

XENIA COMMUNITY SCHOOL DISTRICT

Basic Financial Statements

June 30, 2005

with

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditors' Report* of the Xenia Community School District, Greene County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2004 through June 30, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 22, 2006

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XENIA COMMUNITY SCHOOL DISTRICT

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

Independent Auditors' Report

Board of Education
Xenia Community School District
578 East Market Street
Xenia, OH 45385

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Xenia Community School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Xenia Community School District, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 11, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. 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, and is also not a required part of the basic financial statements of the District. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 13, 2006

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

The discussion and analysis of Xenia Community School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- For governmental activities, net assets increased \$168,401, which represents a 2 percent increase from 2004. Net assets of business-type activities decreased \$66,123 or 28 percent from 2004.
- General revenues accounted for \$40,587,753 in revenue or 88 percent of all governmental revenues. Program specific revenues in the form of charges for services, operating grants and contributions and interest and capital grants and contributions accounted for \$5,549,673 or 12 percent of total governmental revenues of \$46,137,426.
- The School District had \$45,969,025 in expenses related to governmental activities; only \$5,549,673 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and unrestricted state aid) of \$40,587,753 were adequate to provide for these programs.
- Among major funds, the General Fund had \$39,937,234 in revenues and \$40,394,178 in expenditures. The General Fund's balance decreased \$29,453 from 2004.
- Net assets for enterprise funds decreased \$66,123 due to an increase in fringe benefits expenses without a corresponding increase in revenues. Total enterprise expenses were \$1,841,830; only \$1,771,673 of these expenses was offset by program specific charges for services, grants or contributions. Management has increased the pricing of food service items, but the increases were insufficient to meet expenses.

Using this Generally Accepted Accounting Principles Report (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Xenia Community School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Xenia Community School District, the General Fund is by far the most significant fund.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the School District's programs and services are reported here including instruction, support service, operation and maintenance of plant, pupil transportation and extracurricular activities.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the good or services provided. The School District's food service, Pre-school, and uniform school supplies program are reported as business activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

Governmental Funds

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

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

(reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the School District as a whole. Internal service funds are used to report activities that provide services to the School District's other programs or functions.

The School District as a Whole

Governmental Activities

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

Table 1						
Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Assets						
Current and Other Assets	\$22,271,946	\$24,734,183	\$319,887	\$267,232	\$22,591,833	\$25,001,415
Capital Assets	14,373,036	14,057,820	128,819	107,240	14,501,855	14,165,060
Total Assets	<u>36,644,982</u>	<u>38,792,003</u>	<u>448,706</u>	<u>374,472</u>	<u>37,093,688</u>	<u>39,166,475</u>
Liabilities						
Long-Term Liabilities	3,970,523	4,030,674	43,522	43,343	4,014,045	4,074,017
Other Liabilities	22,482,563	24,401,032	172,612	164,680	22,655,175	24,565,712
Total Liabilities	<u>26,453,086</u>	<u>28,431,706</u>	<u>216,134</u>	<u>208,023</u>	<u>26,669,220</u>	<u>28,639,729</u>
Net Assets						
Invested in Capital						
Assets, Net of Debt	12,873,451	12,374,572	128,819	107,240	13,002,270	12,481,812
Restricted	851,721	1,348,353	0	0	851,721	1,348,353
Unrestricted (Deficit)	<u>(3,533,276)</u>	<u>(3,362,628)</u>	<u>103,753</u>	<u>59,209</u>	<u>(3,429,523)</u>	<u>(3,303,419)</u>
Total Net Assets	<u>\$10,191,896</u>	<u>\$10,360,297</u>	<u>\$232,572</u>	<u>\$166,449</u>	<u>\$10,424,468</u>	<u>\$10,526,746</u>

Governmental activities, unrestricted net assets is the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements. The deficit for governmental activities, unrestricted net assets was reduced by \$170,648.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

Table 2 shows the changes in net assets for fiscal year 2004 and 2005.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2005	2004	2005	2004	2005
Revenues						
Program Revenues:						
Charges for Services	\$854,699	\$928,834	\$934,659	\$871,379	\$1,789,358	\$1,800,213
Operating Grants and Contributions	3,732,140	4,543,731	810,930	900,294	4,543,070	5,444,025
Capital Grants and Contributions	0	77,108	0	0	0	77,108
Total Program Revenues	4,586,839	5,549,673	1,745,589	1,771,673	6,332,428	7,321,346
General Revenues						
Property Taxes and Income Taxes	16,845,060	19,810,315	0	0	16,845,060	19,810,315
Grants and Entitlements Not Restricted	19,809,824	20,561,690	0	0	19,809,824	20,561,690
Other	392,768	215,748	523	4,034	393,291	219,782
Total General Revenues	37,047,652	40,587,753	523	4,034	37,048,175	40,591,787
Total Revenues	41,634,491	46,137,426	1,746,112	1,775,707	43,380,603	47,913,133
Program Expenses						
Instruction	26,061,701	27,138,142	0	0	26,061,701	27,138,142
Support Services:						
Pupils and Instructional Staff	6,084,476	5,899,360	0	0	6,084,476	5,899,360
Board of Education, Administration, Fiscal and Business	5,041,669	4,873,232	0	0	5,041,669	4,873,232
Operation and Maintenance of Plant	3,650,659	3,549,981	0	0	3,650,659	3,549,981
Pupil Transportation	2,719,086	2,907,570	0	0	2,719,086	2,907,570
Central	75,433	66,446	0	0	75,433	66,446
Operation of Non-Instructional Services	78,371	377,073	0	0	78,371	377,073
Extracurricular Activities	908,630	952,025	0	0	908,630	952,025
Interest and Fiscal Charges	79,375	205,196	0	0	79,375	205,196
Food Service	0	0	1,726,355	1,793,952	1,726,355	1,793,952
Uniform School Supplies	0	0	41,610	40,694	41,610	40,694
Pre-School	0	0	30,718	7,184	30,718	7,184
Total Expenses	44,699,400	45,969,025	1,798,683	1,841,830	46,498,083	47,810,855
Increase (Decrease) in Net Assets	(\$3,064,909)	\$168,401	(\$52,571)	(\$66,123)	(\$3,117,480)	\$102,278

