



**Auditor of State
Betty Montgomery**

**CINCINNATI CITY SCHOOL DISTRICT
HAMILTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report..... (Under Separate Cover)	
Comprehensive Annual Financial Report (Under Separate Cover)	
Independent Accountants' Report on Compliance and Internal Control Required by Government Auditing Standards.....	1
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with Circular A-133.....	3
Schedule of Federal Awards Expenditures.....	5
Notes to the Schedule of Federal Awards Expenditures	6
Schedule of Findings.....	7
Schedule of Prior Year Findings	11

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Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Cincinnati City School District, Hamilton County, Ohio (the District), as of and for the fiscal year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 27, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions 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 judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are 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 December 27, 2004.

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

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

Betty Montgomery
Auditor of State

December 27, 2004



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Cincinnati City School District, Hamilton County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2004. 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 December 27, 2004.

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 effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We 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 December 27, 2004.

Schedule of Federal Awards Expenditures

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the fiscal year ended June 30, 2004, and have issued our report thereon dated December 27, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Betty Montgomery
Auditor of State

December 27, 2004

**CINCINNATI CITY SCHOOL DISTRICT
HAMILTON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR/ <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	03-PU	10.550	\$ -	\$ 725,294	\$ -	\$ 725,294
National School Breakfast Program	05PU-03/04 LLP1-03/04, LLP4- 03/04	10.553	2,220,911	0	2,220,911	0
National School Lunch Program	03/04	10.555	7,649,999	0	7,649,999	0
National Child Care Program	43752-CCMO-03/04	10.558	55,684	0	55,684	0
Summer Food Service Program	43752-24PU-03	10.559	377,742	0	377,742	0
Total U.S. Department of Agriculture			<u>10,304,336</u>	<u>725,294</u>	<u>10,304,336</u>	<u>725,294</u>
U.S. DEPARTMENT OF EDUCATION						
Impact Aid - Facilities Maintenance	N/A	84.040	17,333	0	69,118	0
Small Learning Community	N/A	84.215L	1,000,000	0	759,671	0
Foreign Language Incentive	N/A	84.294A	42,586	0	46,163	0
Transition To Teaching	N/A	84.350A	400,000	0	274,961	0
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (Title VI-B	6BSF-04	84.027	7,296,535	0	7,585,415	0
Special Education - Preschool Grant	PGS1-03/04	84.173	190,827	0	195,438	0
Total Special Education Cluster			<u>8,947,281</u>	<u>0</u>	<u>8,930,766</u>	<u>0</u>
Adult Education - State Grant Program	ABS1-03/04	84.002	725,478	0	881,851	0
Educ Consol Improvement Act	C1S1-03/04/C1SD- 01/03/04/C1SK-03	84.010	23,660,165	0	22,894,250	0
Vocational Education Basic Grants to State	20C1-03/04	84.048	1,218,416	0	1,438,330	0
Drug-Free Schools Grant	DRS1-03/04	84.186	425,621	0	540,856	0
Education for Homeless Children	HCS1-03/04	84.196	221,453	0	202,181	0
Even Start - State Education Agencies	EVS3-00/01	84.213	0	0	147,659	0
Elem/Sec Schools Counsel		84.215E	60,000	0	91,902	0
Dropout Prevention	N/A	84.215W	0	0	61,567	0
Capital Expenses	CXS1-01	84.216	0	0	1,950	0
Assistive Technology	ATS1/S2/S3-02	84.224	7,145	0	19,003	0
Eisenhower Prof. Dev. State Grant	MSS1-2002	84.281	0	0	(3,008)	0
Innovative Educational Program Strategies	C2S1-03/04	84.298	387,380	0	423,778	0
Technology Literacy Challenge Fund Grant	TJS1-03/04	84.318	1,169,122	0	1,414,187	0
State Improvement	STS1-01	84.323	0	0	103,261	0
Comprehensive School Reform	RFS1-02/RFS2-03	84.332	31,450	0	18,638	0
Improving Teacher Quality	TRS1-03/04	84.367	3,538,703	0	4,673,038	0
Reducing Class Size		84.340	0	0	530	0
Community Technology		84.341A	239,853	0	146,002	0
School Improvement		84.348	1,147,406	0	1,231,738	0
Reading First	RSS1-04	84.357	2,848,883	0	2,575,823	0
Title III Limited English Proficiency	T3S1-03/04	84.365	131,436	0	176,175	0
Temporary Assistance for Needy Families		93.558	2,984,664	0	2,543,312	0
<i>Passed Through Ohio School Facilities Commission:</i>						
Emergency School Repair	ATS1/S2/S3-02/03	84.352A	155,250	0	474,338	0
Total U.S. Department of Education			<u>38,952,425</u>	<u>0</u>	<u>40,057,361</u>	<u>0</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Administration for Children, Youth, and Families - Head Start		93.600	1,924,467	0	2,145,972	0
Refugee Children	R1S1-04	93.576	12,600	0	4,050	0
National Science Foundation		47.076	3,961	0	14,269	0
<i>Passed Through Ohio Department of MRDD:</i>						
Title XIX (CAFS)		93.778	2,659,333	0	2,659,333	0
Total Department of Health and Human Services			<u>4,600,361</u>	<u>0</u>	<u>4,823,624</u>	<u>0</u>
TOTAL FEDERAL ASSISTANCE			<u><u>\$62,804,403</u></u>	<u><u>\$725,294</u></u>	<u><u>\$64,116,087</u></u>	<u><u>\$725,294</u></u>

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

**CINCINNATI CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2004**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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.

**CINCINNATI CITY SCHOOL DISTRICT
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster – 10.550, 10.553, 10.555, 10.559, 10.556 Special Ed. Cluster - 84.027 & 84.173 Improving Teacher Quality - 84.367 Reading First - 84.357 Title II-D - 84.318 Title IV-A (Drug Free) - 84.186 Title V - 84.298 Title I - 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$1,945,241 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2004-001

Noncompliance/Reportable Condition

Ohio Rev. Code, Section 9.833(C) (1), requires political subdivisions to reserve funds necessary, in the exercise of sound and prudent actuarial judgment, to cover the potential cost of self-insured health care benefits. A report of amounts reserved and disbursements made from such funds, together with a written report of a member of the American academy of actuaries certifying whether the amounts reserved conform to the requirements of this division, are computed in accordance with accepted loss reserving standards, and are fairly stated in accordance with sound loss reserving principles, shall be prepared and maintained, within ninety days after the last day of the fiscal year of the entity for which the report is provided for that fiscal year. The report shall include, but not be limited to, disbursements made for the administration, including claims paid, costs of the legal representation of the political subdivision and employees, and fees paid to consultants.

Ohio Rev. Code, Section 9.833(C) (2), states that each political subdivision shall reserve funds necessary for an individual or joint self-insurance program in a special fund.

The District established a self-insurance internal service fund in 2004. While the District analyzed the fiscal 2004 self-insurance financial activity subsequent to the fiscal year end and adjusted the self-insurance fund activity for financial reporting only, the procedures followed by the District in fiscal year 2004 resulted in noncompliance and control weaknesses:

Noncompliance:

- The District did not prepare a report of amounts reserved and disbursements made from the health insurance fund, including disbursements made for the administration, claims paid, costs of the legal representation of the political subdivision and employees, and fees paid to consultants.
- The self-insurance fund cash balance was adjusted to a zero balance at June 30, 2004 when the cash balance was moved back into the payroll revolving fund. Therefore, the District did not have the funds necessary for the self-insurance program in a special fund because the cash necessary for the self-insurance program was recorded in the payroll revolving fund.

Control Weakness:

- During 2004, the District recorded in the payroll revolving fund: the revenues from the employee share (withholdings) for the self-insurance and fully insured benefits programs, the revenues from the administrative fee charged to departments, and expenses for the self-insurance program claims and premiums paid to providers of fully insured programs. On a monthly basis, the District recorded journal entries to adjust these revenues and expenses from the payroll revolving fund to the self-insurance fund. However, the amounts recorded in the District self-insurance ledger fund did not accurately represent the self-insurance activity, balances, and budgeted amounts; therefore, the District did not have timely, accurate self-insurance receipt and disbursement information to monitor against budgeted amounts, and did not have accurate and timely information regarding cash balances required for self-insurance obligations.

**FINDING NUMBER 2004-001
(Continued)**

To address these noncompliance and control weakness issues, we recommend that the District record an accurate beginning balance in the self-insurance fund ledger, and that the monthly adjustments on the District ledgers from the payroll revolving fund to the self-insurance fund include only revenues expenses related to self-insurance activity. We also recommend that the District monitor the actual self-insurance fund receipts and disbursements against budgeted amounts.

FINDING NUMBER 2004-002

Noncompliance

Ohio Rev. Code, Section 5705.41(D), requires 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 any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

If the amount involved is less than \$3,000, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education, if such expenditure is otherwise valid.

The District had the following items of non-compliance with the above section of law:

General Non-payroll Disbursements

- Fifteen of the eighty-five transactions tested, or seventeen percent (17%) did not have certification prior to the obligation date and neither of the two exceptions provided above were utilized.

Contracts

- Nine of the fifty-eight transactions tested, or sixteen percent (16%) did not have certification prior to the obligation date and neither of the two exceptions provided above were utilized.

Accounts Payable

- Fourteen of the ninety transactions tested, or fifteen percent (15%) did not have certification prior to the obligation date and neither of the two exceptions provided above were utilized.

Federal Special Education Program

- Nine of the sixty transactions tested, or fifteen percent (15%) did not have certification prior to the obligation date and neither of the two exceptions provided above were utilized.

**FINDING NUMBER 2004-002
(Continued)**

Federal Drug Free Program

- Four of the twenty transactions tested, or twenty percent (20%) did not have certification prior to the obligation date and neither of the two exceptions provided above were utilized.

Federal Title V Program

- Four of the twenty transactions tested, or twenty percent (20%) did not have certification prior to the obligation date and neither of the two exceptions provided above were utilized.

Federal Food Service Program

- Sixteen of the sixty transactions tested, or twenty-seven percent (27%) did not have certification prior to the obligation date and neither of the two exceptions provided above were utilized.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**CINCINNATI CITY SCHOOL DISTRICT
HAMILTON OF COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	ORC Section 9.833(C)(2), establishment of a separate internal service fund for self insurance	No	The District established the fund but did not reserve the funds in the fund established, re-issued as Finding 2004-001.
2003-002	OAC 117-2-02 (A), (C)(2) and (D)(3) failure to properly maintain accounting records and produce a declining unencumbered balance (Direct Pays)	No	Partially corrected, re-issued in the 2004 management letter
2003-003	Material weakness, failure to obtain a SAS 70 report for third party administrator for insurance.	No	Partially corrected, issued in the 2004 management letter. The administration obtained a SAS 70 in October 2005.
2003-004	Reportable Condition, inaccurate outstanding encumbrance	No	Partially corrected, re-issued in the 2004 management letter
2003-005	Reportable Condition, maintaining a complete, encompassing capital asset listing/data base	No	Partially corrected, re-issued in the 2004 management letter

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Hamilton County, Ohio



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2004**



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CINCINNATI CITY SCHOOL DISTRICT, OHIO

Hamilton County, Ohio

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2004**

Prepared by:
Michael J. Geoghegan, CPA
Treasurer/CFO



CINCINNATI CITY SCHOOL DISTRICT, OHIO

TABLE OF CONTENTS

**CINCINNATI CITY SCHOOL DISTRICT
HAMILTON COUNTY, OHIO**

I **INTRODUCTORY SECTION**

A Letter of Transmittalv
B List of Principal Officials..... xvii
C Organization Chart..... xviii
D Certificate of Achievement.....xix

II **FINANCIAL SECTION**

A Independent Accountants' Report.....1
B Management's Discussion and Analysis3
C Basic Financial Statements:
 Government-wide Financial Statements:
 Statement of Net Assets14
 Statement of Activities15
 Fund Financial Statements:
 Governmental Funds:
 Balance Sheet16
 Reconciliation of Total Governmental Fund Balances to Net Assets of
 Governmental Activities17
 Statement of Revenues, Expenditures and Changes in Fund Balances18
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances to the Statement of Activities.....19
 Statement of Revenues, Expenditures and Changes in Fund Balance
 (Budget and Actual):
 General Fund20
 Proprietary Fund:
 Statement of Net Assets21
 Statement of Revenues, Expenses and Changes in Fund Net Assets22
 Statement of Cash Flows23
 Fiduciary Funds:
 Statement of Net Assets24
 Statement of Changes in Net Assets25
Notes to the Basic Financial Statements.....26

CINCINNATI CITY SCHOOL DISTRICT, OHIO

D Combining and Individual Fund Statements and Schedules:

Nonmajor Governmental Financial Statements:

Combining Balance Sheet.....	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	57
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	60
Combining Balance Sheet – Nonmajor Capital Projects Funds.....	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds.....	64

Individual Schedules of Revenues, Expenditures and Changes in Fund
Balance (Budget and Actual):

<i>General Fund</i>	66
---------------------------	----

Debt Service Fund:

Bond Retirement Fund.....	67
---------------------------	----

Capital Projects Funds:

Classroom Facilities Fund.....	68
--------------------------------	----

Special Revenue Funds:

Food Services Fund.....	69
Other Grants Fund.....	70
District Managed Student Activity Fund.....	71
Auxiliary Services Fund.....	72
Head Start Fund.....	73
Disadvantaged Pupil Impact Aid Fund.....	74
Title VI B – Special Education Assistance Fund.....	75
Title II A – Economic Opportunity Act Fund.....	76
Chapter I Fund – Education Consolidation and Improvement Act Fund ...	77
Other Special Revenue Funds.....	78

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Capital Projects Funds:

Permanent Improvement Fund	79
Building Fund	80
Replacement Fund	81
Energy Conservation Fund	82
Vocational Education Equipment Fund.....	83
Power Up Fund.....	84
Interactive Video Distance Learning Fund.....	85
Ohio SchoolNet Fund	86
School Building Assistance Fund.....	87
Emergency School Repair Fund	88

Permanent Fund:

Endowments Fund	89
-----------------------	----

Fiduciary Funds – Agency Fund:

Schedule of Changes in Assets and Liabilities	91
---	----

Capital Assets Used in the Operation of Governmental Funds:

Schedule by Source	93
Schedule by Function and Activity	94
Schedule of Changes by Function and Activity	96

CINCINNATI CITY SCHOOL DISTRICT, OHIO

III

STATISTICAL SECTION

General Fund Expenditures by Function - Last Ten Fiscal Years S 2

General Fund Revenues by Source - Last Ten Fiscal Years S 3

Property Tax Levies and Collections - Last Ten Calendar Years S 4

Tangible Personal Property Tax Collections - Last Ten Calendar Years S 5

Assessed and Estimated Actual Values of Taxable Property - Last Ten
Collection Calendar Years S 6

Property Tax Rates - Direct and Overlapping Governments - Last Ten
Calendar Years..... S 7

Computation of Legal Debt Margin..... S 8

Ratio of Net General Bonded Debt to Assessed Value and
Net Bonded Debt Per Capita - Last Ten Collection Years S 9

Ratio of Annual Debt Service Expenditures for General Bonded Debt to
Total General Fund Expenditures - Last Ten Years S 10

Computation of Direct and Overlapping Debt..... S 11

Demographic Statistics - Last Ten Years..... S 12

Construction, Bank Deposits and Property Values - Last Ten Calendar Years..... S 13

Top Ten Taxpayers – Assessed Value S 14

Ten Largest Employers S 15

Number of Teachers, Education and Years of Experience S 16

Transportation Statistics S 17

Schedule of Insurance Policies S 18

INTRODUCTORY SECTION





**Board of Education ★ City School District of the City of Cincinnati ★ Office of the Treasurer
PO Box 5384 ★ Cincinnati, OH 45201-5384 ★ Phone: 1-513-363-0425 ★ FAX: 1-513-363-0415**

December 27, 2004

To the Honorable Board of Education and
Citizens of the Cincinnati City School District

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the Board of Education of the Cincinnati City School District (the "District") for the fiscal year ended June 30, 2004. This report was prepared by the Treasurer's Office and includes the report of the independent auditor, Betty Montgomery, Auditor of State of Ohio. This report also contains the financial statements and other financial and statistical data that provide a complete and full disclosure of all material financial aspects of the District. The responsibility for the accuracy of all data presented, its completeness and fairness of presentation rests with the office of the Treasurer/CFO. All disclosures necessary to enable the reader to gain an understanding of the District's activities have been included herein.

The CAFR is presented in three sections:

The Introductory Section, which is unaudited, includes this letter of transmittal, an organization chart and a list of the District's elected board members and other members of the administration.

The Financial Section begins with the Independent Accountant's Report and includes Management's Discussion and Analysis (MD&A), the basic financial statements and notes that provide an overview of the District's financial position and results of operations; the combining statements for nonmajor funds and other schedules that provide information relative to the basic financial statements.

The Statistical Section, which is unaudited, includes selected financial, economic and demographic information, generally presented on a multi-year basis.

The MD&A provides a narrative introduction, overview and analysis to accompany the basic financial statements. This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the Independent Accountant's Report. This report can be found on the District's web site: <http://www.cps-k12.org>.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (June, 1997 Revision)*. Information related to this single audit, including a schedule of federal financial assistance, the independent accountant's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs, are included in a separately issued single audit report.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Letter of Transmittal For the Fiscal Year Ended June 30, 2004

Reporting Entity

The District has reviewed its reporting entity definition in order to insure conformance with the Government Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity". In evaluating how to define the District for financial reporting purposes, management has considered all agencies, departments and organizations making up the Cincinnati City School District (the primary government) and its potential component units.

The Board and Administration

The Board of Education of the Cincinnati City School District (Board) is a body both politic and corporate charged with the responsibility of managing and controlling affairs of the District and is, together with the District, governed by the general laws of the State of Ohio (Ohio Revised Code). The Board is comprised of seven (7) members who are elected for overlapping four-year terms. The Board members during the fiscal year ended June 30, 2004 were:

	Date Current Term <u>Commenced</u>	Present Term <u>Expires</u>
Dr. Florence Newell, President	01/01/04	12/31/07
Harriet Russell, Vice President	01/01/02	12/21/05
Melanie Bates	01/01/02	12/31/05
John J. Gilligan	01/01/04	12/31/07
Catherine Ingram	01/01/02	12/31/05
Sally Warner	01/01/02	12/31/05
Rick Williams	01/01/00	12/31/05

The Superintendent is the chief executive officer of the District, responsible directly to the Board for all educational and support operations. The Superintendent is appointed by the Board for a term not longer than five years and is responsible for administering Board-adopted policies, expected to provide leadership in all phases of policy formulation and is the chief advisor to the Board on all aspects of the educational program and total operation of the schools governed by the Board.

In September 2002, the Board of Education appointed Alton L. Frailey as the Superintendent for a term commencing November 11, 2002 and ending July 31, 2006. Mr. Frailey holds a Bachelor of Science Degree in Elementary Education and a Master's Degree in Educational Administration from Stephen F. Austin State University. Mr. Frailey has 20 years experience in the education field. He was most recently the assistant superintendent at a suburban Houston, Texas school district. On December 1, 2004 Mr. Frailey notified the Board of Education that he had accepted another Superintendents position in Texas effective March 1, 2005.

The Treasurer is appointed for a four-year term (following an initial two-year term) and serves as the chief financial officer of the Board of Education and, with the president of the Board of Education, executes all conveyances made by the Board of Education. The Treasurer is responsible directly to the Board for maintaining all financial records, overseeing the District's purchasing operations, issuing all payments, maintaining custody of all District funds and assets and investing idle funds as specified by Ohio Law.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Letter of Transmittal

For the Fiscal Year Ended June 30, 2004

The Board appointed Michael Geoghegan as Treasurer for a four-year term commencing January 1, 2003 and ending December 31, 2006. Mr. Geoghegan is a Certified Public Accountant, Certified Public Finance Officer, and Certified Internal Auditor and holds a Masters Degree in Business Administration from the University of Cincinnati.

The District and Its Facilities

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

The District operates 79 school buildings: 61 elementary schools, 1 Arts School (4-12), 5 middle/high schools (7-12) and 12 high schools (9-12). Several high school buildings contain more than one school. Through the use of a five-year building and maintenance plan, all facilities are kept in the best operating and physical condition possible. The District has been sensitive to an energy conservation program and is in the third year of a \$985 million, 10-year facilities improvement program.

The District's enrollment (K-12) for the 2003-04 school year was 38,786 students. The District served 68.5% of the 56,335 children who reside within its boundaries. The majority of enrolled students were members of ethnic minorities -- in the 2003-04 school year, 71.2 percent of students were African-American, 0.8 percent were Asian, 23.8 percent were Caucasian, 0.1 percent were Native American, 3.2 percent were other/multiracial, and 0.9 percent were Hispanic.

A significant majority of students in the District -- 66.8 percent -- were on free or reduced lunch plans during the 2003-04 school year. More than half of the District's elementary schools served student populations that were 70 percent or higher in poverty. Nearly fifteen percent of the students attending were served with Special Education needs.

Transportation was provided daily for 28,369 public students and 5,363 non-public students. Buses traveled an average of 26,562 miles each day. A self-supporting Food Services Department served an average of 20,554 lunches and 7,892 breakfasts per day for the 2003-04 school year.

