



**COLUMBUS CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Columbus City School District
Franklin County
270 East State Street
Columbus, Ohio 43215

We have audited the accompanying general-purpose financial statements of Columbus City School District, Franklin County, Ohio, (the District) as of and for the year ended June 30, 1999. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient, competent evidential matter to satisfy the audit objectives of existence, completeness and valuation of the General Fixed Asset Account Group (GFAAG) and the fixed assets reported in the Proprietary Fund Type. Fixed assets represent 100 percent of assets in the GFAAG and 8 percent of assets in the Proprietary Fund Type.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient, competent evidential matter regarding the District's fixed assets, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Columbus City School District, Franklin County, Ohio, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

As described in Note 12, the District has implemented Government Accounting Standards Board Statement number 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans".

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 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 receipts and 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 7, 2000

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COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Enterprise	Fund Types Trust and Agency	General Fixed Assets	General Long-Term Obligations	
Equity in Pooled Cash and Cash Equivalents	\$ 111,834,367	\$ 24,362,086	\$ 9,682,938	\$ 14,606,743	\$ 4,722,967	\$ 1,295,962	\$ 0	\$ 0	\$ 166,505,063
Restricted Cash and Investments	5,308,765	0	0	0	0	0	0	0	5,308,765
Receivables									
Taxes	334,425,024	0	11,792,157	0	0	0	0	0	346,217,181
Accounts	40,311	14,710	0	0	14,353	0	0	0	69,374
Interest	914,683	0	0	0	0	0	0	0	914,683
Due from Other Governments	2,053,293	338,318	0	6,703,367	3,656,233	0	0	0	12,751,211
Interfund Loans Receivable	524,088	0	0	0	246,890	32,183	0	0	803,161
Materials and Supplies Inventory	1,652,161	0	0	0	891,240	0	0	0	2,543,401
Property, Plant and Equipment (Net of Accumulated Depreciation where applicable)	0	0	0	0	823,577	0	457,103,913	0	457,927,490
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	9,682,938	9,682,938
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0	0	0	126,648,779	126,648,779
Total Assets and Other Debits	\$ 456,752,692	\$ 24,715,114	\$ 21,475,095	\$ 21,310,110	\$ 10,355,260	\$ 1,328,145	\$ 457,103,913	\$ 136,331,717	\$ 1,129,372,046

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

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999
(Continued)

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)		
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Trust and Agency		General	Long-Term
										Fixed Assets	Obligations
LIABILITIES, FUND EQUITY AND OTHER CREDITS											
LIABILITIES											
Accounts Payable	\$ 9,850,037	\$ 3,443,921	\$ 0	\$ 1,284,426	\$ 409,312	\$ 108,995	\$ 0	\$ 0	\$ 15,076,691		
Accrued Wages and Benefits	45,334,112	2,787,031	0	0	233,083	21,913	0	0	48,376,139		
Compensated Absences	1,534,803	225,743	0	0	1,431,104	0	0	57,953,992	61,145,642		
Claims Payable	5,835,438	0	0	0	0	0	0	6,354,152	12,189,590		
Deferred Revenues	332,479,776	5,197,707	11,723,565	1,447,128	0	0	0	0	350,848,176		
Due to Students	0	0	0	0	0	398,183	0	0	398,183		
Due to Other Governments	0	0	0	0	0	4,332	0	0	4,332		
Interfund Loans Payable	279,073	374,088	0	0	150,000	0	0	0	803,161		
Pension Obligations	0	0	0	0	0	0	0	3,255,961	3,255,961		
Energy Conservation Notes Payable	0	0	0	0	0	0	0	10,735,000	10,735,000		
General Obligation Bonds Payable	0	0	0	0	0	0	0	58,032,612	58,032,612		
Total Liabilities	395,313,239	12,028,490	11,723,565	2,711,554	2,223,499	533,423	0	136,331,717	560,865,487		
FUND EQUITY AND OTHER CREDITS											
Contributed Capital	0	0	0	0	2,112,854	0	0	0	2,112,854		
Retained Earnings	0	0	0	0	6,018,907	0	0	0	6,018,907		
Fund Balance	11,522,930	4,752,794	0	5,158,803	0	0	0	0	21,434,527		
Reserved for Encumbrances	1,945,248	0	68,592	0	0	0	0	0	2,013,840		
Reserved for Property Taxes	5,308,765	0	0	0	0	0	0	0	5,308,765		
Reserved for Budget Stabilization	1,652,161	0	0	0	0	0	0	0	1,652,161		
Reserved for Supplies	0	0	0	0	0	673,401	0	0	673,401		
Reserved for Endowment	0	0	0	0	0	0	0	0	0		
Reserved for Debt Service	0	0	9,682,938	0	0	0	0	0	9,682,938		
Unreserved Undesignated	41,010,349	7,933,830	0	13,439,753	0	121,321	0	0	62,505,253		
Total Fund Equity	61,439,453	12,686,624	9,751,530	18,598,556	8,131,761	794,722	0	0	111,402,646		
Investment in General Fixed Assets	0	0	0	0	0	0	457,103,913	0	457,103,913		
Total Other Credits	0	0	0	0	0	0	457,103,913	0	457,103,913		
Total Liabilities, Fund Equity and Other Credits	\$ 456,752,692	\$ 24,715,114	\$ 21,475,095	\$ 21,310,110	\$ 10,355,260	\$ 1,328,145	\$ 457,103,913	\$ 136,331,717	\$ 1,129,372,046		

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues					
Taxes	\$ 256,149,842	\$ 20,028	\$ 9,306,425	\$ 0	\$ 265,476,295
Tuition and Fees	5,461,181	1,008,773	0	0	6,469,954
Earnings on Investments	8,202,994	0	0	0	8,202,994
Intergovernmental	199,193,550	40,211,831	1,095,732	8,053,627	248,554,740
Extracurricular	0	2,431,820	0	0	2,431,820
Donations	0	736,536	0	0	736,536
Other	887,096	1,187,781	0	179,276	2,254,153
Total Revenues	469,894,663	45,596,769	10,402,157	8,232,903	534,126,492
Expenditures					
Current Operating					
Instruction	240,245,127	20,165,168	0	0	260,410,295
Pupil Support Services	25,665,848	2,248,628	0	0	27,914,476
Instructional Support Services	28,188,625	11,725,011	0	0	39,913,636
Administration	35,863,893	1,106,924	0	0	36,970,817
Business and Fiscal Services	12,413,228	790,675	54,553	0	13,258,456
Operation and Maintenance of Plant Services	44,346,044	204,125	0	0	44,550,169
Transportation Services-Pupils	22,293,266	14,325	0	0	22,307,591
Other Support Services	14,460,502	401,607	0	0	14,862,109
Enterprise Operations	0	1,042,325	0	0	1,042,325
Extracurricular Activities	3,890,727	1,204,109	0	0	5,094,836
Community Services	0	6,195,273	0	0	6,195,273
Capital Outlay	132,539	111,743	0	16,424,032	16,668,314
Debt Service					
Principal	0	0	10,425,000	0	10,425,000
Interest	0	0	3,109,076	0	3,109,076
Total Expenditures	427,499,799	45,209,913	13,588,629	16,424,032	502,722,373
Excess of Revenues Over (Under) Expenditures	42,394,864	386,856	(3,186,472)	(8,191,129)	31,404,119
Other Financing Sources (Uses)					
Operating Transfers In	21,098	6,956,893	2,240,166	9,800,000	19,018,157
Operating Transfers Out	(18,875,867)	(481,749)	0	0	(19,357,616)
Proceeds from Sale of Assets	70,423	76,914	0	51,300	198,637
Total Other Financing Sources (Uses)	(18,784,346)	6,552,058	2,240,166	9,851,300	(140,822)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	23,610,518	6,938,914	(946,306)	1,660,171	31,263,297
Fund Balances at Beginning of Year	37,828,935	5,747,710	10,697,836	16,938,385	71,212,866
Fund Balances at End of Year	\$ 61,439,453	\$ 12,686,624	\$ 9,751,530	\$ 18,598,556	\$ 102,476,163

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

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 1999**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 271,238,953	\$ 271,389,194	\$ 150,241
Tuition and Fees	5,936,986	5,936,986	0
Earnings on Investments	8,749,419	8,749,419	0
Intergovernmental	197,706,746	197,800,049	93,303
Donations	21,694	21,694	0
Extracurricular	0	0	0
Other	710,961	710,961	0
Total Revenues	484,364,759	484,608,303	243,544
Expenditures			
Current Operating			
Salaries and Wages	303,490,507	303,490,507	0
Fringe Benefits	69,686,402	69,681,122	5,280
Purchased Services	34,605,607	34,604,450	1,157
Supplies, Materials and Texts	22,133,202	22,132,132	1,070
Capital Outlay	9,341,653	9,341,653	0
Other Expenditures	3,356,773	3,268,321	88,452
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	442,614,144	442,518,185	95,959
Excess of Revenues Over (Under) Expenditures	41,750,615	42,090,118	339,503
Other Financing Sources (Uses)			
Advances In	581,100	581,100	0
Advances Out	(524,088)	(524,088)	0
Operating Transfers In	21,098	21,098	0
Operating Transfers Out	(15,704,588)	(15,686,869)	17,719
Judgements	0	0	0
Proceeds from the Sale of Assets	37,268	37,268	0
Total Other Financing Sources (Uses)	(15,589,210)	(15,571,491)	17,719
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	26,161,405	26,518,627	357,222
Fund Balances at Beginning of Year	61,721,478	61,721,478	0
Prior Year Encumbrances Appropriated	10,207,814	10,207,814	0
Fund Balances at End of Year	\$ 98,090,697	\$ 98,447,919	\$ 357,222

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)
\$ 20,028	\$ 20,028	\$ 0	\$ 10,053,233	\$ 10,053,233	\$ 0
986,323	1,004,903	18,580	0	0	0
0	0	0	0	0	0
42,817,743	42,331,678	(486,065)	1,095,732	1,095,732	0
726,873	734,536	7,663	0	0	0
2,385,285	2,431,820	46,535	0	0	0
1,183,225	1,192,855	9,630	0	0	0
48,119,477	47,715,820	(403,657)	11,148,965	11,148,965	0
24,286,451	24,130,183	156,268	0	0	0
5,395,965	5,301,789	94,176	0	0	0
6,155,048	5,932,840	222,208	0	0	0
11,315,950	11,257,075	58,875	0	0	0
2,602,155	2,588,128	14,027	0	0	0
2,860,097	2,778,883	81,214	54,553	54,553	0
0	0	0	10,430,000	10,425,000	5,000
0	0	0	3,109,076	3,109,076	0
52,615,666	51,988,898	626,768	13,593,629	13,588,629	5,000
(4,496,189)	(4,273,078)	223,111	(2,444,664)	(2,439,664)	5,000
374,088	374,088	0	0	0	0
(581,100)	(581,100)	0	0	0	0
6,377,841	6,377,841	0	0	0	0
(851,529)	(851,529)	0	0	0	0
0	0	0	0	0	0
76,914	76,914	0	0	0	0
5,396,214	5,396,214	0	0	0	0
900,025	1,123,136	223,111	(2,444,664)	(2,439,664)	5,000
11,395,340	11,395,340	0	11,166,534	11,166,534	0
3,485,448	3,485,448	0	0	0	0
\$ 15,780,813	\$ 16,003,924	\$ 223,111	\$ 8,721,870	\$ 8,726,870	\$ 5,000

