December 22, 2011

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, 2011. This report was prepared by the Office of the Treasurer/CFO and includes the report of the independent auditor, Caudill & Associates. The independent auditors’ report concludes that the District’s financial statements for the year ended June 30, 2011 are prepared in conformity with generally accepted accounting principles. The independent auditor’s report is included as the first component of the financial section of this report.

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 and 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 District uses Oracle E-Business Suite version 11.5.10.2 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 version 11.5.10 release in June 2005.

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 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 Auditors’ 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 1996 and the U.S. Office of Management and Budget’s Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (June, 2003 Revision). Information related to this single audit, including a schedule of federal financial assistance, the independent auditors’ 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.

Profile of the District

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 59 schools: 40 elementary schools and 7 high schools and 9 combined elementary and high school. 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 eighth year of a $985 million, 10-year facilities improvement program.

The District's average daily student enrollment (K-12) for the 2010-11 school year was 32,009 students. The District served 66% of 49,062 of school aged children residing within the boundaries. The majority of enrolled students were members of ethnic minorities -- in the 2010-11 school year, 66.9 percent of students were African-American, 1.0 percent were Asian, 24.2 percent were Caucasian white, 0.1 percent were Native American, 5.3 percent were other/multiracial, and 2.6 percent were Hispanic.

A significant majority of students in the District – 73.55 percent were on free or reduced lunch plans during the 2010-11 school year. Eighty percent of the District's elementary schools served student populations that were 75 percent or higher in poverty. Twenty-one percent of the students attending were served with Special Education needs.

Transportation was provided daily for 15,918 public students, 3,365 for charter students and 4,196 for non-public students. Buses traveled an average of 31,079 miles each day. A self-supporting Food Services Department served an average of 19,857 lunches and 12,589 breakfasts per day for the 2010-11 school year.
The Cincinnati Board of Education named Mary A. Ronan as the Superintendent effective April 16, 2010 for a term expiring July 31, 2012. Mrs. Ronan began her more than 30-year career with Cincinnati Public Schools as a math and science teacher at the former Merry Middle School – a building that now houses her office as Superintendent in the district’s Education Center.

A native Cincinnatian, her service to CPS’ schoolchildren features a diverse background in teaching and administration in neighborhood and magnet school settings at both elementary and high schools. As principal of Kilgour Elementary School, she was honored by the U.S. Department of Education with the designation of Kilgour in 2001 as a National Blue Ribbon School.
Mrs. Ronan’s experiences in district administration include appointments as assistant superintendent and director of schools, roles in which she worked with principals to enhance leadership skills. At both the school and central administration levels, she has earned a reputation for building strong, supportive and open relationships with her staff as well as parent and community stakeholders. In 2005, she received the Excellence in Educational Leadership Award from The University Council for Educational Administration.

In her current position, Mrs. Ronan has been widely credited for leading Cincinnati Public Schools to become the highest rated urban school district in Ohio and the first to earn the Effective rating, an accomplishment that occurred two consecutive years (August 2010 and August 2011). More than 80 percent of the district’s schools are rated as Excellent, Effective or in Continuous Improvement in the state’s rating system. According to an analysis by Battelle for Kids, CPS ranked in the top 5 percent of districts statewide in the amount of learning growth experienced by students during the 2010-11 school year. Mrs. Ronan’s priorities have been to enhance collaboration and transparency while accelerating academic achievement. She has introduced new strategies designed to increase student performance, including the Elementary Initiative: Ready for High School, which provides intensive support for the district’s 15 lowest performing elementary schools; their successful academic turnaround contributed to the district’s overall progress. At the high school level, Mrs. Ronan has focused on increasing academic rigor of course offerings and expanding college access.