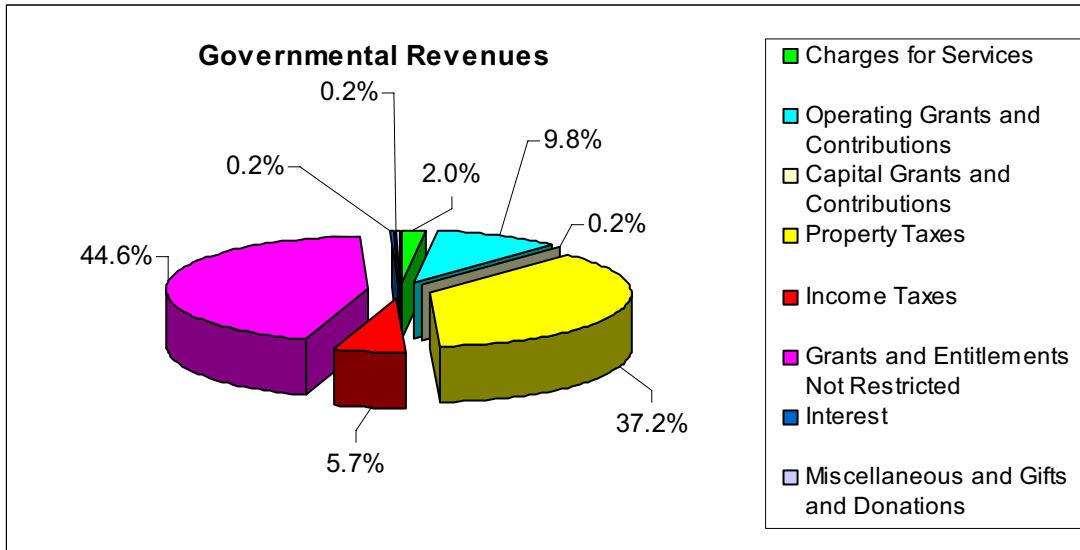
Governmental Activities

Taxes increased \$2,965,255 during fiscal year 2005. The passage of a 7.9 mill operating levy in March 2004 has made a significant impact in strengthening the School District's financial position. The change in net assets from 2004 to 2005 increased \$3,326,538.

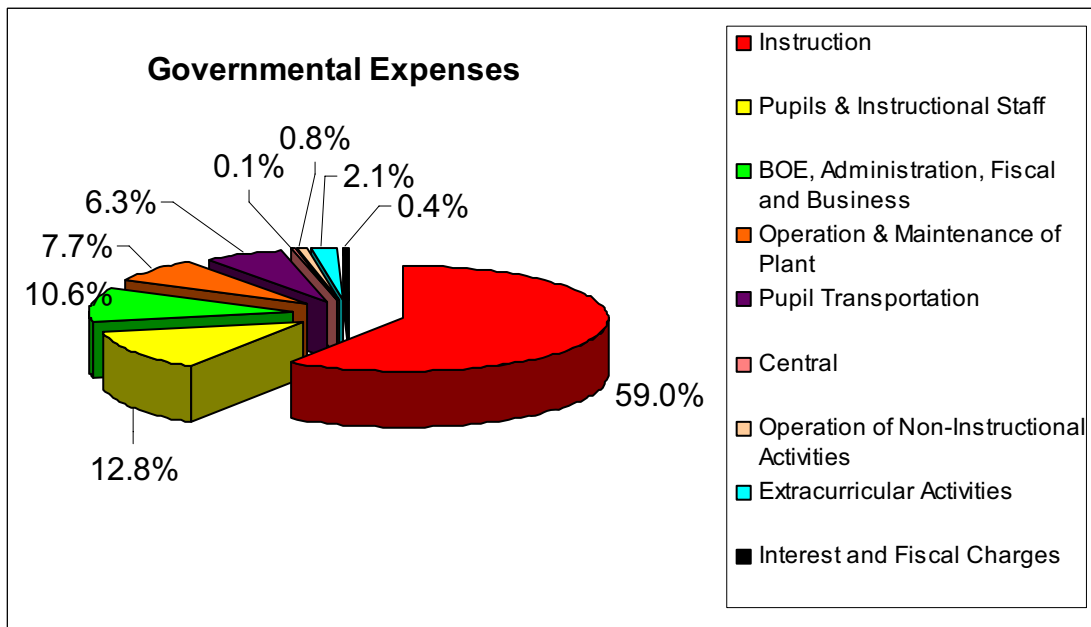
The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. The overall revenue generated by a voted levy does not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

The School District, dependent upon property taxes, are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 37.2 percent of revenues for governmental activities for the Xenia Community School District for fiscal year 2005. Income taxes added another 5.7 percent. Grants and entitlements not restricted, the School District's largest source of revenues consists largely of state foundation monies.



Instruction comprises 59 percent of School District expenses. Support services expenses make up 37.4 percent of expenses.



Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
 Total and Cost of Program Services
 Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2005	Net Cost of Services 2005
Instruction	\$26,061,701	(\$23,147,839)	\$27,138,142	(\$23,755,016)
Support Services:				
Pupils and Instructional Staff	6,084,476	(5,217,716)	5,899,360	(4,947,410)
Board of Education, Administration, Fiscal and Business	5,041,669	(4,654,928)	4,879,932	(4,623,993)
Operation and Maintenance of Plant	3,650,659	(3,650,659)	3,591,503	(3,539,595)
Pupil Transportation	2,719,086	(2,692,274)	2,907,570	(2,804,678)
Central	75,433	(45,433)	66,446	(36,446)
Operation of Non-Instructional Services	78,371	(78,371)	377,073	12,906
Extracurricular Activities	908,630	(545,966)	952,025	(519,924)
Interest and Fiscal Charges	79,375	(79,375)	205,196	(205,196)
Total Expenses	<u>\$44,699,400</u>	<u>(\$40,112,561)</u>	<u>\$46,017,247</u>	<u>(\$40,419,352)</u>

The dependence upon state foundation and tax revenues is apparent. Over 87 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 88 percent. The community, as a whole, provides significant support for the Xenia Community School District.

Business-Type Activities

During fiscal year 2005, a decrease in charges for services revenue was offset by an increase in operating grants and contributions for the business-type activities, thus enabling total revenue for business-type activities to increase during fiscal year 2005. However, this revenue growth was not enough to cover the increase in expenses resulting in a \$66,123 decrease to net asset of business-type activities during fiscal year 2005.

Business-type activities include food service, uniform school supplies and pre-school. Two of the School District's three business-type activities were not able to provide enough program revenues to cover their expenses. Management anticipates food service deficits to continue in future fiscal years even though food prices were increased to offset future operating losses. Management anticipates future general fund support to business-type activities.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$45,878,142 and expenditures of \$46,039,519. The net change in fund balance for the School District's operating fund, the general fund, was a (\$29,453). Future collections on the property tax levy approved in March 2004, will help eliminate this negative change in fund balance in future fiscal years.

General Fund Budgeting Highlights

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

The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, budget basis revenue was \$24,305 under the final budget estimate of \$38,982,378. Final budgeted revenues were \$57,622 under original budgeted revenue due to a decrease in property taxes.

Expenditures were tightly monitored which enabled actual expenditures to be \$836,495 under the final appropriations.

Capital Assets

At the end of fiscal year 2005, the School District had \$14,016,298 invested in governmental capital assets.

Table 4 shows fiscal year 2005 balances compared to 2004.

Table 4
 Capital Assets at June 30,

	Governmental Activities		Business-Type Activities	
	2004	2005	2004	2005
Land	\$450,091	\$450,091	\$0	\$0
Buildings and Improvements	25,886,338	25,909,388	0	0
Other Improvements	90,356	92,442	0	0
Infrastructure	17,125	17,125	0	0
Furniture/Equipment/Fixtures	7,424,777	7,858,827	519,528	503,548
Vehicles	1,944,771	2,015,331	41,218	41,218
Less: Accumulated Depreciation	(21,440,422)	(22,285,384)	(431,927)	(437,526)
	<u>\$14,373,036</u>	<u>\$14,057,820</u>	<u>\$128,819</u>	<u>\$107,240</u>

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

In fiscal year 2005, capital asset additions were outpaced by depreciation expense for governmental capital assets as well as business-type assets. The School District continued its ongoing commitment to maintaining and improving its capital assets. The School District's governmental assets additions included replacement of the telephone system, building improvements to Spring Hill Elementary, a new bus and new computers. See accompanying notes to the basic financial statements for more capital asset information.

Debt Administration

Table 5 summarizes the debt outstanding:

Table 5
Outstanding Debt at June 30,

	2004	2005
Energy Conservation Loan	\$1,415,000	\$1,305,000
Capital Leases	84,585	378,248
Tax Anticipation Note	2,600,000	2,600,000
Totals	<u>\$1,499,585</u>	<u>\$4,283,248</u>

The School District's overall legal debt margin was \$50,176,081, the energy conservation debt margin was \$3,913,874 and the unvoted debt margin was \$579,875 at June 30, 2005.

Additional debt information can be found in the notes to the basic financial statements.

Current Financial Issues and Concerns

Xenia Community School District passed a 7.9 mill operation levy in March 2004. The revenue from this levy helped strengthen the School District's financial position. As the preceding information shows, the School District depends heavily on its property taxpayers. With the passage of a 7.9 mill operating levy and collection beginning in January 2005, the School District will be able to continue in its educational programs. However, financially the future is not without challenges.

Declining state foundation payments due to increased property valuations provide no significant increase in future revenues. This decline is due to the increasing valuation charge-offs in determining state foundation payments. The increases in property tax revenues are almost offset to decreases in state foundation payments. With its major sources of revenue not keeping pace with expenditure increases, the School District must seek additional tax revenue to continue current operations. However, the School District cannot look to the State of Ohio for increased revenue.

The scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Rosalie Townsend, Treasurer at Xenia Community School District, 578 East Market Street, Xenia, Ohio 45385.

