

**XENIA COMMUNITY SCHOOL DISTRICT**

**Financial Statements**

**June 30, 2002**

**with**

**Independent Auditors' Report**





**Auditor of State  
Betty Montgomery**

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Board of Education  
Xenia Community School District  
578 E. Market Street  
Xenia, Ohio 45385

We have reviewed the Independent Auditor's Report of the Xenia Community School District, Greene County, prepared by Clark, Schaefer Hackett & Co., for the audit period July 1, 2001 to June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Xenia Community School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

February 7, 2003

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## XENIA COMMUNITY SCHOOL DISTRICT

### Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Combined Balance Sheet, All Fund Types and Account Groups As of June 30, 2002	3-4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Similar Trust Fund For the Year Ended June 30, 2002	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (Budget Basis), All Governmental Fund Types For the Year Ended June 30, 2002	6-7
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance - All Proprietary and Similar Trust Funds, - For the Year Ended June 30, 2002	8
Combined Statement of Revenues, Expenses and Changes in Fund Equity Budget and Actual (Budget Basis), All Proprietary Fund Types and Similar Trust Funds For the Year Ended June 30, 2002	9-10
Combined Statement of Changes in Cash Flows All Proprietary and Similar Trust Funds - For the Year Ended June 30, 2002	11
Notes to the General Purpose Financial Statements	12-35
Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2002	36
Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2002	37
Independent Auditor's Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	38-39
Independent Auditor's Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance In Accordance With OMB Circular A-133	40-41
Schedule of Findings	42-43
Schedule of Prior Year Audit Findings	44

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**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

Independent Auditors' Report

Board of Education  
Xenia Community School District  
578 E. Market Street  
Xenia, Ohio 45385

We have audited the accompanying general-purpose financial statements of the Xenia Community School District (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 opinion.

In our opinion, the general-purpose financial statements referred to above, present fairly, in all material respects, the financial position of the Xenia Community School District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
January 9, 2003



**XENIA COMMUNITY SCHOOL DISTRICT**  
**COMBINED BALANCE SHEET**  
 All Fund Types and Account Groups  
 June 30, 2002

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
Equity in pooled cash and cash equivalents	\$ 3,977,233	\$ 1,366,408	\$ 403,824	\$ 360,211	\$ 167,309	\$ -	\$ -	\$ -	\$ 6,274,985	
Restricted cash and cash equivalents	573,353	-	-	-	-	-	-	-	573,353	
Cash in Segregated Accounts - Payroll Receivables:	-	-	-	-	83	-	-	-	83	
Taxes	10,330,091	3,075,960	370,515	-	-	-	-	-	13,776,566	
Accounts	79,011	-	-	8,012	-	-	-	-	87,023	
Intergovernmental	633	78,780	25	70,544	-	-	-	-	149,982	
Interfund receivable	3,231	-	-	395	-	-	-	-	3,626	
Due from other funds	83	-	-	-	-	-	-	-	83	
Prepaid items	97,111	-	-	1,699	-	-	-	-	98,810	
Inventory held for resale	-	-	-	25,127	-	-	-	-	25,127	
Materials and supplies inventory	-	-	-	2,051	-	-	-	-	2,051	
Fixed assets (Net, where applicable, of accumulated depreciation)	-	-	-	132,731	-	34,363,299	-	-	34,496,030	
Amount to be provided from general government resources	-	-	-	-	-	-	4,080,059	-	4,080,059	
<b>Total Assets</b>	<b>\$ 15,060,746</b>	<b>\$ 4,521,148</b>	<b>\$ 774,364</b>	<b>\$ 600,770</b>	<b>\$ 167,392</b>	<b>\$ 34,363,299</b>	<b>\$ 4,080,059</b>	<b>\$ 4,080,059</b>	<b>\$ 59,567,778</b>	

See accompanying notes to the general purpose financial statements

**XENIA COMMUNITY SCHOOL DISTRICT**  
**COMBINED BALANCE SHEET**  
 All Fund Types and Account Groups - continued  
 June 30, 2002

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Total
	General	Special Revenue	Capital Projects	Enterprise	Trust and Agency	General	Long-Term Obligations	General	Fixed Assets	Long-Term Obligations	
<b>LIABILITIES</b>											
Accounts payable	\$ 300,771	\$ 100,996	\$ 83,584	\$ 6,676	\$ 7,429	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 499,456
Accrued wages and benefits	2,412,458	204,440	-	66,545	-	-	-	-	-	-	2,683,443
Compensated absences payable	337,622	14,073	-	54,821	-	-	-	-	-	2,150,791	2,557,307
Pension obligation payable	517,664	35,450	-	71,218	-	-	-	-	-	287,643	911,975
Interfund payable	40	2,657	-	929	-	-	-	-	-	-	3,626
Due to other governments	86,675	17,878	-	2,758	-	-	-	-	-	-	107,311
Deferred revenue	8,483,325	2,818,541	339,908	18,697	-	-	-	-	-	-	11,660,471
Due to students	-	-	-	-	42,465	-	-	-	-	-	42,465
Due to other funds	-	-	-	-	83	-	-	-	-	-	83
Undistributed Monies	-	-	-	-	11,414	-	-	-	-	-	11,414
Capital lease payable	-	-	-	-	-	-	-	-	-	26,625	26,625
General obligation bonds payable	-	-	-	-	-	-	-	-	-	1,615,000	1,615,000
<b>Total Liabilities</b>	<b>12,138,555</b>	<b>3,194,035</b>	<b>423,492</b>	<b>221,644</b>	<b>61,391</b>	<b>-</b>	<b>-</b>	<b>4,080,059</b>	<b>-</b>	<b>-</b>	<b>20,119,176</b>
<b>FUND EQUITY</b>											
Investment in general fixed assets	-	-	-	-	-	-	-	-	34,363,299	-	34,363,299
Retained earnings:											
Unreserved: undesignated	-	-	-	-	-	-	-	-	-	-	-
Fund balance:											
Reserved for encumbrances	831,250	103,059	134,527	-	20	-	-	-	-	-	1,068,856
Reserved for prepaid items	97,111	-	-	-	-	-	-	-	-	-	97,111
Reserved for property taxes	814,069	284,924	30,607	-	-	-	-	-	-	-	1,129,600
Reserved for budget stabilization	573,353	-	-	-	-	-	-	-	-	-	573,353
Reserved for donations	-	-	-	-	41,588	-	-	-	-	-	41,588
Unreserved:											
Undesignated	606,408	939,130	185,738	-	64,393	-	-	-	-	-	1,795,669
<b>Total Fund Equity</b>	<b>2,922,191</b>	<b>1,327,113</b>	<b>350,872</b>	<b>379,126</b>	<b>106,001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,363,299</b>	<b>-</b>	<b>39,448,602</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 15,060,746</b>	<b>\$ 4,521,148</b>	<b>\$ 774,364</b>	<b>\$ 600,770</b>	<b>\$ 167,392</b>	<b>\$ 4,080,059</b>	<b>\$ 34,363,299</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 59,567,778</b>

