	-	13,450,468
Community services	(12,005)	9,045,666	-	-	114,314	9,147,975
Extracurricular activities	2,235,360	942,358	-	(5)	2,380	3,180,093
Miscellaneous	-	4,620	-	-	-	4,620
Capital outlay	735,554	256,065	-	5,507,692	-	6,499,311
Debt service:						
Principal retirement	143,816	-	1,490,000	-	-	1,633,816
Interest and fiscal charges	4,423,378	-	1,440,194	279,500	-	6,143,072
Total Expenditures	321,978,904	59,239,896	2,941,885	15,054,233	148,937	399,363,855
Excess (deficiency) of revenues over (under) expenditures	44,054,536	804,070	(2,029,847)	(8,480,217)	54,953	34,403,494
OTHER FINANCING SOURCES (USES):						
Operating transfers in	401,015	7,327,019	332,729	1,613,485	-	9,674,248
Operating transfers (out)	(1,463,837)	(6,232,103)	-	(1,597,098)	-	(9,293,038)
Proceeds of sale of fixed assets	23,026	-	-	402,880	-	425,906
Other miscellaneous sources (uses)	(375,902)	1,583,238	1,724,475	-	-	2,931,811
Refund of prior year receipts	-	(372,492)	-	-	-	(372,492)
Total Other Financing Sources (Uses)	(1,415,698)	2,305,662	2,057,204	419,267	-	3,366,435
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	42,638,838	3,109,732	27,357	(8,060,950)	54,953	37,769,929
Fund Balances, July 1 (as restated)	(36,567,157)	5,189,065	3,722,511	8,057,627	1,194,724	(18,403,230)
Fund Balances, June 30	\$ 6,071,681	\$ 8,298,797	\$ 3,749,868	\$ (3,323)	\$ 1,249,677	\$ 19,366,699

The notes to the financial statements are an integral part of this statement.

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Cincinnati City School District
 Combined Statement of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual (NON-GAAP BUDGETARY BASIS)
 All Governmental Fund Types
 Year Ended June 30, 1999

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues and Other Financing Sources	\$ 420,927,021	\$ 418,350,868	\$ (2,576,153)
Total Expenditures and Other Financing Uses	453,059,100	446,206,602	6,852,498
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(32,132,079)	(27,855,734)	4,276,345
Fund Balances at Beginning of Year (as restated)	30,709,898	30,709,898	-
Prior year encumbrances appropriated	8,966,807	8,966,807	-
Fund Balances at End of Year	\$ 7,544,626	\$ 11,820,971	\$ 4,276,345

The notes to the financial statements are an integral part of this statement.

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 79,854,084	\$ 78,652,092	\$ (1,201,992)	\$ 3,836,638	\$ 11,936,041	\$ 8,099,403
85,642,825	81,127,732	4,515,093	12,822,000	11,942,560	879,440
(5,788,741)	(2,475,640)	3,313,101	(8,985,362)	(6,519)	8,978,843
8,690,009	8,690,009	-	3,460,165	3,460,165	-
5,199,562	5,199,562	-			-
<u>\$ 8,100,830</u>	<u>\$ 11,413,931</u>	<u>\$ 3,313,101</u>	<u>\$ (5,525,197)</u>	<u>\$ 3,453,646</u>	<u>\$ 8,978,843</u>

Cincinnati City School District
 Combined Statement of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual (NON-GAAP BUDGETARY BASIS)
 All Governmental Fund Types (Continued)
 Year Ended June 30, 1999

	<u>Capital Projects Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Total Revenues and Other Financing Sources	<u>\$ 16,364,104</u>	<u>\$ 16,475,307</u>	<u>\$ 111,203</u>
Total Expenditures and Other Financing Uses	<u>21,166,771</u>	<u>19,096,652</u>	<u>2,070,119</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,802,667)	(2,621,345)	2,181,322
Fund Balances at Beginning of Year	4,921,649	4,921,649	-
Prior year encumbrances appropriated	<u>2,991,420</u>	<u>2,991,420</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 3,110,402</u>	<u>\$ 5,291,724</u>	<u>\$ 2,181,322</u>

The notes to the financial statements are an integral part of this statement.

Totals (Memorandum Only)

<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>\$ 520,981,847</u>	<u>\$ 525,414,308</u>	<u>\$ 4,432,461</u>
<u>572,690,696</u>	<u>558,373,546</u>	<u>14,317,150</u>
(51,708,849)	(32,959,238)	18,749,611
47,781,721	47,781,721	-
<u>17,157,789</u>	<u>17,157,789</u>	<u>-</u>
<u>\$ 13,230,661</u>	<u>\$ 31,980,272</u>	<u>\$ 18,749,611</u>

**CINCINNATI CITY SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES
EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND
NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type <u>Enterprise Funds</u>	Fiduciary Fund Type <u>Nonexpendable Trust Fund</u>	Totals (Memorandum Only) <u> </u>
OPERATING REVENUES:			
Tuition and fees	\$ (2,951)		\$ (2,951)
Interest Revenue	588,932	\$ 38,098	627,030
Sales	3,763,674		3,763,674
Total Operating Revenues	<u>4,349,655</u>	<u>38,098</u>	<u>4,387,753</u>
OPERATING EXPENSES:			
Salaries and wages	5,294,412		5,294,412
Fringe benefits	1,323,425		1,323,425
Contract services	1,088,616		1,088,616
Supplies	5,441,669	550	5,442,219
Depreciation	321,562		321,562
Other Operating Expenses	112,933		112,933
Total Operating Expenses	<u>13,582,617</u>	<u>550</u>	<u>13,583,167</u>
Operating Income (loss)	(9,232,962)	37,548	(9,195,414)
NONOPERATING REVENUES (EXPENSES):			
Donated Commodities	138,948		138,948
Operating grants	9,551,663		9,551,663
Miscellaneous	582,737		582,737
Total Nonoperating Revenues (Expenses)	<u>10,273,348</u>	<u>-</u>	<u>10,273,348</u>
Income before Operating Transfers	1,040,386	37,548	1,077,934
Operating transfers (out)	<u>(381,210)</u>		<u>(381,210)</u>
Net Income	659,176	37,548	696,724
Retained Earnings/fund balance, July 1	<u>8,360,236</u>	<u>640,885</u>	<u>9,001,121</u>
Retained Earnings/fund balance, June 30	<u>\$ 9,019,412</u>	<u>\$ 678,433</u>	<u>\$ 9,697,845</u>

The notes to the financial statements are an integral part of this statement.

**Cincinnati City School District
 Combined Statement of Cash Flows
 Proprietary Fund Types
 and Nonexpendable Trust Fund
 For Fiscal Year Ended June 30, 1999**

	Proprietary Fund Type <u>Enterprise Funds</u>	Fiduciary Fund Type <u>Nonexpendable Trust Fund</u>	Totals (Memorandum Only) <u>Only</u>
Increase(Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 3,771,381	\$ -	\$ 3,771,381
Cash Received from Tuition and Fees	293,537	-	293,537
Cash Received from other Operations		27,399	27,399
Cash Payments to Suppliers for Goods and Services	(5,612,584)	(550)	(5,613,134)
Cash Payments to Employees for Services	(5,216,668)		(5,216,668)
Cash Payments for Employee Benefits	(1,424,303)	-	(1,424,303)
Cash Payments for Other Operating Expenses	<u>(648,689)</u>		<u>(648,689)</u>
Net Cash Provided by (Used for) Operating Activities	(8,837,326)	26,849	(8,810,477)
Cash Flows from Noncapital Financing Activities:			
Operating Grants Received	9,497,223	-	9,497,223
Miscellaneous	<u>5,250</u>		<u>5,250</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	9,502,473	-	9,502,473
Cash Flow from Capital and Related Financing Activities:			
Transfers Out	<u>(381,210)</u>	-	<u>(381,210)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(381,210)</u>	-	<u>(381,210)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	283,937	26,849	310,786
Cash and Cash Equivalents at Beginning of Year	<u>6,250,666</u>	<u>473,009</u>	<u>6,723,675</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,534,603</u>	<u>\$ 499,858</u>	<u>\$ 7,034,461</u>

(Continued)

The notes to the financial statements are an integral part of this statement.