She holds bachelor’s degrees in biology, education and philosophy; and a master’s degree in business administration. In addition, she serves on numerous boards of civic, cultural, educational and social service organizations. Mrs. Ronan considers as a great privilege the opportunity to lead the district in preparing the next generation of Cincinnati’s young people with the skills required by a fast-paced, technologically demanding global economy. With her current leadership in developing new Science, Technology, Engineering, and Mathematics (STEM) elementary and high schools and partnering in a record $20 million grant from the GE Foundation to improve math and science education in the district, her career has come full circle from her initial days as a math and science junior high school teacher.

The Treasurer/CFO is appointed by the Board for a term not longer than five years 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, issuing all payments, maintaining custody of all District funds and assets and investing idle funds as specified by Ohio Law.

During the 2010-2011 fiscal year the Treasurer/CFO of the District was Mr. Jonathan L. Boyd. The Board appointed Jonathan L. Boyd as Treasurer/CFO for a three-year term commencing May 1, 2007 and ending July 31, 2010. In October 2010 the Board extended his contract through July 31, 2012. Mr. Boyd holds a Masters Degree in Administration from Central Michigan University and has served as a Treasurer in other Ohio Public Schools for the past 25 years. In 1998 Mr. Boyd was recognized by the Foundation of School Business Management as the Treasurer of Year for his accomplishments in serving Ohio Public Schools. Subsequent to June 30, 2011, Mr. Boyd retired and, after a national search, the position was filled by Mrs. Diana C. Whitt. Mrs. Whitt has extensive experience that includes being the District Treasurer and Chief Financial Officer at Trotwood Madison City Schools near Dayton, Ohio, since September 2002. Mrs. Whitt also has corporate experience in financial management, consulting and sales. Mrs. Whitt received her B.A. Degree from Notre Dame College in South Euclid, Ohio and her Masters Degree from the University of Phoenix.
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 funded 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.

Metropolitan Cincinnati was expanded to include 15 counties: Hamilton, Warren, Clermont, Butler and Brown counties in Ohio; Dearborn, Franklin and Ohio counties in Indiana; and Kenton, Boone, Bracken, Campbell, Grant, Gallatin and Pendleton counties in Kentucky. There are approximately 11.9 million net square feet of office space in the downtown Cincinnati area and 25.1 million net square feet in suburban office buildings and parks. There are approximately 273 million square feet of industrial space. The retail market includes more than 50 million square feet regionally (3.8 million square feet downtown).

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. Total wage and salary employment in Hamilton County was estimated at 478,500 in 2010 by the U.S. Bureau of Labor Statistics. The U.S. Bureau of Labor Statistics estimated total employment in Hamilton County at 396,938 at June 30, 2011. This 90.8% employment rate is slightly below the State of Ohio employment rate of 91.2% at June 30, 2011 and trails the national rate of 90.8% at this date.

More than half of the nation’s population, manufacturers, and purchasing power are located within 600 miles of Greater Cincinnati. The corporate headquarters of numerous firms are located in the Metropolitan Area, including eleven 2004 Fortune 500 corporations: the Kroger Company, Procter and Gamble, Federated Department Stores, Ashland Inc., Fifth Third Bancorp, Cinergy, AK Steel, Western & Southern Financial Group, Omincare, Inc, American Financial Group and Cincinnati Financial Corporation. The national headquarters for Sara Lee Foods and the North American headquarters for Lenscrafters are also located in the area.
The Metropolitan Area is a growing center for international business, with approximately 1,000 firms engaged in international trade. Metropolitan Area companies annually generate sales of more than $6.7 billion to customers outside the U.S. Major export products include jet engines, plastics, machinery, computers and software technology and consumer goods. Nearly 300 Greater Cincinnati firms are owned by foreign firms from Japan, England, Western Europe and Canada, among other countries. 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.

Long-term Financial Planning

During FY 2007 the District fully implemented the Fiscal Responsibility Plan. The District continues to identify and execute further opportunities to reduce costs and right-size staffing levels.