See accompanying notes to the general purpose financial statements

**XENIA COMMUNITY SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
All Governmental Fund Types and Similar Trust Funds  
For the Year Ended June 30, 2002

	Governmental Fund Types			Fiduciary	Total
	General	Special Revenue	Capital Projects	Fund Type Expendable Trust	(Memorandum Only)
<b><u>REVENUES:</u></b>					
Taxes	\$ 12,038,166	\$ 3,082,511	\$ 386,175	\$ -	\$ 15,506,852
Intergovernmental	17,098,768	3,399,627	128,576	-	20,626,971
Interest	176,078	363	386	1,470	178,297
Tuition and fees	129,417	-	-	-	129,417
Extracurricular activities	-	361,927	-	-	361,927
Transportation fees	110,192	-	-	-	110,192
Classroom materials and fees	156,040	33	-	-	156,073
Donations	-	-	-	23,702	23,702
Miscellaneous	1,893,806	51,862	-	-	1,945,668
<b>Total Revenues</b>	<b>31,602,467</b>	<b>6,896,323</b>	<b>515,137</b>	<b>25,172</b>	<b>39,039,099</b>
<b><u>EXPENDITURES:</u></b>					
Instruction:					
Regular	11,941,934	4,093,675	213,212	-	16,248,821
Special	2,724,839	1,301,626	-	-	4,026,465
Vocational	509,427	-	-	-	509,427
Other	504,169	-	-	-	504,169
Support Services:					
Pupils	2,225,376	127,676	-	-	2,353,052
Instructional staff	1,764,402	592,117	10,051	-	2,366,570
Board of education	14,832	-	-	-	14,832
Administration	4,194,589	150,254	-	-	4,344,843
Fiscal	435,874	-	80,247	-	516,121
Business	516,611	-	-	-	516,611
Operation and maintenance of plant	3,308,733	4,801	175,693	-	3,489,227
Pupil transportation	2,281,857	2,514	-	-	2,284,371
Central	54,956	-	-	-	54,956
Operation of non-instructional services	-	246,328	-	25,959	272,287
Extracurricular activities	560,022	481,044	-	-	1,041,066
Capital outlay	36,747	-	17,087	-	53,834
Debt Service:					
Principal retirement	90,000	-	12,289	-	102,289
Interest and fiscal charges	95,480	-	1,344	-	96,824
<b>Total Expenditures</b>	<b>31,259,848</b>	<b>7,000,035</b>	<b>509,923</b>	<b>25,959</b>	<b>38,795,765</b>
Excess of Revenues Over/(Under) Expenditures	342,619	(103,712)	5,214	(787)	243,334
<b><u>Other Financing Sources/(Uses):</u></b>					
Proceeds from Sale of Fixed Assets	5,860	3,200	-	-	9,060
Transfer in	2,079	-	-	-	2,079
Transfer out	-	-	(2,079)	-	(2,079)
<b>Total Other Financing Sources/(Uses)</b>	<b>7,939</b>	<b>3,200</b>	<b>(2,079)</b>	<b>-</b>	<b>9,060</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	350,558	(100,512)	3,135	(787)	252,394
Fund Balance - July 1, 2001	2,571,633	1,427,625	347,737	65,200	4,412,195
<b>Fund Balance - June 30, 2002</b>	<b>\$ 2,922,191</b>	<b>\$ 1,327,113</b>	<b>\$ 350,872</b>	<b>\$ 64,413</b>	<b>\$ 4,664,589</b>

See accompanying notes to the general purpose financial statements

**XENIA COMMUNITY SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (Budgetary Basis)  
 All Governmental Fund Types and Similar Trust Fund  
 For the Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b>REVENUES:</b>						
Taxes	\$ 10,325,387	\$ 11,964,967	\$ 1,639,580	\$ 3,360,000	\$ 3,068,616	\$ (291,384)
Tuition and fees	169,941	139,091	(30,850)	-	-	-
Transportation fees	57,635	98,653	41,018	-	-	-
Interest	583,551	158,853	(424,698)	-	363	363
Extracurricular activities	-	-	-	235,000	361,922	126,922
Classroom materials and fees	183,844	152,272	(31,572)	-	33	33
Intergovernmental	19,969,810	17,105,421	(2,864,389)	5,061,692	3,389,821	(1,671,871)
Miscellaneous	103,541	1,893,668	1,790,127	72,500	51,862	(20,638)
<b>Total Revenues</b>	<b>31,393,709</b>	<b>31,512,925</b>	<b>119,216</b>	<b>8,729,192</b>	<b>6,872,617</b>	<b>(1,856,575)</b>
<b>EXPENDITURES:</b>						
Instruction:						
Regular	11,970,264	11,931,448	38,816	4,288,641	4,139,306	149,335
Special	2,732,971	2,719,709	13,262	1,658,000	1,273,009	384,991
Vocational Educating	595,066	520,424	74,642	-	-	-
Other	460,000	492,459	(32,459)	-	-	-
Support Services:						
Pupils	2,250,570	2,165,201	85,369	174,626	124,146	50,480
Instructional support	1,656,104	1,765,336	(109,232)	828,014	667,139	160,875
Board of education	22,690	14,865	7,825	-	-	-
Administration	4,147,293	4,213,064	(65,771)	160,482	147,645	12,837
Fiscal	438,630	438,408	222	-	-	-
Business	1,259,060	614,146	644,914	-	-	-
Operation and maintenance of plant	3,736,026	3,533,521	202,505	6,581	4,746	1,835
Pupil transportation	2,753,347	2,602,374	150,973	5,480	2,513	2,967
Central	85,000	55,667	29,333	-	-	-
Operation of noninstructional services	-	-	-	343,098	278,066	65,032
Extracurricular activities	528,321	560,519	(32,198)	624,151	522,202	101,949
Capital outlay	12,000	168,060	(156,060)	-	-	-
Debt Service:						
Principal payments	90,000	90,000	-	-	-	-
Interest and fiscal charges	95,480	95,480	-	-	-	-
<b>Total Expenditures</b>	<b>32,832,822</b>	<b>31,980,681</b>	<b>852,141</b>	<b>8,089,073</b>	<b>7,158,772</b>	<b>930,301</b>
Excess of Revenues Over/ (Under) Expenditures	(1,439,113)	(467,756)	971,357	640,119	(286,155)	(926,274)
<b>Other Financing Sources/(Uses):</b>						
Transfers in	-	2,079	2,079	-	-	-
Transfers out	-	-	-	-	-	-
Sale and loss of assets	14,391	5,860	(8,531)	-	3,200	3,200
Pass-through	(1,040,500)	-	1,040,500	-	-	-
Refund of prior year expenditures	-	15,174	15,174	-	118	118
<b>Total Other Financing Sources/(Uses)</b>	<b>(1,026,109)</b>	<b>23,113</b>	<b>1,049,222</b>	<b>-</b>	<b>3,318</b>	<b>3,318</b>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(2,465,222)	(444,643)	2,020,579	640,119	(282,837)	(922,956)
Fund Balance - July 1, 2001	3,393,796	3,393,796	-	1,290,821	1,290,821	-
Prior year encumbrances appropriated	597,023	597,023	-	159,493	159,493	-
<b>Fund Balance - June 30, 2002</b>	<b>\$ 1,525,597</b>	<b>\$ 3,546,176</b>	<b>\$ 2,020,579</b>	<b>\$ 2,090,433</b>	<b>\$ 1,167,477</b>	<b>\$ (922,956)</b>