**Cincinnati City School District
 Combined Statement of Cash Flows
 Proprietary Fund Types
 and Nonexpendable Trust Fund - (Continued)
 for the Fiscal Year Ending June 30, 1999**

	Proprietary Fund Type <u>Enterprise Funds</u>	Fiduciary Fund Type <u>Nonexpendable Trust Fund</u>	Totals (Memorandum Only)
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (9,232,962)	\$ 34,548	\$ (9,195,414)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided:			
Depreciation	321,562	-	321,562
Donated Commodities Used During Year	235,119	-	235,119
Changes in Assets and Liabilities:			
(Increase) in Accounts Receivable	(114,257)	(10,707)	(124,964)
Decrease in Materials and Supplies Inventory	19,531	-	19,531
Decrease in Inventory Held for Resale	74,098	-	74,098
(Decrease) in Accounts Payable	(43,185)	-	(43,185)
Increase in Accrued Wages	25,795	-	25,795
Increase in Compensated Absences Payable	51,949	-	51,949
(Decrease) in Intergovernmental Payable	(100,878)	-	(100,878)
(Decrease) in Deferred Revenues	(74,098)	-	(74,098)
Total Adjustments	<u>395,636</u>	<u>(10,707)</u>	<u>384,929</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (8,837,326)</u>	<u>\$ 26,841</u>	<u>\$ (8,810,485)</u>

Reconciliation of Nonexpendable Trust Fund to Balance Sheet:

Cash and Cash Equivalents - All Fiduciary Funds	\$ 1,498,422
Less: Cash and Cash Equivalents - Expendable Trusts and Agency Funds	<u>998,564</u>
Cash and Cash Equivalents - Nonexpendable Trust Funds	<u>\$ 499,858</u>

The notes to the financial statements are an integral part of this statement.

**CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Cincinnati City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is a city district, as defined by Section 3311.02 of the Ohio Revised Code. The District operates under a locally elected Board of Education (7 members) and is responsible for the provision of public education to residents of the District. The District also provides both special education and vocational (job training) education for residents of the District.

The District includes all of the Cities of Cincinnati, Cheviot, Golf Manor, and Amberly Village; parts of the Cities of Silverton and Wyoming; parts of Fairfax Village; and Anderson, Columbia, Delhi, Green and Springfield Townships, with a total area of approximately 90 square miles.

The economy of the District is based on a wide diversity of industry. The major sources of revenue to the District are local real and personal property taxes and state aid. Other funds, such as special revenues and food services, are funded by designated state and federal grants and/or charges for goods and services.

A. FINANCIAL REPORTING ENTITY

The District provides more than instruction to its students. These additional services include student guidance, extracurricular activities, educational media, and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education through the budgetary process. These District operations form the oversight unit and are included as part of the reporting entity.

The financial report of the District is comprised of the primary government. The primary government consists of all funds, departments, boards, and agencies which are not legally separate from the District. The District has also evaluated potential component units for possible inclusion in the financial report. Component units are legally separate organizations for which the District would be financially accountable. The District would be financially accountable for an organization if the District appointed a voting majority of the organization's governing board and (1) the District was able to significantly influence the programs or services performed or provided by the organization; or (2) the District was legally entitled to or could otherwise access the organization's resources; the District was legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or levying of taxes.

The District included no component units in the financial report.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Cincinnati City 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories of Governmental, Proprietary and Fiduciary.

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary or Fiduciary Funds, are accounted for through Governmental Funds. The following are the District's Governmental Fund types:

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds or Nonexpendable Trust Funds).

PROPRIETARY FUND TYPES

Proprietary Funds are used to account for the District's ongoing activities, which are similar to those found in the private sector. All assets, liabilities, fund equities, revenues, expenses, and transfers relating to the District's business and quasi-business activities, where net income and capital maintenance are measured, are accounted for through Proprietary Funds.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUND TYPES

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expendable Trust Funds – Expendable Trust Funds are used to account for resources, including both principal and earnings, which must be expended according to the provisions of a trust agreement. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds.

Nonexpendable Trust Funds – The Nonexpendable Trust Fund is used to account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds.

Agency Funds – Agency Funds are purely custodial in nature and thus do not involve measurement of results of operations.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the Proprietary or Trust Funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the Proprietary or Nonexpendable Trust Funds, and the General Fund Tax anticipation notes as described in Footnote 11.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Fund types and Expendable Trust Funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All Proprietary and Nonexpendable Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components.

Proprietary and Nonexpendable Trust fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the Governmental, Expendable Trust and Agency Funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after year end.

CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, investment earnings, tuition, and student fees.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, which are intended to finance fiscal year 2000 operations, and delinquent property taxes whose availability is indeterminable, have been recorded as deferred revenue.

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. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the Governmental Funds.

The accrual basis of accounting is utilized for reporting purposes by the Proprietary and Nonexpendable Trust Funds. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense, with a like amount reported as donated commodities revenue. In the Enterprise Fund type, unused donated food commodities are reported as deferred revenue.

C. BUDGETARY CONTROL

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than Agency Funds, are legally required to be budgeted and appropriated. The District did not include budgetary financial statements within the general-purpose financial statements for the Enterprise, Expendable Trust, and the Nonexpendable Trust Funds. For the fiscal year ended June 30, 1999, the primary level of budgetary control was at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Advances to funds are not required to be budgeted due to the temporary nature of the cash flow and the intent to repay.

ANNUAL BUDGETS

The District adopts annual appropriation budgets for all funds. The specific timetable for the fiscal year is as follows:

1. Prior to January 15, the District Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing. A public hearing is publicized and conducted to obtain taxpayers comments.

CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. By no later than January 20, the Board of Education adopted budget is filed with the Hamilton County Budget Commission ("the Commission") for rate determination.
3. Prior to May 15, the Board of Education receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources plus certain authorized borrowings. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal 1999.
4. By July 1, the annual appropriation resolution (or temporary resolution) is legally enacted by the Board of Education. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Appropriations by fund must be within the estimated resources as certified by the County Budget Commission plus certain authorized borrowings.
5. Any revisions that alter appropriations at the budgeted level for each fund must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.
7. Capital projects are appropriated throughout the year as they are identified and approved by the District.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are reappropriated in the succeeding fiscal year.

BASIS OF ACCOUNTING

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when encumbered, or paid in cash (budget basis), as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for Governmental Fund types, and as note disclosures in the Proprietary Fund types (GAAP basis).
4. Notes payable principal payments are treated as expenditures under the budget basis and as reductions in the outstanding notes payable liability under the GAAP basis.

CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ENCUMBRANCES

Encumbrance accounting is utilized by the District for all Governmental Fund types in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. Encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. If the actual expenditures are less than the amount encumbered, the excess reserve is closed to the unreserved fund balance.

D. CASH AND INVESTMENTS

Cash received by the District is deposited into one of five bank accounts with individual fund balance integrity maintained. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments, which are stated at cost. For purposes of the combined statement of cash flows, the Enterprise and Nonexpendable Trust Funds portions of pooled cash and investments are considered as cash equivalents because the District is able to withdraw resources from the Enterprise and Nonexpendable Trust Funds without prior notice or penalty. Under existing State of Ohio statutes, all investment earnings accrue to the General Fund except those specifically related to certain Trust funds, Food Service, or to stated Board of Education policy. Individual fund integrity is maintained through District records.

During fiscal year 1999, investments were limited to STAR Ohio and common stock. Investments in common stock which were donated to the District are reported at fair value, which is based on quoted market price. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is what the investment could be sold for on June 30, 1999.

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction.