The District offers a comprehensive academic curriculum through the following programs: college preparatory classes, advanced placement courses, gifted education vocational programs and a full range of services in special education. The District provides tutorial help, resource rooms, speech/language therapy, psychological services and counseling. In addition to academic and related services, the District also offers students the opportunity to participate in a wide range of extracurricular activities to extend their learning and increase their enjoyment of school.

For the fiscal year ended June 30, 2004, the District employed 7,589 employees (including non-teaching personnel and substitutes) and expended \$282,606,623 in salaries and wages to these employees and \$71,081,560 in fringe benefits, which included state employer retirement contributions, workers' compensation insurance, unemployment compensation, retirement severance payments and medical, dental and life insurance premiums. Of the District's current employees, 4,071 are certified by the Ohio Department of Education serving as classroom teachers, education specialists and administrators. The starting salary for a teacher with a bachelor's degree for the period beginning August 1, 2003 was \$33,866. The maximum teacher salary for the 2003-04 school year for a Doctorate degree and 27 years of experience is \$76,581. Total K-12 enrollment of the District for the 2003-2004 school year was 38,786 students.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Letter of Transmittal For the Fiscal Year Ended June 30, 2004

Local Economic Condition and Outlook

The economy of the District is based on a wide diversity of industry. The major sources of revenue to the District are local property taxes on real and personal property, along with State aid. Other funds, such as lunch and special classes are refunded for their expenditures by designated State and Federal grants.

The City of Cincinnati, founded in 1788 and incorporated in 1819, is the hub of a metropolitan area ranking second in Ohio and sixteenth in the United States in value of manufacturing output. Located strategically on the Ohio River, it has developed into a major industrial and shipping center. As a major shipping route, the Ohio River handles as much tonnage as the St. Lawrence Seaway and the Panama Canal combined.

A transportation and industrial center since the early development of the territory west of the Appalachians, the Cincinnati Metropolitan Area has developed into a major center for insurance and finance companies; wholesaling and retailing; government installation, medical services, and service industries as well as manufacturing.

Among the Metropolitan Area's more prominent manufacturing groups are transportation equipment, which includes aircraft engines and motor vehicle parts; food and kindred products; metal working and general industrial machinery; chemicals; fabricated metal products; and printing and publishing. This diverse economic base continues to be a source of stability for the area, protecting it from severe peaks and valleys in the business cycle.

The Ohio Bureau of Employment Services estimated total employment in Hamilton County at 421,400 at June 30, 2004. This 94.3% total employment rate compares just slightly favorably with the State of Ohio and national rate of 94.2%, respectively.

Fifty-four per cent (54%) of the U.S. population is within one hour's flight time and the Metropolitan Area is within 600 miles of 53% of the nation's purchasing power and 54% of the nation's manufacturing establishments. The corporate headquarters of numerous firms are located in the Metropolitan Area. Cincinnati is the home of several Fortune 500 corporations including Procter & Gamble, The Kroger Company, CENergy, and American Financial Corporation Fifth Third Bancorp, Ashland, Inc. and AK Steel. Nearly 400 Fortune 500 firms have operations in the Metropolitan Area.

The Metropolitan Area is a growing center for international business, with approximately 1,000 firms engaged in international trade. Twenty-five percent (25%) of all jobs in the Metropolitan Area are related to exporting. Cincinnati exports more than any other city in Ohio and is ranked twenty-first (21st) in the United States. Metropolitan Area companies generate sales of approximately \$6.7 billion to customers outside the U.S. each year. Major export products include jet engines, plastics, machinery, computer software, paper and consumer goods. Directly imported products amount to over \$2 billion annually. Over 250 Greater Cincinnati firms are also owned by foreign firms from Japan, England, Western Europe and Canada. Foreign Trade Zone status is also available in Greater Cincinnati to assist firms engaged in international trade to lower import duty and tax expenses.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Letter of Transmittal

For the Fiscal Year Ended June 30, 2004

Metropolitan Cincinnati was the 31st largest metropolitan area in population according to the 2000 census. There are approximately 12.4 million net square feet of office space in the downtown area and 19.8 million net square feet in suburban office buildings and parks. There are approximately 2,000 million square feet of industrial space and 30 million square feet of retail space (1.6 million square feet downtown) in the area. At the end of 1999, Class A office space within the central business district was 98 percent occupied, the highest occupancy rate in 15 years. The estimated retail sales for 1999 in Hamilton County topped \$10.7 billion and sales surpassed \$20.5 billion for the entire Cincinnati Consolidated Metropolitan Statistical Area (CMSA).

The downtown area is home to the Dr. Albert B. Sabin Cincinnati Convention Center. The convention center has 162,000 total square feet of exhibit space and 88,000 square feet of meeting room space. The third floor includes a 30,000 square foot ballroom. Sharonville, in northeastern Hamilton County, is home to the 28,000 square foot Sharonville Convention Center. There are over 20,000 hotel and motel rooms in the area.

Cincinnati's Central Business District is a full-scale regional office center. In the past 15 years, the construction of new office buildings has been a major catalyst for new job growth and tax revenue generation. Past construction in the Cincinnati Business District has included department and specialty retail stores, new office towers, new apartments, and parking garages all surrounding Fountain Square and linked by the second level skywalk system. There are approximately 12.4 million net square feet of office space in the downtown area and 19.8 million net square feet in suburban office buildings and parks. There are approximately 2,000 million square feet of industrial space and 30 million square feet of retail space (1.6 million square feet downtown) in the area. The estimated retail sales for 2000 in Hamilton County topped \$13 billion and sales surpassed \$22.9 billion for the entire Cincinnati Consolidated Metropolitan Statistical Area (CMSA).

The \$82 million Stanley J. Aronoff Center for the Arts located in downtown Cincinnati opened in the fall of 1995. The Center contains three theaters and draws half a million visitors annually. The area surrounding the Center for the Arts is called Backstage. Traffic from this facility has created eight new restaurants in a \$6,000,000, 22,000 square foot restaurant complex. In the same district, the first construction in the United States of a Zaha Hadid design Contemporary Arts Center opened in 2003 at a cost of \$34 million.

The Cincinnati Convention Center has operated above industry maximum occupancy rates since it was substantially expanded and renovated in 1987. Government, business, and community leaders identified the need of an expansion and in 1994, the State of Ohio provided a \$3 million grant to undertake and extensive feasibility study and schematic design which was completed in 1995. The study proposed a \$335 million expansion that would add 550,000 gross square feet to the existing 250,000 square foot facility. The Greater Cincinnati Convention and Visitors Bureau are coordinating efforts to reach consensus on a recommended funding plan to undertake the expansion effort.

Since 1994 new businesses have opened at an unprecedented rate in the entertainment area in Over-the-Rhine. These new businesses bring new jobs to the downtown area and revitalize the Over-the-Rhine area making way for further development in that area. There are currently over 180 businesses operating in this growing entertainment district.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Letter of Transmittal

For the Fiscal Year Ended June 30, 2004

Xavier University opened the \$44 million multi-purpose convention center in 2000, which includes a conference center, a student-dining center and a new basketball arena. The College of Mt. St. Joseph has constructed the new \$7.5 million Harrington Center, a student union/recreation center. The new venue will include a 2,000-seat gymnasium, a day care/recreation center for students' children, a food court, and a bookstore.

The University of Cincinnati has constructed a conference center, molecular science research house, and guest lodging facility. The new \$60 million facility retains 70 jobs and creates 374 new jobs. Children's Hospital Medical Center is investing \$35 million to house a new research facility. The 446.3 million Vontz Center for Molecular Studies at the University of Cincinnati has been completed. The new building is futuristic in form and even more in function. It was designed to house the most advanced laboratory and also to serve as a teaching facility for the study of cancer and neuroscience.

Major development projects along the Ohio River in downtown Cincinnati include Paul Brown Stadium, a \$450 million facility that opened in August 2000 which is the new home of the Cincinnati Bengals and the \$280 million Great American Ballpark, the new home of the Cincinnati Reds that is opened in April 2003. The National Underground Railroad Freedom center, a \$110 million national education center that will commemorate the historic efforts of the Underground Railroad, opened in 2004.

The City of Cincinnati and Hamilton County have reconstituted the Port Authority to oversee development of the riverfront area along the Ohio River, known as "The Banks". The riverfront development plan includes residential housing, retail shops, office space, pedestrian plazas, and additional green spaces and amenities as well as the anchors described above.

The Fort Washington Way project is a \$300 million reconstruction of a major highway that has separated the downtown from its riverfront decades. The project reconnects the Central Business District to the City's riverfront by extending several downtown streets to the riverfront and more efficiently designed the highway system. Additional plans for the Central Riverfront call for the construction of a transit center, which will serve as the hub of a proposed mass transit system.

Delta Air Lines recently constructed a \$17 million reservation facility at the corner of Plum Street and West Seventh Street. The new facility includes 57,000 square feet of office space, 8,000 square feet of retail space, and a 600 space parking garage. This facility will employ 1,000 persons who have been relocated from other office space in the City.

This wide diversity of industry contributes a high degree of economic stability to the city and provides a reliable base for tax income.

Recent Significant Accomplishments

For the Year – Academic Achievement:

Cincinnati Public Schools' students raised their academic performance, upped daily attendance and pushed the District almost two categories on the 2003-04 Ohio Report Card. The District's move into Academic Watch – and almost up into Continuous Improvement – reflects its dedication to staying focused on raising student achievement, making it "the Main Thing". Classroom curriculum now is aligned with the State's academic content standards in the four core subjects – language arts,

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Letter of Transmittal

For the Fiscal Year Ended June 30, 2004

mathematics, science and social studies. Student progress is carefully monitored to make sure lessons are understood, with help provided quickly when students need it. Also targeted during 2003-04 was the message that it's vital to come to class every day. The ongoing, District wide "It's Cool To Be In School/Count Me In" attendance campaign helped the District meet the Report Card's attendance indicator for the first time.

The District improved in all 18 Ohio Report Card indicators and met five indicators:

- ✓ Attendance – 94.8%
- ✓ Sixth Grade Writing – 85.8% passing
- ✓ Tenth Grade Writing – 97.4% passing
- ✓ Tenth Grade Reading – 95.8% passing
- ✓ Tenth Grade Citizenship – 91.1% passing

The Ohio Report Card also ranks individual schools based on student performance on state proficiency tests, and results showed significant improvement in 2003-04. Forty-five District schools reached the top three categories, up from 20 in 2002-03, or a 145% increase.

The District ranks near the top among Ohio's eight large-city school districts in academic performance. Only two of the eight urban districts earned more than Cincinnati's five indicators on the 2003-04 Report Card (Toledo with seven and Canton with six). The urban districts face similar challenges to education students, such as a mobile student population and a high percentage of students who live in poverty. Students in Cincinnati topped their large-city peers on the reading and math tests given to 10th graders in 2003-04 as the Ohio Graduation Test (OGT). The OGT will be counted as a Report Card indicator in 2004-05. Seventy-four percent of the District's 10th graders passed the OGT in reading and 60% passed in mathematics.

During the 2003-04 school year, parental choice and involvement were encouraged. More than 12,000 students attended magnet or college preparatory programs outside of their neighborhoods. Magnet choices included a math and science academy, language instruction in nine languages, creative and performing arts K-12, the first public elementary and high school Montessori schools in the nation, Paideia instruction, a communications school, health and teaching professions and a premier college preparatory 7-12 high school offering 21 Advanced Placement courses, more than any other school in the nation.

Neighborhood schools offered several focused programs including Direct Instruction, Success for All, Roots & Wings and Expeditionary Learning. In order to give parents even more choice, the District has also sponsored three community schools, the first district in the State of Ohio to charter its own schools.

The District has been recognized as a national leader in school reform. Reforms include high-level performance standards for students, teachers and schools; a Student-based Budgeting process that funds the child and parent, not the school on a formula basis; a revolutionary Teacher Evaluation and Compensation System; an early literacy focus that included a Third-Grade Reading guarantee and mandatory summer school at the primary level. The Bill and Melissa Gates Foundation provided nearly \$3 million in grants for our pioneering plan to restructure our neighborhood high schools in smaller, more effective learning environments

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Letter of Transmittal For the Fiscal Year Ended June 30, 2004

Facilities Master Plan (FMP) Surges Forward

The District's \$985 million Facilities Master Plan (Plan) was officially launched with the passage of a \$480 million bond issue in May 2003. The sale of the \$480 million unlimited tax general obligation bonds in October 2003 resulted in two significant accomplishments for the District. First, all three national bond ratings services upgraded the District's underlying bond rating to AA levels and the entire package of bonds was able to be sold at historically low interest rates. Standard & Poor's cited "capable management, a fully funded and developed capital improvement program and established support from the local business community" as reasons it raised the District's rating to AA- with a positive outlook. Moody's Investors Services upgraded the District two rating categories to Aa3 – the District's highest rating ever from Moody's. And in its first ratings evaluation of the District, Fitch Ratings assigned a strong AA rating to the District. The lower interest rates, combined with the upgraded bond ratings, will result in a savings of \$30 million in debt service over the life of the bond issue. These savings will mean taxpayers will be assessed at a lower average millage than projected – 4.12 mills versus the 4.61 mills listed on the May ballot.

The District's Plan is now fully funded with the following components:

First Stadium Bond Issue (Issued July 2001)	\$ 110,000,000
Qualified Zone Academy Bond (QZAB) (Issued December 2002)	5,000,000
"Repurposed" Bonds from Previous State Loan Fund Payments (Issued December 2002)	120,000,000
Voted Bond Issue (Issued October 2003)	480,000,000
Second Stadium Bond Issue (To be issued in early 2005)	<u>59,529,663</u>
Subtotal Local Funds	\$ 774,529,663
State Matching Funds	<u>210,667,485</u>
TOTAL	<u>\$ 985,197,148</u>

Under the Plan, all District schools will be air-conditioned, heated and properly ventilated, with classroom wired for the latest technology. New construction also creates the opportunity to build schools specifically designed for teachers working in teams, the District's educational model. Enclosed classrooms will be clustered in groups of four, with each group sharing a common extended-learning area; restrooms and teacher work areas – a move away from the century-old model of classrooms line up along a central hallway. The Plan also calls for designing, wherever possible, schools that are community-learning centers, also known as extended learning schools. Areas such as libraries, conference rooms, auditoriums and gymnasiums would be available for community use after school hours. Many newly built schools would include space for student and community services such as health clinics and social-service agencies.

Cincinnati Public Schools' 10-year rebuilding plan will generate an economic impact of \$2.35 billion for Greater Cincinnati, including creating 2,339 jobs and \$718 million in wages, according to a University of Cincinnati study. To help more businesses get a piece of that pie, the district has revamped its polices to generate more opportunities for Small Business Enterprises (SBE) and Disadvantaged Business Enterprises (DBE), which includes small businesses, and minority- and female-owned businesses. The District's expanded Supplier Diversity Program is working to cultivate new relationships with a broader base of businesses.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Letter of Transmittal

For the Fiscal Year Ended June 30, 2004

The District's first building project – The New Rockdale Academy – will open in January 2005. This 84,000 square foot elementary school will feature enclosed classrooms clustered in groups of four around a shared space, so that teachers working in teams have room for enhanced learning opportunities. Gone will be the century-old model of classrooms line up along a central hallway. A special feature of the new Rockdale Academy is space for an expanded health clinic for students, operated in partnership with Neighborhood Health Care, Inc. and Cincinnati Children's Hospital Medical Center. For the community, the \$16 million building will provide easy access to rooms for evening meetings and to gymnasiums and auditoriums for student sports and other community events.

Major Initiatives For The Future

As the District's \$985 million, 10-year Facilities Master Plan moves into its third year, the 16 projects in Segment One line up this way:

- Construction ongoing at 10 sites – 8 new school buildings under construction and two full-scale renovations under way.
- Construction to begin in 2005 on four more schools
- Architectural drawings for two more new buildings to be approved by the end of calendar 2004.

Approval from the District's partner in the FMP – the Ohio School Facilities Commission – has been granted to begin Segment Two, which will comprise 17 new school building projects. The District will also employ a professional Program Management firm – CSA Central, Inc. + 3D/International, Inc. Joint Venture – in early 2005 to oversee management of the FMP for Segments Two, Three and Four.

Other major initiatives for 2005 include the following:

New mathematics textbooks for all K-8 students – Colorful and hands-on, the new books are designed with analysis and exercises to give students both a conceptual and how-to understanding of math. Mathematics long has been a performance challenges for the District but significant progress was made in 2003-04.

Longer school day for elementary school students – Lengthening the day to a minimum of 6 ½ hours of instruction adds for many students an additional 150 minutes per week of class time or about 17 extra school days a year.

Positive School Culture Plan – This proactive approach to discipline is designed to head off behavior problems before they occur or grow into bigger issues. The plan aims to reduce the number of out-of-school suspensions and expulsions by placing students in alternative settings where they continue learning while addressing behavior problems.

First Renovated Regional Stadium – A fully renovated Stargel Stadium on the campus of Taft Information Technology High School in the West End opened in August, 2004. Improvements include locker rooms and synthetic turf, and upgraded lighting seating, press box and concession stands. The revamped Stargel serves as home for Taft, Hughes, Shroder, Jacobs and Woodward High Schools. It's the first of several stadium renovations scheduled under the Facilities Master Plan.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Letter of Transmittal ***For the Fiscal Year Ended June 30, 2004***

Expanded Extended Learning Centers – This after-school enrichment program gives students in the third, fourth and sixth grades a chance for extra time and instruction if needed to master academic standards. The centers opened in October 2004, two months earlier than last year.

College-access Program – A collaboration of District staff and partners is working to assure high-school students have access to post-secondary education. With the Cincinnati Youth Collaborative (CYC), area colleges and universities, and community group, the program will provide resources at high schools to help students plan for, apply to, and gain acceptances into two and four-year colleges.

More Outreach to Parents – New initiatives in 2005 aim to improve parent involvement and create a more parent-friendly climate District wide. Parent Council, with one parent from each school, meets quarterly with the Superintendent. Community Chats, three regional forums, aim to bring together District leaders with parents from each area of the District to open communication channels. Also, ParentCONNECT allows parents to view via the Internet children's assignments, grades, attendance and discipline records. It is scheduled to be phased in at all District schools by June 2005.

Right Sizing Plan – Due to a continuous decline in student enrollment the past five years and less projected operating revenues from the State, the District will be embarking on a Right Sizing Plan that in the end will call for less schools and staff. The goal is to have a budget by the 2007-08 school year that is structurally balanced – current year expenditures equaling current year revenues. A severance incentive plan is being considered by the District to bring staffing in line with enrollment in a way that doesn't impact the continuing academic achievement of the District.

Financial Information

The District uses Oracle Public Sector General Ledger, an automated, on-line general ledger accounting system, which provides the capability to prepare financial information based on generally accepted accounting principles (GAAP) for governments. Oracle Public Sector General Ledger is the basis for the District's accounting, budgetary, purchasing and fixed assets controls. The financial statements contained in the CAFR have been prepared from this system, implemented by the Treasurer's office in January 1995 and upgraded to the latest 11.5.4 release in December 2003.

Internal accounting controls are an integral part of this system and are designed to achieve the fundamental objectives of safeguarding assets, providing reasonable assurance that financial transactions are properly recorded, and ensuring that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with GAAP. The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgment by management.

The Board of Education, by statute, adopts the annual operating budget for the District on or about the first of each fiscal year (July 1). All disbursements and transfers of cash between funds require appropriations authority from the Board of Education. Budgets are controlled at the fund level. The encumbrance method of budgetary accounting is used to control expenditures during the year.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Letter of Transmittal

For the Fiscal Year Ended June 30, 2004

Cash Management Policies and Practices. Chapter 135 of the Ohio Revised Code sets forth the requirements and limitations of the state's political subdivisions, including the District. Under Section 135.14 of the Revised Code, the District may invest its funds provided that such investments must mature or be redeemable within five years from the date of purchase.

The District has invested in or is eligible, under the above-described legal limitations, to invest in U.S. Treasury bonds, notes and bills; federal agency securities; commercial paper, bankers acceptances, State Treasurer's Asset Reserve (STAR Ohio), certificates of deposit, repurchase agreements and eligible Treasury Obligation Funds. The District interprets the limits on Federal guaranteed investments, bankers' acceptances, commercial paper and all other legal investments very conservatively.

The District has never owned any derivative type investments, interest only investments or reverse repurchase agreements. Interest earned by the District for the fiscal year ended June 30, 2004 totaled \$6,461,084, primarily from investments in federal agency securities and discount notes. The District utilizes investment advisors for both its operating fund and bond proceeds. The District's operating fund portfolio outperformed STAROhio, the benchmark investment standard for Ohio school districts, by an average of 142 basis points during the fiscal year ended June 30, 2004. This resulted in an additional \$2.1 million of interest income to the General Fund during the year.

All brokers, dealers and financial institutions that give advice or make investment recommendations to the District shall sign the District's Investment Policy, thereby acknowledging their agreement to abide by the Policy's contents. Those who execute investment transactions for the District shall read and sign the Policy, thereby acknowledging their comprehension and receipt of the Policy.

Risk Management. The District continues to protect its assets through a comprehensive insurance program. For the year, commercial insurance carriers provided insurance coverage for property and vehicles, boiler and machinery, general/school board and umbrella liability.

The District provides health and life insurance to all eligible employees. Health insurance includes both medical and dental coverage. Medical insurance is currently provided on a self-insurance basis. The self-insurance program is administered by Humana/ChoiceCare, which provides claims review and processing services, along with stop-loss coverage. Life insurance coverage is provided by a commercial insurance carrier.