See accompanying notes to the general purpose financial statements

Capital Projects Funds			Expendable Trust Fund			Total - (Memorandum Only)		
Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
\$ 411,775	\$ 385,388	\$ (26,387)	\$ -	\$ -	\$ -	\$ 14,097,162	\$ 15,418,971	\$ 1,321,809
-	-	-	-	-	-	169,941	139,091	(30,850)
-	-	-	-	-	-	57,635	98,653	41,018
200	386	186	2,000	1,471	(529)	585,751	161,073	(424,678)
-	-	-	-	-	-	235,000	361,922	126,922
-	-	-	-	-	-	183,844	152,305	(31,539)
400,166	128,551	(271,615)	-	-	-	25,431,668	20,623,793	(4,807,875)
-	-	-	148,000	23,702	(124,298)	324,041	1,969,232	1,645,191
812,141	514,325	(297,816)	150,000	25,173	(124,827)	41,085,042	38,925,040	(2,160,002)
226,233	230,549	(4,316)	-	-	-	16,485,138	16,301,303	183,835
-	-	-	-	-	-	4,390,971	3,992,718	398,253
-	-	-	-	-	-	595,066	520,424	74,642
-	-	-	-	-	-	460,000	492,459	(32,459)
-	-	-	-	-	-	2,425,196	2,289,347	135,849
19,746	22,408	(2,662)	-	-	-	2,503,864	2,454,883	48,981
-	-	-	-	-	-	22,690	14,865	7,825
128,589	80,247	48,342	-	-	-	4,436,364	4,440,956	(4,592)
-	-	-	20	20	-	438,650	438,428	222
-	-	-	-	-	-	1,259,060	614,146	644,914
313,172	239,812	73,360	-	-	-	4,055,779	3,778,079	277,700
22,050	64,536	(42,486)	-	-	-	2,780,877	2,669,423	111,454
921	-	921	-	-	-	85,921	55,667	30,254
-	-	-	31,684	31,159	525	374,782	309,225	65,557
-	-	-	-	-	-	1,152,472	1,082,721	69,751
155,763	26,538	129,225	-	-	-	167,763	194,598	(26,835)
-	-	-	-	-	-	90,000	90,000	-
-	-	-	-	-	-	95,480	95,480	-
866,474	664,090	202,384	31,704	31,179	525	41,820,073	39,834,722	1,985,351
(54,333)	(149,765)	(95,432)	118,296	(6,006)	(124,302)	(735,031)	(909,682)	(174,651)
-	-	-	-	-	-	-	2,079	2,079
(2,079)	(2,079)	-	-	-	-	(2,079)	(2,079)	-
-	-	-	-	-	-	14,391	9,060	(5,331)
-	-	-	-	-	-	(1,040,500)	-	1,040,500
-	4,375	4,375	-	-	-	-	19,667	19,667
(2,079)	2,296	4,375	-	-	-	(1,028,188)	28,727	1,056,915
(56,412)	(147,469)	(91,057)	118,296	(6,006)	(124,302)	(1,763,219)	(880,955)	882,264
201,604	201,604	-	69,532	69,532	-	4,955,753	4,955,753	-
132,479	132,479	-	865	865	-	889,860	889,860	-
\$ 277,671	\$ 186,614	\$ (91,057)	\$ 188,693	\$ 64,391	\$ (124,302)	\$ 4,082,394	\$ 4,964,658	\$ 882,264

**XENIA COMMUNITY SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCE**  
**All Proprietary Fund Types and Similar Trust Funds**  
**For the Year Ended June 30, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	<u>(Memorandum Only)</u>
<b><u>Operating revenues:</u></b>			
Food services	\$ 916,578	\$ -	\$ 916,578
Tuition and fees	16,660	-	16,660
Classroom materials and fees	48,759	-	48,759
Interest	-	899	899
Miscellaneous	1,627	360	1,987
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Total Operating Revenues	983,624	1,259	984,883
<b><u>Operating expenses:</u></b>			
Salaries	612,070	-	612,070
Fringe benefits	322,594	-	322,594
Purchased services	34,190	-	34,190
Materials and supplies	434,065	-	434,065
Cost of sales	385,516	-	385,516
Depreciation expense	12,396	-	12,396
Other expenses	-	3,550	3,550
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	1,800,831	3,550	1,804,381
Operating Loss	(817,207)	(2,291)	(819,498)
<b><u>Nonoperating revenues/(expenses):</u></b>			
Federally donated commodities	85,986	-	85,986
Intergovernmental	600,601	-	600,601
Interest	815	-	815
Loss on disposal of fixed assets	(316)	-	(316)
Other non-operating revenues	6,149	-	6,149
	<hr/>	<hr/>	<hr/>
Total Nonoperating revenues/(expenses)	693,235	-	693,235
Net Loss	(123,972)	(2,291)	(126,263)
Retained Earnings/Fund Balance - July 1, 2001 (Restated - See Note 3)	<hr/> 503,098	<hr/> 43,879	<hr/> 546,977
Retained Earnings/Fund Balance - June 30, 2002	<u>\$ 379,126</u>	<u>\$ 41,588</u>	<u>\$ 420,714</u>

See accompanying notes to the general purpose financial statements

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**XENIA COMMUNITY SCHOOL DISTRICT**  
 Combined Statement of Revenues, Expenses, and  
 Changes in Fund Equity - Budget and Actual (Budgetary Basis)  
 All Proprietary Fund Types and Similar Trust Fund  
 For the Year Ended June 30, 2002

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
<b><u>OPERATING REVENUES:</u></b>			
Food services	\$ 975,771	\$ 911,630	\$ (64,141)
Tuition	15,000	16,600	1,600
Interest	-	-	-
Classroom materials and fees	52,000	47,529	(4,471)
Miscellaneous	-	-	-
Total Operating Revenues	<u>1,042,771</u>	<u>975,759</u>	<u>(67,012)</u>
<b><u>OPERATING EXPENSES:</u></b>			
Salaries	646,702	608,785	37,917
Fringe benefits	270,070	276,875	(6,805)
Purchased services	37,463	41,481	(4,018)
Materials and supplies	891,765	808,932	82,833
Capital outlay	14,719	27,705	(12,986)
Other operating expenses	-	-	-
Total Operating Expenses	<u>1,860,719</u>	<u>1,763,778</u>	<u>96,941</u>
Excess of Operating Revenues Over/ (Under) Operating Expenses	(817,948)	(788,019)	29,929
<b><u>NON-OPERATING REVENUES/(EXPENSES):</u></b>			
Intergovernmental	622,383	623,903	1,520
Interest	1,846	815	(1,031)
Refund of prior year expenditures	-	37	37
Miscellaneous revenues	-	6,249	6,249
Total Non-Operating Revenues/(Expenses)	<u>624,229</u>	<u>631,004</u>	<u>6,775</u>
Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	(193,719)	(157,015)	36,704
Fund Equity - July 1, 2001	345,672	345,672	-
Prior year encumbrances appropriated	<u>88,405</u>	<u>88,405</u>	<u>-</u>
Fund Equity - June 30, 2002	<u>\$ 240,358</u>	<u>\$ 277,062</u>	<u>\$ 36,704</u>