E. INVENTORY

Inventory is valued at average cost using the first-in, first-out method. Inventory is recorded as an expenditure/expense when consumed. Inventory in Governmental Funds consists of expendable supplies held for consumption. Reported material and supplies inventory is equally offset by a fund balance reserve in the Governmental Funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of Proprietary Funds consist of donated food, purchased food, and school supplies held for resale.

F. PROPERTY, PLANT, EQUIPMENT AND DEPRECIATION

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their fair market values as of the date donated. No depreciation is recognized for assets in the

**CINCINNATI CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 1999
 (Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fixed Assets Account Group. The District does not possess any "public domain" infrastructure.

2. Proprietary Funds

Property, plant and equipment reflected in the Proprietary Fund Types are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (Years)</u>
Fixed Equipment	12
Furniture, Fixtures and Minor Equipment	12
Vehicles	5

G. COMPENSATED ABSENCES PAYABLE

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or through cash payment.

The District's policies regarding compensated absences are determined by state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation How Earned</u>	<u>Certificated</u> Not Eligible	<u>Administrators</u> 2.7 days per month of employment (27 days per year); if 96% attendance, then 1 additional day granted	<u>Non-Certificated</u> 84 days to 1.67 days per month of employment (10 to 20 days per year), depending on length of service.
Maximum Accumulation	Not Applicable	81 days	2 times the yearly accrual plus current year's accumulation
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid Upon Termination	Paid Upon Termination
<u>Sick Leave How Earned</u>	<u>Certificated</u> 1.25 days month of employment (15 days per year)	<u>Administrators</u> 1.25 days per month of employment (15 days per year)	<u>Non-Certificated</u> 1.25 days per month of employment (15 days per year)

**CINCINNATI CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 1999
 (Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Maximum Accumulation	Unlimited	Unlimited	Unlimited
Vested	As Earned	As Earned	As Earned
Termination Entitlement	1/2 paid upon retirement or upon death with minimum service requirement	1/2 paid upon retirement or upon death with minimum service requirement	1/2 paid upon retirement or upon death with minimum service requirement

G. COMPENSATED ABSENCES PAYABLE

<u>Personal Leave</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
	3 days granted as of August 1	3 days granted as of August 1	3 days granted as of September 1
Maximum Accumulation	Not Applicable	Not Applicable; Converted to Sick Leave on August 1	Not Applicable
Vested	Not Applicable	Not Applicable	Not Applicable
Termination Entitlement	Not Applicable	Not Applicable	Not Applicable

For Governmental Funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In Proprietary Funds, compensated absences are expensed when earned. The entire amount of compensated absences is reported as a fund liability.

The District assumes that all employees with twenty years of service in the District will retire from the District and will be eligible for sick leave conversion. Payment is made based on one-half of the employee's total sick leave accumulation. Pay out of the sick leave conversion is based on the criteria that it is probable any employee with twenty years of employment or more will retire from the District and will have their sick leave paid out at the time of retirement.

H. FUND BAANCE RESERVES

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, endowments, supplies inventory, debt service, advances, budget stabilization, and property taxes and are not available for appropriation at year-end under Ohio law. The unreserved, undesignated portions of fund equity reported for Governmental Funds are available for use within the specific purposes of those funds.

CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. INTERGOVERNMENTAL REVENUES

For Governmental Funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for Proprietary Fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

J. INTERFUND TRANSACTIONS

During the course of normal operations the District has numerous transactions between funds. The most significant of those transactions include:

1. Transfers of resources from one fund to another fund, through which those resources are to be expended, are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/ expenses in the reimbursing fund and a reduction in expenditures/ expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund payable/receivable.
4. Long-term advances are reflected as advances to and from other funds.

K. LONG-TERM DEBT

Long-term debt is recognized as a liability of a Governmental Fund when due, or when resources have been accumulated in the Debt Service fund for payment early in the following year. The District has recorded long-term tax anticipation notes payable in the General Fund, as further described in Note 11 to the financial statements. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

L. TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

Total columns on the general-purpose financial statements are captioned "(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. ACCOUNTABILITY

FUND DEFICITS

The adoption of generally accepted accounting principles (GAAP) has resulted in fund deficits as of June 30, 1999. This is mainly due to the accrual of tax anticipation notes payable. Tax anticipation notes are shown as liabilities of the funds which receive the note proceeds. These monies are originally borrowed against new or renewed levies and the proceeds were used for General Fund current operating expenses. They will be repaid from future tax revenues associated with these levies. The funds listed

**CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE (Continued)

below had negative fund balances due to the adoption of GAAP. The General Fund is liable for any deficit in these funds and provides operating transfers or advances when cash is required, not when accruals occur.

FUND NAME	DEFICIT BALANCE
Drug-free Schools	\$1,519
Uniform School Supply	552
Career Development	10,150
Adult High	20,976
Educational Mobility	16,208
Public Preschool	228,524
DPIA	317,136
Miscellaneous State Grant	418,505
Adult Basic Education	153,032
JTPA	2,653,484
Ed. for Economic Security	62,988
House Bill 264	16,121
Chapter II	262,256
EHA Pre K Grants	12,300
Permanent Improvement	3,527,221
House Bill 264	16,121

B. COMPLIANCE

ESTIMATED REVENUES GREATER THAN ACTUAL REVENUES

The District had estimated revenues significantly greater than actual revenues for fiscal year 1999 in the following funds:

FUND NAME	AMOUNT IN EXCESS
Adult Education	\$4,068
Career Development	40,000
Adult High	21,232
Educational Mobility	16,257
Excellence in Education	428,865
Early Childhood	66,833
Industrial Training	2,065
Public Preschool	86,403
Miscellaneous State Grant	623,974
Adult Basic Education	341,522
JTPA	4,692,364
Ed. for Economic Security	394,821
House Bill 264	30,610
Chapter II	347,982
Drug Free Schools	294,818

CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

EXPENDITURES EXCEEDED APPROPRIATIONS

At June 30, 1999 the District had expenditures or expenditures plus encumbrances, in excess of appropriations in the following funds:

FUND NAME	AMOUNT IN EXCESS
OFSC Big 8	1,075,774
Telecommunications Act Grant	414,668
Ed. for Economic Security	132,957
Scientific Personnel Improvement	318,700

The District also did not comply with State statute in the following areas: appropriations exceeded estimated resources during the fiscal year; certain records were not maintained or could not be located; the availability of funds was not certified for certain contracts; and certain commitments were not encumbered.

NOTE 4 - RECONCILIATION OF GAAP BASIS RESULTS OF OPERATIONS TO BUDGET BASIS RESULTS OF OPERATIONS

Reconciliation for all annually budgeted governmental funds at June 30, 1999 from a GAAP basis to a budget basis for excess of revenue and other financing sources over (under) expenditures and other uses was as follows:

	General Fund	Debt Service Fund	Capital Projects	Special Revenue
GAAP BASIS	\$42,638,838	\$27,357	(\$8,060,950)	\$3,109,732
Adjustments for :				
Net Revenue Accruals	(52,294,402)	9,299,528	(9,901,291)	18,608,120
Net Expenditure Accruals	29,285,630	(9,838,877)	(4,164,869)	(23,184,813)
Encumbrances	(2,491,697)		(320,100)	(1,239,190)
Notes Retirement	22,535,776	(8,495,000)		
Proceeds of notes	(59,495,000)			
Advances In	1,124,709		23,283	2,763,615
Advances Out	(401,015)			(1,727,599)
Transfers In	(27,009,275)	9,000,473		(3,362,953)
Transfers Out	18,250,702			2,557,628
Refund of PY Receipts				
Misc. Use of Funds	87,584			
Budget Basis	<u>(\$27,855,734)</u>	<u>(\$6,519)</u>	<u>(\$2,621,345)</u>	<u>(\$2,475,460)</u>

CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments".

LEGAL REQUIREMENTS:

Statutes require the classification of monies held by the District into three categories.