Xenia Community School District

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$4,092,017	\$141,943	\$4,233,960
Accounts Receivable	52,165	1,443	53,608
Intergovernmental Receivable	652,814	112,239	765,053
Inventory Held for Resale	0	9,234	9,234
Prepaid Assets	11,694	2,373	14,067
Income Taxes Receivable	1,069,497	0	1,069,497
Property Taxes Receivable	18,855,996	0	18,855,996
Depreciable Capital Assets, Net	13,607,729	107,240	13,714,969
Nondepreciable Capital Assets	450,091	0	450,091
Total Assets	38,792,003	374,472	39,166,475
Liabilities:			
Accounts Payable	408,977	9,228	418,205
Accrued Wages and Benefits Payable	3,391,441	98,841	3,490,282
Intergovernmental Payable	1,206,091	51,811	1,257,902
Deferred Revenue	16,480,435	0	16,480,435
Accrued Interest Payable	12,180	0	12,180
Matured Compensated Absences Payable	301,908	4,800	306,708
Tax Anticipation Note Payable	2,600,000	0	2,600,000
Long Term Liabilities:			
Due Within One Year	433,372	0	433,372
Due In More Than One Year	3,597,302	43,343	3,640,645
Total Liabilities	28,431,706	208,023	28,639,729
Net Assets:			
Invested in Capital Assets, Net of Related Debt	12,374,572	107,240	12,481,812
Restricted for:			
Capital Projects	174,418	0	174,418
Debt Service	587,340	0	587,340
Other Purposes	574,887	0	574,887
Set-Asides	11,708	0	11,708
Unrestricted (Deficit)	(3,362,628)	59,209	(3,303,419)
Total Net Assets	\$10,360,297	\$166,449	\$10,526,746

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Statement of Activities
 For the Fiscal Year Ended June 30, 2005

	Program Revenues					Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$19,886,903	\$494,898	\$1,134,822	\$43,575	(\$18,213,608)	\$0	(\$18,213,608)
Special	6,302,873	0	1,709,831	0	(4,593,042)	0	(4,593,042)
Vocational	481,853	0	0	0	(481,853)	0	(481,853)
Other	466,513	0	0	0	(466,513)	0	(466,513)
Support Services:							
Pupils	3,060,137	0	100,445	0	(2,959,692)	0	(2,959,692)
Instructional Staff	2,839,223	0	851,505	0	(1,987,718)	0	(1,987,718)
Board of Education	16,736	0	0	0	(16,736)	0	(16,736)
Administration	3,812,575	0	222,373	0	(3,590,202)	0	(3,590,202)
Fiscal	512,146	26,866	0	0	(485,280)	0	(485,280)
Business	531,775	0	0	0	(531,775)	0	(531,775)
Operation and Maintenance of Plant	3,549,981	0	10,386	0	(3,539,595)	0	(3,539,595)
Pupil Transportation	2,907,570	39,140	30,219	33,533	(2,804,678)	0	(2,804,678)
Central	66,446	0	30,000	0	(36,446)	0	(36,446)
Operation of Non-Instructional Services	377,073	0	389,979	0	12,906	0	12,906
Extracurricular Activities	952,025	367,930	64,171	0	(519,924)	0	(519,924)
Interest and Fiscal Charges	205,196	0	0	0	(205,196)	0	(205,196)
Total Governmental Activities	45,969,025	928,834	4,543,731	77,108	(40,419,352)	0	(40,419,352)
Business-Type Activities:							
Food Service	1,793,952	812,936	900,294	0	0	(80,722)	(80,722)
Uniform School Supplies	40,694	36,779	0	0	0	(3,915)	(3,915)
Pre-School	7,184	21,664	0	0	0	14,480	14,480
Total Business-Type Activities	1,841,830	871,379	900,294	0	0	(70,157)	(70,157)
Totals	\$47,810,855	\$1,800,213	\$5,444,025	\$77,108	(40,419,352)	(70,157)	(40,489,509)
General Revenues:							
Property Taxes Levied for:							
General Purposes					11,776,407	0	11,776,407
Capital Outlay					402,015	0	402,015
Emergency Levy					4,980,770	0	4,980,770
Income Tax					2,651,123	0	2,651,123
Grants and Entitlements not Restricted to Specific Programs					20,561,690	0	20,561,690
Investment Earnings					104,748	74	104,822
Miscellaneous					111,000	3,960	114,960
Total General Revenues					40,587,753	4,034	40,591,787
Change in Net Assets					168,401	(66,123)	102,278
Net Assets Beginning of Year - Restated (See note 3)					10,191,896	232,572	10,424,468
Net Assets End of Year					\$10,360,297	\$166,449	\$10,526,746

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District

Balance Sheet

Governmental Funds

June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$2,532,184	\$1,349,838	\$3,882,022
Receivables:			
Property and Other Taxes	18,472,176	383,820	18,855,996
Income Taxes	1,069,497	0	1,069,497
Accounts	52,165	0	52,165
Intergovernmental	86,163	538,576	624,739
Interfund	33,297	0	33,297
Prepaid Items	11,694	0	11,694
Restricted Asset:			
Equity in Pooled Cash and Cash Equivalents	11,708	0	11,708
Total Assets	<u>\$22,268,884</u>	<u>\$2,272,234</u>	<u>\$24,541,118</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$256,342	\$152,635	\$408,977
Accrued Wages and Benefits Payable	3,201,758	189,683	3,391,441
Intergovernmental Payable	904,092	75,001	979,093
Interfund Payable	636	33,297	33,933
Accrued Interest Payable	6,090	0	6,090
Matured Compensated Absences Payable	298,852	3,056	301,908
Deferred Revenue	16,572,801	520,394	17,093,195
Tax Anticipation Note Payable	2,600,000	0	2,600,000
Total Liabilities	<u>23,840,571</u>	<u>974,066</u>	<u>24,814,637</u>
Fund Balances			
Reserved for Encumbrances	267,595	192,294	459,889
Reserved for Property Taxes	1,899,375	36,054	1,935,429
Reserved for Bus Purchases	11,708	0	11,708
Unreserved, Undesignated, Reported in:			
General Fund (Deficit)	(3,750,365)	0	(3,750,365)
Special Revenue Funds	0	395,755	395,755
Debt Service Funds	0	587,340	587,340
Capital Projects Funds	0	86,725	86,725
Total Fund Balances (Deficit)	<u>(1,571,687)</u>	<u>1,298,168</u>	<u>(273,519)</u>
Total Liabilities and Fund Balances	<u>\$22,268,884</u>	<u>\$2,272,234</u>	<u>\$24,541,118</u>