The District also participates in the Retrospective Rating Program administered by the Ohio Bureau of Workers Compensation. This Program provides for a minimum annual premium payment, @ 20%, and actual claims payment for the prior ten calendar years.

Other Information

GFOA Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate of Achievement) to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Letter of Transmittal *For the Fiscal Year Ended June 30, 2004*

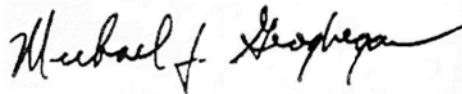
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Cincinnati City School District has received a Certificate of Achievement for the last 3 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

Independent Audit. State statute requires an annual audit be performed by the Auditor of State or by an independent certified public accountant approved by the Auditor of State. The Auditor of State has performed the District Audit for fiscal year ended June 30, 2004. In addition to meeting the requirements of state statutes, the audit was also designed to meet the requirements of the federal Single Audit Act of 1984, the 1996 amendments thereto, and the related U.S. Office of Management and Budget's Circular A-133. Generally accepted auditing standards and the standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's report on internal controls and compliance with applicable laws and regulations can be found in a separately issued single audit report.

Acknowledgments. The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Treasurer's Department. I would like to express my sincere appreciation to Ms. Avis Sharpe, Assistant Treasurer/Controller, to Mr. Jerry Klekamp, Director of Accounting, Budget & Reporting, and to all other members of the Department. I am also grateful for the professional services of Donald J. Schonhardt & Associates and Bastin & Company, LLC. for their assistance in preparing this report. Due credit should also be given to the Board of Education and the Superintendent for their leadership and support in planning and conducting the operations of the District in a responsible and progressive manner.

Sincerely,



Michael J. Geoghegan, CPA
Treasurer/CFO

CINCINNATI CITY SCHOOL DISTRICT, OHIO

List of Principal Officials June, 30, 2004

Members of the Board of Education:

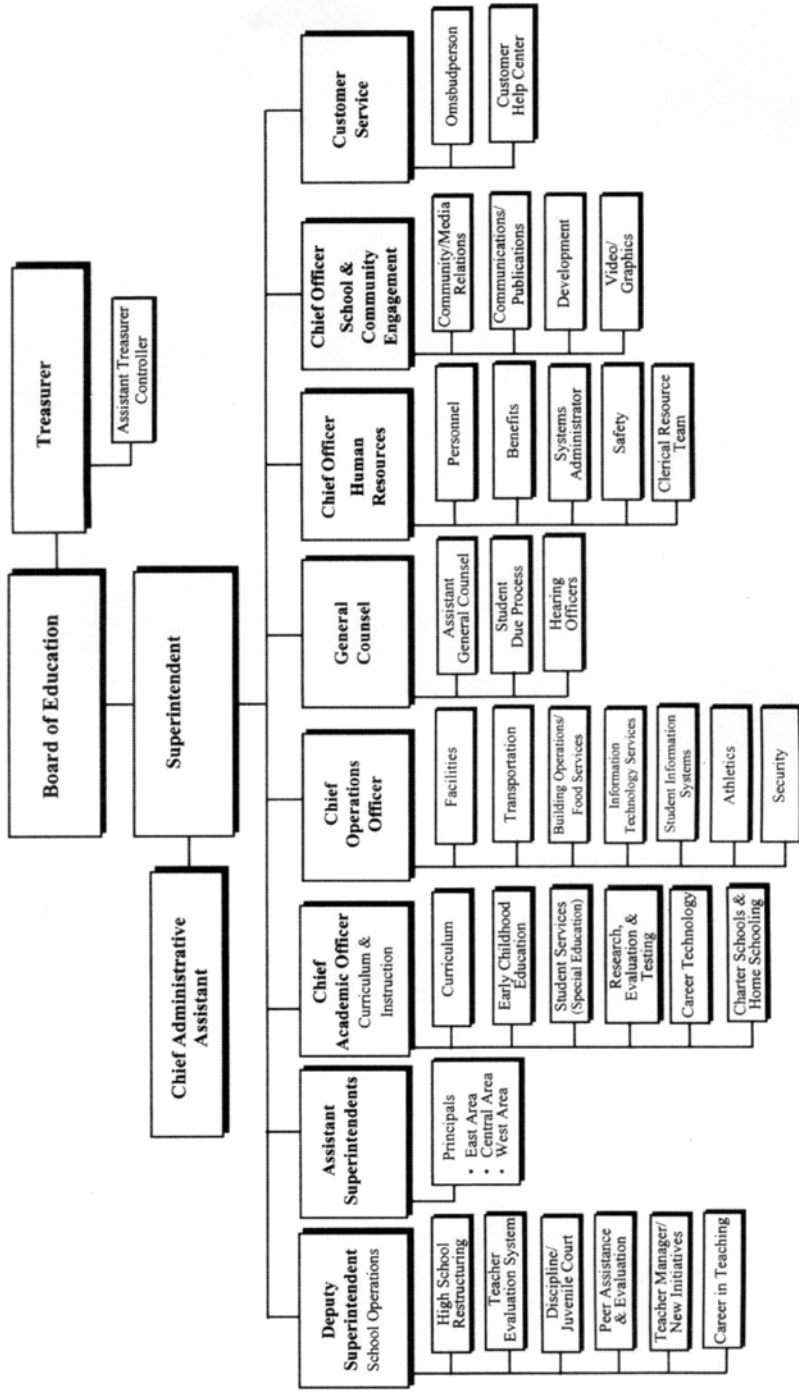
<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dr. Florence Newell, Ed. D.	President	December 31, 2007
Harriet Russell	Vice President	December 31, 2005
Melanie Bates	Member	December 31, 2005
John J. Gilligan	Member	December 31, 2007
Catherine Ingram	Member	December 31, 2005
Sally Warner	Member	December 31, 2005
Rick Williams	Member	December 31, 2007

District Administration:

<u>Name</u>	<u>Title</u>
Alton L. Frailey	Superintendent
Michael J. Geoghegan	Treasurer/CFO
Rosa E. Blackwell	Deputy Superintendent
Jeffrey Brokamp	Associate Superintendent
David Burns	Chief Administrative Assistant to the Superintendent
William Myles	Associate Superintendent
Mary Ronan	Associate Superintendent
Terry Joyner	Chief Academic Officer
Thomas Gunnell	Chief Operations Officer
Deborah Heater	Chief Officer of Human Resources
Janet Walsh	Chief Officer of School Community Engagement

CINCINNATI CITY SCHOOL DISTRICT, OHIO

*School District Organizational Chart
For the Fiscal Year Ended June, 30, 2004*



CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Government Finance Officers Association of the United States and Canada
Certificate of Achievement for Excellence in Financial Reporting**

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to
Cincinnati City School District,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Edward Haney

President

Jeffrey R. Emer

Executive Director



FINANCIAL SECTION





Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Cincinnati City School District, Hamilton County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cincinnati City School District, Hamilton County, as of June 30, 2004 and, the respective changes in financial position and cash flow, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended June 30, 2004, the District increased the capitalization threshold for capital assets and corrected an error associated with intergovernmental receivable, resulting in an increase to the June 30, 2003 fund balance in the governmental, entity wide statements, and the Classroom Facilities Capital Projects fund respectively.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2004 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining nonmajor fund statements and schedules and statistical tables are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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

Betty Montgomery
Auditor of State

December 27, 2004

CINCINNATI CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June, 30, 2004*

Unaudited

The discussion and analysis of the Cincinnati City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2004 are as follows:

General revenues accounted for \$463,545,515 in revenue or 80% of all revenue. Program specific revenues in the form of charges for services and grants and contributions accounted for \$115,465,981 or 20% of total revenues of \$579,011,496.

The District had \$586,989,326 in expenses related to governmental activities; only \$115,465,981 of these expenses was offset by program specific revenues in the form of charges for services, grants or contributions. General revenues (primarily taxes totaling \$263,560,824, revenue in lieu of taxes totaling \$14,269,160, unrestricted state and federal revenues totaling \$173,939,321, investment earnings totaling \$6,461,084 plus prior year carry over revenues) were adequate to provide for these programs.

The assets of the District exceeded its liabilities at June 30, 2004 by \$211,710,716 (net assets). Of this amount, \$84,335,436 is considered unrestricted and may be used to meet the District's on-going obligations.

The District's total net assets decreased \$7,977,830 in fiscal year 2004, which represents a 3.6% decrease from the fiscal year 2003 balance. Government activities investment in capital assets, net of related debt, increased \$37,672,790. Government activities restricted assets decreased \$14,701,304 and unrestricted assets decreased \$30,949,316.

Among major funds, the general fund had \$404,902,127 in revenue, \$429,344,388 in expenditures and (\$9,261,682) in net other financing uses, resulting in the general fund balance decreasing by \$33,703,943 to \$104,796,851.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis, the basic financial statements, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

The Government-Wide Financial Statements – These statements provide both long-term and short-term information about the District's overall financial status.

The Fund Financial Statements – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide financial statements.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June, 30, 2004*

Unaudited

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net-assets (the difference between the District's assets and liabilities) are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, and student enrollment growth and facility conditions.

The government-wide financial statements of the District fall into one category:

Governmental Activities – All of the district's programs and services are reported here including instruction, support services, non-instructional and extracurricular activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

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

Proprietary Fund – The District utilizes an internal service fund to report activities that provide services for the District's other programs and activities. The Proprietary fund is reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June, 30, 2004*

Unaudited

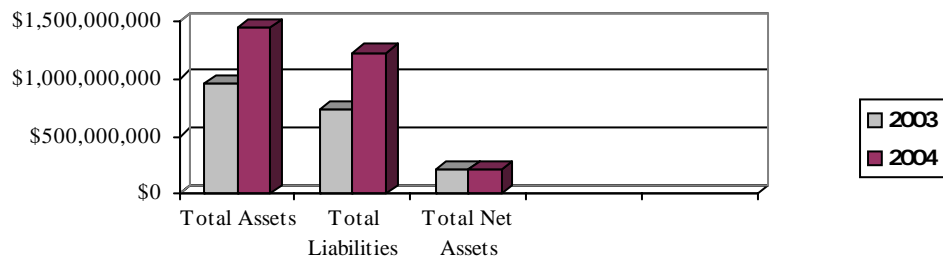
Fiduciary Funds – The District is the trustee, or fiduciary, for various student-managed activity programs, various scholarship programs and other items listed as agency and private purpose. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2004 compared to 2003:

	Governmental Activities		Increase (Decrease)
	2004	2003	
Current and other assets	\$1,300,406,890	\$845,978,300	\$454,428,590
Capital assets, Net	135,199,565	112,293,870	22,905,695
Total assets	<u>1,435,606,455</u>	<u>958,272,170</u>	<u>477,334,285</u>
Long-term debt outstanding	817,939,392	327,630,976	490,308,416
Other liabilities	405,956,347	410,952,648	(4,996,301)
Total liabilities	<u>1,223,895,739</u>	<u>738,583,624</u>	<u>485,312,115</u>
Net assets			
Invested in capital assets, net of related debt	62,736,106	25,063,316	37,672,790
Restricted	64,639,174	79,340,478	(14,701,304)
Unrestricted	84,335,436	115,284,752	(30,949,316)
Total net assets	<u>\$211,710,716</u>	<u>\$219,688,546</u>	<u>(\$7,977,830)</u>

Cincinnati City Schools Governmental Activities



CINCINNATI CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June, 30, 2004*

Unaudited

Changes in Net Assets – The following table shows the net assets for the fiscal year 2004 compared to 2003:

	Governmental Activities		Increase (Decrease)
	2004	2003	
Revenues			
Program revenues:			
Charges for Services	\$9,244,928	\$9,450,186	(\$205,258)
Operating Grants	105,858,803	98,877,672	6,981,131
Capital Grants	362,250	765,501	(403,251)
General revenues:			
Property Taxes	263,560,824	243,037,839	20,522,985
Revenue in Lieu of Taxes	14,269,160	15,095,611	(826,451)
Grants and Entitlements	173,939,321	144,831,670	29,107,651
Other	11,776,210	12,757,429	(981,219)
Total revenues	<u>579,011,496</u>	<u>524,815,908</u>	<u>54,195,588</u>
Program Expenses			
Instruction:			
Regular	233,043,337	220,453,877	12,589,460
Special	68,179,784	63,132,571	5,047,213
Vocational	7,254,606	6,534,496	720,110
Other	1,600,216	1,703,846	(103,630)
Support Services:			
Pupils	29,128,330	22,810,661	6,317,669
Instructional Staff	33,996,376	24,920,010	9,076,366
Board of Education	330,013	432,025	(102,012)
Administration	37,435,189	34,103,376	3,331,813
Fiscal Services	4,796,236	5,874,202	(1,077,966)
Business	1,117,893	883,799	234,094
Operation and Maintenance of Plant	49,649,606	40,064,743	9,584,863
Pupil Transportation	24,686,563	22,336,585	2,349,978
Central	31,066,121	19,173,042	11,893,079
Non-Instructional Services	29,907,760	29,078,066	829,694
Extracurricular Activities	5,581,501	5,425,048	156,453
Interest and Fiscal Charges	29,215,795	10,194,674	19,021,121
Total expenses	<u>586,989,326</u>	<u>507,121,021</u>	<u>79,868,305</u>
Total Change in Net Assets	(7,977,830)	17,694,887	(25,672,717)
Beginning Net Assets	219,688,546	182,849,023	36,839,523
Restatement - See Note 2	0	19,144,636	(19,144,636)
Ending Net Assets	<u>\$211,710,716</u>	<u>\$219,688,546</u>	<u>(\$7,977,830)</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June, 30, 2004*

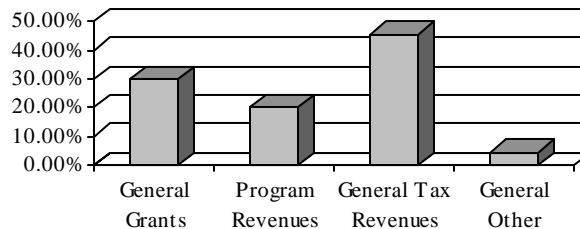
Unaudited

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. As an example, a homeowner with a home value at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. However, the assessed millage cannot be reduced below 20 mills, according to state statutes. Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service.

Property taxes made up 45.52% of revenues for governmental activities for the Cincinnati City School District in fiscal year 2004. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2004	Percent of Total
General Grants	\$173,939,321	30.04%
Program Revenues	115,465,981	19.94%
General Tax Revenues	263,560,824	45.52%
General Other	26,045,370	4.50%
Total Revenue	\$579,011,496	100.00%



CINCINNATI CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June, 30, 2004*

Unaudited

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$855,785,424, which is greater than last year's total of \$393,925,867. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)
General	\$104,796,851	\$138,500,794	(\$33,703,943)
Debt Service	15,765,336	5,501,964	10,263,372
Classroom Facilities			
Capital Projects	687,363,380	199,451,309	487,912,071
Other Governmental	47,859,857	50,471,800	(2,611,943)
Total	\$855,785,424	\$393,925,867	\$461,859,557

The District's General Fund balance decrease is a result of increased salary and benefit costs due to concluded contracts with all the District's bargaining units in FY 2004; over \$12 million of unanticipated expenditures to charter schools and other out-of-district tuition payments, and over \$7 million of one-time expenditures for capital-related projects, including a district-wide lead abatement project. The increase in the Classroom Facilities fund is a direct result of the issuance of \$480 million in bonds to fund building projects and related interest income. The decrease in Other Governmental Funds is due to increased salary and benefit costs and other non-personnel expenses in the District's federal funds.

General Fund – The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2004 Revenues	2003 Revenues	Increase (Decrease)
Taxes	\$244,734,270	\$241,165,616	\$3,568,654
Tuition	1,026,186	796,485	229,701
In Lieu of Taxes	4,333,783	5,312,071	(978,288)
Investment Earnings	1,334,504	5,722,269	(4,387,765)
Intergovernmental - State	150,151,676	145,161,926	4,989,750
Intergovernmental - Federal	2,697,583	2,617,700	79,883
All Other Revenue	624,125	574,700	49,425
Total	\$404,902,127	\$401,350,767	\$3,551,360

CINCINNATI CITY SCHOOL DISTRICT, OHIO

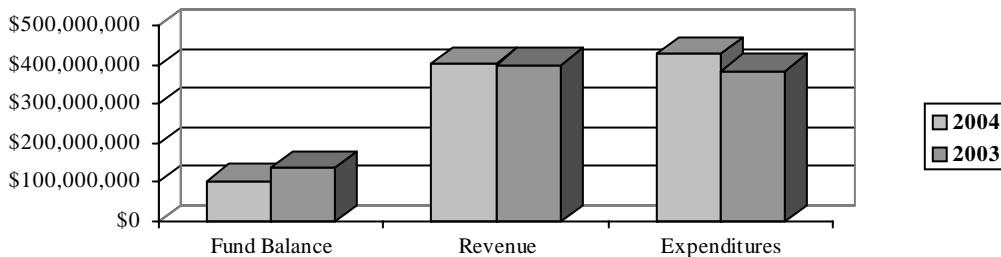
**Management's Discussion and Analysis
For the Fiscal Year Ended June, 30, 2004**

Unaudited

General Fund revenues in 2004 increased slightly from 2003 due to one-time revenue allocations from the State due to prior year adjustments in the funding formula.

	2004 Expenditures	2003 Expenditures	Increase (Decrease)
Instruction:			
Regular	\$192,891,484	\$180,244,255	\$12,647,229
Special	53,366,280	49,254,193	4,112,087
Vocational	6,146,340	5,693,367	452,973
Other	690,146	761,314	(71,168)
Supporting Services:			
Pupils	14,402,743	12,024,293	2,378,450
Instructional Staff	19,080,256	12,938,945	6,141,311
Board of Education	329,933	426,281	(96,348)
Administration	34,362,708	31,342,193	3,020,515
Fiscal Services	3,120,159	4,869,309	(1,749,150)
Business	1,110,023	843,793	266,230
Operation and Maintenance of Plant	48,148,810	38,969,343	9,179,467
Pupil Transportation	23,891,200	21,499,347	2,391,853
Central	24,684,738	15,283,500	9,401,238
Non-Instructional Services	5,202	9,440	(4,238)
Extracurricular Activities	4,186,288	3,958,726	227,562
Capital Outlay	2,538,494	6,860,029	(4,321,535)
Debt Service:			
Interest & Fiscal Charges	389,584	664,583	(274,999)
Total	\$429,344,388	\$385,642,911	\$43,701,477

General Fund



The expenditures increased by approximately 11.33% due mainly to increased salary and benefit costs due to concluded contracts with all the District's bargaining units in FY 2004; over \$12 million of unanticipated expenditures to charter schools and other out-of-district tuition payments, and over \$7 million of one-time expenditures for capital-related projects, including a district-wide lead abatement project.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June, 30, 2004

Unaudited

The District's budget is prepared in accordance with Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2004, the District amended its general fund appropriations budget of \$436,405,260 by approving a \$39,506,815 supplemental appropriations resolution for unanticipated increased salary and benefit costs due to concluded contracts with all the District's bargaining units in FY 2004; over \$12 million of unanticipated expenditures to charter schools and other out-of-district tuition payments, and over \$7 million of one-time expenditures for capital-related projects, including a district-wide lead abatement project.

The State of Ohio requires urban school districts to separately report both revenues and related expenditures received under its Disadvantaged Pupil Impact Aid (DPIA, special revenue fund) program even though they are budgeted and accounted for in the General Fund during the year. These DPIA allocations amounted to approximately \$28.6 million in FY 2004 and account for the majority of the budget variances for both General Fund revenues and expenditures.

For the General Fund, fiscal year 2004 budget basis revenue of \$409,057,000 decreased under the original budget estimate of \$429,826,227. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of fiscal 2004 the District had \$135,199,565 net of accumulated depreciation invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and construction in progress. The following table shows fiscal year 2004 balances:

	Governmental		Increase (Decrease)
	Activities		
	2004	2003-Restated	
Land	\$19,221,314	\$16,294,387	\$2,926,927
Construction in Progress	42,737,083	21,834,366	20,902,717
Land Improvements	9,543,552	9,543,552	0
Buildings and Improvements	166,751,187	165,186,658	1,564,529
Furniture, Fixtures and Equipment	5,895,465	5,895,465	0
Vehicles	502,881	502,881	0
Less: Accumulated Depreciation	(109,451,917)	(106,963,439)	(2,488,478)
Totals	<u>\$135,199,565</u>	<u>\$112,293,870</u>	<u>\$22,905,695</u>

For financial reporting purposes the District capitalizes all assets in excess of \$25,000. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 10).

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2004

Unaudited

Debt - At June 30, 2004, the District had \$713,595,000 in General Obligation Bonds outstanding, \$10,110,000 due within one year, and \$32,400,000 in Long-Term Notes Payable, all due within one year, and \$5,000,000 in Tax Anticipation Notes Payable. The following table summarizes the District's debt outstanding as of June 30, 2004:

	<u>2004</u>
Governmental Activities:	
General Obligation Bonds	\$713,595,000
Long-Term Notes Payable	32,400,000
Tax Anticipation Notes	5,000,000
Capital Leases Payable	172,081
Compensated Absences	52,576,678
Totals	<u>\$803,743,759</u>

Under current state statutes, the District's debt issue is subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2004, the District's outstanding debt was below the legal limit. Detailed information regarding debt is included in the notes to the basic financial statements (Notes 12-14).