See accompanying notes to the general purpose financial statements



Non-Expendable Trust Funds			Total (Memorandum Only)		
Revised Budget	Actual	Variance Favorable/ (Unfavorable)	Revised Budget	Actual	Variance Favorable/ (Unfavorable)
\$ -	\$ -	\$ -	\$ 975,771	\$ 911,630	\$ (64,141)
-	-	-	15,000	16,600	1,600
5,400	899	(4,501)	5,400	899	(4,501)
-	-	-	52,000	47,529	(4,471)
2,100	360	(1,740)	2,100	360	(1,740)
7,500	1,259	(6,241)	1,050,271	977,018	(73,253)
-	-	-	646,702	608,785	37,917
-	-	-	270,070	276,875	(6,805)
-	-	-	37,463	41,481	(4,018)
-	-	-	891,765	808,932	82,833
-	-	-	14,719	27,705	(12,986)
3,550	3,550	-	3,550	3,550	-
3,550	3,550	-	1,864,269	1,767,328	96,941
3,950	(2,291)	(6,241)	(813,998)	(790,310)	23,688
-	-	-	622,383	623,903	1,520
-	-	-	1,846	815	(1,031)
-	-	-	-	37	37
-	-	-	-	6,249	6,249
-	-	-	624,229	631,004	6,775
3,950	(2,291)	(6,241)	(189,769)	(159,306)	30,463
43,879	43,879	-	389,551	389,551	-
-	-	-	88,405	88,405	-
<u>\$ 47,829</u>	<u>\$ 41,588</u>	<u>\$ (6,241)</u>	<u>\$ 288,187</u>	<u>\$ 318,650</u>	<u>\$ 30,463</u>

**XENIA COMMUNITY SCHOOL DISTRICT**  
**COMBINED STATEMENT OF CHANGES IN CASH FLOWS**  
All Proprietary Fund Types and Similar Trust Funds  
For the Year Ended June 30, 2002

	Enterprise	Non-Expendable Trust	Total (Memorandum Only)
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 975,759	\$ -	\$ 975,759
Cash Received from Interest Income (Nonexpendable Trust Fund Only)	-	899	899
Cash Received from Other Operating Revenue	6,249	360	6,609
Cash Payments to Suppliers for Goods and Services	(770,872)	-	(770,872)
Cash Payments to Employees for Services	(608,786)	-	(608,786)
Cash Payments for Employees Benefits	(276,874)	-	(276,874)
Cash Payments for Miscellaneous	-	(3,550)	(3,550)
Net Cash Provided By (Used for) Operating Activities	(674,524)	(2,291)	(676,815)
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Grants Received	623,903	-	623,903
Net Cash Provided by (Used by) Non-Capital Financing Activities	623,903	-	623,903
<b>Cash Flows from Investing Activities:</b>			
Interest on Investments	815	-	815
Net Cash Provided by (Used by) Investing Activities	815	-	815
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(24,061)	-	(24,061)
Net Cash Provided by (Used by) Capital and Related Financing Activities	(24,061)	-	(24,061)
Net Increase (Decrease) in Cash and Cash Equivalents	(73,867)	(2,291)	(76,158)
Cash and Cash Equivalents at Beginning of Year	434,078	43,879	477,957
Cash and Cash Equivalents at End of Year	\$ 360,211	\$ 41,588	\$ 401,799
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used by) Operating Activities:</b>			
Operating Income (Loss)	\$ (817,207)	\$ (2,291)	\$ (819,498)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used by) Operating Activities:</b>			
Depreciation	12,396	-	12,396
Donated Commodities Used During Year	85,986	-	85,986
Refund of Prior Year Expenses	37	-	37
Other Non-Operating Revenues	6,249	-	6,249
(Increase)/Decrease in Assets:			
Accounts Receivable	(7,765)	-	(7,765)
Prepaid Items	(873)	-	(873)
Inventory Held for Resale	6,328	-	6,328
Materials and Supplies Inventory	127	-	127
Increase/(Decrease) in Liabilities:			
Accounts Payable	(5,693)	-	(5,693)
Accrued Wages and Benefits	3,211	-	3,211
Compensated Absences Payable	26,185	-	26,185
Pension Obligation Payable	24,581	-	24,581
Deferred Revenue	(8,117)	-	(8,117)
Due to Other Governments	31	-	31
Net Cash Provided By (Used for) Operating Activities	\$ (674,524)	\$ (2,291)	\$ (676,815)
<b>Noncash Transactions:</b>			
Donated Commodities Received	\$ 85,966	\$ -	\$ 85,966
<b>Reconciliation of Cash and Cash Equivalents of Fiduciary Funds to Balance Sheet:</b>			
<b>Cash and Cash Equivalents - All Fiduciary Funds:</b>			
Cash and Cash Equivalents - Expendable Trust Funds		\$ 64,413	
Cash and Cash Equivalents - Non-Expendable Trust Funds		41,588	
Cash and Cash Equivalents - Agency Funds		61,308	
<b>Total Cash and Cash Equivalents</b>		<b>\$ 167,309</b>	

See accompanying notes to the general purpose financial statements

***Xenia Community School District***  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT**

The District was chartered by the Ohio State Legislature. In 1853 state laws were enacted to create local Boards of Education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 255 non-certificated personnel and 398 certificated full time teaching and administrative personnel to provide services to students and other community members. The Average Daily Membership (ADM) as of October 1, 2001 was 5,287. It currently operates 7 elementary schools, 2 middle schools (grades 6-8), and 1 high school (grades 9-12.)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

For financial reporting purposes the District's financial statements include all funds, account groups, and component units for which the District is financially accountable based upon criteria set forth in GASB Statement 14. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the District) are financially accountable. The District would consider an organization to be a component unit if:

1. The District appoints a voting majority of the organization's governing body AND (a) is able to impose its will on that organization OR (b) there is a potential for the organization to provide specific burdens on the District; OR
2. The Organization is fiscally dependent upon the District; OR
3. The nature of the relationship between the District and the organization is such that the exclusion from the financial reporting entity would render the financial statements of the District misleading.

For the fiscal year 2002, the School District does not have any component units.