The District continues to see the results of its long-term financial planning. The District met or exceeded its budget goal for the sixth straight year. We were again able to meet this goal because of our continuing effort to right-size the District, aggressively monitoring and evaluating spending and the District is making aggressive efforts to attract and retain students.

Facilities Master Plan (FMP) Surges Forward

The District’s ten-year, $985 million Facilities Master Plan (FMP) officially launched with the passage of a $480 million bond issue in May 2003. During the period from January 2005 thru June 2011, the District has either renovated or constructed a total of 36 schools. By the end of 2011, one more school will be completed to make a total of 37. By spring 2012 all of the remaining 13 additional schools will be in construction to complete the Facilities Master Plan. The District’s new schools are distinctive, eye-catching buildings, with technology-ready classrooms and energy efficient features. The buildings provide an abundance of natural light and include outdoor educational areas. As state-or-the-art, 21st century schoolhouses, these buildings quickly will become local landmarks and community anchors. The District’s FMP is now fully funded.

The District’s 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), Minority Business Enterprises (MBE) and Women Business Enterprises (WBE). The District’s expanded Supplier Diversity Program is working to cultivate new relationships with a broader base of businesses. Beginning February 2010 a new initiative increased MBE participation to twenty-two percent (22%) for the last 13 projects bid. We are slightly under the Board’s goal of 25% MBE participation. Our participation levels exceed the performance of other public capital projects in the area.
Awards and Acknowledgments

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, 2010. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. The June 30, 2010 CAFR was the eleventh consecutive CAFR prepared by the District to receive this prestigious award.

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. 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 contracted the District Audit for fiscal year ended June 30, 2011 to Caudill & Associates, an independent certified public accounting firm. 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 Mrs. Teresa A. Johnson, CPA, Assistant Treasurer/Controller 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,

Diana C. Whitt
Treasurer/CFO
## Members of the Board of Education:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Term Expires</th>
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<tbody>
<tr>
<td>Eve Bolton</td>
<td>President</td>
<td>December 31, 2011</td>
</tr>
<tr>
<td>Vanessa White</td>
<td>Vice President</td>
<td>December 31, 2013</td>
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<tr>
<td>Melanie Bates</td>
<td>Member</td>
<td>December 31, 2013</td>
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<tr>
<td>Catherine D. Ingram</td>
<td>Member</td>
<td>December 31, 2013</td>
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<td>A. Chris Nelms</td>
<td>Member</td>
<td>December 31, 2011</td>
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<tr>
<td>Sean T. Parker</td>
<td>Member</td>
<td>December 31, 2011</td>
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<td>Eileen Cooper Reed</td>
<td>Member</td>
<td>December 31, 2013</td>
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## District Administration:

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<thead>
<tr>
<th>Name</th>
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<tbody>
<tr>
<td>Mary Ronan</td>
<td>Superintendent</td>
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<tr>
<td>Jonathan L. Boyd</td>
<td>Treasurer/CFO</td>
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<tr>
<td>C. Laura Mitchell</td>
<td>Deputy Superintendent</td>
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<tr>
<td>William M. Myles</td>
<td>Assistant Superintendent</td>
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<tr>
<td>Thomas G. Rothwell</td>
<td>Assistant Superintendent</td>
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<tr>
<td>Cynthia L. Dillon</td>
<td>General Counsel</td>
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<tr>
<td>Terry Elfers</td>
<td>Chief Operations Officer</td>
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<tr>
<td>Jennifer M. Wagner</td>
<td>Chief Information Officer</td>
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<tr>
<td>Janet Walsh</td>
<td>Director of Public Affairs</td>
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<tr>
<td>Teresa A. Johnson, CPA</td>
<td>Assistant Treasurer/Controller</td>
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<tr>
<td>Patricia Neal-Miller</td>
<td>Director of Human Resources</td>
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<tr>
<td>Michael Alao, CFE, CIA, CPA</td>
<td>Internal Auditor</td>
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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, 2010

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.

President

Executive Director