ECONOMIC FACTORS

The economy of the District is based on a wide diversity of industry. The major sources of revenue to the District are local property taxes on real and personal property, along with State aid. Other program expenditures, such as those for the free and reduced lunch program and special needs classes and those to meet the requirements of No Child Left Behind are funded by designated State and Federal grants.

This diverse economic base continues to be a source of stability for the area, protecting it from severe peaks and valleys in the business cycle. The Ohio Bureau of Employment Services estimated total employment in Hamilton County at 421,400 at June 30, 2004. This 94.3% total employment rate compares slightly favorably with the State of Ohio and national rate of 94.2%, respectively. All of these factors were considered in preparing the District's budget for the 2004 fiscal year.

A challenge facing the District is the future of state funding. The State's Biennium Budget (H.B. 95) for Fiscal Years 2004 and 2005 made several statutory changes to K-12 education funding that will impact the District's future general fund revenues. Specifically, H.B. 95:

- Maintained the \$5,088 and \$5,230 per pupil base cost formula amounts specified in current law for FY 2004 and FY 2005, respectively, but eliminated the prior specified formula amounts for FY 2006 and FY 2007 in anticipation of the Ohio General Assembly enacting a new school funding system in the future.
- Eliminated the requirement that the General Assembly every six years recalculate the base cost of providing an adequate education.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

*Management's Discussion and Analysis
For the Fiscal Year Ended June, 30, 2004*

Unaudited

- Eliminated the practice of substituting a school district's Average Daily Membership (ADM) in the base cost formula, in place of its current-year formula ADM, if the three-year average is greater than the current-year number.
- Phased-out over a ten-year period the State reimbursement for \$10,000 business personal property tax exemption. In FY 2004, the District received \$2.1 million from the State for this reimbursement.
- Doubled the phase-out of the inventory tax from current 1% per year over the next 25 years to 2% year beginning in 2006. For FY 2004, District received approximately 48% of its tangible personal property tax revenues from the inventory tax, or roughly \$17.5 million.

The Governor's Blue Ribbon Task Force on Funding Student Success was charged by Ohio Governor Bob Taft to examine the state's system of funding primary and secondary education and to recommend a new system and mechanisms to pay for it. This commission has been charged with reporting to the General Assembly recommendations to resolve the K-12 school funding problem as a result of four Ohio Supreme Court decisions declaring the current funding system unconstitutional. The Committee has divided its work among three sub committees: (1) Revenue and Taxation; (2) Funding For Success and (3) Operations and Efficiency. All three subcommittees met several times during FY 2004 and expect to complete their work by the end of calendar 2004. The most controversial recommendation to date has come from the Revenue and Taxation Committee, which has proposed a growing inside millage rate of 22 mills for all school districts, capped by an amount equal to inflation. This would allow districts to realize additional tax revenues annually as a result of appreciated real estate values. This particular recommendation is subject to a constitutional amendment, however.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information contact Michael J. Geoghegan, CPA, Treasurer/CFO of the Cincinnati City School District, 2651 Burnet Avenue, P.O. Box 5384, Cincinnati, Ohio 45201-5384.



CINCINNATI CITY SCHOOL DISTRICT, OHIO

Statement of Net Assets June 30, 2004

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$ 822,294,995
Investments	194,026
Receivables:	
Taxes	263,831,552
Accounts	197,766
Intergovernmental - State and Local	181,085,187
Intergovernmental - Federal	19,752,529
Inventory of Supplies at Cost	92,532
Inventory Held for Resale	185,775
Restricted Assets:	
Pooled Cash and Investments	7,236,653
Capital Assets Not Being Depreciated	61,958,397
Capital Assets Being Depreciated, Net	73,241,168
Unamortized Bond Issuance Costs	5,535,875
Total Assets	1,435,606,455
Liabilities:	
Accounts Payable	13,475,624
Accrued Wages and Benefits	32,399,747
Intergovernmental Payable	2,072,255
Claims Payable	5,264,366
Deferred Revenue - Taxes	188,886,171
Deferred Revenue	155,634,082
Accrued Interest Payable	3,224,102
Long Term Notes Payable	5,000,000
Long Term Liabilities:	
Due Within One Year	56,450,995
Due in More Than One Year	761,488,397
Total Liabilities	1,223,895,739
Net Assets:	
Invested in Capital Assets, Net of Related Debt	62,736,106
Restricted For:	
Capital Projects	32,373,514
Debt Service	13,610,918
Permanent Fund:	
Expendable	354,528
Nonexpendable	768,034
Other Purposes	17,532,180
Unrestricted	84,335,436
Total Net Assets	\$ 211,710,716

See accompanying notes to the basic financial statements

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Statement of Activities For the Fiscal Year Ended June 30, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:					
Instruction:					
Instruction - Regular	\$ 233,043,337	\$ 3,401,257	\$ 34,375,332	\$ 0	\$ (195,266,748)
Instruction - Special	68,179,784	83,646	13,980,109	0	(54,116,029)
Instruction - Vocational	7,254,606	13,722	669,776	0	(6,571,108)
Instruction - Other	1,600,216	81,865	745,921	0	(772,430)
Support Services:					
Pupils	29,128,330	296,047	6,831,615	0	(22,000,668)
Instructional Staff	33,996,376	357,473	13,075,792	0	(20,563,111)
Board of Education	330,013	0	0	0	(330,013)
Administration	37,435,189	971,112	1,954,901	0	(34,509,176)
Fiscal Services	4,796,236	0	576,488	0	(4,219,748)
Business	1,117,893	0	0	0	(1,117,893)
Operation and Maintenance of Plant	49,649,606	253	84,446	362,250	(49,202,657)
Pupil Transportation	24,686,563	5,528	576,680	0	(24,104,355)
Central	31,066,121	0	7,509,538	0	(23,556,583)
Operation of Non-Instructional Services	29,907,760	2,673,711	25,478,205	0	(1,755,844)
Extracurricular Activities	5,581,501	1,360,314	0	0	(4,221,187)
Debt Service:					
Interest and Fiscal Charges	29,215,795	0	0	0	(29,215,795)
Total Governmental Activities	\$ 586,989,326	\$ 9,244,928	\$ 105,858,803	\$ 362,250	\$ (471,523,345)
 General Revenues					
Property Taxes Levied for:					
General Purposes					241,472,317
Debt Service					22,088,507
Revenue in Lieu of Taxes					14,269,160
Grants and Entitlements not Restricted to Specific Programs					173,939,321
Investment Earnings					6,461,084
Miscellaneous					5,315,126
Total General Revenues					<u>463,545,515</u>
Change in Net Assets					(7,977,830)
Net Assets Beginning of Year as Restated, See Note 2					<u>219,688,546</u>
Net Assets End of Year					<u>\$ 211,710,716</u>

See accompanying notes to the basic financial statements

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Balance Sheet
Governmental Funds
June 30, 2004**

	General	Debt Service	Classroom Facilities Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$ 88,231,041	\$ 2,445,509	\$ 666,531,895	\$ 54,488,405	\$ 811,696,850
Investments	0	0	0	194,026	194,026
Receivables:					
Taxes	235,731,409	28,100,143	0	0	263,831,552
Accounts	83,673	0	0	84,356	168,029
Intergovernmental - State and Local	0	0	180,559,771	525,416	181,085,187
Intergovernmental - Federal	0	0	0	19,752,529	19,752,529
Interfund Loans Receivable	1,342,036	0	0	3,206,140	4,548,176
Advances to Other Funds	2,048,688	0	0	5,978	2,054,666
Inventory of Supplies at Cost	0	0	0	92,532	92,532
Inventory Held for Resale	0	0	0	185,775	185,775
Restricted Assets:					
Pooled Cash and Investments	1,420,826	5,815,827	0	0	7,236,653
Total Assets	\$ 328,857,673	\$ 36,361,479	\$ 847,091,666	\$ 78,535,157	\$1,290,845,975
Liabilities:					
Accounts Payable	\$ 5,757,795	\$ 1,000	\$ 4,279,979	\$ 3,436,850	\$ 13,475,624
Accrued Wages and Benefits	25,377,866	0	0	7,021,881	32,399,747
Intergovernmental Payable	1,058,195	0	0	1,014,060	2,072,255
Claims Payable	773,515	0	0	213,851	987,366
Interfund Loans Payable	598,791	0	0	3,949,385	4,548,176
Advances from Other Funds	0	0	0	2,054,666	2,054,666
Deferred Revenue - Taxes	177,946,409	20,595,143	0	0	198,541,552
Deferred Revenue	0	0	155,448,307	12,984,607	168,432,914
Compensated Absences Payable	7,525,334	0	0	0	7,525,334
Accrued Interest Payable	22,917	0	0	0	22,917
Tax Anticipation Notes Payable	5,000,000	0	0	0	5,000,000
Total Liabilities	224,060,822	20,596,143	159,728,286	30,675,300	435,060,551
Fund Balances:					
Reserved for Encumbrances	16,453,520	594	36,734,845	11,099,864	64,288,823
Reserved for Debt Service	0	8,259,742	0	0	8,259,742
Reserved for Property Taxes	57,785,000	7,505,000	0	0	65,290,000
Reserved for Budget Stabilization	1,420,826	0	0	0	1,420,826
Reserved for Endowments	0	0	0	768,034	768,034
Reserved for Advances	2,048,688	0	0	5,978	2,054,666
Unreserved, Undesignated in:					
General Fund	27,088,817	0	0	0	27,088,817
Special Revenue Funds	0	0	0	9,590,744	9,590,744
Capital Projects Funds	0	0	650,628,535	26,040,709	676,669,244
Permanent Fund	0	0	0	354,528	354,528
Total Fund Balances	104,796,851	15,765,336	687,363,380	47,859,857	855,785,424
Total Liabilities and Fund Balances	\$ 328,857,673	\$ 36,361,479	\$ 847,091,666	\$ 78,535,157	\$1,290,845,975

See accompanying notes to the basic financial statements

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
June 30, 2004***

Total Governmental Fund Balances \$ 855,785,424

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

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 135,199,565

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds.

Accounts Receivable - accrual basis 29,737

Taxes Receivable - accrual basis 9,655,381

Grants Receivable - accrual basis 12,798,832

Total 22,483,950

Internal service funds are used by management to charge
the costs of insurance to individual funds. The assets
and liabilities of the internal service funds are included in
governmental activities in the statement of net assets. 6,321,145

Long-term liabilities, including bonds payable, are not due
and payable in the current period and therefore are not
reported in the funds.

Amounts Due Within One Year (56,450,995)

Amounts Due in More Than One Year (761,488,397)

Compensated Absences - accrued on fund basis 7,525,334

Accrued Interest on Long-Term Debt (3,201,185)

Bond Issuance Costs 5,535,875

Total (808,079,368)

Net Assets of Governmental Funds \$ 211,710,716

See accompanying notes to the basic financial statements

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2004

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$244,734,270	\$ 21,080,474	\$ 0	\$ 0	\$ 265,814,744
Tuition	1,026,186	0	0	458,157	1,484,343
In Lieu of Taxes	4,333,783	9,983,600	0	0	14,317,383
Investment Earnings	1,334,504	43,076	4,502,949	580,555	6,461,084
Food Services	0	0	0	2,644,972	2,644,972
Intergovernmental - State	150,151,676	1,203,097	25,111,464	40,302,574	216,768,811
Intergovernmental - Federal	2,697,583	0	0	63,142,078	65,839,661
All Other Revenue	624,125	0	0	9,778,922	10,403,047
Total Revenue	404,902,127	32,310,247	29,614,413	116,907,258	583,734,045
Expenditures:					
Current:					
Instruction:					
Regular	192,891,484	0	0	39,492,564	232,384,048
Special	53,366,280	0	0	15,133,868	68,500,148
Vocational	6,146,340	0	0	820,086	6,966,426
Other	690,146	0	0	982,844	1,672,990
Supporting Services:					
Pupils	14,402,743	0	0	14,574,182	28,976,925
Instructional Staff	19,080,256	0	0	14,570,329	33,650,585
Board of Education	329,933	0	0	0	329,933
Administration	34,362,708	198,510	0	2,960,294	37,521,512
Fiscal Services	3,120,159	0	0	1,623,706	4,743,865
Business	1,110,023	0	0	31	1,110,054
Operation & Maintenance of Plant	48,148,810	0	0	1,303,362	49,452,172
Pupil Transportation	23,891,200	0	0	621,878	24,513,078
Central	24,684,738	0	0	5,765,208	30,449,946
Operation of Non-Instructional Services	5,202	0	0	29,376,655	29,381,857
Extracurricular Activities	4,186,288	0	0	1,383,069	5,569,357
Capital Outlay	2,538,494	0	21,702,342	6,941,987	31,182,823
Debt Service:					
Principal Retirement	0	6,210,000	0	22,200,000	28,410,000
Interest & Fiscal Charges	389,584	31,897,963	0	471,650	32,759,197
Total Expenditures	429,344,388	38,306,473	21,702,342	158,221,713	647,574,916
Excess (Deficiency) of Revenues Over Expenditures	(24,442,261)	(5,996,226)	7,912,071	(41,314,455)	(63,840,871)
Other Financing Sources (Uses):					
General Obligation Bonds Issued	0	0	480,000,000	0	480,000,000
General Obligation Notes Issued	0	0	0	32,400,000	32,400,000
Premium on General Obligation Bonds Issued	0	13,300,428	0	0	13,300,428
Transfers In	0	2,959,170	0	6,302,512	9,261,682
Transfers Out	(9,261,682)	0	0	0	(9,261,682)
Total Other Financing Sources (Uses)	(9,261,682)	16,259,598	480,000,000	38,702,512	525,700,428
Net Change in Fund Balance	(33,703,943)	10,263,372	487,912,071	(2,611,943)	461,859,557
Fund Balances at Beginning of Year					
As Restated, See Note 2	138,500,794	5,501,964	199,451,309	50,471,800	393,925,867
Fund Balances End of Year	\$104,796,851	\$ 15,765,336	\$687,363,380	\$ 47,859,857	\$ 855,785,424

See accompanying notes to the basic financial statements

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Fiscal Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ 461,859,557

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 23,107,572

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (201,877)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (4,723,520)

The issuance of long-term debt (e.g. long-term notes, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. (492,238,174)

In the statement of activities, interest is accrued on outstanding bonds and long-term notes payable, whereas in governmental funds, an interest expenditure is reported when due. (1,210,914)

Some expenses reported in the statement of activities, long-term compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 993,043

The internal service fund is used by management to charge the costs of services to individual funds and is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 4,436,483

Change in Net Assets of Governmental Activities \$ (7,977,830)

See accompanying notes to the basic financial statements

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 253,102,389	\$ 240,872,469	\$ 233,599,270	\$ (7,273,199)
Tuition	1,122,708	1,068,458	1,036,196	(32,262)
In Lieu of Taxes	4,686,223	4,459,784	4,325,120	(134,664)
Investment Earnings	4,620,913	4,397,630	4,264,843	(132,787)
Intergovernmental - State	162,687,785	154,826,703	150,151,676	(4,675,027)
Intergovernmental - Federal	2,922,803	2,781,573	2,697,583	(83,990)
All Other Revenues	683,406	650,383	531,649	(118,734)
Total Revenues	429,826,227	409,057,000	396,606,337	(12,450,663)
Expenditures:				
Current:				
Instruction:				
Regular	193,647,714	211,199,171	199,985,712	11,213,459
Special	55,050,472	60,012,309	56,838,405	3,173,904
Vocational	6,321,512	6,891,286	6,527,066	364,220
Other	749,473	817,025	773,647	43,378
Support Services:				
Pupils	15,092,461	16,452,783	15,592,510	860,273
Instructional Staff	20,150,434	21,966,643	20,820,899	1,145,744
Board of Education	394,688	430,262	408,101	22,161
Administration	35,328,107	38,512,318	36,473,894	2,038,424
Fiscal Services	4,006,760	4,367,900	4,146,842	221,058
Business	1,387,627	1,512,697	1,436,088	76,609
Operation and Maintenance of Plant	49,760,134	54,245,139	51,369,710	2,875,429
Pupil Transportation	24,323,109	26,515,412	25,103,284	1,412,128
Central	22,639,492	24,680,046	23,416,506	1,263,540
Extracurricular Activities	4,695,164	5,118,350	4,853,006	265,344
Capital Outlay	2,858,113	3,115,721	2,958,284	157,437
Total Expenditures	436,405,260	475,837,062	450,703,954	25,133,108
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,579,033)	(66,780,062)	(54,097,617)	12,682,445
Other Financing Sources (Uses):				
Transfers In	0	0	35,593,844	35,593,844
Transfers Out	0	0	(47,844,744)	(47,844,744)
Advances In	0	0	29,214,445	29,214,445
Advances Out	0	0	(19,297,544)	(19,297,544)
Refund of Prior Year's Receipts	0	(75,013)	0	75,013
Total Other Financing Sources (Uses):	0	(75,013)	(2,333,999)	(2,258,986)
Net Change in Fund Balance	(6,579,033)	(66,855,075)	(56,431,616)	10,423,459
Fund Balance at Beginning of Year	83,666,371	83,666,371	83,666,371	0
Prior Year Encumbrances	15,834,688	15,834,688	15,834,688	0
Fund Balance at End of Year	\$ 92,922,026	\$ 32,645,984	\$ 43,069,443	\$ 10,423,459

See accompanying notes to the basic financial statements

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Statement of Net Assets
Proprietary Fund
June 30, 2004***

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
<i>Current Assets:</i>	
Equity in Pooled Cash and Investments	\$ 10,598,145
Total Assets	<u>10,598,145</u>
Liabilities:	
<i>Current Liabilities:</i>	
Claims Payable	<u>4,277,000</u>
Total Liabilities	<u>4,277,000</u>
Net Assets:	
Unrestricted	<u>6,321,145</u>
Total Net Assets	<u>\$ 6,321,145</u>

See accompanying notes to the basic financial statements

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2004

	Governmental Activities - Internal Service Fund
Operating Revenues:	
Interfund Charges	\$ 37,358,301
Total Operating Revenues	<u>37,358,301</u>
Operating Expenses:	
Claims	<u>32,921,818</u>
Total Operating Expenses	<u>32,921,818</u>
Operating Income	4,436,483
Change in Net Assets	4,436,483
Net Assets Beginning of Year	<u>1,884,662</u>
Net Assets End of Year	<u>\$ 6,321,145</u>

See accompanying notes to the basic financial statements

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2004

	Governmental Activities - Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Interfund Charges	\$37,358,301
Cash Payments for Claims	<u>(32,727,818)</u>
Net Cash Provided by Operating Activities	<u>4,630,483</u>
Net Increase in Cash and Cash Equivalents	4,630,483
Cash and Cash Equivalents at Beginning of Year	<u>5,967,662</u>
Cash and Cash Equivalents at End of Year	<u><u>\$10,598,145</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income	\$4,436,483
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Claims Payable	<u>194,000</u>
Total Adjustments	<u>194,000</u>
Net Cash Provided by Operating Activities	<u><u>\$4,630,483</u></u>

See accompanying notes to the basic financial statements

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Statement of Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust Special Trust Fund	Agency
Assets:		
Equity in Pooled Cash and Investments	\$ 828,756	\$ 57,808
Investments	492,343	0
Total Assets	<u>1,321,099</u>	<u>57,808</u>
Liabilities:		
Accounts Payable	2,773	0
Accrued Wages and Benefits	400	0
Due to Students	0	57,808
Total Liabilities	<u>3,173</u>	<u>57,808</u>
Net Assets:		
Unrestricted	1,317,926	0
Total Net Assets	<u>\$ 1,317,926</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Statement of Changes in Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2004**

	Private Purpose Trust Special Trust Fund
Additions:	
Contributions:	
Private Donations	\$ 140,112
Total Contributions	<u>140,112</u>
Investment Earnings:	
Interest	21,273
Net Increase in the Fair Value of Investments	<u>77,190</u>
Total Investment Earnings	<u>98,463</u>
Total Additions	<u>238,575</u>
Deductions:	
Administrative Expenses	2,505
Community Services	134,966
Extracurricular	<u>13,021</u>
Total Deductions	<u>150,492</u>
Change in Net Assets	88,083
Net Assets at Beginning of Year	<u>1,229,843</u>
Net Assets End of Year	<u>\$ 1,317,926</u>

See accompanying notes to the basic financial statements

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Cincinnati City School District, Ohio (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 school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under a locally elected seven member Board of Education and is responsible for the provision of public education to residents of the District. The District also provides both special education and career/technical education for residents of the District.

The District is the third largest in the State of Ohio and includes the cities of Cincinnati and Cheviot, and the villages of Amberley and Golf Manor, most of the city of Silverton, and part of each of the following: the city of Wyoming, the village of Fairfax and the townships of Anderson, Columbia, Delhi, Green and Springfield. The District's total area is approximately 90 square miles. As of June 30, 2004, the District employed 7,589 employees, including 4,527 certified by the Ohio Department of Education serving as classroom teachers, education specialists and administrators.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, and functions for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing board and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on the District. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation – Financial Statements (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

The fiduciary funds are reported using the economic resources measurement focus.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of "current financial resources" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

General Fund - This fund is the general operating fund of the district and is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Classroom Facilities Fund - The Classroom Facilities capital projects fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds.