The District is associated with three organizations that are defined as jointly governed. These organizations include the Miami Valley Educational Cooperative Association, the Southwestern Ohio Educational Purchasing Cooperative and the Greene County Career Center.

*Xenia Community School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION-FUND ACCOUNTING

The accounts of the District are maintained on the basis of fund and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The District uses the following fund types and account groups:

Governmental Fund Types:

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

*Revenue – Exchange and Non-exchange Transaction:*

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

Non-exchange transactions, in which the School District received value without directly giving equal value in return, including property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements including 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 School District must provide local resources to be used for a specified purpose and expenditure requirements in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at the fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees, and rentals.

*Deferred Revenue:*

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Xenia Community School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION-FUND ACCOUNTING (continued)

*Expenditures:*

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities due when due or when amounts have been accumulated in the debt service funds for payments to be made require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

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

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

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

Proprietary Fund Type:

Proprietary Funds are used to account for the District's ongoing activities which are similar to those most often found in the private sector. The following are the District's Proprietary Fund Types:

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

Fiduciary Fund Types:

Fiduciary Funds are used to account for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These included Expendable Trust, Nonexpendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

*Xenia Community School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION-FUND ACCOUNTING (continued)

Account Groups:

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

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

General Long-term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, except those accounted for in Proprietary Funds and Trust Funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Governmental Fund Types and Expendable Trust Funds are accounted for on a spending, or “financial resources” measurement focus. Governmental Fund Types and Expendable Trust funds operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available expendable resources.

Proprietary Fund Types and Nonexpendable Trust Funds are accounted for on a cost of services, or “economic resources”, measurement focus. Proprietary Fund Types and Nonexpendable Trust Funds income statements represent increases and decreases in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. Under this basis of accounting revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue accrued at the end of the fiscal year included delinquent property taxes, interest, tuition, and state and federal grants. Property taxes measurable as of June 30, 2002 and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2003 operations, have been recorded as deferred revenue. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long term debt which is recorded when due.

Proprietary funds and Nonexpendable Trust Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

**Xenia Community School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. BUDGETARY PROCESS**

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budgetary basis and the GAAP basis are:

- 1) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP);
- 2) Expenditures are recorded when encumbered, or paid in cash (budgetary), as opposed to when susceptible to accrual (GAAP);
- 3) Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as a note disclosure in the proprietary fund type (GAAP basis).
- 4) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The actual results of operations, compared to the final appropriation, which includes amendments to the original appropriation, for each fund type by expenditure function and revenue by source are presented in the *Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual (Non-GAAP Budgetary Basis)*. The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

The District adopts an annual budget for all governmental fund types. The specific timetable is as follows:

Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the board-adopted budget is filed with the Greene County Budget Commission for tax rate determination.

*Xenia Community School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY PROCESS (continued)

Estimated Resources:

Prior to March 15, the Board of Education accepts by formal resolution, the tax rates as determined by the 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 total contemplated expenditures from any fund during the ensuring year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amount set forth in the final Amended Certificate.

Appropriations:

By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the county Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

Any revisions that alter the total of any fund appropriations must be approved by the Board of Education.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All funds completed the year within the amount of their legally authorized appropriation, except for certain Special Revenue Funds, certain Capital Project Funds and Enterprise Funds (see Note 4).

Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the board during fiscal 2001-02.

Lapsing of Appropriations:

Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.



**Xenia Community School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. BUDGETARY PROCESS (continued)**

**Encumbrances:**

Encumbrance accounting is utilized by District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP Basis and for all budgeted funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance.

**Budgetary Basis of Accounting:**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

**Reconciliation of Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Budget Basis	\$ (444,643)	\$(282,837)	\$(147,469)	\$(6,006)
Adjustments:				
Revenue Accruals	74,368	23,588	50,437	(1)
Expenditure Accruals	1,706,951	357,670	371,378	5,240
Encumbrances	<u>(986,118)</u>	<u>(198,933)</u>	<u>(271,211)</u>	<u>(20)</u>
GAAP Basis	<u>\$ 350,558</u>	<u>\$(100,512)</u>	<u>\$ 3,135</u>	<u>\$ (787)</u>

**Net Income (Loss)/Excess of Revenues Over (Under) Expenses  
Enterprise Fund and Nonexpendable Trust Fund**

	<u>Enterprise</u>	<u>Non-Expendable Trust</u>
Budget Basis	\$(157,015)	\$(2,291)
Adjustments:		
Revenue Accruals	70,412	-
Expense Accruals	33,383	-
Depreciation Expense	12,396	-
Encumbrances	<u>(83,148)</u>	<u>-</u>
GAAP Basis	<u>\$(123,972)</u>	<u>\$(2,291)</u>

***Xenia Community School District***  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS

Cash received by the District is deposited in one bank account with individual fund balance integrity maintained throughout. Monies for all funds are maintained in these accounts or are temporarily used to purchase short-term cash equivalent investments (maturity date within three months of the date acquired) which are stated at cost. State statute authorizes the District to invest in obligations of the U. S. Treasury, commercial paper and repurchase agreements.

Under existing Ohio statutes, all investments earnings accrue to the general fund except those specifically related to Agency Funds, certain trust funds and those funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balances. Interest income earned in fiscal 2002 for all funds (excluding Agency fund operations) totaled \$180,011.

For purposes of the combined statement of cash flows (GASB Statement No. 9) and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

F. INVENTORY (MATERIALS AND SUPPLIES)

Inventories are valued at lower of cost (first-in, first-out) or market and are determined by physical count. The proprietary fund inventories are recorded as expenses when used. Inventory in governmental funds consists of expendable supplies which are recorded as an expenditure when individual inventory items are purchased. The governmental fund inventories are offset by a fund balance reserve which indicated they do not constitute "available expendable resources" and are not available for appropriation. The District did not have any significant governmental inventories for the fiscal year ended June 30, 2002.

G. FIXED ASSETS AND DEPRECIATION

General Fixed Assets Account Group - General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than 3 years. No depreciation is recognized for assets in the General Fixed Assets Account Group.

*Xenia Community School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. FIXED ASSETS AND DEPRECIATION (continued)

Proprietary Funds - Property, plant and equipment reflected in the proprietary funds are stated as historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Equipment	5 to 20

H. INTERGOVERNMENTAL REVENUES

In governmental funds, entitlement and non-reimbursable grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned.

I. INTERFUND TRANSACTIONS

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

1. Routine transfers of resources from one fund to another fund through which transactions resources to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and as a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans payable/receivable, while long term interfund loans (greater than one year in length) are recorded as advances to/from other funds. The District has no long-term advances as of June 30, 2002.