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2005

Total Governmental Fund Balances (\$273,519)

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	450,091	
Building and Improvements	25,909,388	
Other Improvements	92,442	
Infrastructure	17,125	
Furniture and Equipment	7,858,827	
Vehicles	2,015,331	
Accumulated Depreciation	<u>(22,285,384)</u>	
Total Capital Assets		14,057,820

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

Property Taxes	440,132	
Intergovernmental	<u>172,628</u>	612,760

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Accrued Interest on Loans	(6,090)	
Energy Conservation Loans Payable	(1,305,000)	
Capital Lease Payable	(378,248)	
Compensated Absences	<u>(2,347,426)</u>	<u>(4,036,764)</u>

Net Assets of Governmental Activities \$10,360,297

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$15,943,010	\$1,077,215	\$17,020,225
Income Taxes	2,651,123	0	2,651,123
Tuition and Fees	534,038	0	534,038
Interest	104,748	341	105,089
Intergovernmental	20,566,449	4,429,351	24,995,800
Extracurricular Activities	0	367,855	367,855
Charges for Services	26,866	0	26,866
Gifts and Donations	275	66,071	66,346
Rent	26,644	0	26,644
Miscellaneous	84,081	75	84,156
Total Revenues	39,937,234	5,940,908	45,878,142
Expenditures:			
Current:			
Instruction:			
Regular	18,019,006	1,246,245	19,265,251
Special	4,630,979	1,680,105	6,311,084
Vocational	491,066	0	491,066
Other	466,513	0	466,513
Support Services:			
Pupils	2,952,167	126,300	3,078,467
Instructional Staff	1,989,490	819,614	2,809,104
Board of Education	16,398	0	16,398
Administration	3,496,052	269,369	3,765,421
Fiscal	511,599	0	511,599
Business	545,192	0	545,192
Operation and Maintenance of Plant	3,262,231	350,034	3,612,265
Pupil Transportation	2,743,337	125,151	2,868,488
Central	22,946	43,500	66,446
Operation of Non-Instructional Services	0	373,838	373,838
Extracurricular Activities	461,157	473,118	934,275
Capital Outlay	441,721	40,307	482,028
Debt Service:			
Principal Retirement	242,978	0	242,978
Interest and Fiscal Charges	101,346	97,760	199,106
Total Expenditures	40,394,178	5,645,341	46,039,519
Excess of Revenues Over (Under) Expenditures	(456,944)	295,567	(161,377)
Other Financing Sources:			
Proceeds from Sale of Capital Assets	850	0	850
Inception of Capital Lease	426,641	0	426,641
Total Other Financing Sources	427,491	0	427,491
Net Change in Fund Balances	(29,453)	295,567	266,114
Fund Balances (Deficit) at Beginning of Year - Restated (See Note 3)	(1,542,234)	1,002,601	(539,633)
Fund Balances (Deficit) at End of Year	(\$1,571,687)	\$1,298,168	(\$273,519)

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005*

Net Change in Fund Balances - Total Governmental Funds \$266,114

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	749,824	
Depreciation Expense	(993,935)	
Excess of Capital Outlay Under Depreciation Expense		(244,111)

Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale:

Loss on Sale of Capital Assets		(71,105)
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Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current fiscal year, these amounts consist of:

Energy Conservation Loans Principal Payments	110,000	
Capital Lease Payments	132,978	242,978

Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by these amounts:

Property Taxes	138,967	
Tuition and Fees	144,777	283,744

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in Accrued Interest	(6,090)	
Decrease in Compensated Absences	123,512	117,422

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (426,641)

Change in Net Assets of Governmental Activities		\$168,401
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See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property Taxes	\$15,527,712	\$15,470,090	\$15,154,448	(\$315,642)
Income Taxes	2,481,799	2,481,799	2,566,879	85,080
Tuition and Fees	511,155	511,155	528,146	16,991
Interest	75,000	75,000	104,748	29,748
Intergovernmental	20,369,334	20,369,334	20,503,502	134,168
Miscellaneous	75,000	75,000	100,350	25,350
Total Revenues	<u>39,040,000</u>	<u>38,982,378</u>	<u>38,958,073</u>	<u>(24,305)</u>
Expenditures:				
Current:				
Instruction:				
Regular	17,515,176	18,198,924	17,951,122	247,802
Special	4,565,057	4,881,284	4,855,177	26,107
Vocational	443,010	475,116	506,322	(31,206)
Other	500,000	659,413	452,928	206,485
Support Services:				
Pupils	3,093,641	2,998,437	3,010,027	(11,590)
Instructional Staff	1,828,222	1,938,591	1,908,414	30,177
Board of Education	22,055	23,563	16,957	6,606
Administration	3,736,578	3,682,400	3,576,611	105,789
Fiscal	496,560	519,587	503,378	16,209
Business	585,811	582,548	558,521	24,027
Operation and Maintenance of Plant	3,416,559	3,561,575	3,380,250	181,325
Pupil Transportation	2,562,527	2,692,251	2,719,646	(27,395)
Central	40,000	40,000	32,486	7,514
Extracurricular Activities	539,358	525,121	461,353	63,768
Capital Outlay	7,000	10,256	20,961	(10,705)
Debt Service:				
Principal Retirement	158,394	158,394	158,393	1
Interest and Fiscal Charges	194,073	96,613	95,032	1,581
Total Expenditures	<u>39,704,021</u>	<u>41,044,073</u>	<u>40,207,578</u>	<u>836,495</u>
Excess of Revenues Under Expenditures	<u>(664,021)</u>	<u>(2,061,695)</u>	<u>(1,249,505)</u>	<u>812,190</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Fixed Assets	5,000	5,000	850	4,150
Refund of Prior Year Expenditures	65,000	65,000	175	64,825
Advances Out	0	0	(33,296)	33,296
Total Other Financing Sources (Uses)	<u>70,000</u>	<u>70,000</u>	<u>(32,271)</u>	<u>33,296</u>
Net Change in Fund Balances	(594,021)	(1,991,695)	(1,281,776)	709,919
Fund Balance at Beginning of Year	2,819,511	2,819,511	2,819,511	0
Prior Year Encumbrances Appropriated	527,497	527,497	527,497	0
Fund Balance at End of Year	<u>\$2,752,987</u>	<u>\$1,355,313</u>	<u>\$2,065,232</u>	<u>\$709,919</u>