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

Proprietary Fund - The proprietary fund is accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis. The Self Insurance Fund accounts for the premiums and claims payments applicable to the employee health and dental plans.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds – Fiduciary fund reporting focuses on net assets and changes in net assets. The District has two types of fiduciary funds: private-purpose trust fund and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust that accounts for scholarship programs for students. The private purpose trust fund is accounted for on an "economic resources" measurement focus. The District's agency fund accounts for various student-managed activity programs. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees, and interest on investments.

Current property taxes measurable at June 30, 2004, and which are not intended to finance fiscal 2004 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2004 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds and the fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Revenues – Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the fund level. Supplemental budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Prior to April 1, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2004.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the fund level. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by management. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying basic financial statements.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are also recorded as the equivalent of expenditures (budgetary basis) as opposed to reservations of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>
GAAP Basis (as reported)	(\$33,703,943)
Increase (Decrease):	
Accrued Revenues at June 30, 2004, received during FY 2005	(56,448,943)
Accrued Revenues at June 30, 2003, received during FY 2004	48,321,317
Accrued Expenditures at June 30, 2004, paid during FY 2005	40,515,622
Accrued Expenditures at June 30, 2003, paid during FY 2004	(31,863,156)
Interfund Balances 2004	(2,791,933)
Interfund Balances 2003	11,366,798
Note Retirement in 2004	(5,000,000)
Perspective Differences-Unbudgeted Funds	(11,244,114)
Encumbrances Outstanding	<u>(15,583,264)</u>
Budget Basis	<u><u>(\$56,431,616)</u></u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 5, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. 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. See Note 5, "Cash, Cash Equivalents and Investments."

The District has invested funds in the STAR Ohio during 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004. See Note 5, "Cash, Cash Equivalents and Investments."

H. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds. The costs of inventory items are recorded as expenditures in the governmental funds when used. The amounts of unused commodities are reported at fair value and as deferred revenue, since title does not pass to the District until the commodities are used.

I. Capital Assets and Depreciation

1. Property, Plant and Equipment - Governmental Activities

Capital assets acquired or constructed for governmental activities are recorded as expenditures in the governmental funds when acquired and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the Government-wide Statement of Net Assets.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

1. Property, Plant and Equipment - Governmental Activities (Continued)

Contributed capital assets are recorded at fair market value at the date received. The District capitalizes costs of capital assets exceeding \$25,000 (non-Federal Funds) and \$5,000 for assets purchased with Federal Funds. Capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Depreciation

All capital assets, except land, are depreciated. Land improvements that deteriorate with use or the passage of time, such as parking lots and fences, are considered depreciable. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Land Improvements	20
Buildings and Improvements	45
Furniture, Fixtures and Equipment	7 – 20
Vehicles	5

J. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Debt Service Fund
Long-Term Notes Payable	Energy Conservation Fund
Capital Leases	General Fund
Tax Anticipation Notes	General Fund
Compensated Absences	All Funds that pay wages

K. Compensated Absences

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

1. The employee's rights to receive compensation are attributable to services already rendered.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment. The District includes in its liabilities any employee who has at least 20 years of service or an employee who has five years of service and is at least 60 years of age.

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

	<u>Certificated</u>	<u>Administrators</u>	<u>Non-Certificated</u>
<u>Vacation:</u> How Earned	Not Eligible	2.7 days per month of employment (27 days per year)	.84 days to 1.67 days per month of employment (10 to 20 days per year) depending on length of service.
Maximum Accumulation	Not Applicable	54 days	2 times the yearly accrual plus current year's accumulation
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid upon termination	Paid upon termination
Sick Leave: How Earned	1.25 days month of employment (15 days per year. If 96% attendance, then 1 additional day.	1.25 days month of employment (15 days per year.	1.25 days month of employment (15 days per year.
Maximum Accumulation	Unlimited	Unlimited	Unlimited
Vested	As Earned	As Earned	As Earned
Termination Entitlement	½ paid upon retirement or upon death with minimum service requirement	½ paid upon retirement or upon death with minimum service requirement	½ paid upon retirement or upon death with minimum service requirement
Personal Leave: How Earned	3 days granted as of August 1	3 days granted as of August 1	3 days granted as of August 1
Maximum Accumulation	Not Applicable Converted to sick leave on August 1	Not Applicable Converted to sick leave on August 1	Not Applicable Converted to sick leave on August 1
Vested	Not Applicable	Not Applicable	Not Applicable
Termination Entitlement	Not Applicable	Not Applicable	Not Applicable

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

For governmental funds, that portion of unpaid compensated absences that is due for termination payments. In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction of improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

N. Interfund Activity

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

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the Board of Education. The restricted assets in the debt service fund represents cash and cash equivalents set aside for debt retirement purposes. Fund balance reserves have also been established for these amounts.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for advances, debt service, endowments, property taxes, budget stabilization and encumbered amounts which have not been accrued at year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute. The reserve for budget stabilization is required by State statute.

Q. Estimates

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

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are interfund charges for the internal service fund. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

NOTE 2 – PRIOR PERIOD ADJUSTMENT

The balances reported at June 30, 2003 in the Classroom Facilities Capital Projects Funds was restated from balances previously reported to correct an error in the amount of intergovernmental receivables. The balances reported at June 30, 2003 in Governmental Activities (entity wide) was restated from balances previously reported due to an increase in the capitalization threshold for capital assets and to correct an error in the amount recorded as construction in progress. The table below reflects these changes:

	Classroom Facilities Capital Projects Fund	Governmental Activities
Fund Balance at June 30, 2003	\$180,976,309	\$200,543,910
Intergovernmental Receivable	210,667,485	210,667,485
Deferred Revenue	(192,192,485)	(192,192,485)
Capital Assets	0	669,636
Restated Fund Balance at June 30, 2003	<u>\$199,451,309</u>	<u>\$219,688,546</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 3 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Amount by which capital outlays exceeded depreciation in the current period:

Fixed Asset Additions	\$27,072,473
Depreciation Expense	<u>(3,964,901)</u>
	\$23,107,572

Governmental revenues not reported in the funds:

Decrease in Delinquent Tax Revenue	(\$3,327,315)
Decrease in Accounts Receivable	(21,290)
Decrease in Grants Receivable	<u>(1,374,915)</u>
	(\$4,723,520)

Net amount of long-term debt issuance and bond and lease principal payments:

Bond Principal Payment	\$6,210,000
Long Term Note Payment	22,200,000
Capital Lease Payment	297,938
Capitalization of Bond Issuance Costs	4,754,316
Bond Issuance	(480,000,000)
Long Term Note Issuance	(32,400,000)
Capitalization of Bond premium	<u>(13,300,428)</u>
	(\$492,238,174)

Interest expense not reported in the funds:

Increase in accrued interest on long term debt	(\$1,829,112)
Amortization of Bond Premium	847,487
Amortization of Bond Issuance Costs	<u>(229,289)</u>
	(\$1,210,914)

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

A. Compliance

The District failed to certify the availability of funds for certain commitments. Estimated receipts exceeded actual receipts resulting in obligating more than the fund had available in the Classroom Facilities Capital Projects fund and the Self Insurance Internal Service fund.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Accountability

The fund deficits at June 30, 2004 of \$206,981 in the Food Services Fund, \$675,145 in the Head Start Fund, \$2,472,236 in the Disadvantaged Pupil Impact Aid Fund, \$1,386,575 in the Title VI-B Fund (special revenue funds) and of \$1,445,513 in the School Building Assistance Fund and of \$340,387 in the Emergency School Repair Fund (capital projects funds) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The deficits do not exist under the budgetary/cash basis of accounting except for the Food Services Fund which has a budgetary/cash basis deficit of \$1,261,975. The General Fund provided an interfund loan to cover the cash basis deficit in the Food Services Fund. The General Fund provides operating transfers when cash is required, not when accruals occur.

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- 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;
- 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;

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets 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, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public collateral are limited to obligations of the United States and its agencies and obligations of the State of Ohio, county, municipal corporation or other legally constituted authority of the State of Ohio, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,*" collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent, in the District's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments:

- Category 1 Insured or registered securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

At year end the carrying amount of the District's deposits was \$26,276,108 and the bank balance was \$33,685,652. The Federal Deposit Insurance Corporation (FDIC) covered \$200,000 of the bank balance and all remaining deposits were classified as Category 3. In accordance with Ohio Revised Code, the remaining balance was covered by pooled collateral.

B. Investments

The District's investments at June 30, 2004 are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
Common Stock	\$686,369	\$0	\$686,369
U. S. Government Securities	0	803,014,985	803,014,985
Total Categorized	686,369	803,014,985	803,701,354
<u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	1,127,119
Total Investments	<u>\$686,369</u>	<u>\$803,014,985</u>	<u>\$804,828,473</u>

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Pooled Cash and Investments *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$830,418,212	\$686,369
U.S. Government Securities	(803,014,985)	803,014,985
STAR Ohio	(1,127,119)	1,127,119
Per GASB Statement No. 3	<u>\$26,276,108</u>	<u>\$804,828,473</u>

* - Includes restricted pooled cash and investments

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$57,785,000 in the general fund and \$7,505,000 in the debt service fund. The amount available as an advance at June 30, 2003, was \$46,650,000 in the general fund and \$145,000 in the debt service fund.

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

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts receivable, and intergovernmental receivables.

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds at June 30, 2004:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$9,261,682
Debt Service Fund	2,959,170	0
Other Governmental Funds	6,302,512	0
Total All Funds	<u>\$9,261,682</u>	<u>\$9,261,682</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The \$9,261,682 transfer from the General Fund was to provide funds for a maintenance fund required for the Facilities Improvement Program (\$3,000,000), to help paydown and refinance the Energy Conservation Bond Anticipation Notes (\$2,959,170) and (\$3,302,512) to assist in meeting current obligations.

NOTE 9 - INTERFUND RECEIVABLES/PAYABLES

Interfund loans receivable/payable – short-term loans and advances to/from other funds at June 30, 2004 from one individual fund to another are as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$3,390,724	\$598,791
Other Governmental Funds	3,212,118	6,004,051
Total	<u>\$6,602,842</u>	<u>\$6,602,842</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 10 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at June 30, 2004:

Historical Cost:

Class	Restated	Additions	Deletions	June 30, 2004
	June 30, 2003			
Capital assets not being depreciated:				
Land	\$ 16,294,387	\$2,926,927	\$0	\$19,221,314
Construction In Progress	21,834,366	20,902,717	0	42,737,083
Capital assets being depreciated:				
Land Improvements	9,543,552	0	0	9,543,552
Buildings and Improvements	165,186,658	3,242,829	(1,678,300)	166,751,187
Furniture, Fixtures, and Equipment	5,895,465	0	0	5,895,465
Vehicles	502,881	0	0	502,881
Total Cost	<u>\$ 219,257,309</u>	<u>\$ 27,072,473</u>	<u>(\$1,678,300)</u>	<u>\$ 244,651,482</u>
Accumulated Depreciation:				
Class	Restated	Additions	Deletions	June 30, 2004
	June 30, 2003			
Land Improvements	(\$6,223,059)	(\$353,483)	\$0	(\$6,576,542)
Buildings and Improvements	(97,944,021)	(2,983,856)	1,476,423	(99,451,454)
Furniture, Fixtures, and Equipment	(2,403,069)	(593,192)	0	(2,996,261)
Vehicles	(393,290)	(34,370)	0	(427,660)
Total Depreciation	<u>(\$106,963,439)</u>	<u>(\$3,964,901) *</u>	<u>\$1,476,423</u>	<u>(\$109,451,917)</u>
Net Value:	<u>\$112,293,870</u>			<u>\$135,199,565</u>

* Depreciation expenses were charged to governmental functions as follows:

Instruction:	
Regular	\$2,351,886
Special	29,246
Vocational	314,710
Support Services:	
Pupils	172,618
Instructional Staff	58,853
Administration	5,485
Fiscal	42,639
Operation and Maintenance of Plant	75,690
Pupil Transportation	7,906
Central	330,573
Extracurricular Activities	14,001
Other Noninstructional Services	561,294
Total Depreciation Expense	<u>\$3,964,901</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 11 - DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. School Employees Retirement System of Ohio (SERS of Ohio)

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2003, (latest information available) 8.17% was allocated to fund the pension benefit and 5.83% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2004, 2003, and 2002 were \$11,395,684, \$10,422,743, and \$9,626,464, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2003 employer contribution rate (latest information available) that was used to fund health care for the year 2003 was 5.83%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2004, the minimum pay has been established as \$25,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$4,745,488.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available) were \$204,930,737 and the target level was \$307.4 million. Net assets available for payment of benefits at June 30, 2003 was \$303.6 million.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (STRS of Ohio)

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 10%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2003, (latest information available) 13% was allocated to fund the pension benefit and 1% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2004, 2003, and 2002 were \$29,020,323, \$30,641,899, and \$30,622,363, respectively, which were equal to the required contributions for each year.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (STRS of Ohio) (Continued)

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2003, (latest information available) the board allocated employer contributions are equal to 1% of covered payroll to the Health Care Reserve Fund, which amounted to \$2,072,880 for the District. The balance of the Health Care Reserve Fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003, the net health care costs paid by STRS were \$352,301,000. There were 108,294 eligible benefit recipients.

NOTE 12 – TAX ANTICIPATION NOTE PAYABLE

Note Payable activity of the District for the year ended June 30, 2004, was as follows:

Notes Payable	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Tax Anticipation Note 2.88%	\$10,000,000	\$0	(\$5,000,000)	\$5,000,000
	<u>\$10,000,000</u>	<u>\$0</u>	<u>(\$5,000,000)</u>	<u>\$5,000,000</u>

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CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 13- LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the long-term debt of the District for the year ended June 30, 2004 is as follows:

		Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004	Amount Due Within One Year
Acquisition of Building	3.25-10%	\$2,100,000	\$0	(\$525,000)	\$1,575,000	\$525,000
School Improvement	3.25-5.375%	115,920,000	0	(4,220,000)	111,700,000	4,430,000
School Improvement	2.0-5.25%	116,785,000	0	(1,465,000)	115,320,000	3,460,000
School Improvement	0.970%	5,000,000	0	0	5,000,000	0
School Improvement	2.0-5.25%	0	480,000,000	0	480,000,000	1,695,000
Sub-Total General Obligation Bonds		239,805,000	480,000,000	(6,210,000)	713,595,000	10,110,000
Premium General Obligation Bond		6,742,692	13,300,428	(847,487)	19,195,633	847,487
Total General Obligation Bonds		246,547,692	493,300,428	(7,057,487)	732,790,633	10,957,487
Long-term Notes	2.88%	22,200,000	0	(22,200,000)	0	0
Long-term Notes	1.75%	0	19,400,000	0	19,400,000	19,400,000
Long-term Notes	2.50%	0	13,000,000	0	13,000,000	13,000,000
Total Long-term Notes Payable		0	32,400,000	(22,200,000)	32,400,000	32,400,000
Capital Leases Payable		470,019	0	(297,938)	172,081	142,309
Compensated Absences		48,413,265	52,576,678	(48,413,265)	52,576,678	12,951,199
Total Governmental Long-Term Debt		\$295,430,976	\$578,277,106	(\$77,968,690)	\$817,939,392	\$56,450,995

A summary of the District's future long-term debt funding requirements including principal and interest payments as of June 30, 2004 follows:

Years	General Obligation Bonds		
	Principal	Interest	Total
2005	\$10,110,000	\$35,025,723	\$45,135,723
2006	14,730,000	34,500,541	49,230,541
2007	16,790,000	33,802,610	50,592,610
2008	17,040,000	33,072,406	50,112,406
2009	17,825,000	32,336,372	50,161,372
2010-2014	111,025,000	147,157,479	258,182,479
2015-2019	149,000,000	114,553,248	263,553,248
2020-2024	156,780,000	73,109,365	229,889,365
2025-2029	99,535,000	40,624,195	140,159,195
2030-2032	120,760,000	6,038,000	126,798,000
Totals	\$713,595,000	\$550,219,939	\$1,263,814,939

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 14 - CAPITAL LEASE COMMITMENTS

The District is obligated under several leases accounted for as capital leases. The cost of the leased assets (copiers) is accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Other Long-Term Obligations. The original cost of the assets under capital lease was \$918,917.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2004

<u>Year Ending June 30,</u>	<u>Capital Leases</u>
2005	\$146,643
2006	29,901
Minimum Lease Payments	176,544
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(4,463)</u>
Present value of minimum lease payments	<u><u>\$172,081</u></u>

NOTE 15 - OPERATING LEASE COMMITMENTS

The District is committed under various leases for furniture and office equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the fiscal year ended June 30, 2004 amounted to \$1,800,857. Future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>
2005	\$1,719,357
2006	1,528,710
2007	242,668
Total Lease Payments	<u><u>\$3,490,735</u></u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 16 - 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; and natural disasters. The District maintains comprehensive insurance coverage with private carriers for real property, boilers and machinery, building contents, general/Board liability and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real Property and contents are covered with a \$500,000 deductible.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

For fiscal year 2004 the District participated in the Ohio Bureau of Workers Compensation Retrospective Rating Program, which requires a minimum 20% annual premium payment plus actual claims from District employees for the prior 10 calendar years. The cost for Workers Compensation claims paid in fiscal year 2004 was \$1,084,380. The premium cost paid in fiscal year 2004 was \$1,384,972. Premium cost is for administrative charges for Ohio Bureau of Workers Compensation. In addition to the claims paid during fiscal year 2004, the Ohio Bureau of Workers Compensation established a reserve of \$2,338,561 for future claim payments.

The District is self insured for employee health care. The District began accounting for the self-insurance in a separate Internal Service Fund in 2001. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on a rate of 12.91% of gross payroll. Incurred but not reported liabilities (IBNR's) are determined by the Actuarial Firm of Timothy P. Berghoff, FSA, MAAA. For the fiscal year ending June 30, 2004, the IBNR's were determined to be \$4,227,000.

Changes in the fund's claims liability amount in 2004 and 2003 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2003	\$3,803,000	\$30,009,895	(\$29,729,895)	\$4,083,000
2004	4,083,000	32,921,818	(32,727,818)	4,277,000

Dental insurance is offered to employees through Dental Care Plus. Total Premiums paid to Dental Care Plus were \$3,011,705. Dental Care Plus does not require an employee payroll deduction.

The District offers to all employees who work a minimum of sixty-percent of full time employees and who are not AFSCME union members, a benefit called Benefit Bank. Each employee that qualifies is given \$275 on January 2 each year and employees that are married or have dependents can receive an additional \$50 if they return the application for additional funds. Substitute teachers also qualify for a \$300 benefit each September 1 if in the prior school the substitute teacher worked at least eighty-nine days and returned to teach in the current school year. The Benefit Bank pays for any medical related expense that is not paid for by Choice Care or by Dental Care Plus. Also, any expense related to optical service such as glasses or eye exams can be submitted for reimbursement from the employees benefit bank balance.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

NOTE 17 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2004, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 2003	\$0	\$0	\$1,420,826	\$1,420,826
Current Year Set-Aside Requirement	5,973,845	5,973,845	0	11,947,690
Current Year Offset Credits	0	0	0	0
Qualifying Disbursements	<u>(13,171,095)</u>	<u>(24,028,304)</u>	0	<u>(37,199,399)</u>
Total	<u>(\$7,197,250)</u>	<u>(\$18,054,459)</u>	<u>\$1,420,826</u>	<u>(\$23,830,883)</u>
Balance Carried Forward to FY 2005	<u>\$0</u>	<u>\$0</u>	<u>\$1,420,826</u>	<u>\$1,420,826</u>
Amount Restricted for Budget Stabilization				<u>\$1,420,826</u>

Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the reserve in accordance with the Act. As of June 30, 2004, the Board had not acted on the Senate Bill requirements to eliminate the reserve balance. In the General Fund, the \$1,420,826 portion of the non-BWC (Bureau of Workers' Compensation) monies was designated for set-aside. The District is still required by State law to maintain the textbook reserve and the capital acquisition reserve.

NOTE 18 - CONTRACTUAL COMMITMENTS

As of June 30, 2004, the District had entered into various construction contracts for renovations and improvements which it had a remaining unperformed and unpaid total commitment of approximately \$48.3 million.

NOTE 19 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state 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 adverse effect on the overall financial position of the District at June 30, 2004.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2004

NOTE 19 – CONTINGENCIES (Continued)

B. Litigation

The District is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2004.

C. State School Funding

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed, 'the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient.' The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 20 – SUBSEQUENT EVENTS

On September 10, 2004, the District renewed the School Energy Conservation Bond Anticipation Notes for \$16,600,000, the tenth renewal. The notes were issued for the purpose of renewing in reduced principal amount bond anticipation notes originally issued September 22, 1994, January 25, 1996, February 17, 2000, September 12, 2001, September 5, 2002 and September 10, 2003 for the purpose of financing the making or modification of installations or the remodeling of buildings for the purpose of significantly reducing energy consumption. The Notes mature on September 10, 2005.

On September 10, 2004 the District issued School Computer Technology Bond Anticipation Notes for \$13,000,000, the first renewal. The notes were issued for the purpose of renewing in reduced principal amount bond anticipation notes originally issued December 30, 2003 for the purpose of acquiring computers, related hardware and software for District use. The notes mature on September 9, 2005.