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
ALL GOVERNMENTAL FUND TYPES (Continued)
YEAR ENDED JUNE 30, 1999**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 0	\$ 0	\$ 0
Tuition and Fees	0	0	0
Earnings on Investments	0	0	0
Intergovernmental	6,334,524	6,334,524	0
Donations	0	0	0
Extracurricular	0	0	0
Other	4,873	4,873	0
Total Revenues	6,339,397	6,339,397	0
Expenditures			
Current Operating			
Salaries and Wages	15,438	15,438	0
Fringe Benefits	2,556	2,556	0
Purchased Services	2,120,418	2,120,418	0
Supplies, Materials and Texts	338,767	338,767	0
Capital Outlay	20,809,933	20,809,933	0
Other Expenditures	95,050	95,050	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	23,382,162	23,382,162	0
Excess of Revenues Over (Under) Expenditures	(17,042,765)	(17,042,765)	0
Other Financing Sources (Uses)			
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	10,181,210	10,181,210	0
Operating Transfers Out	(381,210)	(381,210)	0
Judgements	174,403	174,403	0
Proceeds from the Sale of Assets	51,300	51,300	0
Total Other Financing Sources (Uses)	10,025,703	10,025,703	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7,017,062)	(7,017,062)	0
Fund Balances at Beginning of Year	13,246,015	13,246,015	0
Prior Year Encumbrances Appropriated	2,643,736	2,643,736	0
Fund Balances at End of Year	\$ 8,872,689	\$ 8,872,689	\$ 0

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

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 281,312,214	\$ 281,462,455	\$ 150,241
6,923,309	6,941,889	18,580
8,749,419	8,749,419	0
247,954,745	247,561,983	(392,762)
748,567	756,230	7,663
2,385,285	2,431,820	46,535
1,899,059	1,908,689	9,630
<u>549,972,598</u>	<u>549,812,485</u>	<u>(160,113)</u>
327,792,396	327,636,128	156,268
75,084,923	74,985,467	99,456
42,881,073	42,657,708	223,365
33,787,919	33,727,974	59,945
32,753,741	32,739,714	14,027
6,366,473	6,196,807	169,666
10,430,000	10,425,000	5,000
3,109,076	3,109,076	0
<u>532,205,601</u>	<u>531,477,874</u>	<u>727,727</u>
17,766,997	18,334,611	567,614
955,188	955,188	0
(1,105,188)	(1,105,188)	0
16,580,149	16,580,149	0
(16,937,327)	(16,919,608)	17,719
174,403	174,403	0
165,482	165,482	0
<u>(167,293)</u>	<u>(149,574)</u>	<u>17,719</u>
17,599,704	18,185,037	585,333
97,529,367	97,529,367	0
16,336,998	16,336,998	0
<u>\$ 131,466,069</u>	<u>\$ 132,051,402</u>	<u>\$ 585,333</u>

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCES
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 1999**

	<u>Enterprise Funds</u>	<u>Non- Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
Operating Revenues			
Tuition and Fees	\$ 2,987,222	\$ 0	\$ 2,987,222
Sales	4,964,863	0	4,964,863
Gifts and Donations	598,479	0	598,479
Miscellaneous	<u>32,292</u>	<u>0</u>	<u>32,292</u>
Total Operating Revenues	8,582,856	0	8,582,856
Operating Expenses			
Salaries and Wages	11,167,367	0	11,167,367
Fringe Benefits	2,636,267	0	2,636,267
Purchased Services	945,895	2,722	948,617
Materials and Supplies	8,421,896	4,603	8,426,499
Depreciation Expense	114,210	0	114,210
Indirect Charges	12,966	0	12,966
Miscellaneous	<u>501,952</u>	<u>0</u>	<u>501,952</u>
Total Operating Expenses	<u>23,800,553</u>	<u>7,325</u>	<u>23,807,878</u>
Operating Income (Loss)	(15,217,697)	(7,325)	(15,225,022)
Nonoperating Revenues			
Earnings on Investments	246,890	26,966	273,856
Intergovernmental Revenues	<u>14,181,247</u>	<u>0</u>	<u>14,181,247</u>
Net Income before Operating Transfers	<u>(789,560)</u>	<u>19,641</u>	<u>(769,919)</u>
Operating Transfers In	<u>339,459</u>	<u>0</u>	<u>339,459</u>
Net Income	(450,101)	19,641	(430,460)
Retained Earnings/Fund Balance at Beginning of Year	<u>6,469,008</u>	<u>775,081</u>	<u>7,244,089</u>
Retained Earnings/Fund Balance at End of Year	<u>\$ 6,018,907</u>	<u>\$ 794,722</u>	<u>\$ 6,813,629</u>

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

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**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY/FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)
PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 1999**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Tuition and Fees	\$ 2,745,018	\$ 2,770,329	\$ 25,311
Intergovernmental	13,129,621	13,287,652	158,031
Sales	4,912,424	4,974,882	62,458
Gifts and Donations	651,479	651,479	0
Miscellaneous	32,292	32,292	0
Total Revenues	21,470,834	21,716,634	245,800
Expenses			
Current Operating			
Salaries and Wages	10,782,254	10,778,143	4,111
Fringe Benefits	2,671,943	2,636,267	35,676
Purchased Services	1,105,693	1,080,772	24,921
Supplies, Materials and Texts	10,016,684	9,954,352	62,332
Capital Outlay	316,675	243,893	72,782
Miscellaneous	553,861	507,908	45,953
Total Expenses	25,447,110	25,201,335	245,775
Excess of Revenues Over (Under) Expenses Before Operating Transfers	(3,976,276)	(3,484,701)	491,575
Operating Transfers In	1,000,601	1,000,601	0
Advances In	150,000	150,000	0
Operating Transfers Out	(661,142)	(661,142)	0
Excess of Revenues Over (Under) Expenses	(3,486,817)	(2,995,242)	491,575
Fund Equity/Fund Balances at Beginning of Year	5,812,074	5,812,074	0
Prior Year Encumbrances Appropriated	393,484	393,484	0
Fund Equity/Fund Balances at End of Year	\$ 2,718,741	\$ 3,210,316	\$ 491,575

...continued

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

Nonexpendable Trust Fund			Totals - Memorandum Only		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 2,745,018	\$ 2,770,329	\$ 25,311
0	0	0	13,129,621	13,287,652	158,031
0	0	0	4,912,424	4,974,882	62,458
0	0	0	651,479	651,479	0
0	0	0	32,292	32,292	0
0	0	0	21,470,834	21,716,634	245,800
8,200	0	8,200	10,790,454	10,778,143	12,311
2,000	0	2,000	2,673,943	2,636,267	37,676
22,745	2,709	20,036	1,128,438	1,083,481	44,957
10,000	0	10,000	10,026,684	9,954,352	72,332
19,837	5,530	14,307	336,512	249,423	87,089
1,800	0	1,800	555,661	507,908	47,753
64,582	8,239	56,343	25,511,692	25,209,574	302,118
(64,582)	(8,239)	56,343	(4,040,858)	(3,492,940)	547,918
59,455	59,455	0	1,060,056	1,060,056	0
0	0	0	150,000	150,000	0
(59,455)	(59,455)	0	(720,597)	(720,597)	0
(64,582)	(8,239)	56,343	(3,551,399)	(3,003,481)	547,918
770,235	770,235	0	6,582,309	6,582,309	0
571	571	0	394,055	394,055	0
\$ 706,224	\$ 762,567	\$ 56,343	\$ 3,424,965	\$ 3,972,883	\$ 547,918

COMBINED STATEMENT OF CASH FLOWS
AII PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 1999

	Enterprise Funds	Non- expendable Trust	Totals (Memorandum Only)
Operating Activities			
Cash Received from Lunch Sales	\$ 4,964,863	\$ 0	\$ 4,964,863
Cash Received from Tuition and Fees	2,987,222	0	2,987,222
Cash Received from Contributions	598,479	0	598,479
Cash Paid to Suppliers	(9,367,791)	(7,325)	(9,375,116)
Cash Paid for Employee Salaries, Wages, and Fringe Benefits	(13,803,634)	0	(13,803,634)
Quasi-external Transactions with Other Funds	(12,966)	0	(12,966)
Other Receipts	32,292	0	32,292
Other Expenses	(501,952)	0	(501,952)
Net Cash Used for Operating Activities	(15,103,487)	(7,325)	(15,110,812)
Noncapital Financing Activities			
Operating Transfers In	339,459	0	339,459
Cash Received from Other Governments	14,181,247	0	14,181,247
Net Cash Provided by Noncapital Financing Activities	14,520,706	0	14,520,706
Investing Activities			
Investment Earnings	246,890	26,966	273,856
Net Cash Provided by Investing Activities	246,890	26,966	273,856
Increase (Decrease) in Cash and Cash Equivalents	(335,891)	19,641	(316,250)
Cash and Cash Equivalents at Beginning of Year	5,058,858	775,081	5,833,939
Cash and Cash Equivalents at End of Year	\$ 4,722,967	\$ 794,722	\$ 5,517,689
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities			
Operating Income (Loss)	(15,217,697)	(7,325)	(15,225,022)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities			
Depreciation	114,210	0	114,210
Decrease in Accounts Receivable	48,666	0	48,666
Increase in Due from Other Governments	(635,051)	0	(635,051)
Increase in Accounts Payable	197,162	0	197,162
Increase in Compensated Absences	191,883	0	191,883
Increase in Accrued Wages and Benefits	197,340	0	197,340
Net Cash Used for Operating Activities	\$ (15,103,487)	\$ (7,325)	\$ (15,110,812)
Reconciliation of Cash and Cash Equivalents to Combined Balance Sheet:			
Equity in Pooled Cash and Cash Equivalents per Combined Balance Sheet			\$ 1,295,962
Less Equity in Pooled Cash and Cash Equivalents in Agency Funds			(501,240)
Equity in Pooled Cash and Cash Equivalents in Nonexpendable Trust Funds			\$ 794,722

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

1. DESCRIPTION OF DISTRICT AND REPORTING ENTITY

The District:

The Columbus City School District, Franklin County, Ohio (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 an elected Board of Education (7 members) and is responsible for the provision of public education to residents of the District. The District also provides vocational (job training) education for residents of the District.