Category 1 consists of "active" monies, those monies required to be kept in a "cash" or "near-cash" status for immediate use by the District. Such monies must be maintained either as cash in the District treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Category 2 consists of "inactive" monies, those monies not required for use within the current two-year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Category 3 consists of "interim" monies, 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 monies may be invested or deposited in the following securities provided the investments mature or are redeemable within two years from the date of purchase. New legislation, effective September 27, 1996, now permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, 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 securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement not to exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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 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.

Protection of District cash and investments is provided by the Federal Deposit Insurance Corporation (FDIC) as well as by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 110 percent of public funds deposited. Collateral is held by trustees, including the Federal Reserve Bank and designated third party trustees of the financial institutions.

The following information categorizes deposits and investments as defined in GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

DEPOSITS

At year-end, the carrying amount of the District's deposits was (\$6,108,424). The bank balance of deposits was \$783,604; \$201,556 was covered by federal depository insurance, by collateral held by the District, or by collateral held by a qualified third party trustee in the name of the District; \$582,048 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised code, in collateralized pools securing all public funds on deposit with specific depository institutions.

INVESTMENTS

The District's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the District's name.

At June 30, 1999, except for investments in common stock held in trust funds, the District's investments were with the State Treasury Asset Reserve of Ohio ("STAR OHIO") which is a statewide investment pool managed by the Treasurer of the State of Ohio. Participation is offered exclusively to subdivisions of the State of Ohio as defined in Section 135.45(E)(2) of the Ohio Revised Code. STAR OHIO offers these subdivisions a secure and convenient means of investing in a professionally managed portfolio of short-term investment instruments. STAR OHIO seeks to obtain as high a level of current income as is consistent with prudent investment management, the preservation of capital, and maintenance of liquidity. There can be no guarantee that this will be achieved. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Fair Value
Common Stock	\$625,721	\$625,721
Non-Categorized		
State Treasury		
Asset Reserve of Ohio		67,107,983
Totals	<u>\$625,721</u>	<u>\$67,733,704</u>

CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied on April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State of Ohio law at 35% of appraised market value. Taxes collected in 1999 became a lien and were levied in 1998 and were intended to finance 1999 operations. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88% of cost). Tangible personal property taxes attach as a lien and are levied after April 1 of the current year. Tangible personal property assessments for 1998 are 25% of true value. The assessed value upon which the 1999 taxes were collected was as follows:

<u>1999 Tax Year Valuation:</u>	<u>1999 First Half Collections</u>	<u>1998 Second Half Collections</u>
Real Property		
Residential/Agricultural	\$2,503,555,840	\$2,496,411,280
Commercial/Industrial	1,751,617,940	1,740,140,460
Public Utilities	7,295,400	6,372,680
Tangible Personal Property Taxes		
General	717,580,330	728,160,780
Public Utilities	435,846,600	430,297,850
Total	<u>\$5,415,896,110</u>	<u>\$5,401,383,050</u>

The full tax rate applied to real property for the tax year ended December 31, 1998 was \$53.13 per \$1,000 of annual valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20, with the remainder payable by June 20. Under certain circumstances, State of Ohio statutes permit earlier or later payment dates to be established.

The Hamilton County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits the taxes collected to the District. These tax "advances" are based on 90% of actual tax collected.

Property taxes receivable represents uncollected current and delinquent real property, personal property and public utility taxes that were measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$70,865,000 in the General fund, \$296,000 in the Debt Service fund, and \$835,000 in the Capital Projects fund.

CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 7 - FIXED ASSETS

A summary of the Proprietary Fund property, plant, and equipment at June 30, 1999, was as follows:

	<u>Enterprise</u>
Furniture and Equipment 7/1/98	\$2,841,903
Vehicles 7/1/98	133,948
Additions:	
Furniture & Equipment	388,756
Automobiles	147,000
Disposal of Furniture & Equipment	<u>(31,787)</u>
Gross Fixed Assets	\$3,479,820
Less Accumulated Depreciation	<u>(1,725,141)</u>
Net Fixed Assets-Proprietary Fund	<u><u>\$1,754,679</u></u>

A summary of the changes in General Fixed Assets was as follows:

	<u>Balance 7/1/98</u>	<u>Additions/Disposals Adjustments</u>	<u>Balance 6/30/99</u>
Land and Improvements	\$17,046,368		\$17,046,368
Building and Building Improvements	224,972,782	\$21,379	224,994,161
Furniture and Equipment	49,057,510	4,723,457	53,780,967
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$291,076,660</u>	<u>\$4,744,836</u>	<u>\$295,921,496</u>

There was no significant construction in progress at June 30, 1999.

NOTE 8 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The District is exposed to various risks of loss related to torts, theft and damage or destruction to assets, errors and omissions, injuries to employees, and natural disasters. The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real Property and contents are covered with a \$500,000 deductible. The district also maintains health insurance coverage for its employees through an outside carrier.

B. WORKERS COMPENSATION

For fiscal year 1999, the Cincinnati City School District participated in the Ohio Bureau of Workers Compensation retro program. The cost for Workers Compensation claims paid in fiscal year 1999 was \$804,393. The premium cost paid in fiscal year 1999 was \$757,197. As part of the retro plan, payments made are for claims from the prior year are based on actual cost incurred by the Ohio Bureau of Workers Compensation claims for Cincinnati City School District employees. Premium cost is for administrative charges for Ohio Bureau of Workers Compensation.

**CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

NOTE 8 - RISK MANAGEMENT (Continued)

C. EMPLOYEE MEDICAL BENEFITS

Medical/surgical and dental insurance is offered to employees through Choice Care for medical and surgical and Denta-Care Plus for dental. Total premiums paid to Choice Care was \$21,715,846 and to Denta-Care Plus was \$1,955,367.

Employees are offered two plans for medical/surgical insurance one plan New Health requires no employee payroll deduction and Co-Choice which requires a payroll deduction based on the employees salary. Denta-Care Plus does not require any payroll deductions.

D. BENEFIT BANK

Cincinnati City School District offers to all employees who are a minimum of sixty- percent time and not AFSCME union member, a benefit called Benefit Bank. Each employee that qualifies is given \$275 on January 2 each year and employees that are married or have dependents can receive an additional \$50 if they return the application for additional funds. Substitute teachers also qualify for a \$200 benefit each September 1 if in the prior school the substitute teacher worked at least eighty nine days and return to teach in the current school year. The Benefit Bank pays for any medical related expense that is not paid for by Choice Care or by Denta-Care Plus. Also, any expense related to optical service such as glasses or eye exams can be submitted for reimbursement from the employees benefit bank balance.

NOTE 9- LEASES

A - CAPITAL LEASES

In prior years, the District has entered into capitalized leases. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service in the Combined Financial Statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets acquired by lease have been capitalized in the general fixed assets account group in an amount equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal and interest payments in fiscal year 1999 totaled \$163,158, principal paid \$143,815 and interest of \$19,343.

CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 9- LEASES (Continued)

The District's future minimum payments under capital lease obligations as of June 30, 1999 are as follows:

Fiscal Year	Capital Leases
2000	\$ 86,764
2001	86,763
2002	86,763
Total minimum lease payments	260,290
Less: amount representing interest	(22,978)
Present Value of Future Minimum Lease Payments	\$ 237,312

B. OPERATING LEASES

The District is committed under various leases for furniture and office equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 1999 amounted to \$1,843,984. Future minimum lease payments for these leases are as follows:

Future Operating Lease Payments

2000	\$1,843,983
2001	638,673
Total	\$2,482,656

CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 10 - NOTES PAYABLE (amounts in 000's)

A summary of note transactions for the ended June 30, 1999:

NOTES PAYABLE:

Years Of Issue	Interest Rate	Maturity Date	Balance July 1, 1998	Additions	Payments	Balance June 30, 1999
9/19/98	4.00	09/18/99		\$24,880		\$24,880
9/19/97	4.32	9/18/98	\$24,830		\$24,830	-
3/19/98	4.08	12/31/98	21,720	-	21,720	-
5/20/99	3.90	5/19/00		8,000		8,000
Total			<u>\$46,550</u>	<u>\$32,880</u>	<u>\$46,550</u>	<u>\$32,880</u>

NOTE 11 - LONG TERM DEBT AND OTHER OBLIGATIONS (amounts in 000's)

LONG TERM TAX ANTICIPATION NOTES AND REVENUE ANTICIPATION NOTES:

	Year Of Issue	Interest Rate	Maturity Date	Balance July 1, 1998	Additions	Payments	Balance June 30, 1999
Tax Anticip Notes	1996	3.65 to 5.50	2001	\$20,495	-	\$6,485	\$14,010
Tax Anticip Notes	1996	3.75 to 5.25	2002	37,390	-	8,700	28,690
Rev Anticip Notes	1992	3.50 to 6.00	1999	8,495		8,495	0
				<u>\$66,380</u>		<u>\$23,680</u>	<u>\$42,700</u>

Long-term debt and other obligations at June 30, 1999 and the related transactions for the year then ended are summarized as follows:

	Years of Issue	Interest Rate	Maturity Date Through	Balance July 1, 1998	Additions	Payments	Balance June 30, 1999
General Long-Term Obligations Account Group:							
General							
Obligations Bonds	1973- 1992	4.875 to 10.00	2006	\$8,955	\$ -	\$1,490	\$7,465
Compensated Absences				29,157	4,965	-	34,122
Capital Lease Obligations				381		144	237
Total General Long Term Obligations				<u>\$38,493</u>	<u>\$4,965</u>	<u>\$1,634</u>	<u>\$41,824</u>

**CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

NOTE 11 - LONG TERM DEBT AND OTHER OBLIGATIONS (amounts in 000's) (Continued)

All bonds outstanding are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund when due and payable. The source of repayment is derived from a bonded debt tax levy currently being collected at .17 mills.

Additions and deletions of accrued wages and benefits are shown net since it is impractical for the District to determine these amounts separately.

Under Ohio Revised Code debt limitations, the District has the capacity to issue \$5,415,896 million in additional unvoted general obligation debt and \$459,091,012 million in overall additional debt.

BONDS PAYABLE

At June 30, 1999, the long-term bond and note funding requirements were as follows:

GENERAL LONG TERM-OBLIGATIONS

GENERAL OBLIGATION BONDS			TAX ANTICIPATION NOTES		
YEAR OF FUNDING	TYPE OF PAYMENT	AMOUNT	YEAR OF FUNDING	TYPE OF PAYMENT	AMOUNT
2000	PRINCIPAL	\$1,550	2000	PRINCIPAL	\$15,910
	INTEREST	467		INTEREST	1,803
2001	PRINCIPAL	1,610	2001	PRINCIPAL	16,740
	INTEREST	366		INTEREST	951
2002	PRINCIPAL	1,680	2002	PRINCIPAL	10,050
	INTEREST	263		INTEREST	251
2003-2007	PRINCIPAL	2,625			
	INTEREST	<u>467</u>			
	TOTAL P&I	<u><u>\$9,028</u></u>		TOTAL P&I	<u><u>\$45,705</u></u>

DEFEASED DEBT

Cincinnati City School District had an in-substance defeasance in fiscal year 1998 of \$28.675 million of outstanding 1992 serial notes which is part of \$79,485 million in Revenue Anticipation Notes issued in 1992. The serial notes have an average interest rate of 6.12%. Those securities were deposited in an irrevocable trust with STAR Bank as an escrow agent the irrevocable trust is to be used solely for satisfying scheduled payments of both principal and interest of the 1992 Revenue Anticipation Notes. As a result a portion of the 1992 serial notes are considered to be defeased and the liability for those notes has been removed from the General Fund, Revenue Anticipation Notes. The balance of the defeasance as of June 30, 1999 is \$28,648,236.

**CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The Cincinnati City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides basic retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Street, Columbus, Ohio 43215-3634 or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Cincinnati City School District is required to contribute 14 percent; 9.79 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute.

The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, 1997 were, \$8,304,432, \$8,973,327, and \$8,581,856, respectively; 92 percent has been contributed for fiscal years 1999, and 100 percent for the fiscal years 1998, 1997 and 1996. \$1,291,723 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the Accrued Wages and Benefits category in the respective funds and the general long-term obligations account group.

B. STATE TEACHERS RETIREMENT SYSTEM

The Cincinnati City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Cincinnati City School District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, 1997 were \$26,835,240, \$26,749,692 and \$25,168,890 respectively; 92 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997, \$2,236,270 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. SOCIAL SECURITY

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. Cincinnati City School Districts liability is 6.2 percent of wages paid.

CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 13 - POST-EMPLOYMENT BENEFITS

State Teachers Retirement System/School Employees Retirement Systems

The Cincinnati City School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, which is currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. However, for fiscal year ended June 30, 1999, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. For the Cincinnati City School District, this amount equaled \$15,590,947 during the 1999 fiscal year. As of July 1, 1998, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. The 1998 rate was 4.21 percent. In addition, SERS levies a surcharge on fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400.

The target level for the health care reserve is 125 percent of annual health care expense. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving healthcare benefits. For the Cincinnati City School District, the amount to fund health care benefits, including the surcharge, equaled \$3,529,977 during the 1999 fiscal year.

**CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

NOTE 14 – OTHER EMPLOYEE BENEFITS

A. LIFE INSURANCE

Cincinnati City School District provides life insurance to certain employees at no cost to the employees in the following amounts:

LIFE INSURANCE PROVIDED BY CPS

SUPERINTENDENT	\$180,000
ASSISTANT SUPERINTENDENTS	100,000
TREASURER	100,000
VICE PRESIDENT OF BUSINESS AFFAIRS	100,000
GENERAL COUNSEL	100,000
DIRECTOR OF HUMAN RESOURCES	100,000
DIRECTOR OF STUDENT AFFAIRS & DISCIPLINE	100,000
DIRECTOR OF PUBLIC AFFAIRS	100,000
CAAS BARGAINING UNIT	50,000
CFT, ACPSOP, UNREPRESENTED UNIONS	30,000
CRAFTMEN UNION	28,000
IUOE UNION	24,000

B. TAX SHELTERED ANNUITIES

Cincinnati City School District offers to its employees a Deferred Compensation Plan known as Tax Sheltered Annuity. The Deferred Compensation Plan is under IRS coded 403(b). Assets of this IRS plan are considered property of the participants in the plan; therefore it is not considered a liability of Cincinnati City School District and is not included in the financial statements.

NOTE 15 - INTERFUND RECEIVABLES/PAYABLES LONG TERM ADVANCES

Interfund balances at June 30, 1999 consist of the following individual fund receivables and payables:

	Interfund Loan <u>Receivable</u>	Interfund Loans <u>Payable</u>
General Fund	\$1,134,338	
Ed Mobility Assistance		\$3,908
Public School PreSchool		85,792
Misc. State Grants		505,667
JTPA Fund		251,965
Title VI		282,900
Adult H.S.		4,106
	<u>\$1,134,338</u>	<u>\$1,134,338</u>
Total Interfund Loans	<u>\$1,134,338</u>	<u>\$1,134,338</u>

CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 15 - INTERFUND RECEIVABLES/PAYABLES LONG TERM ADVANCES (Continued)

Interfund balance at June 30, 1999 for long term advances from General Fund:

	Advances to Other Funds	Advances From Other Funds
	<u> </u>	<u> </u>
General Fund	\$3,931,381	
Career Development		\$10,267
Adult High School		11,630
Ed Mobility Assistance		12,330
Public School PreSchool		135,002
DPIA		137,736
Adult Basic Education		153,203
JTPA Fund		3,007,209
Education For Economic		342,619
Energy Conservation		23,283
Drug Free Schools		26,506
EHA Pre Kindergarten		15,395
Telcom Act		48,184
Misc. Federal Grants		8,017
Total Long Term Advances	<u>\$ 3,931,381</u>	<u>\$3,931,381</u>