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

*THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE
THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS.*

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Nonmajor Governmental Funds

Special Revenue Funds

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

Food Service Fund

A fund used to record financial transactions related to food service operations.

Other Grants Fund

Used to account for the proceeds of specific revenue sources, except for state and federal grants that are legally restricted to expenditures for specific purposes.

District Managed Student Activity Fund

Used to account for those student activity programs which have student participation in the activity, but do not have student management of the programs

Auxiliary Services Fund

Used to account for monies that provide services and materials to pupils attending non-public schools within the District.

Head Start Fund

Used to account for monies distributed to Head Start agencies to expand their programs to serve more eligible children.

Disadvantaged Pupil Impact Aid Fund

Used to account for monies received for disadvantaged pupil impact aid.

Title VI B – Special Education Assistance Fund

Used to account for federal funds for the provision of full educational opportunities to handicapped children at the preschool, elementary and secondary levels. Also to assist in the training of teachers, supervisors and other specialists in providing educational services to the handicapped.

Title II A – Economic Opportunity Act Fund

Used to account for funds provided to political subdivisions on the local level, or through a community action agency, which is the endorsing agency for federal assistance to the community.

Chapter I – Education Consolidation and Improvement Act Fund

Used to account for federal funds for services provided to meet special education needs of educationally deprived children. This includes the following federal programs; Even Start, Capital Expense, Title One and Homeless Children Education.

Other Special Revenue Fund

The District maintains 54 special revenue funds. For reporting purposes, the District combines the 45 smallest funds into a fund titled “Other Special Revenue Funds”. These combined funds account for less than fifteen percent (15%) of the cash basis revenues and expenditures of all special revenue funds.

Capital Projects Funds

The Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Permanent Improvement Fund

Used to account for all transactions related to the acquiring, construction or improving of such permanent improvements as are authorized by Chapter 5705 of the Ohio Revised Code.

Building Fund

Used to account for the revenues and expenditures related to all special bond funds in the district.

Replacement Fund

Used to account for monies used in the rebuilding, restoration or improvement of property, which has been totally or partially destroyed due to any cause.

Energy Conservation Fund

Used to account for federal grants monies provided to identify and implement energy conservation maintenance and operating procedures and acquire energy conservation measures to reduce consumption.

Vocational Education Equipment Fund

Used to account for revenue and expenditures involved in the replacement or updating of equipment essential for the instruction of students in job skills. (The balance sheet is not presented because there are no assets or liabilities at year end.)

Power Up Fund

Used to account for state grants monies to be spent on electrical upgrades.

Interactive Video Distance Learning Fund

Used to account for monies received from the state to purchase video learning equipment.

Ohio School Net Fund

Used to account for wiring to all classrooms in the state and to provide a computer workstation and related technology for every classroom.

School Building Assistance Fund

Used to account for matching funds provided for the big eight school districts to be used for major renovations and repairs to school facilities.

Emergency School Repair Fund

Used to account for funds provided for financial assistance to local education agencies (LES's) with urgent school repair and renovation needs.

Permanent Fund

The Permanent Fund is used to account for the financial resources that are legally restricted in that only the earnings, not the principal, may be used to support the District's programs.

Endowments Fund

A fund used to account for money, securities, or lands which have been set aside as an investment for public school purposes. The income from such a fund may be expended, but the principal must remain intact

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets:				
Equity in Pooled Cash and Investments	\$ 21,182,278	\$ 32,369,668	\$ 936,459	\$ 54,488,405
Investments	5,226	0	188,800	194,026
Receivables:				
Accounts	44,135	40,221	0	84,356
Intergovernmental - State and Local	525,416	0	0	525,416
Intergovernmental - Federal	19,390,279	362,250	0	19,752,529
Interfund Loans Receivable	446,401	2,759,739	0	3,206,140
Advances to Other Funds	5,978	0	0	5,978
Inventory of Supplies at Cost	92,532	0	0	92,532
Inventory Held for Resale	185,775	0	0	185,775
Total Assets	<u><u>\$ 41,878,020</u></u>	<u><u>\$ 35,531,878</u></u>	<u><u>\$ 1,125,259</u></u>	<u><u>\$ 78,535,157</u></u>
Liabilities:				
Accounts Payable	\$ 2,157,013	\$ 1,277,140	\$ 2,697	\$ 3,436,850
Accrued Wages and Benefits	6,975,270	46,611	0	7,021,881
Intergovernmental Payable	1,012,117	1,943	0	1,014,060
Claims Payable	212,430	1,421	0	213,851
Interfund Loans Payable	3,668,216	281,169	0	3,949,385
Advances from Other Funds	504,946	1,549,720	0	2,054,666
Deferred Revenue	12,622,357	362,250	0	12,984,607
Total Liabilities	<u><u>27,152,349</u></u>	<u><u>3,520,254</u></u>	<u><u>2,697</u></u>	<u><u>30,675,300</u></u>
Fund Balances:				
Reserved for Encumbrances	5,128,949	5,970,915	0	11,099,864
Reserved for Endowments	0	0	768,034	768,034
Reserved for Advances	5,978	0	0	5,978
Unreserved, Undesignated in:				
Special Revenue Funds	9,590,744	0	0	9,590,744
Capital Projects Funds	0	26,040,709	0	26,040,709
Permanent Fund	0	0	354,528	354,528
Total Fund Balances	<u><u>14,725,671</u></u>	<u><u>32,011,624</u></u>	<u><u>1,122,562</u></u>	<u><u>47,859,857</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 41,878,020</u></u>	<u><u>\$ 35,531,878</u></u>	<u><u>\$ 1,125,259</u></u>	<u><u>\$ 78,535,157</u></u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2004**

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
Revenues:				
Tuition	\$ 458,157	\$ 0	\$ 0	\$ 458,157
Investment Earnings	40,755	494,450	45,350	580,555
Food Services	2,644,972	0	0	2,644,972
Intergovernmental - State	40,272,662	29,912	0	40,302,574
Intergovernmental - Federal	63,092,102	49,976	0	63,142,078
All Other Revenue	8,620,572	1,158,350	0	9,778,922
Total Revenue	115,129,220	1,732,688	45,350	116,907,258
Expenditures:				
Current:				
Instruction:				
Regular	39,473,228	4,300	15,036	39,492,564
Special	15,133,868	0	0	15,133,868
Vocational	794,474	25,612	0	820,086
Other	982,844	0	0	982,844
Supporting Services:				
Pupils	7,493,858	7,080,324	0	14,574,182
Instructional Staff	14,547,351	22,978	0	14,570,329
Administration	2,960,294	0	0	2,960,294
Fiscal Services	619,385	1,004,321	0	1,623,706
Business	31	0	0	31
Operation & Maintenance of Plant	778,147	525,215	0	1,303,362
Pupil Transportation	621,878	0	0	621,878
Central	5,007,560	757,648	0	5,765,208
Operation of Non-Instructional Services	29,376,655	0	0	29,376,655
Extracurricular Activities	1,383,069	0	0	1,383,069
Capital Outlay	31,511	6,910,476	0	6,941,987
Debt Service:				
Principal Retirement	0	22,200,000	0	22,200,000
Interest & Fiscal Charges	0	471,650	0	471,650
Total Expenditures	119,204,153	39,002,524	15,036	158,221,713
Excess (Deficiency) of Revenues Over Expenditures	(4,074,933)	(37,269,836)	30,314	(41,314,455)
Other Financing Sources (Uses):				
Proceeds from the Sale of Notes	0	32,400,000	0	32,400,000
Transfers In	3,004,400	3,298,112	0	6,302,512
Total Other Financing Sources (Uses)	3,004,400	35,698,112	0	38,702,512
Net Change in Fund Balance	(1,070,533)	(1,571,724)	30,314	(2,611,943)
Fund Balances at Beginning of Year	15,796,204	33,583,348	1,092,248	50,471,800
Fund Balances End of Year	\$ 14,725,671	\$ 32,011,624	\$ 1,122,562	\$ 47,859,857

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004**

	<u>Food Service</u>	<u>Other Grants</u>	<u>District Managed Student Activity</u>	<u>Auxiliary Services</u>
Assets:				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,293,057	\$ 1,923,447	\$ 1,592,712
Investments	0	0	5,226	0
Receivables:				
Accounts	685	38,390	0	4,445
Intergovernmental - State and Local	0	0	0	0
Intergovernmental - Federal	1,844,319	0	0	0
Interfund Loans Receivable	1	0	0	0
Advances to Other Funds	0	5,978	0	0
Inventory of Supplies at Cost	92,532	0	0	0
Inventory Held for Resale	185,775	0	0	0
Total Assets	<u><u>\$ 2,123,312</u></u>	<u><u>\$ 1,337,425</u></u>	<u><u>\$ 1,928,673</u></u>	<u><u>\$ 1,597,157</u></u>
Liabilities:				
Accounts Payable	\$ 63,369	\$ 39,249	\$ 141,845	\$ 517,077
Accrued Wages and Benefits	764,028	173,818	0	425,611
Intergovernmental Payable	31,858	7,247	0	17,747
Claims Payable	23,288	5,298	0	12,973
Interfund Loans Payable	1,261,975	0	0	0
Advances from Other Funds	0	0	0	0
Deferred Revenue	185,775	0	0	0
Total Liabilities	<u><u>2,330,293</u></u>	<u><u>225,612</u></u>	<u><u>141,845</u></u>	<u><u>973,408</u></u>
Fund Balances:				
Reserved for Encumbrances	200,599	221,365	0	626,328
Reserved for Advances	0	5,978	0	0
Unreserved, Undesignated in:				
Special Revenue Funds (Deficit)	<u>(407,580)</u>	<u>884,470</u>	<u>1,786,828</u>	<u>(2,579)</u>
Total Fund Balances (Deficit)	<u><u>(206,981)</u></u>	<u><u>1,111,813</u></u>	<u><u>1,786,828</u></u>	<u><u>623,749</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 2,123,312</u></u>	<u><u>\$ 1,337,425</u></u>	<u><u>\$ 1,928,673</u></u>	<u><u>\$ 1,597,157</u></u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

<u>Head Start</u>	<u>Disadvantaged Pupil Impact Aid</u>	<u>Title VI-B</u>	<u>Title II-A</u>	<u>Chapter I</u>	<u>Other Special Revenue</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 0	\$ 0	\$ 346,744	\$ 391,149	\$ 1,537,534	\$ 14,097,635	\$ 21,182,278
0	0	0	0	0	0	5,226
0	0	280	0	300	35	44,135
0	0	0	0	0	525,416	525,416
0	0	2,289,404	589,654	7,646,126	7,020,776	19,390,279
0	0	0	0	434,748	11,652	446,401
0	0	0	0	0	0	5,978
0	0	0	0	0	0	92,532
0	0	0	0	0	0	185,775
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,636,428</u>	<u>\$ 980,803</u>	<u>\$ 9,618,708</u>	<u>\$ 21,655,514</u>	<u>\$ 41,878,020</u>
\$ 221	\$ 0	\$ 38,929	\$ 2,352	\$ 664,619	\$ 689,352	\$ 2,157,013
0	2,305,809	578,874	173,636	1,440,904	1,112,590	6,975,270
0	96,146	24,137	7,240	60,082	767,660	1,012,117
0	70,281	17,643	5,293	43,919	33,735	212,430
370,305	0	1,074,016	26,660	0	935,260	3,668,216
304,619	0	0	53,202	0	147,125	504,946
0	0	2,289,404	435,954	4,946,193	4,765,031	12,622,357
<u>675,145</u>	<u>2,472,236</u>	<u>4,023,003</u>	<u>704,337</u>	<u>7,155,717</u>	<u>8,450,753</u>	<u>27,152,349</u>
2,856	0	449,135	18,635	1,318,532	2,291,499	5,128,949
0	0	0	0	0	0	5,978
<u>(678,001)</u>	<u>(2,472,236)</u>	<u>(1,835,710)</u>	<u>257,831</u>	<u>1,144,459</u>	<u>10,913,262</u>	<u>9,590,744</u>
<u>(675,145)</u>	<u>(2,472,236)</u>	<u>(1,386,575)</u>	<u>276,466</u>	<u>2,462,991</u>	<u>13,204,761</u>	<u>14,725,671</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,636,428</u>	<u>\$ 980,803</u>	<u>\$ 9,618,708</u>	<u>\$ 21,655,514</u>	<u>\$ 41,878,020</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Special Revenue Funds For the Fiscal Year Ended June 30, 2004

	Food Service	Other Grants	District Managed Student Activity	Auxiliary Services
Revenues:				
Tuition	\$ 0	\$ 457,977	\$ 0	\$ 0
Investment Earnings	5,445	0	27,056	8,254
Food Services	2,644,972	0	0	0
Intergovernmental - State	620,158	0	0	9,608,053
Intergovernmental - Federal	12,891,941	0	0	0
All Other Revenue	0	3,172,024	1,918,997	0
Total Revenue	16,162,516	3,630,001	1,946,053	9,616,307
Expenditures:				
Current:				
Instruction:				
Regular	0	1,384,230	991,083	0
Special	0	59,385	23,282	0
Vocational	0	10,717	0	0
Other	0	79,814	0	0
Supporting Services:				
Pupils	0	279,551	3,775	0
Instructional Staff	0	268,551	81,694	0
Administration	41,211	910,172	0	0
Fiscal Services	0	0	0	68
Business	0	0	0	31
Operation & Maintenance of Plant	738,618	238	0	0
Pupil Transportation	0	5,415	0	0
Central	32,227	436	0	0
Operation of Non-Instructional Services	16,005,972	20,890	7,700	10,766,480
Extracurricular Activities	0	498,060	884,722	0
Capital Outlay	0	26,162	0	0
Total Expenditures	16,818,028	3,543,621	1,992,256	10,766,579
Excess (Deficiency) of Revenues Over Expenditures	(655,512)	86,380	(46,203)	(1,150,272)
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	(655,512)	86,380	(46,203)	(1,150,272)
Fund Balances (Deficit) at Beginning of Year	448,531	1,025,433	1,833,031	1,774,021
Fund Balances (Deficit) End of Year	\$ (206,981)	\$ 1,111,813	\$ 1,786,828	\$ 623,749

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Head Start	Disadvantaged Pupil Impact Aid	Title VI-B	Title II-A	Chapter I	Other Special Revenue	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 180	\$ 458,157
0	0	0	0	0	0	40,755
0	0	0	0	0	0	2,644,972
0	26,044,788	0	0	0	3,999,663	40,272,662
154,626	0	7,296,533	1,701,591	24,396,229	16,651,182	63,092,102
0	0	0	0	55,056	3,474,495	8,620,572
<u>154,626</u>	<u>26,044,788</u>	<u>7,296,533</u>	<u>1,701,591</u>	<u>24,451,285</u>	<u>24,125,520</u>	<u>115,129,220</u>
0	27,449,585	702	1,313,585	1,170,843	7,163,200	39,473,228
0	0	1,802,143	0	9,006,835	4,242,223	15,133,868
0	0	0	0	0	783,757	794,474
0	0	0	0	0	903,030	982,844
0	0	3,297,926	232,132	1,067,712	2,612,762	7,493,858
0	0	351,535	465,198	9,367,410	4,012,963	14,547,351
0	0	857,024	74,709	741,907	335,271	2,960,294
0	0	112,144	0	392,221	114,952	619,385
0	0	0	0	0	0	31
0	0	0	4,871	0	34,420	778,147
0	0	0	6,871	598,299	11,293	621,878
0	0	0	1,661	3,116	4,970,120	5,007,560
0	0	1,142,955	0	1,284,471	148,187	29,376,655
0	0	0	0	0	287	1,383,069
0	0	0	0	5,349	0	31,511
<u>0</u>	<u>27,449,585</u>	<u>7,564,429</u>	<u>2,099,027</u>	<u>23,638,163</u>	<u>25,332,465</u>	<u>119,204,153</u>
154,626	(1,404,797)	(267,896)	(397,436)	813,122	(1,206,945)	(4,074,933)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,004,400</u>	<u>3,004,400</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,004,400</u>	<u>3,004,400</u>
154,626	(1,404,797)	(267,896)	(397,436)	813,122	1,797,455	(1,070,533)
<u>(829,771)</u>	<u>(1,067,439)</u>	<u>(1,118,679)</u>	<u>673,902</u>	<u>1,649,869</u>	<u>11,407,306</u>	<u>15,796,204</u>
<u>\$ (675,145)</u>	<u>\$ (2,472,236)</u>	<u>\$ (1,386,575)</u>	<u>\$ 276,466</u>	<u>\$ 2,462,991</u>	<u>\$ 13,204,761</u>	<u>\$ 14,725,671</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2004**

	<u>Permanent Improvement</u>	<u>Building</u>	<u>Replacement</u>	<u>Energy Conservation</u>
Assets:				
Equity in Pooled Cash and Investments	\$ 3,476,009	\$ 27,722,869	\$ 4,770	\$ 856,270
Receivables:				
Accounts	3,241	0	0	0
Intergovernmental - Federal	0	0	0	0
Interfund Loans Receivable	0	2,759,739	0	0
Total Assets	<u>\$ 3,479,250</u>	<u>\$ 30,482,608</u>	<u>\$ 4,770</u>	<u>\$ 856,270</u>
Liabilities:				
Accounts Payable	\$ 489,595	\$ 768,990	\$ 0	\$ 18,555
Accrued Wages and Benefits	46,611	0	0	0
Intergovernmental Payable	1,943	0	0	0
Claims Payable	1,421	0	0	0
Interfund Loans Payable	0	0	0	0
Advances from Other Funds	0	0	0	0
Deferred Revenue	0	0	0	0
Total Liabilities	<u>539,570</u>	<u>768,990</u>	<u>0</u>	<u>18,555</u>
Fund Balances:				
Reserved for Encumbrances	2,377,348	2,813,791	0	720,267
Unreserved, Undesignated in:				
Capital Projects Funds (Deficit)	562,332	26,899,827	4,770	117,448
Total Fund Balances	<u>2,939,680</u>	<u>29,713,618</u>	<u>4,770</u>	<u>837,715</u>
Total Liabilities and Fund Balances	<u>\$ 3,479,250</u>	<u>\$ 30,482,608</u>	<u>\$ 4,770</u>	<u>\$ 856,270</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

<u>Power Up</u>	<u>Interactive Video Distance Learning</u>	<u>Ohio School Net</u>	<u>School Building Assistance</u>	<u>Emergency School Repair</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ 64,415	\$ 16,132	\$ 185,945	\$ 0	\$ 43,258	\$ 32,369,668
0	36,980	0	0	0	40,221
0	0	0	0	362,250	362,250
0	0	0	0	0	2,759,739
<u>\$ 64,415</u>	<u>\$ 53,112</u>	<u>\$ 185,945</u>	<u>\$ 0</u>	<u>\$ 405,508</u>	<u>\$ 35,531,878</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,277,140
0	0	0	0	0	46,611
0	0	0	0	0	1,943
0	0	0	0	0	1,421
0	1,625	0	1,960	277,584	281,169
0	106	0	1,443,553	106,061	1,549,720
0	0	0	0	362,250	362,250
<u>0</u>	<u>1,731</u>	<u>0</u>	<u>1,445,513</u>	<u>745,895</u>	<u>3,520,254</u>
0	16,131	120	0	43,258	5,970,915
<u>64,415</u>	<u>35,250</u>	<u>185,825</u>	<u>(1,445,513)</u>	<u>(383,645)</u>	<u>26,040,709</u>
<u>64,415</u>	<u>51,381</u>	<u>185,945</u>	<u>(1,445,513)</u>	<u>(340,387)</u>	<u>32,011,624</u>
<u>\$ 64,415</u>	<u>\$ 53,112</u>	<u>\$ 185,945</u>	<u>\$ 0</u>	<u>\$ 405,508</u>	<u>\$ 35,531,878</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004**