J. COMPENSATED ABSENCES

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

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

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

**Xenia Community School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. COMPENSATED ABSENCES (continued)**

<u>Vacation</u>	<u>Certified</u>	<u>Administrators and Exempt</u>	<u>Non-Certificated</u>
How earned	Not Eligible	25 days	10-20 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	25 days	25 days
Vested	Not Applicable	25 days	25 days
Termination Entitlement	Not Applicable	Paid Upon Termination	Paid Upon Termination
<u>Sick Leave</u>	<u>Certified</u>	<u>Administrators and Exempt</u>	<u>Non-Certificated</u>
How earned	1¼ days per month of employment (15 days per year)	1¼ days per month of employment (15 days per year)	1¼ days per month of employment (15 days per year)
Maximum Accumulation	Unlimited	Unlimited	Unlimited
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

For Governmental Funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the respective Governmental Fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the General Long Term Obligations Account Group. Compensated absences of Proprietary funds are recorded as an expense and liability of the respective proprietary fund.

**K. LONG-TERM OBLIGATIONS**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from proprietary fund operations are accounted for in those funds.

*Xenia Community School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. FUND EQUITY

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, prepaid items, donations, and the budget stabilization reserve. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. PROPRIETARY FUND ACCOUNTING POLICIES

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles, Board Opinions, and Accounting Research bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

N. MEMORANDUM ONLY-TOTAL COLUMNS

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

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 State Superintendent of Public Instruction. The total amount reserved for budget stabilization as of June 30, 2002 is \$573,353.

P. 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 may differ from those estimates.

**Xenia Community School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

**NOTE 3 – RESTATEMENT OF PRIOR YEAR FUND BALANCE**

For fiscal year 2002, the School District discovered the overstatement of accumulated depreciation in the enterprise fund. Therefore, the School District has posted the following adjustments to the fiscal year 2002 financial statements:

	Enterprise Fund
Ending Retained Earning – June 30, 2001	\$477,321
Restatement Amount	25,777
Beginning Retained Earning – July 1, 2001	\$503,098

**NOTE 4 – ACCOUNTABILITY AND COMPLIANCE**

**A. FUND DEFICITS**

Fund balances at June 30, 2002 included the following individual fund deficits:

Fund	Deficit Fund Balance
Special Revenue Funds	
Disadvantaged Pupil Impact Aid	\$3,237
Drug Free Schools	30

The fund deficit in all funds is the result of the recognition of liabilities in accordance with generally accepted accounting principles. Management is analyzing the operations of these funds to determine appropriate steps to eliminate the deficits.

**B. LEGAL COMPLIANCE**

*Expenditures Exceeding Appropriation:* Ohio Revised Code Section 5705.41(B) prohibits the School District from making any expenditure of money unless it has been properly appropriated. The District had actual expenditures plus encumbrances that exceeded appropriations for the following funds: Special Grants, Venture Capital, Auxiliary, Video Distance Learning, Drug Free Schools and Miscellaneous Federal Grants.

**NOTE 5 – DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

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

*Xenia Community School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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

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

Inactive monies are permitted to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time, and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**Xenia Community School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

**NOTE 5 – DEPOSITS AND INVESTMENTS (continued)**

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments Including Repurchase Agreements), and Reverse Repurchase Agreements."

*Cash on Hand:* At fiscal year end, the School District had \$8,115 in undeposited cash in hand which is included on the balance sheet of the school District as part of "Equity in pooled cash and cash equivalents."

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$(1,277,296) and the bank balance was \$5,274,898. Of the bank balance,

1. \$200,767 was covered by federal depository insurance or surety bonds; and
2. \$5,074,131 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to successful claim by the FDIC.

The District's depository sweeps the balance of the general checking account into an overnight account to maximize investment earnings. The carrying amount is negative by the amount of outstanding checks at the time the account was swept into the overnight accounts.

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



**Xenia Community School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

**NOTE 5 – DEPOSITS AND INVESTMENTS (continued)**

The School District's investments at year end included mutual funds in the amount of \$166,712 and money market funds consisting of U.S. Treasury obligations in the amount of \$7,950,890, which classified as a Category 3 investment. These amounts represent the carrying value and fair value for these investments.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposit and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$6,848,421	\$ -
Cash on Hand	(8,115)	-
Investments:		
U.S. Treasury Money Market Funds	(7,950,890)	7,950,890
Mutual Funds	(166,712)	166,712
GASB Statement 3	<u>(\$1,277,296)</u>	<u>\$8,117,602</u>

Ohio Revised Code Chapter 135, Uniform Depository act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurances.

**NOTE 6 – PROPERTY TAXES**

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2002 were based are as follows:

	2001	2002
Real Property -		
Residential/Agricultural	\$ 417,814,000	\$ 425,014,447
Public Utilities	73,610	61,520
Tangible Property -		
Personal	70,134,640	58,844,764
Total Valuation	\$ 488,022,250	\$ 483,920,731

**Xenia Community School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

**NOTE 6 – PROPERTY TAXES (continued)**

In 2002, real property taxes were levied in January 1, 2001, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in January 2002. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25% of true value (as defined). In 2002, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2002, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due June 20th. The County Auditor remits portions of the taxes collected to all taxing Districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which become measurable at June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002 was \$814,069 and is recognized as revenue in the General Fund, \$284,924 in the Special Revenue Funds and \$30,607 in the Capital Project Funds.

**NOTE 7 – INCOME TAX**

The School District levies a voted tax of 1/2 percent for general operations on the income of residents and of estates. The tax was effective on 1/1/91, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NOTE 8 – RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes and income taxes, accounts, interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**Xenia Community School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

**NOTE 9 – FIXED ASSETS**

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance on 7/1/01	Additions	Deletions	Adjustments	Balance on 6/30/02
Land and Improvements	\$ 450,091	-	-	-	\$ 450,091
Buildings and Improvements	25,363,046	\$ 522,767	-	-	25,885,813
Improvement Other Than Buildings	3,985	13,680	-	-	17,665
Infrastructure	-	17,125	-	-	17,125
Furniture and Equipment	6,203,852	468,685	\$ (4,995)	\$ (1,773)	6,665,769
Vehicles	1,422,799	94,580	(36,559)	(153,984)	1,326,836
<b>Total General Fixed Assets</b>	<b>\$ 33,443,773</b>	<b>\$ 1,116,837</b>	<b>\$ (41,554)</b>	<b>\$ (155,757)</b>	<b>\$ 34,363,299</b>

A summary of the Proprietary Funds' fixed assets at June 30, 2002 follows:

	Enterprise Funds
Furniture, Equipment & Vehicles	\$ 529,177
Less Accumulated Depreciation	<u>(396,446)</u>
<b>Net Fixed Assets</b>	<b>\$ <u>132,731</u></b>

**NOTE 10 – LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Principal Outstanding 7/1/01	Additions	Deductions	Principal Outstanding 6/30/02
Energy Conservation Notes 1999, 5.6%	\$ 1,705,000	-	\$ (90,000)	\$ 1,615,000
<b>Total Long-Term Bonds</b>	<u>1,705,000</u>	<u>-</u>	<u>(90,000)</u>	<u>1,615,000</u>
Capital Lease	38,914	-	(12,289)	26,625
Pension Obligation Payable	211,564	\$ 287,643	(211,564)	287,643
Compensated Absences	2,443,063	-	(292,272)	2,150,791
<b>Total General Long Term Obligations</b>	<b>\$ <u>4,398,541</u></b>	<b>\$ <u>287,643</u></b>	<b>\$ <u>(606,125)</u></b>	<b>\$ <u>4,080,059</u></b>

Compensated absences, and the pension obligation will be paid from the fund from which the employees' salaries are paid. The current year activity for compensated absences is netted for practical purposes.