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District

Statement of Fund Net Assets

Proprietary Funds

June 30, 2005

	Business-Type Activities	Governmental Activities -
	Nonmajor Enterprise Funds	Internal Service Fund
Assets		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$141,943	\$198,287
Accounts Receivable	1,443	0
Intergovernmental Receivable	112,239	28,075
Interfund Receivable	0	636
Inventory Held for Resale	9,234	0
Prepaid Items	2,373	0
<i>Total Current Assets</i>	<u>267,232</u>	<u>226,998</u>
 <i>Non-current Assets:</i>		
Depreciable Capital Assets, Net	107,240	0
Total Assets	<u>374,472</u>	<u>226,998</u>
 Liabilities		
<i>Current Liabilities:</i>		
Accounts Payable	9,228	0
Accrued Salaries Payable	98,841	0
Intergovernmental Payable	51,811	226,998
Matured Compensated Absences Payable	4,800	0
<i>Total Current Liabilities</i>	<u>164,680</u>	<u>226,998</u>
 <i>Non-current Liabilities:</i>		
Compensated Absences Payable	43,343	0
Total Liabilities	<u>208,023</u>	<u>226,998</u>
 Net Assets		
Invested in Capital Assets	107,240	0
Unrestricted	59,209	0
Total Net Assets	<u>\$166,449</u>	<u>\$0</u>

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2005*

	Business-Type Activities <u>Nonmajor Enterprise Funds</u>	Governmental Activities - <u>Internal Service Fund</u>
Operating Revenues		
Tuition and Fees	\$21,664	\$0
Charges for Services	849,715	0
Interfund Charges	0	243,541
Other Revenues	3,960	7,091
Total Operating Revenues	<u>875,339</u>	<u>250,632</u>
Operating Expenses		
Salaries	628,999	0
Fringe Benefits	414,108	250,632
Purchased Services	18,214	0
Materials and Supplies	90,652	0
Cost of Sales	668,278	0
Depreciation	19,944	0
Total Operating Expenses	<u>1,840,195</u>	<u>250,632</u>
Operating Income (Loss)	<u>(964,856)</u>	<u>0</u>
Non-operating Revenues (Expenses)		
Federal Donated Commodities	119,604	0
Intergovernmental	780,690	0
Interest	74	0
Loss on Sale of Capital Assets	(1,635)	0
Total Non-operating Revenues (Expenses)	<u>898,733</u>	<u>0</u>
Change in Net Assets	(66,123)	0
Net Assets at Beginning of Year	<u>232,572</u>	<u>0</u>
Net Assets at End of Year	<u>\$166,449</u>	<u>\$0</u>

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2005

	Business-Type Activities Nonmajor Enterprise Funds	Governmental Activities Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents:		
Cash Flows from Operating Activities		
Cash Received from Customers and Support	\$892,151	\$0
Cash Received from Interfund Charges	0	258,399
Cash Payments for Employee Services	(677,108)	0
Cash Payments for Employee Benefits	(409,620)	(156,163)
Cash Payments for Goods and Services	(618,212)	0
Net Cash Provided by (Used for) Operating Activities	(812,789)	102,236
Cash Flows from Noncapital Financing Activities		
Grants Received	753,942	0
Cash Flows from Investing Activities		
Interest on Investments	74	0
Net Increase (Decrease) in Cash and Cash Equivalents	(58,773)	102,236
Cash and Cash Equivalents Beginning of Year	200,716	96,051
Cash and Cash Equivalents End of Year	\$141,943	\$198,287
Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities:		
Operating Loss	(\$964,856)	\$0
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	19,944	0
Donated Commodities	119,604	0
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	786	0
Decrease in Material and Supplies Inventory	2,094	0
Decrease in Intergovernmental Receivable	18,255	(28,075)
Decrease in Interfund Receivable	0	14,858
Increase in Prepaid Items	(173)	0
Decrease in Accounts Payable	(8,814)	0
Increase in Accrued Salaries Payable	23,411	0
Decrease in Interfund Payable	(332)	0
Increase (Decrease) in Intergovernmental Payable	(18,379)	115,453
Increase in Matured Compensated Absences Payable	4,800	0
Decrease in Compensated Absences Payable	(9,129)	0
Net Cash Provided by (Used for) Operating Activities	(812,789)	\$102,236

Non-Cash Transaction:

During the fiscal year, the Food Service Enterprise Fund used material and supplies inventory valued at \$119,604. This inventory was donated to the School District and no cash payments were made to acquire the inventory. An expense for the usage was included in the operating loss of the fund and therefore, donated commodities must be recognized as an adjustment to reconcile net cash used for operating activities.