Reporting Entity:

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food services, student guidance, extracurricular activities, educational media, care and upkeep of grounds and buildings of the District, and other appropriate areas. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organizations' resources; the District is legally obligated or has assumed responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the levying of taxes or the issuance of debt. The District did not have any component units or other related organizations in fiscal year 1999.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying general-purpose financial statements of the District are 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.

Basis of Presentation:

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses as appropriate. The various funds are summarized by type in the general-purpose financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following fund types and account groups are used by the District:

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 and Trust Funds).

Proprietary Fund Type:

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that 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:

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the District is under an obligation to maintain the trust principal. Agency Funds generally are used to account for assets that the District holds on behalf of others as their agent.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 Funds.

Measurement Focus:

Governmental Fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. Governmental Funds' operating statements represent increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Proprietary Fund Type 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, retained earnings (Enterprise Funds), and fund balance (Nonexpendable Trust Funds). Proprietary Fund Type and Similar Fiduciary Funds income statements represent increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of Accounting:

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

The modified accrual basis of accounting is used for Governmental and Agency Funds. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due and the costs of accumulated unpaid vacation, personal, 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.

Revenues accrued at the end of the year consist of reimbursements from other governments for grant expenditures, interest, tuition and student fees. The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a 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 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue. Expenditures are accrued at the end of the year if the related fund liability is incurred as of June 30, 1999, with the exception of general long term obligations.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: (Continued)

Proprietary and Nonexpendable Trust Fund financial transactions are recorded on the accrual basis of accounting; revenues are recognized when earned and measurable; expenses are recognized as incurred.

Budgetary Control-Annual Budgets:

The District adopts annual appropriation budgets for all funds with the exception of Agency Funds. The specific timetable for the fiscal year follows:

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.

By no later than January 20, the Board of Education adopted budget is filed with the Franklin County Budget Commission (Commission) for rate determination.

Prior to May 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Commission and receives the Commission's Certificate of Estimated Resources (Certificate) which states the projected revenue of each budgeted fund. Prior to June 30, the 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. 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. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final amended Certificate issued for the fiscal year.

By July 1, the annual appropriation resolution (or temporary resolution) is legally enacted by the Board of Education. Appropriations by fund must be within the estimated resources as certified by the Commission.

Revisions that alter appropriations for the total expenditure object category for each fund must be approved by the Board of Education.

Formal budgetary integration is employed as a management control device during the year for fiscal year budgeted funds. Expenditures and year-end encumbrances may not exceed appropriations at the total for each expenditure object category by fund (legal level of control). Any instances of expenditures and year-end encumbrances exceeding their legally authorized appropriations are reported in these notes to the financial statements.

Appropriation amounts are as originally adopted, or as amended by the Board of Education by supplemental appropriations. There were several revisions to appropriations for budgeted funds during the fiscal year ended June 30, 1999.

Unencumbered current year appropriations lapse at year-end.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances:

Encumbrance accounting is utilized by the District for all funds 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 for Governmental Fund Types, are disclosed in the notes to the financial statements on a GAAP basis for the Enterprise Funds and are reported as part of expenditures/expenses on a non-GAAP budgetary basis for all funds which have adopted budgets in order to demonstrate legal compliance.

Cash and Investments:

Cash received by the District is deposited into one of several 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. All investment earnings accrue to the General Fund except those specifically related to the Food Service Fund or those funds deemed appropriate according to Board of Education policy. The General Fund allocation to the Food Service Fund and those funds deemed appropriate according to Board of Education policy is made based on the proportion of the fund balance to the pooled balance. The proportional interest earned is transferred from the General Fund to these funds at year end. The District also maintains several imprest accounts used solely for the payment of payroll checks. The District records all its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool are considered to be cash equivalents.

Inventory:

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a weighted average cost basis. Governmental fund's cost of inventory items are expensed when purchased. The District does report a reserve for inventory in the accompanying financial statements. Inventories of proprietary funds consist of donated food and purchased food and are expensed when used.

Property, Plant, Equipment and Depreciation:

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market value as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$5,000 except for the cost of textbooks and library inventories that have been included as fixed assets for financial reporting purposes. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any "public domain" infrastructure.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

Property, plant, and equipment reflected in the Proprietary Fund Type is stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Fixed assets in the Proprietary Funds contributed from other funds are offset by contributed capital. Contributed fixed assets are recorded at their fair market value as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (Years)</u>
Buildings	25-50
Fixed Equipment	15-20
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	5-15

Capitalized Interest:

The District does not capitalize interest for fixed assets acquired from governmental funds. There have been no debt-financed proprietary fund fixed asset acquisitions.

Prepayments:

Expenditures for insurance and similar services extending over more than one accounting period are accounted for as expenditures in the period of acquisition.

Compensated Absences:

The District records liabilities for compensated absences in accordance with GASB Statement No. 16, "Accounting for Compensated Absences". Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate its employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the District has identified as probable of receiving payment in the future. The District records an accrual for sick leave for all employees with greater than nine years of service. The accrual amount is based upon accumulated sick leave and employee's wage rates at year end, taking into consideration any limits specified in the District's severance policy. The amount of accumulated vacation and sick leave of employees paid from governmental funds has been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is recorded in the general long term obligations account group. Vacation, personal, and sick leave for employees paid from enterprise funds is recorded as an expense and liability of the fund.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance 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, inventory, property tax revenue reserved by the Board for future year's appropriations, endowments, debt service and a budget stabilization set-aside.

The reserve for property tax represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenue and expenditures. Under Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five year period is presented as a reserve. The reserve for endowments signifies the legal restrictions on the use of principal donated to the District. The unreserved, undesignated portions of fund equity reflected for Governmental Funds are available for use within the specific purposes of those funds.

Intergovernmental Revenues:

In Governmental Funds, entitlements and grants not based on reimbursement are recorded as accounts receivable and revenues when measurable and available. Reimbursement type grants are recorded as accounts receivable and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned.

The District currently participates in various State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
 State Property Tax Relief
 School Bus Purchase Allocation

Special Revenue Funds

Pupil Competency/
 Lottery Program
 Disadvantaged Pupil
 Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services
 Venture Capital
 Consumer Education
 Urban Pilot Project
 Community Education
 Teacher Development
 Early Childhood
 Industrial Training
 Career Enhancement
 Management Information Systems
 Public School Preschool
 Entry Year Programs
 Data Communication
 Schoolnet Professional Development
 Instructional Material Subsidy
 Special Education Transitional Funding

National Defense Education
 Act, Title III
 Title VI-B
 Indian Education
 Title I (Old Chapter 1)
 Title VI (Old Chapter 2)
 Emergency Immigrant
 Education
 Drug Free Schools
 EHA Preschool Grants/
 Handicapped
 Adult Basic Education
 Special Education Transitional
 Instructional Material Subsidy

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

School Net Equipment
Telecommunity

Power Up Technologies
School Building Assistance Limited

Reimbursable Grants

General Fund

Vocational Education Program
Driver Education Reimbursement
Vocational Education Reimbursement
Transportation Reimbursement

Special Revenue Fund

Vocational Education Program

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements for governmental funds amounted to approximately 47 percent of the District's operating revenue during the 1999 fiscal year.

Interfund Transactions:

During the course of normal operations the District has numerous transactions between funds. The most significant 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 loans payable/receivable.

Total Columns on General-Purpose Financial Statements:

Total columns on the general-purpose financial statements are captioned "Totals - (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.

Restricted Assets:

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purpose of buses, and amounts required by statute to be set-aside by the District for the purpose of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserve.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. COMPLIANCE AND ACCOUNTABILITY

As stated in Note 2 appropriations by fund must be within the estimated resources as certified by the Commission. Throughout the fiscal year ended June 30, 1999 the District appropriated more monies than were certified as available in a number of funds.

The District is required to certify the availability of funds prior to an expenditure/expense being made. Throughout the fiscal year ended June 30, 1999 the District made expenditures of funds without timely certification of the availability of such funds.

4. POOLED CASH AND CASH EQUIVALENTS

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, the District records all its investments at fair value. At June 30, 1999 the District's fair value of investments exceeded their net cost (carrying amount) by \$184,700. State statutes classify monies held by the District into three categories.

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

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies can 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 obligations 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;

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. POOLED CASH AND CASH EQUIVALENTS (Continued)

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 by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
3. 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; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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. During fiscal year 1999, the District's investments were limited to government securities, bankers' acceptances and STAR Ohio. During the fiscal year, all investments of the District had a maturity of two years or less.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits At fiscal year end, the carrying amount of the District's deposits was (\$2,519,411) and the bank balance was \$2,342,056. \$397,048 of the bank balance was covered by federal depository insurance. The remaining balance was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal 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, which are held by the counterparty'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 counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. POOLED CASH AND CASH EQUIVALENTS (Continued)

Investment:	1	Category 2	3	Carrying Amount	Fair Value
U.S. Government Securities:		\$75,787,649		\$75,787,649	\$ 75,972,349
Repurchase Agreements			\$1,574,132	\$ 1,574,132	1,574,132
State of Ohio Treasury Pool		<u> </u>	<u> </u>	<u>96,971,458</u>	<u>96,971,458</u>
Total		<u>\$75,787,649</u>	<u>\$1,574,132</u>	<u>\$ 174,333,239</u>	<u>\$ 174,517,939</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments included within the District's cash management pool and investments with a maturity date of three months or less. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 171,813,828	\$ 0
Repurchase Agreements	(1,574,132)	1,574,132
Star Ohio	(96,971,458)	96,971,458
Securities	<u>(75,787,649)</u>	<u>\$75,787,649</u>
GASB Statement 3	<u>\$ (2,519,411)</u>	<u>\$ 174,333,239</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Franklin County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 1999 and delinquent taxes outstanding. 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 \$1,945,248 in the General Fund and \$68,592 in the Debt Service Fund.