	Permanent Improvement	Building	Replacement	Energy Conservation
Revenues:				
Investment Earnings	\$ 0	\$ 494,450	\$ 0	\$ 0
Intergovernmental - State	0	0	0	0
Intergovernmental - Federal	0	0	0	0
All Other Revenue	0	1,158,350	0	0
Total Revenue	<u>0</u>	<u>1,652,800</u>	<u>0</u>	<u>0</u>
Expenditures:				
Current:				
Instruction:				
Regular	0	0	0	0
Vocational	0	0	0	0
Supporting Services:				
Pupils	7,080,324	0	0	0
Instructional Staff	0	0	0	0
Fiscal Services	1,004,321	0	0	0
Operation & Maintenance of Plant	50,045	33,945	0	0
Central	757,648	0	0	0
Capital Outlay	0	6,691,576	0	173,397
Debt Service:				
Principal Retirement	0	0	0	22,200,000
Interest & Fiscal Charges	0	0	0	471,650
Total Expenditures	<u>8,892,338</u>	<u>6,725,521</u>	<u>0</u>	<u>22,845,047</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,892,338)	(5,072,721)	0	(22,845,047)
Other Financing Sources (Uses):				
General Obligation Notes Issued	13,000,000	0	0	19,400,000
Transfers In	0	0	0	3,298,112
Total Other Financing Sources (Uses)	<u>13,000,000</u>	<u>0</u>	<u>0</u>	<u>22,698,112</u>
Net Change in Fund Balance	4,107,662	(5,072,721)	0	(146,935)
Fund Balances (Deficit) at Beginning of Year	<u>(1,167,982)</u>	<u>34,786,339</u>	<u>4,770</u>	<u>984,650</u>
Fund Balances (Deficit) End of Year	<u>\$ 2,939,680</u>	<u>\$ 29,713,618</u>	<u>\$ 4,770</u>	<u>\$ 837,715</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Vocational Education Equipment	Power Up	Interactive Video Distance Learning	Ohio School Net	School Building Assistance	Emergency School Repair	Total Nonmajor Capital Projects Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 494,450
25,612	0	0	4,300	0	0	29,912
0	0	0	0	0	49,976	49,976
0	0	0	0	0	0	1,158,350
<u>25,612</u>	<u>0</u>	<u>0</u>	<u>4,300</u>	<u>0</u>	<u>49,976</u>	<u>1,732,688</u>
0	0	0	4,300	0	0	4,300
25,612	0	0	0	0	0	25,612
0	0	0	0	0	0	7,080,324
0	0	0	22,978	0	0	22,978
0	0	0	0	0	0	1,004,321
0	0	0	0	0	441,225	525,215
0	0	0	0	0	0	757,648
0	0	0	0	23,910	21,593	6,910,476
0	0	0	0	0	0	22,200,000
0	0	0	0	0	0	471,650
<u>25,612</u>	<u>0</u>	<u>0</u>	<u>27,278</u>	<u>23,910</u>	<u>462,818</u>	<u>39,002,524</u>
0	0	0	(22,978)	(23,910)	(412,842)	(37,269,836)
0	0	0	0	0	0	32,400,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,298,112</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,698,112</u>
0	0	0	(22,978)	(23,910)	(412,842)	(1,571,724)
0	64,415	51,381	208,923	(1,421,603)	72,455	33,583,348
<u>\$ 0</u>	<u>\$ 64,415</u>	<u>\$ 51,381</u>	<u>\$ 185,945</u>	<u>\$ (1,445,513)</u>	<u>\$ (340,387)</u>	<u>\$ 32,011,624</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Governmental Funds – General Fund
For the Fiscal Year Ended June 30, 2004***

	<i>GENERAL FUND</i>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Total Revenues and Other Financing Sources	\$ 429,826,227	\$ 409,057,000	\$ 396,606,337	\$ (12,450,663)
Total Expenditures and Other Financing Uses	436,495,260	475,912,075	450,703,954	25,208,121
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(6,669,033)	(66,855,075)	(54,097,617)	12,757,458
Fund Balances, Beginning of Year	83,666,371	83,666,371	83,666,371	0
Prior Year Encumbrances	15,834,688	15,834,688	15,834,688	0
Fund Balances, End of Year	<u>\$ 92,832,026</u>	<u>\$ 32,645,984</u>	<u>\$ 45,403,442</u>	<u>\$ 12,757,458</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Governmental Funds – Debt Service Fund
For the Fiscal Year Ended June 30, 2004***

	DEBT SERVICE FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Total Revenues and Other Financing Sources	\$ 41,900,000	\$ 48,084,929	\$ 6,184,929
Total Expenditures and Other Financing Uses	43,600,000	45,178,332	(1,578,332)
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,700,000)	2,906,597	4,606,597
Fund Balances, Beginning of Year	5,356,964	5,356,964	0
Fund Balances, End of Year	\$ 3,656,964	\$ 8,263,561	\$ 4,606,597

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Governmental Funds – Capital Projects Fund
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 100,000,000	\$ 705,251,902	\$ 605,251,902
Total Expenditures and Other Financing Uses	252,831,028	259,240,430	(6,409,402)
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(152,831,028)	446,011,472	598,842,500
Fund Balances, Beginning of Year	173,514,892	173,514,892	0
Prior Year Encumbrances	12,831,028	12,831,028	0
Fund Balances, End of Year	<u>\$ 33,514,892</u>	<u>\$ 632,357,392</u>	<u>\$ 598,842,500</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	FOOD SERVICE FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Total Revenues and Other Financing Sources	\$ 14,462,000	\$ 13,227,113	\$ (1,234,887)
Total Expenditures and Other Financing Uses	15,354,433	15,647,063	(292,630)
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(892,433)	(2,419,950)	(1,527,517)
Fund Balances, Beginning of Year	262,790	262,790	0
Prior Year Encumbrances	1,144,433	1,144,433	0
Fund Balances, End of Year	\$ 514,790	\$ (1,012,727)	\$ (1,527,517)

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	OTHER GRANTS FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Total Revenues and Other Financing Sources	\$ 3,700,000	\$ 3,792,449	\$ 92,449
Total Expenditures and Other Financing Uses	4,281,907	3,859,660	422,247
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(581,907)	(67,211)	514,696
Fund Balances, Beginning of Year	1,253,886	1,253,886	0
Prior Year Encumbrances	281,907	281,907	0
Fund Balances, End of Year	\$ 953,886	\$ 1,468,582	\$ 514,696

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 1,950,000	\$ 1,941,285	\$ (8,715)
Total Expenditures and Other Financing Uses	3,899,118	2,177,219	1,721,899
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,949,118)	(235,934)	1,713,184
Fund Balances, Beginning of Year	1,938,931	1,938,931	0
Prior Year Encumbrances	99,118	99,118	0
Fund Balances, End of Year	<u>\$ 88,931</u>	<u>\$ 1,802,115</u>	<u>\$ 1,713,184</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 9,500,000	\$ 9,616,307	\$ 116,307
Total Expenditures and Other Financing Uses	12,429,186	10,314,353	2,114,833
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,929,186)	(698,046)	2,231,140
Fund Balances, Beginning of Year	1,646,000	1,646,000	0
Prior Year Encumbrances	1,929,186	1,929,186	0
Fund Balances, End of Year	<u>\$ 646,000</u>	<u>\$ 2,877,140</u>	<u>\$ 2,231,140</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	HEAD START FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Total Revenues and Other Financing Sources	\$ 3,500,000	\$ 704,344	\$ (2,795,656)
Total Expenditures and Other Financing Uses	2,532,974	504,457	2,028,517
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	967,026	199,887	(767,139)
Fund Balances, Beginning of Year	(141,433)	(141,433)	0
Prior Year Encumbrances	582,974	582,974	0
Fund Balances, End of Year	\$ 1,408,567	\$ 641,428	\$ (767,139)

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 26,500,000	\$ 26,044,788	\$ (455,212)
Total Expenditures and Other Financing Uses	26,500,000	26,044,788	455,212
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	TITLE VI-B FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Total Revenues and Other Financing Sources	<u>\$ 6,320,772</u>	<u>\$ 7,296,533</u>	<u>\$ 975,761</u>
Total Expenditures and Other Financing Uses	<u>5,727,602</u>	<u>8,073,478</u>	<u>(2,345,876)</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>593,170</u>	<u>(776,945)</u>	<u>(1,370,115)</u>
Fund Balances, Beginning of Year	(1,261,210)	(1,261,210)	0
Prior Year Encumbrances	<u>457,602</u>	<u>457,602</u>	<u>0</u>
Fund Balances, End of Year	<u><u>\$ (210,438)</u></u>	<u><u>\$ (1,580,553)</u></u>	<u><u>\$ (1,370,115)</u></u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	<i>TITLE II-A FUND</i>		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Total Revenues and Other Financing Sources	\$ 1,626,850	\$ 1,924,467	\$ 297,617
Total Expenditures and Other Financing Uses	<u>2,202,516</u>	<u>2,166,959</u>	<u>35,557</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(575,666)</u>	<u>(242,492)</u>	<u>333,174</u>
Fund Balances, Beginning of Year	370,267	370,267	0
Prior Year Encumbrances	<u>126,516</u>	<u>126,516</u>	<u>0</u>
Fund Balances, End of Year	<u><u>\$ (78,883)</u></u>	<u><u>\$ 254,291</u></u>	<u><u>\$ 333,174</u></u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	CHAPTER I FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Total Revenues and Other Financing Sources	<u>\$ 26,126,700</u>	<u>\$ 25,115,531</u>	<u>\$ (1,011,169)</u>
Total Expenditures and Other Financing Uses	<u>26,964,698</u>	<u>26,528,413</u>	<u>436,285</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(837,998)</u>	<u>(1,412,882)</u>	<u>(574,884)</u>
Fund Balances, Beginning of Year	(1,958,628)	(1,958,628)	0
Prior Year Encumbrances	<u>2,564,698</u>	<u>2,564,698</u>	<u>0</u>
Fund Balances, End of Year	<u><u>\$ (231,928)</u></u>	<u><u>\$ (806,812)</u></u>	<u><u>\$ (574,884)</u></u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004***

	OTHER SPECIAL REVENUE FUNDS		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	<u>\$ 25,060,884</u>	<u>\$ 25,606,669</u>	<u>\$ 545,785</u>
Total Expenditures and Other Financing Uses	<u>35,853,501</u>	<u>27,592,733</u>	<u>8,260,768</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(10,792,617)</u>	<u>(1,986,064)</u>	<u>8,806,553</u>
Fund Balances, Beginning of Year	10,119,039	10,119,039	0
Prior Year Encumbrances	<u>3,155,960</u>	<u>3,155,960</u>	<u>0</u>
Fund Balances, End of Year	<u><u>\$ 2,482,382</u></u>	<u><u>\$ 11,288,935</u></u>	<u><u>\$ 8,806,553</u></u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 12,000,000	\$ 13,000,000	\$ 1,000,000
Total Expenditures and Other Financing Uses	15,829,713	11,604,595	4,225,118
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,829,713)	1,395,405	5,225,118
Fund Balances, Beginning of Year	(2,596,057)	(2,596,057)	0
Prior Year Encumbrances	1,829,714	1,829,714	0
Fund Balances, End of Year	<u>\$ (4,596,056)</u>	<u>\$ 629,062</u>	<u>\$ 5,225,118</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004***

	BUILDING FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Total Revenues and Other Financing Sources	\$ 70,000	\$ 1,652,800	\$ 1,582,800
Total Expenditures and Other Financing Uses	34,283,275	9,583,377	24,699,898
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(34,213,275)	(7,930,577)	26,282,698
Fund Balances, Beginning of Year	34,547,129	34,547,129	0
Prior Year Encumbrances	283,275	283,275	0
Fund Balances, End of Year	\$ 617,129	\$ 26,899,827	\$ 26,282,698

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004***

REPLACEMENT FUND

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Total Revenues			
and Other Financing Sources	\$ 0	\$ 0	\$ 0
Total Expenditures			
and Other Financing Uses	0	0	0
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0
Fund Balances, Beginning of Year	4,471	4,471	0
Prior Year Encumbrances	299	299	0
Fund Balances, End of Year	<u>\$ 4,770</u>	<u>\$ 4,770</u>	<u>\$ 0</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 22,716,400	\$ 22,724,574	\$ 8,174
Total Expenditures and Other Financing Uses	23,672,290	23,592,062	80,228
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(955,890)	(867,488)	88,402
Fund Balances, Beginning of Year	8,514	8,514	0
Prior Year Encumbrances	972,290	972,290	0
Fund Balances, End of Year	\$ 24,914	\$ 113,316	\$ 88,402

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 0	\$ 25,612	\$ 25,612
Total Expenditures and Other Financing Uses	<u>0</u>	<u>25,612</u>	<u>(25,612)</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances, End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004***

	POWER UP FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Total Revenues and Other Financing Sources	\$ 0	\$ 0	\$ 0
Total Expenditures and Other Financing Uses	64,000	0	64,000
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(64,000)	0	64,000
Fund Balances, Beginning of Year	64,415	64,415	0
Fund Balances, End of Year	\$ 415	\$ 64,415	\$ 64,000

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 0	\$ 0	\$ 0
Total Expenditures and Other Financing Uses	14,506	16,131	(1,625)
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(14,506)</u>	<u>(16,131)</u>	<u>(1,625)</u>
Fund Balances, Beginning of Year	(106)	(106)	0
Prior Year Encumbrances	<u>14,507</u>	<u>14,507</u>	<u>0</u>
Fund Balances, End of Year	<u>\$ (105)</u>	<u>\$ (1,730)</u>	<u>\$ (1,625)</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004***

	OHIO SCHOOL NET FUND		
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 43,300	\$ 43,330	\$ 30
Total Expenditures and Other Financing Uses	264,639	39,890	224,749
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(221,339)	3,440	224,779
Fund Balances, Beginning of Year	148,276	148,276	0
Prior Year Encumbrances	73,139	73,139	0
Fund Balances, End of Year	\$ 76	\$ 224,855	\$ 224,779

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004***

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 2,000,000	\$ 0	\$ (2,000,000)
Total Expenditures and Other Financing Uses	378,050	33,305	344,745
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>1,621,950</u>	<u>(33,305)</u>	<u>(1,655,255)</u>
Fund Balances, Beginning of Year	(62,407)	(62,407)	0
Prior Year Encumbrances	<u>312,050</u>	<u>312,050</u>	<u>0</u>
Fund Balances, End of Year	<u><u>\$ 1,871,593</u></u>	<u><u>\$ 216,338</u></u>	<u><u>\$ (1,655,255)</u></u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Total Revenues and Other Financing Sources	\$ 300,000	\$ 155,251	\$ (144,749)
Total Expenditures and Other Financing Uses	277,962	517,596	(239,634)
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	22,038	(362,345)	(384,383)
Fund Balances, Beginning of Year	(228,262)	(228,262)	0
Prior Year Encumbrances	206,962	206,962	0
Fund Balances, End of Year	\$ 738	\$ (383,645)	\$ (384,383)

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Fund
For the Fiscal Year Ended June 30, 2004***

	<i>PERMANENT FUND</i>		Variance with Final Budget Positive (Negative)
	<u>Final Budget</u>	<u>Actual</u>	
Total Revenues and Other Financing Sources	\$ 9,000	\$ 14,716	\$ 5,716
Total Expenditures and Other Financing Uses	228,419	15,187	213,232
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(219,419)</u>	<u>(471)</u>	<u>218,948</u>
Fund Balances, Beginning of Year	932,099	932,099	0
Prior Year Encumbrances	<u>2,419</u>	<u>2,419</u>	<u>0</u>
Fund Balances, End of Year	<u>\$ 715,099</u>	<u>\$ 934,047</u>	<u>\$ 218,948</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

Fiduciary Funds

Fiduciary fund types 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.

Agency Fund

Student Managed Activity Fund

Used to account for those student activity programs which have student participation in the activity and have students involved in the management of the program.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Schedule of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2004***

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<u>Student Managed Activity Fund</u>				
Assets:				
Equity in Pooled Cash and Investments	\$44,649	\$62,129	(\$48,970)	\$57,808
Total Assets	<u>\$44,649</u>	<u>\$62,129</u>	<u>(\$48,970)</u>	<u>\$57,808</u>
Liabilities:				
Due to Students	\$44,649	\$62,129	(\$48,970)	\$57,808
Total Liabilities	<u>\$44,649</u>	<u>\$62,129</u>	<u>(\$48,970)</u>	<u>\$57,808</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
June 30, 2004***

Capital Assets

Land	\$19,221,314
Land Improvements	9,543,552
Buildings and Improvements	166,751,187
Furniture, Fixtures and Equipment	5,895,465
Vehicles	502,881
Construction in Progress	<u>42,737,083</u>
Total Capital Assets	<u><u>\$244,651,482</u></u>

Investment in Capital Assets from:

Acquisitions Prior to 1999	\$153,939,374
General Fund	9,353,184
Special Revenue Funds	820,084
Special Revenue Funds - Food Service	1,041,894
Capital Project Funds	70,856,414
Donations	<u>8,640,532</u>
Total Investment in Capital Assets	<u><u>\$244,651,482</u></u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2004***

Function and Activity	Land	Land Improvements	Buildings and Improvements
Instructional Services			
Regular	\$13,928,305	\$6,535,300	\$127,375,142
Special	0	0	0
Vocational	75,100	0	13,153,592
Support Services:			
Pupils	0	26,374	0
Instructional Staff	0	0	0
Administration	0	0	0
Fiscal Services	0	0	0
Operation and Maintenance of Plant	0	0	2,800,651
Pupil Transportation	0	0	0
Central	561,000	123,000	6,854,000
Extracurricular Activities	0	172,800	325,200
Other Noninstructional Services	0	0	224,550
Facility Services	0	0	9,944,000
Site Acquisition	4,656,909	0	0
Architecture and Engineering	0	2,652,564	396,880
Building Acquisition and Construction	0	0	4,008,342
Building Improvement	0	33,514	1,668,830
	\$19,221,314	\$9,543,552	\$166,751,187

CINCINNATI CITY SCHOOL DISTRICT, OHIO

<u>Furniture, Fixtures and Equipment</u>	<u>Vehicles</u>	<u>Construction in Progress</u>	<u>Total</u>
\$1,696,041	\$29,353	\$0	\$149,564,141
204,721	0	0	204,721
156,802	0	0	13,385,494
1,262,731	0	0	1,289,105
411,971	0	0	411,971
70,000	0	0	70,000
298,473	0	0	298,473
78,112	25,972	0	2,904,735
55,348	0	0	55,348
1,204,787	0	0	8,742,787
0	0	0	498,000
456,479	374,142	0	1,055,171
0	73,414	1,039,943	11,057,357
0	0	1,154,394	5,811,303
0	0	13,442,187	16,491,631
0	0	26,511,691	30,520,033
0	0	588,868	2,291,212
<u>\$5,895,465</u>	<u>\$502,881</u>	<u>\$42,737,083</u>	<u>\$244,651,482</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
June 30, 2004***

Function and Activity	June 30, 2003	Additions	Deletions	June 30, 2004
Instructional Services				
Regular	\$148,315,514	\$2,926,927	(\$1,678,300)	\$149,564,141
Special	204,721	0	0	204,721
Vocational	13,385,494	0	0	13,385,494
Support Services:				
Pupils	1,289,105	0	0	1,289,105
Instructional Staff	411,971	0	0	411,971
Administration	70,000	0	0	70,000
Fiscal Services	298,473	0	0	298,473
Operation and Maintenance of Plant	104,086	2,800,649	0	2,904,735
Pupil Transportation	55,348	0	0	55,348
Central	8,742,787	0	0	8,742,787
Extracurricular Activities	498,000	0	0	498,000
Other Noninstructional Services	1,055,171	0	0	1,055,171
Facility Services	10,818,097	239,260	0	11,057,357
Site Acquisition	4,656,909	1,154,394	0	5,811,303
Architecture and Engineering	12,211,846	4,279,785	0	16,491,631
Building Acquisition and Construction	14,949,836	15,570,197	0	30,520,033
Building Improvement	2,189,951	101,261	0	2,291,212
	<u>\$219,257,309</u>	<u>\$27,072,473</u>	<u>(\$1,678,300)</u>	<u>\$244,651,482</u>
Total Capital Assets				

STATISTICAL SECTION



STATISTICAL TABLES

***T**HE FOLLOWING UNAUDITED STATISTICAL TABLES REFLECT SOCIAL AND ECONOMIC DATA, FINANCIAL TRENDS AND FISCAL CAPACITY OF THE DISTRICT.*

CINCINNATI CITY SCHOOL DISTRICT, OHIO

GENERAL FUND EXPENDITURES BY FUNCTION LAST TEN FISCAL YEARS

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal	Fiscal
Current:										
Instruction:										
Regular	\$189,011,880	\$178,829,594	\$174,819,536	\$155,457,753	\$143,230,877	\$148,655,771	\$137,416,440	\$131,724,125	\$123,540,067	\$130,311,766
Special	52,723,964	48,561,036	42,957,408	36,544,388	37,340,503	39,307,268	36,115,483	35,011,372	30,726,869	25,053,531
Vocational	6,036,098	5,769,944	6,626,915	6,646,576	7,708,276	10,924,421	11,725,582	10,431,222	9,940,618	10,269,847
Adult	83,065	137,459	69,436	31,528	22,799	0	0	15,620	90	172
Support services:										
Pupils	13,860,861	11,890,575	12,848,272	11,588,753	11,089,310	8,727,623	8,346,978	7,769,775	6,850,461	9,461,355
Instructional staff	18,335,650	14,890,979	13,936,947	11,802,997	11,309,493	11,970,461	11,771,950	10,970,401	7,912,710	10,285,444
General administration	342,284	416,192	237,333	215,720	190,101	218,741	248,689	205,853	134,249	153,192
School administration	33,931,451	31,532,803	28,733,454	26,745,792	25,523,346	25,680,388	25,112,210	24,449,346	25,709,499	26,418,824
Fiscal	3,239,075	5,131,434	4,473,642	1,827,438	2,289,454	2,506,700	1,520,336	937,462	1,172,413	4,329,511
Business	1,124,900	827,748	328,517	408,122	862,675	927,132	1,043,511	1,007,520	865,691	1,170,400
Operation and maintenance	48,050,344	38,733,669	31,231,365	30,846,606	28,156,671	27,887,256	26,799,501	26,598,751	25,943,459	29,595,369
Pupil transportation	23,884,025	21,483,056	23,090,453	21,524,481	20,978,396	20,402,745	20,020,862	18,887,642	17,410,910	18,212,713
Central	19,173,590	15,476,386	15,741,867	15,132,672	14,018,255	12,520,701	11,622,041	9,948,646	7,951,815	12,221,725
Community services	5,534	8,982	0	0	0	0	0	0	888	(5)
Extracurricular activities	4,169,345	3,964,049	3,603,534	2,830,733	2,628,136	2,222,398	2,087,636	1,935,762	1,231,212	1,653,631
Capital outlay	2,295,656	7,209,617	7,904,893	2,193,401	1,225,452	1,155,947	1,310,267	518,504	887,525	1,857,585
Debt service	0	0	10,301,250	41,798,794	51,841,359	66,024,391	90,689,285	89,102,666	59,305,023	63,584
Miscellaneous	0	55,081	65,568	13,130	0	0	0	0	0	0
Total General Fund Expenditures	\$416,267,722	\$384,918,604	\$376,970,390	\$365,608,884	\$358,415,103	\$379,131,943	\$385,830,771	\$369,514,667	\$319,583,499	\$281,058,644

Source: Cincinnati City School District Financial Records.