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$109,987	\$35,912
Liabilities:		
Accounts Payable	0	134
Undistributed Monies	0	9,891
Due to Students	0	25,887
	0	\$35,912
Net Assets:		
Held in Trust for Scholarships - Non-exendable	25,000	
Held in Trust for Scholarships - Exendable	84,987	
Total Net Assets	\$109,987	

See Accompanying Notes to the Basic Financial Statements

Xenia City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2005

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$2,415
Gifts and Contributions	12,632
Total Additions	15,047
Deductions:	
Scholarships Awarded	19,650
Change in Net Assets	(4,603)
Net Assets Beginning of Year - Restated (See note 3)	114,590
Net Assets End of Year	\$109,987

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Xenia Community School District (the “School District”) was chartered by Ohio State Legislature. In 1953 state laws were enacted to create local Boards of Education. Today, the School 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 School District operates under a locally-elected five member Board form of government and provides educational services as mandated by State statute and federal guidelines. This Board controls the School District’s instructional and support facilities staffed by 265 non-certificated employees and 350 certificated full-time teaching personnel and administrative employees to provide services to 5,146 students and other community members. The School District currently operates 7 elementary schools, 2 middle schools (grades 6-8) and 1 high school (grades 9-12).

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Xenia Community School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 19 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Miami Valley Educational Computer Association
Southwestern Ohio Educational Purchasing Council
Greene County Career Center

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers’
Compensation Group Rating Plan

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Xenia Community School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The School District has elected not to apply FASB Statements and Interpretations issued after November 30, 1989, to its business-type and to its proprietary funds. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid the "doubling up" of revenues and expenses. The government-wide financial statements distinguish between those activities of the School District that are governmental and those that are business-type activities.

The statement of net assets presents the financial condition of the governmental activities and business-type activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the School District.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District divides its funds into three categories: governmental, proprietary and fiduciary.

Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's major governmental fund:

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

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The School District's enterprise funds are food service, uniform school supply and pre-school.

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost reimbursement basis. The internal service fund of the School District accounts for the collections and disbursements of the workers' compensation premiums.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Fund Types:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a college scholarship program for students. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor. The agency fund also accounts for unclaimed moneys owed to individuals outside of the school district.

C. Measurement Focus

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement on Net Assets. The Statement of Activities accounts for increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. 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 year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property and income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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 nonexchange 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 fiscal year-end: property taxes available as an advance, income taxes, grants, tuition, and student fees.

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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements and monies from other school districts received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization are not recognized in governmental funds.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

During fiscal year 2005, the School District invested in repurchase agreements, Fifth Third US Treasury Money Market Fund, JP Morgan US Treasury Plus Money Market Fund Investor Class, and Victory Federal Money Market – Select. For investments in open-ended mutual funds, fair value is determined by the fund's share price. Nonparticipating investment contracts such as repurchase agreements and certificates of deposit are reported at cost.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$104,748, which includes \$35,220 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are reported as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of proprietary funds consist of expendable supplies held for consumption and purchased and donated food held for resale.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the general fund include unexpended revenues restricted for the purchase of school buses.

I. Interfund Balances

On the fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund Receivables/Payables." Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balances amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances".

J. Capital Assets

General capital assets are those not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in both the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School 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. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	50 years
Other Improvements	20 years
Infrastructure	15 years
Furniture	10 years
Equipment	5 years
Fixtures	10 years
Vehicles	10 years

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities those, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Capital leases and the energy conservation loan are recognized as a liability in the fund financial statements when due.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees who have reached the age of 50.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid. The non-current portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes and school bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Net Assets

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

Net assets restricted for other purposes include activities for food service operations, music and athletic programs, debt service, and federal and state grants restricted to expenditures for specified purposes.

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are tuition for summer school and adult education classes, sales for food service uniform school supplies, and charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

P. Interfund Activity

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

Q. Estimates

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

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Budgetary Data

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year which matched actual expenditures plus encumbrances at fiscal year-end.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS

During fiscal year 2005, the School District implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures." This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The implementation of this statement had no effect on net assets/fund balances. The disclosures required by this statement can be found in Note 6 to the basic financial statements.

During fiscal year 2005, the School District also implemented GASB Technical Bulletin 2004-2, "Accounting for Employers' Contributions to Cost-Sharing Pension and OPEB Plans." This Bulletin required contractually required pension liabilities be shown in governmental fund financial statements. In prior years, the School District recorded a portion of the liability on the government-wide statements.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS
(Continued)

During fiscal year 2005, the School District reclassified scholarship monies from special revenue to private purpose fund types. In addition, the emergency levy was combined with the general fund for fiscal year 2005. The effect of these reclassifications and the implementation of the technical bulletin on net assets/fund balances at July 1, 2004, follows:

	General	Emergency Levy	Other Governmental Funds
Fund Balance at June 30, 2004	(\$1,612,591)	\$326,433	\$1,081,563
GASB TB 2004-2	(256,076)	0	(5,445)
Fund Type Reclassification	326,433	(326,433)	(73,517)
Fund Balance at July 1, 2004	<u>(\$1,542,234)</u>	<u>\$0</u>	<u>\$1,002,601</u>

	Governmental Activities	Private-Purpose Trust
Net Assets at June 30, 2004	\$10,265,413	\$41,073
Fund Type Reclassification	(73,517)	73,517
Net Assets at July 1, 2004	<u>\$10,191,896</u>	<u>\$114,590</u>

NOTE 4 - FUND DEFICITS

The data communication special revenue fund had deficit fund balance at June 30, 2005, of \$13,500. The general fund is liable for any deficit in this fund and will provide operating transfers when cash is required, not when accruals occur. The general fund had a deficit fund balance of \$1,578,387. In March of 2004, the School District passed a 7.9 mill property tax levy that will help eliminate this deficit.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is 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, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

	<u>General</u>
GAAP Basis	(\$29,453)
Revenue Accruals	(978,986)
Expenditure Accruals	238,619
Advances	(33,296)
Encumbrances	<u>(478,660)</u>
Budget Basis	<u><u>(\$1,281,776)</u></u>

NOTE 6 - 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.