The assessed value upon which the fiscal year 1999 taxes were collected were as follows:

	1998 Second- Half Collections	1999 First- Half Collections
Real Property		
Residential/Agricultural	\$ 2,891,024,870	\$ 3,437,487,430
Commercial/Industrial	2,512,861,900	2,591,720,410
Public Utilities	5,993,590	6,781,420
Tangible Personal Property Taxes		
General	944,203,285	1,029,084,820
Public Utilities	<u>400,174,460</u>	<u>411,779,880</u>
	<u>\$ 6,754,258,105</u>	<u>\$ 7,476,853,960</u>
Tax rate per \$1,000 of assessed valuation	\$58.04	\$57.95

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

6. FIXED ASSETS

A summary of the Enterprise Funds' property, plant, and equipment at June 30, 1999, follows:

Land and Buildings	\$2,147,360
Furniture and Equipment	2,053,932
Vehicles	<u>290,613</u>
Total	4,491,905
Less accumulated depreciation	<u>(3,668,328)</u>
Net Fixed Assets- Enterprise Funds	<u><u>\$823,577</u></u>

A summary of the changes in general fixed assets follows:

	Beginning Balance At July 1, 1998	Adjustments	Additions	Deletions	Ending Balance At June 30, 1999
Land and Improvements	\$46,396,741	\$	\$1,270	\$	\$46,398,011
Buildings	307,129,812		9,353,297		316,483,109
Furniture and Equipment	35,139,654		4,169,027		39,308,681
Vehicles	22,754,555		143,625		22,898,180
Library Books And Audio Visual	27,650,057		564,759		28,214,816
Textbooks	<u>3,801,116</u>				<u>3,801,116</u>
Total	<u>\$442,871,935</u>	<u>\$0</u>	<u>\$14,231,978</u>	<u>\$0</u>	<u>\$457,103,913</u>

7. RECONCILIATION OF BUDGET BASIS RESULTS OF OPERATIONS TO GAAP BASIS RESULTS OF OPERATIONS

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) - All Proprietary Fund Types and Similar Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when 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 disclosure in the proprietary fund type and similar fiduciary funds.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

7. RECONCILIATION OF BUDGET BASIS RESULTS OF OPERATIONS TO GAAP BASIS RESULTS OF OPERATIONS (Continued)

4. Principal payments on short-term notes payable are reported as expenditures (budget basis) as opposed to reductions of liabilities (GAAP basis).
5. Proceeds from the sale of short-term notes are recorded as other financing uses (budget basis) as opposed to increases of liabilities (GAAP basis).

A reconciliation for all Governmental Funds at June 30, 1999 from the budget basis to GAAP basis for excess of revenues and other financing sources over (under) expenditures and other uses follows:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Budget Basis	\$26,518,627	\$1,123,136	(\$2,439,664)	(\$7,017,062)
Adjustment for:				
Net Revenue Accruals	(14,713,640)	(1,539,999)	(746,808)	1,337,893
Net Expenditures	(15,018,386)	(620,659)		1,605,285
Advances In	(581,100)	(374,088)		
Advances Out	524,088	581,100		
Transfer-In			2,240,166	
Encumbrances	1,155,843	7,769,424		5,734,055
GAAP Basis	<u>\$23,610,518</u>	<u>\$6,938,914</u>	<u>(\$946,306)</u>	<u>\$1,660,171</u>

A reconciliation for Enterprise Funds and Nonexpendable Trust Funds at June 30, 1999 from the budget basis to a GAAP basis for net income/excess of revenues over (under) expenses follows:

	Enterprise Funds	Nonexpendable Trust Fund
<i>Budget Basis</i>	(\$2,995,242)	(\$8,239)
Adjustment for:		
Net Revenue Accruals	633,217	(32,489)
Net Expense Accruals	74,757	55,421
Advances In	(150,000)	
Depreciation	(114,210)	
Encumbrances	2,101,377	4,948
GAAP Basis	<u>(\$450,101)</u>	<u>\$19,641</u>

8. DEFEASED DEBT

On May 15, 1993, the District advance refunded three general obligation bonds with an aggregate outstanding balance of \$86,015,000. The refunded general obligation bonds are not reported in the accompanying financial statements. The remaining balance on the refunded general obligation bonds as of June 30, 1999 was \$67,210,000.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

9. LONG-TERM DEBT AND OTHER OBLIGATIONS

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

General Long Term Debt Obligations	Balance At July 1, 1998	Additions/ Deletions	Balance At June 30, 1999
Issue Date / Interest Rate			
	(Amounts in 000)		
General Obligation Bonds 1973-94/3.5-8.25%	\$ 66,643	\$ 8,610	\$ 58,033
Energy Conservation Notes 1988-91/5.25-6.75%	12,430	1,695	10,735
Compensating Absences Payable	46,891	11,062	57,953
Pension Obligations Payable	2,692	1,032	3,255
Bureau of Workers Compensation Retro-active Plan -Claims Payable	4,089	2,265	6,354
Total	\$ 132,745	\$ 14,359	\$ 10,774
		\$ 136,330	

Additions and deletions of compensated absences payable are shown net since it is impractical for the District to determine these amounts separately. 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 outstanding 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 current 2.00 mill bonded debt tax levy. Compensated absences payable will be paid from the funds from which the employees were originally paid. Claims payable and pension obligations payable will be paid from the General Fund. Under Ohio Revised Code debt limitations, the District has the capacity to issue \$7.05 million in additional unvoted general obligation debt and \$580.20 million in overall additional debt.

Future Long-Term Debt: A summary of the District's future long-term debt funding requirements as of June 30, 1999 follows:

Bonds and Long Term Notes		
Year of Funding	Principal	Interest
2000	\$10,525,000	\$ 2,580,835
2001	9,595,000	2,080,627
2002	9,085,000	1,621,091
2003	8,395,000	1,190,809
2004	8,825,000	762,336
2005 – 2009	19,382,507	25,522,029
2010 – 2012	<u>2,960,105</u>	<u>9,434,894</u>
Totals	<u>\$68,767,612</u>	<u>\$43,192,621</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

10. PENSION OBLIGATIONS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth 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 District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 7.7 percent was the portion allocated to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS's Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$7.2 million, \$7.1 million and \$6.9 million, respectively; 23.8 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$5,508,528 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The 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, stand-alone 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 or by calling (614) 222-5853.

For fiscal year 1999 plan members were required to contribute 9.3 percent of their annual covered salary and the District was required to contribute 14 percent; 6 percent was the portion allocated to fund pension obligations. 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 District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$27.0 million, \$26.3 million and \$31.6 million, respectively; 76.9 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$6,239,972 represents the unpaid contribution for fiscal year 1999, and is recorded as a liability within the respective funds.

C. Social Security System

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. As of June 30, 1999, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

11. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, and to retired non-certified employees and their dependents through the School Employees Retirement System. 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the District, this amount equaled \$9.0 million for fiscal year 1999. STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to 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 was established at \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$4.1 million.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), 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 health care benefits.

12. EMPLOYEE BENEFITS

Deferred Compensation: District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

12. EMPLOYEE BENEFITS (Continued)

For 1999, the District has implemented GASB Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". This statement eliminates the requirement that the District report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the District in a fiduciary capacity. The Ohio Public Employees Deferred Compensation Plan has established a trust fund and the amounts are no longer reported on the District's balance sheet as of June 30, 1999.

13. INTERFUND RECEIVABLES/PAYABLES

Interfund balances at June 30, 1999, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2000 fiscal year:

Interfund Loans	Receivable	Payable
General Fund	\$524,088	\$279,073
Special Revenue Funds		
Public School Preschool		35,000
Industrial Training Programs		5,000
Vocational Education		334,088
Total Special Revenue Funds		374,088
Enterprise Fund		
Adult Education		150,000
Food Service	246,890	
Total Enterprise Fund	246,890	150,000
Non-Expendable Trust Fund		
	32,183	
Total	\$ 803,161	\$ 803,161

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains six Enterprise funds that provide food services, adult education, public radio, latchkey, uniform school supplies, and rotary school services. Segment information for the year ended June 30, 1999 follows:

	Food Service	Adult Education	WCBE	Latchkey
Operating Revenues	\$4,746,814	\$ 1,255,865	\$ 583,285	\$1,756,897
Depreciation	112,321	1,889		
Other Operating Expenses	18,289,060	2,228,960	1,007,834	1,807,452
Operating Income (Loss)	(13,654,567)	(1,131,330)	(424,549)	(50,555)
Earnings on Investments	246,890			
Operating Grants	13,989,120	192,127		
Operating Transfers In			339,459	
Net Income	591,443	(939,203)	(85,090)	(50,555)
Net Working Capital	7,275,262	(607,596)	278,957	266,051
Total Assets	9,531,519	24,835	377,269	317,235
Total Equity	8,095,931	(604,688)	279,957	266,051

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)

	Uniform School Supplies	Rotary School Services	Total Enterprise Funds
Operating Revenue	\$237,416	\$ 2,579	\$ 8,582,856
Depreciation			114,210
Other Operating Expenses	192,748	3,943	23,686,343
Operating Income (Loss)	44,668	(1,364)	(15,217,697)
Earnings on Investments			246,890
Operating Grants			14,181,247
Operating Transfers In			339,459
Net Income	44,668	(1,364)	(450,101)
Net Working Capital	93,052	2,458	7,308,184
Total Assets	101,944	2,458	10,355,260
Total Equity	93,052	2,458	8,131,761

There was no change in contributed capital in fiscal year 1999.

15. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District insures through commercial insurance companies for the following:

Vehicle and General Liability: The District is insured for vehicle and general liability up to a policy maximum of \$1,000,000.

Property Damage: The District is insured for property damage with a \$1,000,000 deductible - \$20,000,000 aggregate policy limit. The deductible, if needed, will be paid from the Replacement Fund (Capital Projects).

Settled claims have not exceeded this commercial coverage in any of the past three years.

Employee Health Care Benefits: The District is self-insured for employee health care benefits for all of its employees. The program is administered by Anthem, which provides claims review and processing services. Stop-loss coverage is carried by the District for employee health care benefits. The health care self-insurance is accounted for in the General Fund. The District records a liability for incurred but unreported claims at year-end based on estimates of liability. As of June 30, 1999 the estimate was \$5,835,438 and was recorded as a liability in the General Fund.

Workers' Compensation Retrospective Rating Program:

The District participates in the Ohio Bureau of Workers' Compensation (the Bureau) Retrospective Rating Plan. Under the retrospective rating plan, the District assumes a portion of the risk in return for a reduction in current premiums. Current limits for claims incurred in calendar year 1999 are an unlimited amount per claim and 150% of the annual premium in the aggregate.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

15. RISK MANAGEMENT (Continued)

Estimates of claims liabilities based on actuarial methods, for incurred claims as calculated by the Bureau for the cumulative retrospective rating period January 1, 1995, through June 30, 1999, total \$5,737,888 and are recorded in addition to an estimate for incurred but not reported (IBNR) claims totaling \$616,264, in the General Long-Term Obligations Account Group. The General Fund funds the workers' compensation claims and then charges a percentage based upon historical information to each of the respective funds in the same year that the salaries are paid. However, as of June 30, 1999, the entire liability was recorded in the General Long Term Debt (Obligations) Account Group as none of the liability would be paid in the current period and there was not any specific money available and allocated for this purpose as of June 30, 1999.