**Xenia Community School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

**NOTE 10 – LONG-TERM OBLIGATIONS (continued)**

The School District's overall legal debt margin was \$43,552,868 with an unvoted debt margin of \$483,921 at June 30, 2002.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002 are as follows:

<u>Fiscal Year June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 95,000	\$ 90,440	\$ 185,440
2004	105,000	85,120	190,120
2005	110,000	79,240	189,240
2006	115,000	73,080	188,080
2007	120,000	66,640	186,640
2008-2012	720,000	223,160	943,160
2013-2014	350,000	29,680	379,680
<b>Totals</b>	<b>\$ 1,615,000</b>	<b>\$ 647,360</b>	<b>\$ 2,262,360</b>

**NOTE 11 - CAPITAL LEASES**

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2002:

<u>Fiscal Year Ending June 30</u>	<u>General Long-Term Debt</u>
2003	\$13,633
2004	13,633
2005	2,271
<b>Total Minimum Lease Payments</b>	<b>29,537</b>
<b>Less: Amount Representing Interest</b>	<b>(2,912)</b>
<b>Net Present Value of Minimum Lease Payments</b>	<b>\$26,625</b>

**Xenia Community School District**  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

**NOTE 12 – SEGMENT INFORMATION**

Enterprise Funds - The District maintains Enterprise Funds to account for the operations of Food Service, Uniform School Supplies, and Employability Lab. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2002.

	<u>Lunchroom</u>	<u>Uniform School Supplies</u>	<u>Employability Labs</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 916,578	\$ 48,759	\$ 18,287	\$ 983,624
Operating Expenses less				
Depreciation	1,728,530	59,905	-	1,788,435
Depreciation Expense	12,396	-	-	12,396
Operating Income (Loss)	(805,950)	(11,146)	(111)	(817,207)
Federally Donated Commodities	85,986	-	-	85,986
Grants	600,601	-	-	600,601
Other Non-operating Revenues	-	-	6,149	6,149
Loss on Disposal of Fixed Assets	(316)	-	-	(316)
Interest Income	815	-	-	815
Net Income (Loss)	(118,864)	(11,146)	6,038	(123,972)
Net Working Capital	141,829	82,652	21,914	246,395
Total Assets	491,266	86,570	22,934	600,770
Total Equity	274,560	82,652	21,914	379,126
Encumbrances Outstanding on June 30, 2002	74,253	3,501	5,394	83,148

***Xenia Community School District***  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

**NOTE 13 – DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Xenia Community School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the Xenia Community School District is required to contribute an actuarially determined rate of 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the years ending June 30, 2002, 2001, 2000 were \$717,062, \$621,384, and \$694,380, respectively; 81.1 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$135,624 represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The Xenia Community School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the Xenia Community School District is required to contribute 14% of annual covered payroll. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 2002, 2001, and 2000 were \$2,412,338, \$2,386,728, and \$2,389,584 respectively, 82.1 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$431,512 represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

*Xenia Community School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

NOTE 14 – POST EMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board allocated employer contributions was 4.5 percent of covered payroll to the Health Care Reserve Fund for the fiscal year ended June 30, 2002. The balance in the Health Care Reserve Fund was \$3.011 billion on June 30, 2002. The Health Care Reserve Fund allocation for the year beginning July 1, 2002 will be 1.0% of covered payroll. For the School District, this amount equaled \$775,394 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve Fund. For the year ended June 30, 2002 net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002 SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$501,943 during the 2002 fiscal year.

*Xenia Community School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

NOTE 15 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2002, the School District contracted with Nationwide Insurance Company for general liability insurance with \$1,000,000 single occurrence limit and a \$3,000,000 aggregate. Property is protected by Indiana Insurance. The School District's vehicles are covered under a business policy with Indiana Insurance with additional vehicle coverage under Monticello.

The type and level of insurance coverage at the School District have not been reduced for fiscal year 2002, nor have claims exceeded the coverage amounts in any of the past three years.

NOTE 16 – CONTINGENT LIABILITIES

A. GRANTS:

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

B. LITIGATION:

Currently, the school district is involved in a civil rights matter. Due to the case being in the discovery state, it is uncertain if the case will have an impact on the school district's financial status.

NOTE 17 – SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's school 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 operation.



*Xenia Community School District*  
Notes to the General Purpose Financial Statements  
For the Year Ended June 30, 2002

NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Cooperative Association (MVECA) - The School District is a participant in MVECA, which is a computer consortium. MVECA is an association of public school districts within the geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of two representatives from each of the participating members. The School District paid MVECA \$112,434 for services provided during the year. Complete financial statements can be obtained from MVECA located in Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) - SOEPC is a purchasing cooperative made up of nearly 100 school districts in 12 counties. Per most recent audit SOEPC handles its own financial accounting and reporting. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture, and supplies purchased by the SOEPC is held in trust by the member school districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. A one-year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member will be liable for all member obligations during this one-year period.

Payments to SOEPC are made from the General (Governmental Fund). The District contributed \$19,781 for the operation of the consortium during the 2002 fiscal year.

Greene County Career Center - The Greene County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected Boards, which possesses its own budgeting and taxing authority. To obtain information, write to the Greene County Career Center, Steve Sutcliffe, who serves as treasurer, at 2960 W. Enon Road, Xenia, Ohio 45385.

NOTE 19 – SET-ASIDE REQUIREMENTS

Substitute House Bill 412, as amended, required the District to "set aside" certain percentages of defined revenues for (1) textbook and instructional materials purchases and (2) capital and maintenance expenditures. As of April 10, 2001, any money on hand in a School District's budget reserve set-aside account may at the discretion of the Board be left in the account and used by the Board to offset any budget deficit the District may experience in future years. The amendment places special conditions on any refunds or rebates from the Bureau of Workers' Compensation. These monies are to be used to offset a budget deficit; for school facility construction, renovation or repair; for textbook or instructional materials; for purchases of school buses; or for teachers' professional development. It also required five year budget projections, amended the fiscal watch and fiscal emergency statutes, created a state school district solvency fund, and amended "spending reserve" provisions.

**Xenia Community School District**  
**Notes to the General Purpose Financial Statements**  
**For the Year Ended June 30, 2002**

**NOTE 19 – SET-ASIDE REQUIREMENTS (Continued)**

The following information describe the changes in the amount set aside for textbook and instructional materials, capital improvements and budget stabilization from the end of the prior year to the end of the current year.