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Cincinnati City School District maintains three Enterprise Funds to account for the operations of Food Service, Uniform School Supplies, and Adult Education. The table below reflects in summarized format the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 1999:

	Adult <u>Education</u>	Food <u>Service</u>	Uniform School <u>Supplies</u>	Total Enterprise <u>Fund</u>
Operating Revenue	(\$4,068)	\$3,972,359	\$381,364	\$ 4,349,655
Operating Expense Before				
Depreciation	-	13,261,055	-	13,261,055
Depreciation	-	321,562	-	321,562
Operating Income (Loss)	(4,068)	(9,610,258)	381,364	(9,232,962)
Operating Grants	-	9,551,663	-	9,551,663
Donated Commodities	-	138,948	-	138,948
Miscellaneous Nonoperating Revenues	-	582,737	-	582,737
Operating Transfers Out/In	-	-	(381,210)	(381,210)
Net Income (Loss)	(4,068)	663,090	154	659,176
Net Property, Plant and Equipment				
Deletions		31,787		31,787
Additions		535,756		535,756
Net Working Capital	-	7,265,285	(552)	7,264,733
Total Assets	-	9,759,086	(552)	9,758,534
Total Equity	-	9,019,964	(552)	9,019,412
Total Liabilities	-	739,122	-	739,122

CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 17 – CONTINGENCIES

A. GRANTS

The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement 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 would not materially affect the financial statements of the District.

B. LITIGATION

There are several lawsuits pending in which the District is involved. The District's legal counsel estimates that the potential uninsured claims against the District resulting from those lawsuits would not materially affect the financial statements of the District.

NOTE 18 - STATE FUND DECISIONS

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the Cincinnati City School District received \$115,379,112 of school foundation support, all of which was received into the General Fund.

The Court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the School District to borrow money from a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the School District's future school foundation payments. During fiscal year 1992 the School District borrowed \$79,485,000 under this program and at the end of fiscal year 1996 the principal balance was \$52,810,000; during fiscal year 1997 the School District reduced the principal balance by defeasing \$28,675,000 and repaying \$7,605,000 in principal, thus reducing the balance at the end of fiscal year 1997 to \$16,530,000. The principal balance at the end of fiscal year 1998 was \$8,495,000. The final payment of that note was made in fiscal year 1999.

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve program allowed the School District to borrow against amounts anticipated to be collected from tangible personal property taxes after the School District's June 30 fiscal year end. During the fiscal year ended June 30, 1998, the School District borrowed \$21,720,000 under this program. That amount was repaid during fiscal year 1999 and no additional amounts were borrowed under that program during fiscal year 1999. State statute has recently been amended to gradually decrease the annual amount that may be borrowed under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution.

**CINCINNATI CITY SCHOOL DISTRICT
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)**

NOTE 18 - STATE FUND DECISIONS (Continued)

The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of March 31, 2000, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

NOTE 19 – FUND BALANCE RESERVES FOR SET-ASIDES

The District is required by the state to spend a certain percentage of the District's budget for textbooks and capital improvements. Also, the District is to set-aside one percent of the cash balance in any fiscal year that revenues increase by three percent in the General Fund. During the fiscal year ended June 30, 1999, revenues increased by only 1.8% .

A schedule for fiscal year ending June 30, 1999, is as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$1,420,826	\$1,420,826
Current Year Set-aside Requirement	4,811,593	4,811,593	0	9,623,186
Current Year Offsets	0	(2,390,676)	0	(2,390,676)
Qualifying Disbursements	<u>(4,913,006)</u>	<u>(2,272,224)</u>	<u>0</u>	<u>(7,185,230)</u>
Total	<u>\$(101,413)</u>	<u>\$148,693</u>	<u>\$1,420,826</u>	<u>\$1,170,720</u>
Cash Balance Carried Forward to FY 1999	<u>\$0</u>	<u>\$0</u>	<u>\$1,420,826</u>	
Amount restricted for FY 2000				<u>\$1,420,826</u>
Total Restricted Assets				<u>\$1,420,826</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 20 – CORRECTIONS OF ERRORS

Adjustments to correct errors were made to the beginning of Special Revenue GAAP fund balance for the 1999 fiscal year. The adjustments decreased the July 1, 1998 GAAP fund balance by \$222,985 from \$5,412,050 to \$5,189,065.

Adjustments were made to correct the beginning General, Special Revenue, Capital Projects, and Debt Service non-GAAP budgetary basis fund balances. The adjustment to the General Fund balance decreased the July 1, 1998 non-GAAP budgetary basis fund balance by \$3,464,966, from \$34,174,864 to \$30,709,898. The adjustment to the Special Revenue balance decreased the July 1, 1998 non-GAAP budgetary basis fund balance by \$7,160,017 from \$15,850,026 to \$8,690,009. The adjustment to the Capital Projects balance increased the July 1, 1998 non-GAAP budgetary basis fund balance by \$1,150,140, from \$3,771,509 to \$4,921,649. The adjustment to the Debt Service balance increased July 1, 1998 non-GAAP budgetary basis fund balance by \$4,064,795, from (\$604,630) to \$3,460,165.

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**CINCINNATI CITY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
National School Breakfast Program	05-PU	10.553	\$1,705,542	\$1,705,542
National School Lunch Program	04-PU	10.555	6,354,149	6,354,149
Summer Food Service Program	23-ML	10.559	180,742	180,742
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>8,240,433</u>	<u>8,240,433</u>
U.S. DEPARTMENT OF EDUCATION				
Impact Aid - Facilities Maintenance	N/A	84.040	173,289	61,704
Federal Pell Grant Program	N/A	84.063	177,045	177,045
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	2,250,124	2,587,615
Special Education - Preschool Grant	PG-S1	84.173	125,954	188,822
Total Special Education Cluster			<u>2,376,078</u>	<u>2,776,437</u>
Adult Education - State Grant Program	AB-SS	84.002	419,838	459,053
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	84.010	18,537,698	20,787,122
Vocational Education Basic Grants to State	20-C2	84.048	1,577,365	1,634,767
Drug-Free Schools Grant	DR-S1	84.186	654,525	545,272
Education for Homeless Children and Youth	HC-S1	84.196	108,844	109,343
Even Start - State Education Agencies	EV-S1	84.213	45,748	90,567
Capital Expenses	CX-S1	84.216	1,092,120	114,138
Goals 2000 - State and Local Education Systemic Improvement	G2-SP	84.276	255,618	44,007
Eisenhower Prof. Dev. State Grant	MS-S1	84.281	193,597	496,223
Innovative Educational Program Strategies	C2-S1	84.298	436,587	499,616
Comprehensive School Reform	RF-S1	84.332	75,000	0
Emergency Immigration Act	E1-S1	84.162	9,313	6,902
Total Department of Education			<u>26,132,665</u>	<u>27,802,196</u>

- continued

**CINCINNATI CITY SCHOOL DISTRICT
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Administration for Children, Youth, and Families - Head Start	N/A	93.600	<u>1,078,305</u>	<u>1,150,917</u>
Total Department of Health and Human Services			<u>1,078,305</u>	<u>1,150,917</u>
U.S. DEPARTMENT OF LABOR				
<i>Passed Through Ohio Department of Education:</i>				
Employment Services and Job Training - Pilot and Demonstration Programs	N/A	17.249	<u>335,741</u>	<u>0</u>
Total Department of Labor			<u>335,741</u>	<u>0</u>
NATIONAL SCIENCE FOUNDATION				
Education and Human Resources	N/A	47.076	<u>431,142</u>	<u>563,531</u>
Totals			<u>\$36,218,286</u>	<u>\$37,757,077</u>

The accompanying notes to this schedule are an integral part of this schedule.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting, except expenditures of assistance passed through the Ohio Bureau of Employment Services Job Training Partnership Programs are presented on an accrual basis.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the Government contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Government has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Cincinnati City School District
Hamilton County
2651 Burnet Avenue
Cincinnati, Ohio 45219

To the Board of Education:

We have audited the financial statements of the Cincinnati City School District, Hamilton County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated March 24, 2000 on which we express no opinion on the General Fixed Asset Account Group and in which we qualified because of inadequate documentation to support the Proprietary Fund Type fixed assets. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 1999-10431-001 through 1999-10431-006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-10431-001 through 1999-10431-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all

reportable conditions considered to be material weaknesses. However, of the reportable conditions described above, we consider item 1999-10431-007 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated March 24, 2000.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 24, 2000



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Cincinnati City School District
Hamilton County
2651 Burnet Avenue
Cincinnati, Ohio 45219

To the Board of Education:

Compliance

We have audited the compliance of the Cincinnati City School District, Hamilton County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement*, that are applicable to each of its major federal programs for the fiscal year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Cincinnati City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999. We also noted a certain matter involving compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 24, 2000.