Note: Table Prepared on a Cash Basis.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

GENERAL FUND REVENUES BY SOURCE LAST TEN FISCAL YEARS

	2004 Fiscal	2003 Fiscal	2002 Fiscal	2001 Fiscal	2000 Fiscal	1999 Fiscal	1998 Fiscal	1997 Fiscal	1996 Fiscal	1995 Fiscal
Taxes	\$232,049,270	\$229,010,615	\$235,752,597	\$220,285,246	\$192,273,000	\$210,030,000	\$199,543,000	\$197,676,300	\$142,916,800	\$176,247,411
Revenue in lieu of taxes	4,325,120	5,406,401	6,232,376	4,598,900	6,151,000	3,330,000	1,442,000	907,900	695,200	0
Tuition	1,036,196	770,859	712,502	542,380	269,000	491,000	413,000	408,800	319,400	499,587
Earnings on investments	4,264,843	5,653,148	5,016,534	9,432,203	5,189,000	4,773,000	4,979,000	4,738,800	3,571,100	3,159,943
Proceeds from Sale of Notes	0	0	0	20,550,000	0	0	0	0	0	0
Other local revenues	599,115	791,234	501,399	2,597,915	2,172,000	427,000	2,107,000	394,800	269,300	411,397
Intergovernmental - State	150,151,676	144,008,166	146,630,326	140,356,675	150,215,000	143,436,000	126,108,000	119,718,900	119,249,700	94,540,294
Intergovernmental - Federal	2,697,583	3,071,000	2,557,860	2,106,927	2,296,000	1,402,000	1,386,000	114,200	115,800	948,067
Total General Fund Revenue	\$395,123,803	\$388,711,423	\$397,403,594	\$400,470,246	\$358,565,000	\$363,889,000	\$335,978,000	\$323,959,700	\$267,137,300	\$275,806,699

Source: Cincinnati City School District Financial Records.

Note: Table Prepared on a Cash Basis.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN COLLECTION (CALENDAR) YEARS

Collection Year	Tax Levied (1)	Current Tax Collections (2)	Percent Collected	Delinquent Collection	Total Tax Collections	Percent Of Total Collections To Levy	Outstanding Delinquent Taxes (3)	Percent Of Outstanding Delinquent Taxes To Tax Levied
1994	\$195,428,304	\$189,178,238	96.80%	\$7,496,787	\$196,675,025	100.64%	\$17,101,054	8.75%
1995	220,851,290	212,517,810	96.23%	7,969,737	220,487,547	99.84%	18,872,311	8.55%
1996	222,898,313	215,373,561	96.62%	10,267,741	225,641,302	101.23%	20,251,870	9.09%
1997	220,331,692	213,303,649	96.81%	10,031,224	223,334,873	101.36%	19,494,363	8.85%
1998	221,284,361	212,143,157	95.87%	8,858,476	221,001,633	99.87%	18,217,452	8.23%
1999	224,300,463	215,308,075	95.99%	9,588,696	224,896,771	100.27%	20,182,069	9.00%
2000	228,954,774	206,749,808	90.38%	7,184,271	213,934,079	93.44%	14,926,159	6.43%
2001	228,487,571	203,989,525	89.28%	8,523,140	212,512,665	93.00%	6,249,888	2.74%
2002	236,176,178	208,901,271	88.45%	9,007,450	217,908,721	92.26%	7,137,874	3.02%
2003	269,841,204	232,064,137	86.00%	10,873,765	242,937,903	90.03%	9,655,381	3.58%

Source: Hamilton County Auditor. Information is maintained on a calendar year basis by the County.

- (1) Taxes levied and collected are presented on a cash basis.
- (2) State reimbursements of rollback and homestead exemptions are included.
- (3) Penalties and interest are included, since by Ohio law they become part of the tax obligation as assessment occurs.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**TANGIBLE PERSONAL PROPERTY TAX COLLECTIONS
LAST TEN FISCAL YEARS (Unaudited)**

Fiscal Year	Collections
1995	\$54,089,574
1996	37,242,045
1997	64,449,746
1998	63,388,834
1999	62,644,710
2000	61,246,323
2001	60,954,426
2002	65,825,827
2003	56,211,741
2004	57,944,756

Source: Hamilton County Auditor.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN COLLECTION (CALENDAR) YEARS (1)

Collection Year	Real Property		Tangible Personal Property		Public Utilities Personal		Total		Ratio (3)
	Assessed Value (1)	Estimated Actual Value (2)	Assessed Value (1)	Estimated Actual Value (2)	Assessed Value (1)	Estimated Actual Value (2)	Assessed Value	Estimated Actual Value	
1994	\$4,007,172,230	\$11,449,063,514	\$737,092,460	\$2,948,369,840	\$488,980,260	\$488,980,260	\$5,233,244,950	\$14,886,413,614	35.15%
1995	4,010,587,340	11,458,820,971	755,208,830	3,020,835,320	457,321,750	457,321,750	5,223,117,920	14,936,978,041	34.97%
1996	4,242,781,900	12,122,234,000	743,936,230	2,975,744,920	455,125,360	455,125,360	5,441,843,490	15,553,104,280	34.99%
1997	4,242,923,420	12,122,638,343	728,160,780	2,912,643,120	430,297,850	430,297,850	5,401,382,050	15,465,579,313	34.93%
1998	4,262,469,180	12,178,483,371	717,580,330	2,870,361,320	435,846,600	435,846,600	5,415,896,110	15,484,691,291	34.98%
1999	4,951,206,400	14,151,625,486	728,375,690	2,913,502,760	440,480,530	440,480,530	6,120,062,620	17,505,608,776	34.96%
2000	4,953,068,920	14,151,625,486	737,473,360	2,949,893,440	416,613,010	416,613,010	6,107,155,290	17,518,131,936	34.86%
2001	4,964,323,920	14,183,782,629	690,728,880	2,762,915,520	333,228,120	333,228,120	5,988,280,920	17,279,926,269	34.65%
2002	5,514,801,900	15,756,576,857	578,133,500	2,312,534,000	351,841,850	351,841,850	6,444,777,250	18,420,952,707	34.99%
2003	5,578,561,520	15,938,747,200	577,133,500	2,308,534,000	354,260,790	354,260,790	6,509,955,810	18,601,541,990	35.00%

Source: (1) Hamilton County Auditor. Data available thru year 2003 only.

(2) Real Property Assessed Value is 35% of Estimated Actual Value.
Tangible Personal Property Value is 25% of Estimated Actual Value.
Public Utilities Personal Value is equal to the Estimated Actual Value.

(3) Ratio represents assessed value / total estimated value.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUATION)
LAST TEN COLLECTION (CALENDAR) YEARS**

Tax Year	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Collection Year	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Cincinnati Public School District	60.75	56.25	57.15	56.93	51.94	53.13	53.13	53.19	53.52	48.58
City of Cheviot	12.24	12.42	12.56	12.62	12.66	12.82	12.84	13.00	13.02	13.38
City of Cincinnati	10.36	10.63	10.76	10.76	10.90	11.46	11.46	11.46	11.46	11.46
City of Indian Hill	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96	0.96
City of Madeira	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
City of Norwood	11.40	11.40	11.40	11.40	11.40	11.40	11.40	11.40	11.40	11.40
City of Silverton	8.15	8.15	8.15	8.15	8.15	8.15	11.15	11.15	11.15	11.15
City of Wyoming	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Village of Amberly	7.00	7.00	7.00	7.00	6.00	6.00	4.00	4.00	4.00	4.00
Village of Fairfax	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76
City of Golf Manor	24.52	24.52	24.52	25.32	19.42	19.42	19.42	19.60	19.60	19.60
Anderson Township	14.15	14.15	14.15	14.15	12.18	12.18	11.18	11.18	11.18	11.18
Columbia Township	21.26	17.96	17.96	17.96	17.96	17.96	17.96	17.96	17.96	17.96
Delhi Township	20.46	20.46	20.46	20.46	20.46	20.46	20.46	20.46	20.46	20.46
Green Township	8.31	8.31	8.31	8.81	8.81	8.81	8.81	8.81	8.81	8.81
Springfield Township	20.30	20.30	20.30	14.30	14.30	14.30	14.30	15.67	15.67	15.67
Sycamore Township	7.75	7.75	7.75	7.75	7.75	7.75	7.60	7.60	7.60	7.60
Fairfax - Madison Pl.	2.76	2.50	2.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Village of Mairmont, Ohio	14.37	12.44	12.44	12.44	12.44	12.44	12.44	8.94	8.94	8.94

Source: Hamilton County Auditor.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

COMPUTATION OF LEGAL DEBT MARGIN JUNE 30, 2004

1. Assessed Valuation of District	\$6,509,955,810
2. Total Principal Amount of Outstanding Securities	750,995,000
3. Exempt securities included in item 2:	
(a) Notes with maturities over one year and issued in anticipation of the collection of the proceeds from a specifically identified voter- approved tax levy under Sections 5705.194 or 5705.21, ORC:	134,700,000
(b) Other exempt securities: 133.06(D), ORC:	361,835,000
	<u>496,535,000</u>
4. (a) Total securities subject to 9% limitation (item 2 minus item 3):	<u>254,460,000</u>
(b) Plus principal amount of securities subject to 133.06(H), ORC:	0
(c) Less bond retirement fund applicable to principal of such securities:	<u>0</u>
(d) Net amount subject to 9% limitation:	<u>254,460,000</u>
(e) Legal Debt Limitation	<u>585,896,023</u>
(f) Overall Legal Debt Margin	<u>\$331,436,023</u>
5. Securities included in item 4(a), but without authority of an election:	32,400,000
6. (a) Securities included in item 5 issued for energy conservation measures under Section 3313.372, ORC after August 19, 1994 and Section 133.06(G), ORC:	32,400,000
(b) Bond retirement fund applicable to principal of such securities:	<u>0</u>
(c) Net amount subject to 9/10 of 1% limitation of Section 133.06(G) ORC:	<u>32,400,000</u>
(d) Legal Debt Limitation	<u>58,589,602</u>
(e) Unvoted Energy Conservation Notes Legal Debt Margin	<u>\$26,189,602</u>
7. (a) Unvoted securities issued for other purposes (item 5 minus item 6a)	0
(b) Bond retirement fund applicable to principal of such securities:	<u>0</u>
(c) Net amount subject to 1/10 of 1% limitation of Section 133.06(A), ORC:	<u>0</u>
(d) Legal Debt Limitation	<u>6,509,956</u>
(e) Unvoted Legal Debt Margin	<u>\$6,509,956</u>

CINCINNATI CITY SCHOOL DISTRICT, OHIO

RATIO OF NET GENERAL BONDED DEBTS TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN COLLECTION (CALENDAR) YEARS

Collection Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less Debt Service Fund (3)	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Value (%)	Estimated Net Bonded Debt Per Capita
1995	364,040	\$5,444,045,880	\$15,125,000	\$8,569,204	\$6,555,796	0.12%	18
1996	364,040	5,441,985,010	13,115,000	8,528,683	4,586,317	0.08%	13
1997	364,040	5,420,927,810	11,060,000	8,601,443	2,458,557	0.05%	7
1998	364,040	6,104,633,330	8,955,000	4,368,683	4,586,317	0.08%	13
1999	364,040	6,121,925,140	7,465,000	3,453,867	4,011,133	0.07%	11
2000	364,040	6,047,155,290	5,915,000	3,642,469	2,272,531	0.04%	6
2001	331,285	5,988,280,920	128,250,000	13,408,361	114,841,639	1.92%	347
2002	331,285	6,035,025,400	122,600,000	4,915,945	117,684,055	1.95%	355
2003	331,285	6,444,777,250	239,805,000	1,741,965	238,063,035	3.70%	719
2004	331,285	6,509,955,810	713,595,000	5,815,827	707,779,173	10.87%	2,136

Source: (1) Census Data - Internet (<http://demographics.com/db.uscity98.htm>)

(2) Hamilton County Auditor.

(3) Cincinnati City School District Records.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES
LAST TEN FISCAL YEARS**

Fiscal Year	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service to General Expenditures %
1995	\$2,465,000	\$1,040,889	\$3,505,889	\$281,058,644	1.25%
1996	2,010,000	913,658	2,923,658	319,583,499	0.91%
1997	2,055,000	795,069	2,850,069	369,514,667	0.77%
1998	2,105,000	672,536	2,777,536	385,830,771	0.72%
1999	1,490,000	562,938	2,052,938	379,131,943	0.54%
2000	1,550,000	467,655	2,017,655	358,415,103	0.56%
2001	1,610,000	477,910	2,087,910	365,608,884	0.57%
2002	5,650,000	265,861	6,252,193	376,970,390	1.66%
2003	7,795,000	8,954,478	16,749,478	384,918,604	4.35%
2004	6,210,000	11,608,617	17,818,617	416,267,722	4.28%

Source: Cincinnati City School District Records.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2004**

Governmental Unit	Gross General Obligation	Percent Applicable to District	Amount Applicable to District
Direct:			
Cincinnati Public Schools	\$750,995,000	100.00%	\$750,995,000
Overlapping:			
Hamilton County	115,475,000	34.72%	40,092,920
City of Cheviot	240,000	100.00%	240,000
City of Cincinnati	375,537,000	99.95%	375,349,232
City of Madeira	1,755,152	0.33%	5,792
City of Norwood	4,785,823	1.58%	75,616
City of Silverton	346,577	93.16%	322,871
City of Wyoming	5,893,214	0.28%	16,501
Village of Amberly, Ohio	2,639,992	100.00%	2,639,992
City of Golf Manor	0	100.00%	0
Anderson Township	0	0.60%	0
Columbia	410,000	56.90%	233,290
Green Township	666,669	12.97%	86,467
Delhi	7,914,369	2.22%	175,699
Anderson	2,766,833	0.60%	16,601
Springfield Township	12,111,832	5.35%	647,983
Total Overlapping	530,542,461		419,902,964
Total Direct and Overlapping	\$1,281,537,461		\$1,170,897,964

Source: Cincinnati City School District Records.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

DEMOGRAPHIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Employment Level (2)	Unemployment Rate (3)	School Enrollment (4)
1995	364,040	163,061	4.5%	50,314
1996	364,040	166,001	4.6%	47,382
1997	364,040	165,737	3.8%	45,917
1998	364,040	164,435	3.8%	45,798
1999	364,040	164,037	3.8%	44,918
2000	364,040	168,176	3.8%	44,345
2001	331,285	168,144	3.8%	42,680
2002	331,285	167,933	4.6%	41,694
2003	331,285	165,200	8.1%	40,599
2004	331,285	165,400	8.1%	38,786

Sources: (1) Census Data (<http://demographics.com/db.uscity98.htm>)
(2) Bureau of Labor Statistics - Internet (<http://www.economagic.com>)
(3) Bureau of Labor Statistics - Internet (<http://www.economagic.com>)
(4) Cincinnati City School District Records.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

CONSTRUCTION, BANK DEPOSITS AND PROPERTY VALUES LAST TEN CALENDAR YEARS

Year	Construction (1)	Bank Deposits (000's) (2)	Real Property Values (3)
1994	\$201,766,948	\$17,301,493	\$4,010,587,340
1995	258,999,335	19,276,655	4,242,781,900
1996	231,917,215	21,598,936	4,242,923,420
1997	266,664,102	18,070,437	4,262,469,180
1998	448,483,877	23,939,085	4,951,206,400
1999	730,928,855	41,302,569	4,953,068,920
2000	896,646,074	46,547,503	4,893,068,920
2001	459,043,015	55,046,464	4,964,323,920
2002	579,062,094	59,210,000	5,514,801,900
2003	333,396,140	61,886,561	5,578,561,520

Sources: (1) Cincinnati Department of Building Inspections.

(2) Total deposits of all banks headquartered in Hamilton County, Ohio. Data was not available for the District only. Department of Commerce, Banks Division (<http://www.ffiec.gov.nic>).

(3) Hamilton County Auditor.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**TOP TEN TAXPAYERS
ASSESSED VALUE
AS OF JUNE 30, 2004**

Name of Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Cinergy	Public Utility	\$252,882,880	3.88%
The Procter and Gamble Company	Consumer Goods Manufacturing	87,089,350	1.34%
Cincinnati Bell Telephone	Public Utility	85,993,170	1.32%
City of Cincinnati	City Government	65,741,700	1.01%
Emery Realty	Real Estate Holdings	31,255,000	0.48%
Ohio Teachers Retirement	Real Estate Holdings	27,125,000	0.42%
Prudential Insurance	Real Estate Holdings	26,337,500	0.40%
Kroger	Retail Grocery Stores	23,628,610	0.36%
Columbia Development	Real Estate Holdings	22,802,930	0.35%
Fifth Third Center	Real Estate Holdings	20,125,000	0.31%
All Others		<u>5,866,974,670</u>	<u>90.13%</u>
Total		\$6,509,955,810	100.00%

Source: Cincinnati City School District Records

CINCINNATI CITY SCHOOL DISTRICT, OHIO

TEN LARGEST EMPLOYERS AS OF JUNE 30, 2004

Employer	Nature of Business	Number of Employees
Fifth Third Bank	Financial Services	19,830
Kroger Co.	Grocery Store	15,000
The Procter & Gamble Company	Manufacturer	14,700
University of Cincinnati	Education	14,281
Health Alliance of Greater Cincinnati	Healthcare	13,167
Archdiocese of Cincinnati	Religious Organization	8,000
Cinergy Corp.	Utilities	7,823
Frisch's Restaurants	Restaurants	7,802
City of Cincinnati	Government	7,553
TriHealth Inc.	Healthcare	7,249

Source: Greater Cincinnati Chamber of Commerce/Business Courier Book of Lists April 4, 2004

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**NUMBER OF TEACHERS, EDUCATION AND YEARS OF EXPERIENCE
AS OF JUNE 30, 2004**

Education	Number of Teachers	Percentage of Total
Bachelor's Degree	413	14.10%
Bachelor's Degree with 150 Semester Hours	723	24.68%
Master's Degree	1,236	42.20%
Master's Degree with 30 Semester Hours	506	17.28%
Doctoral Degree	51	1.74%
Total Number of Teachers	2,929	100.00%

Experience	Number of Teachers	Percentage of Total
0 - 5 years	521	17.79%
6 - 10 years	369	12.60%
10 + years	2,039	69.61%
Total Number of Teachers	2,929	100.00%

Source: Human Resource Department.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

TRANSPORTATION STATISTICS AS OF JUNE 30, 2004

Number of School Buses in Fleet	363
Number of Bus Drivers	419
Number of Miles Driven Per Day	26,562
Number of Miles Driven Annually	4,728,036
Average Annual Miles Per Bus	13,025
Number of Students Transported Per Day	
Public School Students	20,451
Non-Public School Students	5,363
Community School Students	5,085
Handicapped Students	2,748
Preschool Disability Students	<u>85</u>
Total	33,732
Number of Students Transported Per Year	6,004,296
Percent of Student Enrollment Transported	
Public	69%
Community School	15%
Non-Public	16%

Source: Cincinnati City School District T-1 of June, 2004

Note: The District does not own any school buses. All pupil transportation is contracted.

CINCINNATI CITY SCHOOL DISTRICT, OHIO

**SCHEDULE OF INSURANCE POLICIES
AS OF JUNE 30, 2004**

Company	Type of Insurance	Policy Number	Policy Period	Liability Limits	Deductible	Annual Premium
Hartford Insurance	Property (Fire/Catastrophe)	GX0001856	12/1/03 - 12/1/04	\$25,000,000	\$250,000	\$290,000
Allianz Global Risks	Property (Fire/Catastrophe)	CLP3003984	12/1/03 - 12/1/04	75,000,000	250,000	100,000
Acordia	School Board Liability Broker Fee	LIABFEE03	12/15/03 - 12/15/04			5,000
Acordia	Property Insurance Fee	PROPFEE03	06/30/04 - 06/30/05			20,000
Gensis Insurance	Commercial Umbrella Liability	BIND369454	12/15/03 - 12/15/04	3,000,000	NONE	173,841
Empire Indemnity Insurance Co.	Commercial Umbrella Liability	BIND369460	12/15/03 - 12/15/04	10,000,000	NONE	132,500
Hartford Insurance	Commercial Umbrella Liability	BIND369525	12/15/03 - 12/15/04	3,000,000	NONE	125,445
Federal Insurance Company	Boiler and Machinery	76420047	12/1/03 - 12/1/04	50,000,000	5,000	30,115
Travelers Insurance Company	Equipment Floater Fine Arts	BIND369457	12/1/03 - 12/1/04	1,324,300	2,500	3,723

SOURCE: Cincinnati City School District Insurance Listing Held by Treasurer



**Auditor of State
Betty Montgomery**

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**CINCINNATI CITY SCHOOL DISTRICT
HAMILTON COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 24, 2005**