	<u>Textbooks</u>	<u>Capital Improvement</u>	<u>Budget Reserve</u>	<u>Total</u>
Set-aside balance as of June 30, 2001	\$ 53,062	\$ 0	\$ 573,353	\$ 626,415
Current year set-aside requirement	\$ 602,700	\$ 602,700	\$ 0	\$ 1,205,400
Current year offset	\$ 0	\$ (417,415)	\$ 0	\$ (417,415)
Qualifying expenditures	\$ (841,952)	\$ (206,342)	\$ 0	\$ (1,048,294)
Totals	\$ (186,190)	\$ (21,057)	\$ 573,353	\$ 366,106
Cash balance carried forward to FY 2003	\$ (186,190)	\$ 0	\$ 573,353	
Amount restricted for budget stabilization				\$ 573,353
Total restricted assets				\$ 573,353

Although the District had offsets and qualifying expenditures during the year that reduced the set-aside amounts below zero for capital acquisitions, these extra amounts may not be used to reduce the set-aside requirements of future years. Excess disbursements related to the textbook reserve may be carried forward from year to year.

**NOTE 20 – Extraordinary Item**

In November 2001, the District received 26,403 shares of stocks from Anthem, Inc., which demutualized and became a stock insurance company. Anthem, Inc. issued stocks to all individuals and companies who paid premiums for healthcare benefits. In May 2002, the District sold all the stocks for \$1,821,040, which was recorded as miscellaneous revenue in the financial statements.

**Xenia Community School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2002**

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Non-Cash Receipts</u>	<u>Award Disbursements</u>	<u>Non-Cash Disbursements</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education</i>						
Nutritional Cluster:						
Food Distribution Program	NN-N1	10.550	\$ -	\$ 85,966	\$ -	\$ 85,986
National School Lunch Program	04-PU	10.555	481,253	-	481,253	-
Summer Food Service Program	24-PU	10.559	33,089	-	33,089	-
National School Breakfast Program	05-PU	10.553	95,068	-	95,068	-
Total Nutrition Cluster			<u>609,410</u>	<u>85,966</u>	<u>609,410</u>	<u>85,986</u>
Total U.S. Department of Agriculture			<u>609,410</u>	<u>85,966</u>	<u>609,410</u>	<u>85,986</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster						
Title VI-B Grant	6B-SF	84.027	465,055	-	419,483	-
Preschool Disabilities Grant	PG-S1	84.173	22,117	-	27,106	-
Total Special Education Cluster			<u>487,172</u>	<u>-</u>	<u>446,589</u>	<u>-</u>
Eisenhower Grant	MS-S1	84.281	38,890	-	43,251	-
Title I Grant	C1-S1	84.010	1,190,737	-	1,190,871	-
Funding for the Improvement of Education	CJ-S1	84.215	11,505	-	11,381	-
Title VI - Innovative Education Grant	C2-S1	84.298	50,392	-	21,831	-
Comprehensive School Reform	RF-S1	84.332	225,000	-	143,231	-
Drug Free Schools and Communities	DR-S1	84.186	24,616	-	25,679	-
Title VI-R - Class Size Reduction Grant	CRS100	84.340	235,578	-	210,481	-
Goals 2000	G2-S9	84.276	25,000	-	31,540	-
ATIP Grant	AT-S1	84.352A	2,204	-	-	-
Total U.S. Department of Education			<u>2,291,094</u>	<u>-</u>	<u>2,124,854</u>	<u>-</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed Through Ohio Department of MR/DD</i>						
Community Alternative Funding System	N/A	93.778	19,498	-	19,498	-
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>						
<i>Passed Through Ohio Department of Education</i>						
Learn and Serve America	SV-S4	94.004	14,971	-	8,589	-
TOTAL FEDERAL AWARD EXPENDITURES			<u>\$ 2,934,973</u>	<u>\$ 85,966</u>	<u>\$ 2,762,351</u>	<u>\$ 85,986</u>

**XENIA COMMUNITY SCHOOL DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2002**

1. Significant Accounting Policies:

The accompanying schedule of expenditures of federal awards is a summary activity of all federal awards programs of the Xenia Community School District. The schedule has been prepared on the cash basis of accounting.

2. Nutrition Cluster:

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002 the District had no significant food commodities in inventory.

Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

Board of Education  
Xenia Community School District  
578 E. Market Street  
Xenia, Ohio 45385

We have audited the financial statements of the Xenia Community School District (the District), as of and for the year ended June 30, 2002 and have issued our report thereon dated January 9, 2003. 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 performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances on noncompliance that we have reported to management of the District in a separate letter dated January 9, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be 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 misstatements in amounts that would be material in relation to the financial statement 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 financial reporting and its operation that we consider to be a material weakness. However, we noted matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 9, 2003.

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
January 9, 2003

Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control Over  
Compliance in Accordance with OMB Circular A-133

Board of Education  
Xenia Community School District  
578 E. Market Street  
Xenia, Ohio 45385

Compliance

We have audited the compliance of the Xenia Community School District (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 its major federal program for the year ended June 30, 2002. The District's major federal program is 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 its major federal program 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of 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 its major federal program for the year ended June 30, 2002.

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.

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. However, we noted a matter involving the internal control over compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 9, 2003.

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

*C. Lock, Schaefer, Hackett & Co.*

Springfield, Ohio  
January 9, 2003



**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505**

XENIA COMMUNITY SCHOOL DISTRICT  
JUNE 30, 2002

**1. SUMMARY OF AUDITORS' 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)?	No																		
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No																		
(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):	<table border="0"> <thead> <tr> <th style="text-align: left;"><u>Program</u></th> <th style="text-align: left;"><u>CFDA #</u></th> </tr> </thead> <tbody> <tr> <td colspan="2">Special Education Cluster:</td> </tr> <tr> <td>Title VI(B)</td> <td>84.027</td> </tr> <tr> <td>Preschool Disabilities</td> <td>84.173</td> </tr> <tr> <td colspan="2">Nutrition Cluster:</td> </tr> <tr> <td>Food Distribution</td> <td>10.550</td> </tr> <tr> <td>School Breakfast</td> <td>10.553</td> </tr> <tr> <td>School Lunch</td> <td>10.555</td> </tr> <tr> <td>Summer Food Program</td> <td>10.559</td> </tr> </tbody> </table>	<u>Program</u>	<u>CFDA #</u>	Special Education Cluster:		Title VI(B)	84.027	Preschool Disabilities	84.173	Nutrition Cluster:		Food Distribution	10.550	School Breakfast	10.553	School Lunch	10.555	Summer Food Program	10.559
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School Lunch	10.555																			
Summer Food Program	10.559																			
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others																		
(d)(1)(ix)	Low Risk Auditee?	Yes																		

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

None

**3. FINDINGS RELATED TO THE DISTRICT'S FEDERAL AWARDS**

None

4. SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None





**Auditor of State  
Betty Montgomery**

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**XENIA COMMUNITY SCHOOL DISTRICT**

**GREENE 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  
FEBRUARY 20, 2003**