Internal Control Over Compliance

The management of the Cincinnati City School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings as item 1999-10431-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended for the information and use of the audit committee, the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 24, 2000

**CINCINNATI CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Grants to Local Educational Agencies, CFDA #84.010; Vocational Education Basic Grants to States, CFDA #84.048; Drug-free Schools Grant, CFDA # 84.186; Eisenhower Prof. Dev. State Grants, CFDA #84.281; and Adult Education - State Grant Program, CFDA #84.002.
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$1,132,505 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**CINCINNATI CITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A -133 § .505
 JUNE 30, 1999
 (Continued)**

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

FINDING NUMBER 1999-10431-01

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.36, requires that Estimated Revenues not exceed Actual Revenues. This condition could result in the District appropriating and spending monies to which it is not entitled. The following funds had estimated revenues that were greater than actual revenues at June 30, 1999:

Fund	Estimated Revenue in Excess Of Actual Revenue
Adult Education	\$ 4,068
Career Development	40,000
Adult High School	21,232
Educational Mobility	16,257
Excellence in Education	428,865
Early Childhood Education	66,833
Industrial Training Program	2,065
Public School Pre-school	86,403
Miscellaneous State Grants	623,974
Adult Basic Education	341,522
JTPA	4,692,364
Energy Conservation	30,610
Education for Economic Security	394,821
Title VI (Chapter 2)	347,982
Drug-free Schools	294,818

In order to improve the monitoring of revenues, we recommend that management regularly monitor the status of estimated and actual revenues and make amendments to estimated resources when necessary.

FINDING NUMBER 1999-10431-02

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.41(D), does not allow an order or contract to be entered into without the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Ohio Rev. Code, Section 5705.41(B), prohibits a District from making any expenditure of money unless it has been properly appropriated. These conditions could result in excesses of disbursements over budgeted appropriations.

**CINCINNATI CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)**

The sum of the District's expenditures and encumbrances exceeded appropriations at October 31, 1998, for the following funds:

<u>Fund</u>	<u>Amount in Excess</u>
Other Grants	\$ 331,367
DPPF	12,916
Career Enhancement	25,745
Textbook Material	286,515
JTPA	526,590
National Science Foundation	762,756
Energy Conservation	60,820
OFSC Big 8	2,540,863

The sum of the District's expenditures and encumbrances exceeded appropriations at June 30, 1999, for the following funds:

<u>Fund</u>	<u>Amount in Excess</u>
Education for Economic Security	132,957
National Science Foundation	318,700
Telecommunications Act Grant	414,668
OSFC Big 8	1,075,774

In order to assure that disbursements do not exceed budgeted appropriations, we recommend that management regularly compare the status of disbursements and appropriations and make budgetary amendments as necessary.

FINDING NUMBER 1999-10431-03

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.39, requires that "The total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditures therefrom, as certified by the budget commission, or in the case of appeal, by the board of tax appeals." This condition could result in the District appropriating and spending monies to which it is not entitled. The following funds were found to have total appropriations that exceeded the total estimated revenue available for expenditures at October 31, 1998:

<u>Fund</u>	<u>Amount in Excess</u>
Venture Capital	\$ 110,251
Adult High School	9,363
Early Childhood	43,003
Gifted Education	8,521
Public School Pre-school	202,880
Miscellaneous State Grants	451,757
Miscellaneous Federal Grants	441,814
Title VI	336,925
Schoolnet	786,658
Impact Aid	2,400,431

In order to assure that appropriations do not exceed estimated revenues, we recommend that management regularly compare the status of appropriations and estimated revenues and make adjustments as necessary.

**CINCINNATI CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)**

FINDING NUMBER 1999-10431-04

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 149.351, provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code, Sections 149.38 to 149.42. Contrary to this requirement, the following areas/departments disposed of or could not locate records:

Overall Disbursements

For 25 out of 60 transactions, no purchase requisition could be located.

Classroom Materials Fees

Burton Elementary School was unable to provide any records of collection and depositing of student instructional fees.

Student Stores

The following schools were unable to provide complete records of inventory counts: Dater, Roberts, Bloom, Oyler, Swifton, Fairview, Carson, Bramble, Shroder, Whittier, and Vine.

The failure to properly maintain public records could result in a loss of accountability for transactions and misuse of funds. We recommend that the District adhere to its record retention policy.

FINDING NUMBER 1999-10431-05

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.412, states no school district is supposed to make any appropriation, make any contract, give any order to expend money or increase salary schedules during the year without attaching a "412" certificate. The certificate should be signed by the Treasurer, Board President and the Superintendent.

During the fiscal year, the District did not properly execute and file "412" certificates for all applicable appropriations and contracts. Failure to submit a "412" certificate to the County Auditor could result in not receiving property taxes or other payments under Ohio Rev. Code Chapter 3317.

As a result of the "412" certificates not being properly executed, the District could enter into contracts for which funding was not available. Also, the District runs the risk of making expenditures in excess of appropriations.

We recommend that for all appropriation transactions, contracts, and changes to salary schedules, the Board properly execute a "412" certificate.

The District did prepare the "412" certificates after the fiscal year end, during the course of the audit.

**CINCINNATI CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)**

FINDING NUMBER 1999-10431-006

Noncompliance Citation/Reportable Condition

Ohio Adm. Code, Section 117-2-13, states "Each expenditure or encumbrance charged against an appropriation account shall be posted and subtracted from the appropriation balance producing a declining unencumbered balance. This procedure is to be initiated by an executed purchase order."

Student activity purchase orders are not received in the Treasurer's office until after the goods or services have already been ordered and/or received, and the expenditure incurred. As a result, student activity purchase orders are not posted to the appropriation and authorization ledger in a timely manner as provided in Section 117-2-13 of the Ohio Adm. Code and are not subtracted from the appropriation balance to produce a declining unencumbered balance.

When the District does not encumber funds for all purchase orders, deficit fund balances could occur due to the unavailability of needed funds.

We recommend that the District establish procedures to assure that all purchase orders are entered into the computer system.

FINDING NUMBER 1999-10431-007

Material Weakness - Fixed Assets

The District does not have a policy for the accounting for fixed assets. Failure to adopt a formal policy regarding fixed assets could result in inconsistent and/or incorrect application of proper practices for the recording and reporting of fixed assets. We recommend that the District prepare and adopt a policy for fixed assets which will describe in detail the manners to be employed for recording and reporting of fixed assets and which will support management's assertions as presented in the financial statements and notes to the financial statements.