The claims liability of \$12,189,590 reported in the General Fund and the General Long-Term Obligations Account Group at June 30, 1999, is based on the requirements of GASB No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for self-insured health care benefits and for the workers' compensation retrospective rating program for the past two fiscal years are as follows:

	FY 1997-98	FY 1998-99
Balance at Beginning of Year	\$ 7,159,939	\$ 8,220,876
Estimated Current Years Claims	14,211,202	24,670,105
Paid Claims – Current and Prior Year	(13,150,265)	(20,701,391)
Balance at End of Year	\$ 8,220,876	\$12,189,590

16. FOUNDATION MONIES

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 District received \$147.5 million of school foundation support for its general fund, and \$154.4 million in total (all funds) support. As of the date of these financial statements, the District is unable to determine what effect, if any, this decision will have on its future state funding 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 issue February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of February 8, 2000, the 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, districts are still operating under the laws that the Common Pleas Court declared unconstitutional. As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on the future State funding under this program and on its financial operations.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

17. SET-ASIDE CALCULATIONS AND FUND RESERVE

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition or construction of capital improvements. Amounts not spent by the year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years. The District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and instructional materials, capital acquisition and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$ 2,045,312	\$ 2,045,312
Current year set-aside requirements	6,526,906	6,526,906	3,263,453	16,317,265
Current year offsets	0	0	0	0
Qualifying disbursements	(6,526,906)	(6,526,906)	0	(13,053,812)
Set aside balance at June 30, 1999	\$ 0	\$ 0	\$ 5,308,765	\$ 5,308,765

Amounts of offset and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the District may have had additional offsets and qualifying disbursements during the year, those extra amounts may not be used to set-aside requirements of future years, and are therefore not presented.

18. CONTINGENT LIABILITIES

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 will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

Litigation:

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

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**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

<u>PROGRAM NAME</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>RECEIPTS</u>	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through State				
Department of Education				
Nutrition Cluster:				
School Breakfast Program	10.553	043802 05-PU 98	\$772,001	\$772,000
		043802 05-PU 99	1,729,684	1,729,684
			<u>2,501,685</u>	<u>2,501,684</u>
Food Distribution	10.550	NA	1,186,898	1,156,697
National School Lunch program	10.555	043802 03-PU 98	340,015	340,015
		043802 03-PU 99	883,779	883,779
		043802 04-PU 98	2,120,500	2,120,500
		043802 04-PU 99	5,519,187	5,519,187
			<u>8,863,481</u>	<u>8,863,481</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE(Nutrition Cluster)			<u>12,552,064</u>	<u>12,521,862</u>
U.S. DEPARTMENT OF EDUCATION				
Passed through State				
Department of Education				
Adult Education State Grant	84.002	043802 AB-S1 99	239,299	633,829
		043802 AB-S1 98	0	45,650
		043802 HC-S1 98	0	67,770
		043802 HC-S1 97	0	23,736
Total Adult Education State Grant			<u>239,299</u>	<u>770,985</u>
Title 1 Grants to Local Educational Agencies	84.010	043802 C1-S1-98	1,994,807	6,300,448
		043802 C1-S1-99	18,591,800	12,817,138
		043802 C1-SD-98 C	32,370	12,243
		043802 C1-SD-99	23,558	12,099
		043802 C1-SS-97	11,000	11,000
		043802 RF- S1-99	75,000	4,355
		043802 C1-S1-97	0	(12,769)
Total Title 1 Grants to Local Educational Agencies			<u>20,728,535</u>	<u>19,144,514</u>
Special Education Cluster:				
Special Education Grants to States	84.027	043802 6B-SF 98	3,274,824	2,803,488
Special Education- Preschool Grants	84.173	043802 PG-S1 98	198,449	205,373
Total Special Education Cluster:			<u>3,473,273</u>	<u>3,008,861</u>

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

<u>PROGRAM NAME</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>RECEIPTS</u>	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF EDUCATION				
Passed through State				
Department of Education (Continued)				
Title II Administration	84.048	043802 20-A4 97	10,633	19,491
Opportunities-Single/Displaced		043802 20-A4 99	97,555	103,674
Local Funds Secondary		043802 20-C1 98	270,842	192,399
Local Funds Secondary		043802 20-C1 99	1,500,147	555,447
Local Funds Postsecondary		043802 20-C2 98	207,785	233,992
Local Funds Postsecondary		043802 20-C2 99	207,968	305,671
Total Vocational Education Basic Grants To States			<u>2,294,930</u>	<u>1,410,674</u>
Project Life-Subsidy 1	84.158	043802 PF-S1 98P	<u>0</u>	<u>32,258</u>
Total Project Life-Subsidy 1			0	32,258
Immigrant Education	84.162	043802 E1-S1 99	<u>67,340</u>	<u>32,942</u>
Total Immigrant Education			67,340	32,942
Safe and Drug-Free Schools and Communities-State Grants	84.186	043802 DR-S1 99	<u>944,727</u>	<u>633,325</u>
Total Safe and Drug-Free Schools and Communities State Grants			944,727	633,325
Education for Homeless Children and Youth	84.196	043802 HC-S1-98	16,400	16,502
		043802 HC-S1-99	<u>154,980</u>	<u>81,492</u>
Total Education for Homeless Children and Youth			171,380	97,994
Javits Gifted and Talented Students Education Grant	84.206	043802 JG-S1 -98P	<u>(126)</u>	<u>731</u>
Total Javits Gifted and Talented Students Education Grant			(126)	731
Fund for the Improvement of Education	84.215	043802 PI-SI 99	<u>11,667</u>	<u>3,476</u>
Total Funds for the Improvement of Education			11,667	3,476
Goals 2000 State and Local Education	84.276	043802 G2-S1-97	101,356	114,169
Sytemic Improvement		043802 G2-S1-99P	<u>121,590</u>	<u>93,341</u>
Total Goals 2000 State and Local Education Systemic Improvement			222,946	207,510
Eisenhower Professional Development State Grant	84.281	043802 MS-SI-97	133,839	235,343
		043802 MS-SI-98	137,739	155,191
		043802 MS-SI-99	198,410	116,532
		043802 MS SI 9F	<u>42,867</u>	<u>42,867</u>
Total Eisenhower Professional Development State Grant			512,855	549,933
Innovative Education Program Strategies	84.298	043802 C2-S1-96	0	38,259
		043802 C2-S1-98	6,983	131,074
		043802 C2-S1-99	<u>626,332</u>	<u>293,400</u>
Total Innoative Education Program Strategies			633,315	462,733

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

<u>PROGRAM NAME</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>RECEIPTS</u>	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF EDUCATION				
Passed through State				
Department of Education (Continued)				
Technology Literacy Challenge Fund Grants	84.318	043802-TF-S2-98P 043802-TF-S2-99	461 <u>388,561</u>	298,714 <u>196,989</u>
Total Technology Literacy Challenge Fund Grants			389,022	495,703
TOTAL U.S. DEPARTMENT OF EDUCATION				
Passed through State				
Department of Education				
			29,689,162	26,851,639
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Passed through State				
Department of Education				
Learn and Serve America School and Community Based	94.004	043802 JOG - 97	<u>14,402</u>	<u>6,166</u>
Total Learn and Serve America School and Community Based			14,402	6,166
Americorps	94.006	043802 WK-BE 00 043802 WK-BE 00	2,000 <u>11,630</u>	0 <u>11,630</u>
Total Americorps			<u>13,630</u>	<u>11,630</u>
TOTAL CORPORATION FOR NATIONAL COMMUNITY SERVICE				
Passed through State				
Department of Education				
			28,032	17,796
U.S. DEPARTMENT OF EDUCATION				
Direct From Federal Government				
Impact Aid	84.041	NA	65,775	65,775
Federal Pell Grant Program	84.063	NA	133,774	133,774
Indian Education Grants to Local Educational Agencies	84.060	NA	<u>9,377</u>	<u>9,814</u>
Total U.S. DEPARTMENT OF EDUCATION			<u>208,926</u>	<u>209,363</u>
NATIONAL SCIENCE FOUNDATION				
Direct From Federal Government				
Education and Human Resources	47.076	NA	<u>2,642,249</u>	<u>1,538,350</u>
GRAND TOTAL			<u><u>\$45,120,434</u></u>	<u><u>\$41,139,010</u></u>

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDING JUNE 30, 1999**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B--FOOD DISTRIBUTION

Non-monetary assistance, such as commodities received from the U.S. Department of Agriculture, is reported in the Schedule at the assessed value provided by the federal agency. Cash receipts from the U.S. Department of Agriculture are commingled with State grants.

NOTE C -- MATCHING REQUIREMENTS

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



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

Board of Education
Columbus City School District
Franklin County
270 East State Street
Columbus, Ohio 43215

We have audited the general-purpose financial statements of Columbus City School District, Franklin County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated March 7, 2000, wherein we qualified our report for the effects of such adjustments, if any, as might have been necessary had we been able to examine sufficient, competent evidential matter regarding the existence, completeness and valuation of the District's fixed asset. We also disclosed that the District changed its method of reporting the deferred compensation program. Except as noted in the first sentence above, 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 general-purpose financial statements are free from 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 the 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 and questioned costs as items 1999-10625-001 through 1999-10625-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 7, 2000.

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 and questioned costs as items 1999-10625-004 through 1999-10625-011.

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 misstatement 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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1999-10625-004 and 1999-10625-005 to be material weaknesses.

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 management of the District in a separate letter dated March 7, 2000.

This report is intended for the information and use of the management, Board of Education, finance panel, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

March 7, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Board of Education
Columbus City School District
270 East State Street
Columbus, Ohio 43215

Compliance

We have audited the compliance of Columbus City School District, Franklin 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 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 and questioned costs. 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, *Audit 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 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 1999-10625-013 and 1999-10625-014. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the District in a separate letter dated March 7, 2000.

Internal Control Over Compliance

The management of the 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 affect 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 certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and operation of the internal control over compliance that, in our judgement, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 1999-10625-012 and 1999-10625-015.

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. We consider the reportable condition, 1999-10625-012 described above, to be a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 7, 2000.

This report is intended for the information and use of the management, Board of Education and finance panel 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 7, 2000

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 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 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?	Yes
(d)(1)(iv)	Were there any other reportable internal controls 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 section 510?	Yes
(d)(1)(vii)	Major Programs (list):	<p>Nutrition Cluster: Breakfast Program, CFDA #10.553; School Lunch and Summer Food Program, CFDA #10.555; Commodity Foods, CFDA #10.550</p> <p>Special Education Cluster: Title VI-B, CFDA #84.027; Pre-school Subsidy, CFDA #84.173</p> <p>Vocational Basic Grant, CFDA #84.048</p> <p>National Science Foundation, Urban Systemic, CFDA #47.076</p> <p>Title 1, CFDA #84.010</p>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >=\$1,234,170 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505
JUNE 30, 1999
(Continued)

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

Finding Number	1999-10625-001
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Payroll Overpayments - Finding for Recovery

The District maintains two distinct computer master files; one for payroll, and one for personnel. The personnel department updates the personnel master file as prompted by employee requests, promotion/contract changes, hirings, retirements and other forms of separation. The payroll department utilizes the personnel master file update report to update the payroll master file. This information must be manually reentered into the payroll master file from this report. There is no electronic connection between the payroll and personnel master files which would facilitate both departments' use of the data.

This process does not always allow the payroll department to timely update their master file and it has resulted in the overpayment of District employees. Often payroll runs are conducted with outdated or inaccurate information. Employees have been found to be paid using the incorrect pay rate, due to promotions or classification changes, and receiving payment after their separation from the District either voluntary or involuntary. Out of necessity, the District has consequently developed procedures to track overpayments and to pursue collections through payroll deductions or other recovery efforts.

As a result, the District's payroll department has devised procedures and policies to track those employees who have been overpaid and the recovery of the overpayments. At June 30, 1999 the District was tracking a total of \$23,209.68 of overpayments. In previous audit reports \$21,011.51 of this amount has been reported as a finding for recovery. For the year ended June 30, 1999, \$2,198.17 of overpayments occurred and are listed below.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against the named individuals in Table 1 below, and their bonding company, Peerless Insurance Co., jointly and severally, in the amount indicated in Column (F) for each named individual totaling \$2,198.17 in favor of the District General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials who have control over public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who lawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Ben Pittman, Treasurer at the time of the overpayments, and his bonding company, Kemper National Insurance, Co., jointly and severally, shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from the individuals named in Table 1, below, in the amount noted for each in Column (F).

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505
JUNE 30, 1999
(Continued)

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

Finding Number	1999-10625-001 (Continued)
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Payroll Overpayments - Finding for Recovery (Continued)

Table 1						
Payroll Overpayment Schedule						
Employee	Amount Employee Should Have Been Paid (A)	Amount Actually Paid (B)	Over Payment (C)	Reason(s) for Over Payment (D)	Amount Repaid/ Recovered (E)	Amount Still Owed the District (F)
Barber, Robin	\$15,433.60	\$17,323.46	\$1,889.86	(1)(2)	\$1,574.86	\$315.00
Clark-Culp, Tamala	\$0.00	\$871.22	\$871.22	(1)(3)	\$0.00	\$871.22
Gambrell, Sandra	\$0.00	\$407.68	\$407.68	(1)(3)	\$0.00	\$407.68
Pollock, David	\$0.00	\$208.04	\$208.04	(4)	\$104.02	\$104.02
Woods, Gail	\$0.00	\$500.25	\$500.25	(1)(3)	\$0.00	\$500.25
TOTAL	\$15,433.60	\$19,310.65	\$3,877.05		\$1,678.88	\$2,198.17

Payroll Overpayment Schedule

Table Key:

- (A) Monies owed the employee, if the overpayment had not occurred
- (B) Source: Payroll Department overpayment calculations, repayment letters
- (C) Source: Payroll Department Accounts Receivable Listing
- (D) Source: Payroll Department receivable files
- (E) Source: Payroll Department USPS deduction screen posting of payments as of July 22, 1999.
- (F) Difference between Column C and Column E.

Overpayment Reasons Key

- (1) - terminated, payroll master file updated untimely
- (2) - paid for date not worked
- (3) - receiving pay for hours not worked
- (4) - erroneous direct deposit credit

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505
JUNE 30, 1999
(Continued)

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

Finding Number	1999-10625-002
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Appropriations Exceeding Available Resources

Ohio Rev. Code Section 5705.39 states the total appropriations from each fund should not exceed the total estimated revenue available for expenditure therefrom, as certified by the County Budget Commission (the Commission). No appropriation measure shall become effective until the County Auditor files a “do not exceed” certificate, certifying that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Board of Education adopted a permanent appropriation resolution on September 15, 1998. The Commission issued a “do not exceed” certificate on September 29, 1998. However, the District did have appropriations which exceeded the official estimated revenues as noted by the county auditor’s analysis completed on September 24, 1998. The following funds’ appropriations, summarized in Table 2 below, exceeded the certified estimate of available resources at September 15, 1998:

Table 2
Appropriations Exceeding Available Resources
at September 15, 1998

Fund	Fund Title	Appropriations (A)	Available Resources (B)	Variance (C)
425	Early Childhood Grant	\$695,000	\$506,391	\$188,609
426	Industrial Training	53,000	17,270	35,730
516	Title VI-B	3,274,824	21,875	3,252,949
524	Vocational Education	2,744,498	2,263,993	480,505
599	Miscellaneous Federal Grants	6,625,000	4,179,299	2,445,701

Table Key- Appropriations Exceeding Available Resources
 Column A- Appropriation amount submitted to Commission at September 15, 1998
 Column B- Available Resources submitted to Commission at September 15, 1998
 Column C- Amount Appropriation exceeded Available Resources (Column A minus Column B)

At June 30, 1999 all fund appropriations were within the total available resources certified by the Commission.

We recommend the District adopt and file appropriations throughout the year that do not exceed the official certificate of estimated revenue as certified by the Commission.

Finding Number	1999-10625-003
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Fiscal Officer Certification

Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision 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 previous encumbrances. This certificate need be signed only by the subdivision’s fiscal officer.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505
JUNE 30, 1999
(Continued)**

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

Finding Number

1999-10625-003 (Continued)

Fiscal Officer Certification (Continued)

Every such contract made without such certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

If no certificate is furnished as required, upon receipt by the taxing authority of the subdivision or taxing unit of a certificate of the fiscal officer stating that there was at the time of making such contract or order and at the time of execution of this certificate ("Then and Now") a sufficient sum appropriated for the purpose of such contract and in the treasury or in the process of collection to the credit of an appropriate fund free from previous encumbrance, such taxing authority may authorize the drawing of a warrant in payment of amounts due upon such contract, but such resolution or ordinance shall be passed within thirty days of receipt of such certificate; provided that if the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without such affirmation of the taxing authority of the subdivision or taxing unit, if such expenditure is otherwise valid.

Forty-one percent of the expenditures tested were not certified by the fiscal officer at the time a purchase commitment was made. Additionally, Then and Now certificates were not utilized as allowed by Ohio Rev. Code Section 5705.41(D). In addition, to expedite certain payments, the District developed a process which permits the issuance of a check without a purchase order or certification of the fiscal officer. The District refers to these payments as "direct pays".

The District should implement procedures to assure that the fiscal officer certifies the availability of funds at the time of making the commitment or thereafter through the use of a "Then and Now" certificate in accordance with Ohio Rev. Code Section 5705.41(D).

Finding Number

1999-10625-004

Payroll Transactions

Payroll expenditures are the largest single source of expenditures for any District. The payroll process is complicated by its dependence on standing data, such as employee classifications, pay rates, voluntary and involuntary deductions, and others which are maintained in the payroll master file. These variables often change as employee circumstances change. As a result, organizations find it necessary to establish strong internal controls over the content of their payroll master file.

Payroll transactions are dependent on the standing data maintained in the master file to calculate the proper pay rate and deductions. This process is further dependent on the information contained on employee time cards and pay sheets to arrive at an accurate gross pay from which planned deductions are subtracted to arrive at an accurate net pay. Therefore, it becomes critical to an employer to ensure the integrity of its master file and the process by which payroll transactions flow. This is important not only for employees to receive the proper compensation for hours worked, but that the financial statements are representative of actual, accurate and complete transactions, as processed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505
JUNE 30, 1999
(Continued)

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

Finding Number	1999-10625-004 (Continued)
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Payroll Transactions (Continued)

District payroll transactions are compromised because payroll employees have access and the ability to change and update the payroll master file without any management oversight or approval. There is no electronic connection between the payroll and personnel standing data master files. The District has not developed procedures to assure themselves that all changes to the payroll master file are appropriate and that payroll output is representative of the input. The District has not implemented effective internal control to ensure the payroll checks are properly calculated, based on information contained in the payroll master file, and that the check amount is representative of the pay due an employee.

The District should develop control procedures over changes made to the payroll master file. All changes should be approved by management prior to being posted and an edit report of all master file changes should be monitored by management to help insure accuracy. The District should also develop control procedures over the output of the payroll system to insure that payroll transactions represent services performed and approved; are input and accepted for processing; and are accurately recorded in the financial statements. Management should periodically monitor payroll system reports to help insure accuracy as well.

Finding Number	1999-10625-005
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Fixed Assets

The District had not developed policies and procedures to track fixed asset purchases, the movement either from building to building or classroom to classroom and the retirement, upon obsolescence or trade-in. An effective fixed asset tracking system helps to ensure District assets are safeguarded against loss, theft, misappropriation or misuse and that the asset listing is representative of assets currently owned. Asset tracking forms are used by various departments of the District, but they are not filed with the Treasurer's office where the asset status can be monitored, tracked and updated on a master fixed asset listing so a complete and accurate listing of fixed assets can be perpetually maintained.

The District should implement an internal control system to ensure all assets are accounted for and safeguarded. This control weakness could result in the loss, misappropriation, theft, or diversion of District assets and could also result in noncompliance with requirements of federal grants without management's knowledge.

The District should develop and implement a fixed asset tracking system that will monitor and record, by location, additions, deletions and retirements and ensure that District assets are safeguarded against loss, theft, misappropriation and misuse. Periodic physical inventory observations should be performed and the results compared to the perpetual system for subsequent adjustment. Significant variances should be investigated for resolution. District assets should be tagged with a distinct Columbus City Schools' identifying number that is traceable to the fixed asset listing.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505
JUNE 30, 1999
(Continued)

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

Finding Number

1999-10625-006

Segregation of Duties

A proper segregation of duties should be in place within the Treasurer's Office between those who maintain the computer system and those who maintain the financial records for the District. This allows the data processing (DP) personnel to act as independent monitors over the computer system. To ensure this independence, the day-to-day operations of the various business applications used by the District should be processed by employees responsible for maintaining the financial records. This includes the responsibilities for entering, processing and updating data during the normal course of business.