In addition, the District does not maintain detailed accounting records for all categories of its fixed assets, as required by generally accepted accounting principles. Due to the lack of historical data, preparation of such detailed records will require extensive historical research, reconstruction of records, significant reliance on accounting estimates, and an accounting compilation to prepare a General Fixed Asset Account Group and Proprietary Fund fixed asset detail which conforms to generally accepted accounting principles. Failure to address this issue will continue to increase the difficulty in reconstruction of records, create the potential for inaccurate accounting of current and future fixed assets, and may cause improper reporting of all fixed assets presented in the financial statements.

We recommend that the District complete an inventory of all fixed assets and develop and implement a system including, but not limited to, the following:

- a. Acquisition date and cost of the asset at time of purchase;
- b. Location and description of the asset;
- c. Model and/or serial number of the asset;
- d. Inventory control number/tag for each asset;
- e. Fund, purchase order, and check number associated with the asset;
- f. Annual depreciation expense;
- g. Accumulated depreciation to date;
- h. Useful life of the asset; and
- i. Disposition value for asset if sold, traded, written out of service, or transferred between funds.

**CINCINNATI CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)**

FINDING NUMBER 1999-10431-08

Reportable Condition - GAAP Conversion Plan

Management is responsible for adopting sound accounting policies which enable financial data to be reported in a timely manner consistent with management's assertions as embodied in the financial statements. Management is also responsible for making the accounting estimates included in the financial statements. Estimates are based on management's knowledge of and experience with the District's past and current events and the course of action it expects to take.

Management did not establish a plan detailing the accounting policies, procedures and estimates necessary to convert the District's financial statements from a budgetary basis of accounting to generally accepted accounting principles (GAAP) on a timely basis. This lack of such a plan resulted in inconsistencies in the application of accounting procedures, insufficient and inaccurate accounting estimates, improper accounting principles, an inability to determine methods of accumulating information, delays in the timing of the preparation of the financial statements and notes, and, ultimately, increased audit costs to the District.

We recommend that a detail GAAP conversion plan be prepared which presents: the specific tasks and related timing, personnel responsible, policies and procedures to apply GAAP, and guidance on accounting estimates. We also recommend that management engage an experienced consultant to assist in the GAAP conversion policies, procedures, plan and implementation. Management's process for conversion to GAAP should involve competent personnel using relevant, sufficient, and reliable data. In addition, the conversion plan should require the timely preparation of the annual general-purpose financial statements.

Estimates should communicate management's judgment of the assumptions of most likely circumstances and events with respect to relevant factors. All accounting estimates should be presented in conformity with applicable accounting principles and should be properly disclosed.

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 1999-10431-09

Reportable Condition - Payroll Allocations

Payroll processing involves three separate computer systems - Peoplesoft, Integris, and Oracle. Each of the three systems contain information regarding each employee's payroll allocation (the percentage of payroll charged to each account code). The Integris and Peoplesoft systems represent a point in time and therefore only current data regarding payroll allocations is available. The District informed us that the back-up data cannot be restored for the point in time systems (Integris and Peoplesoft). Oracle information is maintained on microfiche. The allocations per Oracle should be the same as the allocations per the payroll system (Integris); also, the allocations per Integris should be the same as the allocations per Peoplesoft. There is a monitoring system in place to match the allocations in Oracle to the allocations in Integris. However, during our testing of payroll transactions to determine whether employee payroll was being charged to the proper fund, we identified numerous variances when comparing allocations of employees, including employees paid from federal funds.

CINCINNATI CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)

We recommend that the allocations between Integris and Oracle, and between Integris and Peoplesoft, be closely monitored for each pay period, and that the payroll department routinely print a time distribution report to assist in this monitoring. Printing and retaining payroll reports which identify each employee, their gross pay amounts, the pay date and fund allocations will allow the District to review payroll as it is processed to ensure that each employee is being allocated to the proper fund. We also recommend that all federal grant administrators document in some form that monthly Oracle payroll reports were reviewed and that employees were charged to the appropriate funds in order to comply with the requirements of Circular A-87 regarding support of time distribution for wages and salaries of employees paid from federal funds.

**CINCINNATI CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
1998-10431-001	Finding for recovery in the amount of \$3,661.15 against Dr. Waymon Wallace. Finding for recovery in the amount of \$337.02 against Ms. Marcia Engleman.	Restitution for the finding against Ms. Engleman has been made.	Action has been taken to recover the finding against Dr. Waymon Wallace.
1998-10431-002	Noncompliance with Ohio Rev. Code Section 5705.36 requiring that estimated revenues not exceed actual revenues.		Partially corrected
1998-10431-003	Noncompliance with Ohio Rev. Code Section 5705.39 requiring that total appropriations not exceed estimated revenue.		Partially corrected
1998-10431-004	Noncompliance with Ohio Rev. Code Section 5705.41(B) prohibiting making an expenditure unless it has been appropriated.		Partially corrected
1998-10431-005	Noncompliance with Ohio Rev. Code Section 5705.10; a negative fund cash balance indicates that cash from another fund had been used to pay the obligations of the fund having the deficit balance.	Corrected	

**CINCINNATI CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 1999
(Continued)**

1998-10431-006	Noncompliance with Ohio Rev. Code Section 5705.412 requiring issuance of 412 certificates with appropriations and contracts.		Partially corrected. The District issued the required 412 certificates after the fiscal year-end, during the course of the audit.
1998-10431-007	Noncompliance with Ohio Rev. Code Section 5705.14 requiring that transfers are to be approved by a formal resolution of the Board.		Partially corrected. The Board began approving transfers in April of 1999.
1998-10431-008	Noncompliance with Ohio Rev. Code Section 149.351 providing that no public records shall be removed, destroyed. . . or otherwise damaged or disposed of.		Partially corrected
1998-10431-009	Noncompliance with Ohio Rev. Code Section 5705.41(D) prohibiting a subdivision from making an expenditure unless the certificate of the fiscal officer is attached.		Partially corrected
1998-10431-010	Noncompliance with Ohio Adm. Code Sections 117-2-13 and 117-2-16; student activity purchase orders are not properly encumbered. Noncompliance with Ohio Adm. Code Section 117-2-18 requiring a "sales project potential" form be used to account for income from student activity sales projects.		Noncompliance with Ohio Adm. Code Sections 117-2-13 and 117-2-16 not corrected. Noncompliance with Ohio Adm. Code Section 117-2-18 partially corrected.

**CINCINNATI CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 1999
(Continued)**

1998-10431-011	Noncompliance with Ohio Rev. Code Section 3313.372(E) stating that no school district board shall enter into an installment contract under part (B) of this section without first obtaining a report of the costs of the energy conservation measures and savings thereof as described in Ohio Rev. Code Section 133.06(G).	Corrected	
1998-10431-012	No fixed assets policy. The District does not maintain detailed accounting records for all categories of its fixed assets, as prescribed by generally accepted accounting principles.		Not corrected
1998-10431-013	Posting of intergovernmental receipts resulted in significant misclassifications.		Partially corrected; significant improvement from prior year. This issue was identified in the prior audit report (fiscal year 1998) as a material weakness. This issue is a management letter comment in the current audit report (fiscal year 1999).
1998-10431-014	Computer system does not close out purchase orders once that invoices are entered into system. Old purchase orders were not being removed from the system.		Partially corrected
1998-10431-015	Differences in payroll allocations when comparing the three separate computer systems (Peoplesoft, Integris, and Oracle).		Condition still exists. The District has implemented compensating controls.

**CINCINNATI CITY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 1999
(Continued)**

1998-10431-016	Recommendation that if a booster club wants to make a donation to the District, then the outside club should purchase the merchandise, conduct the sale, and after the sale make a donation to the District. Policy regarding use of booster clubs should be documented in student activity policy handbook. If District students are involved in the sale, all purchases and collections should go through the District.	Corrected	
1998-10431-017	The District did not maintain Individual Career Plans for 68% of students reviewed; 22% of expenditures were not approved by the federal administrator.	Corrected	
1998-10431-018	Suspension of flow of federal funds for Title VI and Drug-free programs.	Corrected	



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CINCINNATI CITY SCHOOL DISTRICT

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 8, 2000**