The District uses the Uniform School Accounting System (USAS) application to process their financial data. It was discovered from examination of the USAS audit report that almost 50% of the total accounting transactions for fiscal year 1999 were initially entered or edited by the DP Supervisor. By doing so, the Treasurer's Office has become dependent on the DP Supervisor for the entering and processing of their financial data. This lack of proper segregation of duties increases the risk that transactions were entered, edited, or deleted without supporting documentation or management's approval. In addition, it makes the Treasurer's Office reliant upon one individual for multiple tasks.

To ensure the proper independence of the DP personnel and to ensure the Treasurer's Office can continue operation when the DP Supervisor is not available, the responsibility for entering and processing financial data should be transferred to the appropriate staff within the Treasurer's Office. If additional training is necessary for the staff to properly perform these tasks then this training should be provided. The roles of the DP personnel should be limited to the administration of the computer system and not data entry.

Finding Number

1999-10625-007

Latch Key, Food Service and Adult Education

The District does not reconcile duplicate receipts or pay-ins from the Latch Key, Food Service and Adult Education departments to actual collections represented by and posted to the general ledger as receipts.

The District should develop internal control policies and procedures to ensure the collections are complete and accurate and posted to the general ledger correctly. This weakness allows for errors and irregularities to occur without timely detection of management.

The District should develop and implement a system of reconciling departmental revenue earned from services rendered to the actual cash collections deposited to the District's bank account and posted to the general ledger. Such reconciliations should be reviewed by management and significant unexplained variances should be investigated and resolved timely.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505
JUNE 30, 1999
(Continued)

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

Finding Number

1999-10625-008

Student Activities

Cash receipts for student activities are often a source of concern for Districts. With student activities, public money is often collected in the form of cash and given to students and advisors not trained to appropriately account for it. Recognizing the risk associated with these forms of collection, the Board adopted Policy #5156, Elementary, Middle and High School Activities, November 5, 1985. This policy requires all fund-raising activities conducted for a school, or through a club, class, athletic team or organization connected with the school to be approved by the principal, documented on the Board adopted form Application for Fund-Raising Project, and filed with the building principal prior to the fund raiser's commencement. All receipts and disbursements relative to the activity must be processed through the Student Activity fund of the District, and a final accounting of the fund-raisers' financial activity must be documented on the Financial Report-Student Activities Fund-Raiser Project form. The Treasurer is to establish accounting procedures governing fund-raising activities and to collect debts from students.

This Board policy is neither enforced nor monitored for compliance. Fund-raising activities are seldom approved by the principal, all fund-raising receipts and disbursements are not processed through the District's central office accounting system, and reports of fund raisers' financial activity are not submitted to the Treasurer, or his designee, for review.

The District should enforce current established Board policy and the Treasurer should develop and implement policies and procedures to review the Financial Report-Student Activities Fund-Raiser project for accuracy, completeness and agreement to monies deposited to the appropriate student activity fund.

Finding Number

1999-10625-009

Access Privileges

Sound internal control standards dictate that users of software applications are granted access to only those computer applications and functions they require to perform their job. To ensure this, each user should be provided a unique user-id to identify themselves to the computer system, an associated password to authenticate that they are the proper user, and the appropriate level of access within the applications.

During the fiscal period, eleven users were discovered to have the SYSMAN identifier. The SYSMAN identifier gives a user "system manager" capabilities within the USAS and the USPS applications. This means each of the users had the ability to change transactions directly or edit data outside of the normal USAS and USPS transaction processes, thus leaving no audit trail. In addition, these users were found to have access to the VMS test editor, which would also allow them to edit data outside of the normal application controls in place for USAS and USPS.

Once it was brought to their attention, the Treasurer's Office corrected this problem. Currently, only the Treasurer's two data processing personnel have access to these powerful application and system utilities. However, since this problem existed throughout the audit period, there is the risk that data was changed, created, or deleted without proper supporting evidence.

Management should periodically review the appropriateness of users who have been granted rights and privileges to the SYSMAN identifier and other powerful system utilities. Individuals who are responsible for entering financial transactions on a daily basis should not be given access to these utilities.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505
JUNE 30, 1999
(Continued)

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

Finding Number	1999-10625-010
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USAS EXPROC (Expense Processing)

The District uses the USAS software, Uniform School Accounting Network, to collect, process and summarize their accounting data. The software was developed by the Ohio Department of Education, State Software Development Team. The software applications are maintained by the "A-site", service organization, Northwest Ohio Computer Association, NWOCA.

NWOCA has published and provided its users with a User Guide, as revised December 1999. The guide gives the user the procedures and purpose for the program applications available through USAS, including but not limited to the description of the application, how to access the application, sample report layouts, and user reservations. One such application is the ExProc, expense processing. As in past years the District employed this application to create memo journal entries to the general ledger to record expenditures without going through the normal expenditure cycle. Each journal entry is recorded in a memo entry log to document and track the entries made. In fiscal year 1999 approximately 350 transactions were processed through this procedure. These entries to the general ledger were not approved by management. Department managers and selected clerical staff initiated these transactions regularly.

The USAS guide warns the user to only employ the ExProc to process those transaction not requiring a purchase order that are routine in nature. Without management monitoring and approving these transactions, errors and irregularities could go undetected and affect the District's ability to reconcile transactions and fairly present financial statements.

The ExProc transactions should be limited in their use, only approved individuals should have the capability to make such transactions and all ExProc transactions should be reviewed and approved by management.

Finding Number	1999-10625-011
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Cash Reconciliation

Reconciling cash is one of the most basic and important controls instituted by management to assure the completeness and accuracy of cash transactions reflected in the financial statements. Performing monthly cash reconciliations and investigating unusual reconciling items should be performed by all entities regardless of their size or the number of financial transactions processed. By doing so, the entity can gain assurance as to the completeness and accuracy of the accounting records.

The reconciliation completed by the District for the fiscal year ended June 30, 1998 was out of balance by approximately \$1,200,000. An overall District-wide, monthly reconciliation was not completed timely during the first six months of the fiscal year. In the June 30, 1999 reconciliation the District continued to identify errors in past reconciliations and accounting records and in April 2000 the June 30, 1999 reconciliation is within \$151,000 of being in balance. There was no indication that the reconciliations performed during the fiscal year had been reviewed by management and the reconciliations performed were not closed out and were changed for several months after the period closed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505
JUNE 30, 1999
(Continued)

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

Finding Number	1999-10625-011 (Continued)
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The District should continue to develop and implement procedures to ensure the accuracy, completeness, and reasonableness of the reconciliation prepared by the reconciliation clerk. Reconciling items should be identified and disposed of in a timely manner. Management should review the reconciliation prepared by the reconciliation clerk and after it is approved it should not be changed. Reconciling items and errors that are identified after the reconciliation is approved should effect the next months' reconciliation. Managements review should also include the matching of adjusting entries to evidential matter supporting the reported adjustments. The clerk should not make ledger adjustments until such adjustments are approved by management.

3. FINDING AND QUESTIONED COST FOR FEDERAL AWARDS

Finding Number	1999-10625-012
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CFDA Title and Number	Education Cluster, #84.027 and # 84.173, Child Nutrition Cluster, #10.553, #10.555, #10.550; Vocational Education Basic Grant, #84.048; Title 1,# 84.010; and National Science Foundation, Urban Systemic, #47.076
Federal Award Number / Year	043802-20-A5-96/97;C197/98 043802-6B-SF-97P/98P/99P 043802-05-PU97/98/99;03-PU97/98;04PU97/98/99 121392-21-ML97/98/99 043802-C1-S197/98;SD97/98;SS97P:RF-S1-99:C1-S1-99
Federal Agency	U. S. Department of Agriculture; U. S. Department of Education; National Science Foundation
Pass-Through Agency	Ohio Department of Education

Payroll Transactions

See Finding Related to the Financial Statements Required to be Reported Under GAGAS number 1999-10625-004. This finding is also required to be reported under OMB Circular A-133 §.505(d)(3).

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505
JUNE 30, 1999
(Continued)

3. FINDING AND QUESTIONED COST FOR FEDERAL AWARDS (Continued)

Finding Number	1999-10625-013
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CFDA Title and Number	Urban Systemic; National Science Foundation (NSF) CFDA #47.076
Federal Award Number/Year	N/A
Federal Agency	National Science Foundation
Pass-Through Agency	N/A

Federal Award Questioned Cost

The National Science Foundation (NSF); Urban Systemic funds are used for the overall mission of the Systemic Initiatives (SI) Program to improve the scientific and mathematical literacy and achievement of all students and provide the mathematics and science fundamentals which will permit all students to participate fully in a technological society. The District receives money from the NSF to fund the program activities. The Federal Cash Transaction Report, SF 272A-Federal Share of Disbursements, as approved by the Office of Management and Budget No. 0348-0003, is required to be prepared by the grantee on a quarterly basis for submission to the NSF.

The Federal Cash Transaction Report, SF 272A-Federal Share of Disbursements, Certification #1 states "that to the best of our knowledge and belief, this report (Federal Cash Transaction Report) is true in all respects and that all disbursements have been made for the purpose and conditions of the award."

The District filed four quarterly reports in the fiscal year: September 1998; December 1998; March 1999; and June 1999. A summary of the information contained therein is summarized below:

<i>Quarter End Date</i>	<i>Net Disbursements Reported Per SF-272A</i>	<i>Expenditures and Encumbrance Per District Records</i>	<i>Under/(Over) Reported</i>
September 30, 1998	\$ 745,425	\$ 731,270	\$ (14,155)
December 31, 1998	947,109	789,332	(157,777)
March 31, 1999	543,196	637,593	94,397
June 30, 1999	<u>693,612</u>	<u>725,623</u>	<u>32,011</u>
Total	\$ 2,929,342	\$ 2,883,818	\$ (45,524)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505
JUNE 30, 1999
(Continued)

3. FINDING AND QUESTIONED COST FOR FEDERAL AWARDS (Continued)

Finding Number	1999-10625-013 (Continued)
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The net disbursements reported per the SF-272 (Column B) submitted to the NSF did not agree to the District financial records, as noted in Column C above. The four quarters reviewed netted an over reporting of expenditures to NSF in the amount of \$45,524. The \$45,524 is being submitted as a questioned cost.

The District has not developed monitoring procedures to ensure requirements of the grant agreement are followed or that reported expenditures are supported by the financial data contained in the underlying ledgers and sub-ledgers maintained by the District.

The District should implement the necessary procedures to ensure expenditure reports are representative of actual expenditures made and management should review and monitor reports prior to their submission for accuracy.

Finding Number	1999-10625-014
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CFDA Title and Number	Education Cluster; Special Education Title VI-B CFDA #84.027 Preschool Grant #84.173
Federal Award Number/Year	043802-6B-SF-99P 043802-PG-S1-99P
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Federal Award Questioned Cost

The grant agreements by and between the Ohio Department of Education, Special Education and the District dated July 1, 1998 and July 23, 1999 for Title VI-B and the Preschool Grant, respectively, require the District to submit a final expenditure report sixty days after the program year. The form is prescribed by the Ohio Department of Education and requires the information contained therein represent all the activities of the reporting period supported by the grantee's underlying accounting records.

The District submitted the final expenditure report for both Title VI-B and the Preschool Grant, as required by the granting agency. The financial information contained did not agree to the District's financial records for the reporting period as summarized below:

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505
JUNE 30, 1999
(Continued)

3. FINDING AND QUESTIONED COST FOR FEDERAL AWARDS (Continued)

Finding Number	1999-10625-014 (Continued)
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Federal Award Questioned Cost (Continued)

<i>Federal Program</i>	<i>Expenditures Reported to the Pass-through</i>	<i>As Presented by the District's Financial Reports</i>	<i>Variance Under/(Over) Reported</i>
Title VI-B	\$ 3,274,740	\$ 3,233,116	\$ (41,624)
Preschool Grant	216,469	241,639	25,170
	\$3,491,209	\$3,474,755	(\$16,454)

As a result, the District over reported total expenditures by \$16,454. At September 30, 1999, the District held \$16,454 in program funds, unobligated. Per the aforementioned grant agreement, the District is to obligate all awarded funds by September of the given grant period. Those monies not obligated are to be refunded to the grantor, Ohio Department of Education, since no carryover is allowed under the program guidelines. Therefore, the \$16,454 is being submitted as a questioned cost.

The District has not developed monitoring procedures to ensure requirements of the grant agreement are followed or that reported expenditures are supported by the financial data contained in the underlying ledgers and sub-ledgers maintained by the District.

The District should implement the necessary procedures to ensure expenditure reports are representative of actual expenditures made and management should review and monitor reports prior to their submission for accuracy.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505
JUNE 30, 1999
(Continued)

3. FINDING AND QUESTIONED COST FOR FEDERAL AWARDS (Continued)

Finding Number	1999-10625-015
CFDA Title and Number	Education Cluster, #84.027 and # 84.173, Child Nutrition Cluster, #10.553, #10.555, #10.550; Vocational Education Basic Grant, #84.048; Title 1, # 84.010; and National Science Foundation, Urban Systemic, #47.076
Federal Award Number/Year	043802-20-A5-96/97;C197/98 043802-6B-SF-97P/98P 043802-05-PU97/98;03-PU97/98;04PU97/98 121392-21-ML97/98 043802-C1-S197/98;SD97/98;SS97P
Federal Agency	U. S. Department of Agriculture; U. S. Department of Education; National Science Foundation
Pass-Through Agency	Ohio Department of Education

Federal Award Programs - Internal Controls

Office of Management and Budget (OMB) Circular A-133 stipulates that federal award recipients, such as the District, develop and implement internal control policies and procedures which, if followed, reduce the risk of noncompliance with specific compliance requirements for major federal programs.

The District has not implemented written policies and procedures over federal program activity for several of the compliance requirements applicable to major federal programs. Lack of written policies and procedures and monitoring of their implementation allows for a lack of consistency in applying operating practices and allows for noncompliance to occur without timely detection by management.

The table below identifies the major programs and the applicable compliance requirements. Those compliance requirements in which policies and procedures are established are noted by a check mark in the corresponding box. For those areas that are not checked the District should review the applicable compliance requirements and institute written policies and procedures for federal program coordinators to utilize as they process federal activity transactions.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION 505
JUNE 30, 1999
(Continued)**

3. FINDING AND QUESTIONED COST FOR FEDERAL AWARDS (Continued)

Finding Number	1999-10625-015 (Continued)
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Federal Award Programs - Internal Controls (Continued)

Compliance Requirement	Education Cluster	Nutrition Cluster	Vocational Education	Title 1	Urban Systemic
Activities Allowable/ Unallowable					
Allowable Cost/ Cost Principals					
Level of Effort		(N/A)			
Period of Availability		(N/A)			(N/A)
Procurement, Suspension, Debarment					
Financial Reporting					
Special Tests and Provisions		(N/A)	(N/A)		
Cash Management	(N/A)	(N/A)	(N/A)	(N/A)	
Eligibility					(N/A)
Equipment and Real Property Management		(N/A)			

STATUS OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 1999

Finding Number	Finding Summary	Fully Corrected?	Not Corrected/Explanation
1998-10625-001	District did not receive a "do not exceed" certificate from the County Budget Commission to comply with Ohio Rev. Code Section 5705.39.	Not Corrected	District will file with the County Budget Commission a permanent appropriation resolution by Oct. 1. The District will ensure its permanent appropriation revisions submitted to the Commission receive the required certificate.
1998-10625-002	Ohio Revised Code Section 9.34. The District budgeted federal program expenditures for the period which coincides with the federal fiscal year. The District did not obtain approval from the Auditor of State to budget federal expenditures in this manner.	Corrected	
1998-10625-003	The District did not always certify expenditures prior to making an expenditure which is not in compliance with Ohio Rev. Code Section 5705.41(D).	Not Corrected	The District will implement procedures to assure that purchase commitments for more than \$1,000, the fiscal officer certifies the availability of funds at the time of making the commitment or thereafter through the use of a "Then and Now" certificate.
1998-10625-004	Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 prohibit the transfer of funds from one fund to another without the prior approval from the Board of Education.	Corrected	
1998-10625-005	The District made payroll overpayments to various employees.	Partially Corrected	The District made overpayments again in this fiscal period, but monitoring has reduced the number of cases.
1998-10625-006	The District did not prepare a systematic book to bank reconciliation.	Partially Corrected	District will perform regular, monthly, reconciliations of each bank account to its general ledger cash balance. Outstanding checks and other bank debits will be traced to timely clearance, and deposits in transit and other bank credit will be traced to timely deposit in the subsequent month's bank statements.

STATUS OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 1999
(Continued)

1998-10625-007	The District has not developed or implemented internal control procedures to ensure the completeness and accuracy of the payroll checks processed.	Not Corrected	The District will develop and implement control policies and procedures so that payroll transactions represent services performed and approved; are input and accepted for processing; and are accurately recorded in the proper period. In addition, polices and procedures will be established to assure that changes to the payroll master file are authorized, accurately input, and reviewed by management.
1998-10625-008	District did not maintain an complete and accurate fixed assets listing	Not Corrected	District will develop and implement a fixed asset tracking system that will monitor and record by location, additions, deletions, and retirements and ensure that District assets are safe guarded against theft, misappropriation and misuse. Periodic physical inventory observations will be performed and the results compared to the fixed asset listing for subsequent adjustment.
1998-10625-009	District has not developed and implemented segregation-of-duties in the investment cycle	Partially Corrected	District segregated the functions of initiating investments and bank transfers and accounting for those transactions in the last three months of the audit period.
1998-10625-010	District had not completed its evaluation of mission critical Y2K systems.	Corrected	
1998-10625-011	District did not reconcile departmental collections from latchkey, food service and adult education deposited to the District bank account to those reflected in the accounting records.	Not Corrected	District will develop and implement a system of reconciling department revenue earned from services provided and rendered to actual cash collections to deposits to the District's bank accounts and posted to the general ledger. The reconciliation will be reviewed by management and significant unexplained variances will be investigated and resolved timely.
1998-10625-012	District has not implemented the student activities policy enacted by the Board of Education.	Not Corrected	The District will enforce current Board policy and the Treasurer will develop and implement policies and procedures to review the "Financial Report- Student Activities Fund Raiser" project form for accuracy, completeness and agreement to monies deposited to the appropriated student activity fund.

STATUS OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 1999
(Continued)

<i>Finding Number</i>	<i>Finding Summary</i>	<i>Fully Corrected?</i>	<i>Not Corrected/Explanation</i>
1998-10625-013	The various financial budgets prepared and approved by the Board of Education did not agree to one another.	Partially Corrected	The District will reconcile the budget approved as evidence by the Board of Education minutes, budget reported to the Franklin County Budget Commission and the budget recorded in the budgetary accounting control system. The District will implement monitoring procedures to ensure information is updated timely to both the Commission and the budget accounting system.
1998-10625-014	The District has not implement written internal control procedures.	Not Corrected	The District will develop, implement and monitor internal control policies and procedures to ensure compliance requirements are met, and that such policies and procedures reduce the risk on non-compliance.
1998-10625-015	Commercial Procurement Card expenditures were made and paid by the District without appropriate supporting documentation.	Corrected	
1998-10625-016	The District did not prepare a systematic book to bank reconciliation.	Partially Corrected	Reference Finding No. 1998-10625-006.
1998-10625-017	The District has not developed procedures to ensure accuracy and completeness of its payroll master files and resulting payroll transactions.	Not Corrected	Reference Finding No. 1998-10625-007.
1998-10625-018	The District has not developed policies and procedures to track fixed asset additions, deletions and retirements.	Not Corrected	Reference Finding No. 1998-10625-008.
1998-10625-019	The treasurer initiates investment transactions and accounts for them. This puts the treasurer in the position to initiate and conceal unauthorized transactions.	Partially Corrected	Reference Finding No. 1998-10625-009.

STATUS OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 1999
(Continued)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected/Explanation
1998-10625-020	The District has not adequately responded to the business risk associated with the Year 2000 computer problem.	Corrected	
1998-10625-021	The District prepared numerous budget. The approved budget per the Board of Education submitted to the Ohio Budget Commission in compliance with Ohio law, and the budget reflected in the District's budgetary accounting system did not agree to one another.	Partially Corrected	Reference Finding No. 1998-10625-013.
1998-10625-022	The District has not implemented effective internal control procedures to ensure the risk of noncompliance over federal compliance requirements is reduced to a relatively low level.	Not Corrected	Reference Finding No. 1998-10625-014.
1998-10625-023	The final financial report submitted to the pass-through agency, Ohio Department of Education, for the Vocational Basic Grant's Carl D. Perkins, Displaced Homemakers and the Network programs did not agree with the District's financial records for the corresponding reporting period.	Not Corrected	The District plans to implement the necessary procedures to ensure expenditure reports are representative of actual expenditures.
1998-10625-024	Program Coordinators' authorization of federal program expenditure was not always performed	Partially Corrected	The District asserts their plan to implement monitoring devices to ensure internal control procedures in place are operating effectively.



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COLUMBUS CITY SCHOOL DISTRICT

FRANKLIN 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 6, 2000**