Inactive monies are public deposits that the Board of Education has identified as not required for use within the current five 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts including but not limited to passbook accounts.

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.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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) 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 from the purchase date 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.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

At fiscal year-end, the carrying amount of the School District's deposits was (\$390,267) and the bank balance was \$768,344. \$200,000 of the School District's deposits was insured by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$568,344 of the School District's bank balance of \$768,344 was exposed to custodial risk and was uninsured and uncollateralized.

Investments

At June 30, 2005, the School District had the following investments.

Investments	Average Maturity	Fair Value
Repurchase Agreement	< than 1 year	\$394,000
JP Morgan US Treasury Plus Money Market Fund Investor Class	17 days	2,648,998
Victory Federal Money Market Select Mutual Fund	30 days	168,741
Fifth Third US Treasury Money Market Mutual Fund	22 days	1,558,387
		<u>\$4,770,126</u>

Interest Rate Risk - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The School District's investments in JP Morgan US Treasury Plus Money Market Fund, the Victory Federal Money Market Select Mutual Fund and the Fifth Third US Treasury Money Market Mutual Fund are rated AAAM by Standard & Poor's. The School District's investment in a repurchase agreement is exposed to credit risk due to the underlying securities are held by the investment's counterparty or its trust department or agent, not in the School District's name.

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. More than 5 percent of the School District's investments are in the following:

Investments	Percent
Repurchase Agreement	8%
JP Morgan US Treasury Plus Money Market Fund	56%
Fifth Third US Treasury Money Market Mutual Fund	33%

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Greene County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance is recognized as revenue. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 7 - PROPERTY TAXES (continued)

The amount available as an advance at June 30, 2005, was \$1,889,375 in the general fund and \$36,054 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2004, was \$853,933 in the general fund, \$256,180 in the emergency levy special revenue fund and \$27,128 in the permanent improvement capital projects fund.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<u>2004 Second- Half Collections</u>		<u>2005 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Real Property -				
Residential/Agricultural	\$443,208,380	77.91%	\$453,440,850	78.20%
Public Utilities	66,240	0.01%	66,240	0.01%
Commercial/Industrial	65,728,560	11.55%	67,488,500	11.64%
Tangible Property - Personal	59,908,793	10.53%	58,879,308	10.15%
Total	<u>\$568,911,973</u>	<u>100.00%</u>	<u>\$579,874,898</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$41.05		\$48.45	

NOTE 8 – INCOME TAX

The School District levies a voted tax of ½ percent for general operations on the income of residents and of estates. The tax was effective 1/1/99, and is a 5 year tax levy. 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 9 - RECEIVABLES

Receivables at June 30, 2005, consisted of property and income taxes, accounts (tuition and student fees), and intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 9 - RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables are as follows:

<u>Intergovernmental Receivable</u>	<u>Amounts</u>
Governmental Activities:	
Ohio Reads	\$10,627
Student Intervention	20,101
High School that Work	7,500
Special Education Part B IDEA	101,843
Special Education Access Grant	11,250
Special Education Positive Behavior	4,258
Special Education Autism Spectrum	23,300
Title I	144,070
Title I - Delinquent	16,861
McKinney - Vento Homeless	40,312
Title V - Innovative Program	8,130
Title IV-A Safe and Drug Free Schools	1,775
IDEA ECSE	2,172
Title II-A	28,567
Title II-D Technology	15,655
21st Century Grant	57,011
Learn and Serve	10,088
Smaller Communities Learning Grant	34,192
CAFS	85,769
Workers' Compensation Refunds	28,075
Miscellaneous	1,258
Total Governmental Activities	652,814
Proprietary Activities:	
Breakfast Reimbursement	21,675
Lunch Reimbursement	75,433
Snack Reimbursement	328
Summer Schools - Food	13,403
Summer Schools - Administration	1,400
Total Proprietary Activities	112,239
Total Intergovernmental Receivable	\$765,053

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance 6/30/2004	Additions	Deletions	Balance 6/30/2005
Governmental Assets				
<i>Capital Assets, not being depreciated</i>				
Land	\$450,091	\$0	\$0	\$450,091
<i>Capital Assets, being depreciated</i>				
Building and Improvements	25,886,338	27,176	(4,126)	25,909,388
Other Improvements	90,356	30,020	(27,934)	92,442
Infrastructure	17,125	0	0	17,125
Furniture/Equipment/Fixtures	7,424,777	622,068	(188,018)	7,858,827
Vehicles	1,944,771	70,560	0	2,015,331
Total Capital Assets, being depreciated	<u>35,363,367</u>	<u>749,824</u>	<u>(220,078)</u>	<u>35,893,113</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(14,845,576)	(480,756)	0	(15,326,332)
Other Improvements	(10,878)	(4,930)	0	(15,808)
Infrastructure	(2,426)	(856)	0	(3,282)
Furniture/Equipment/Fixtures	(5,457,568)	(378,641)	148,973	(5,687,236)
Vehicles	(1,123,974)	(128,752)	0	(1,252,726)
Total Accumulated Depreciation	<u>(21,440,422)</u>	<u>(993,935)</u>	<u>148,973</u>	<u>(22,285,384)</u>
Total Capital Assets, being depreciated, net	<u>13,922,945</u>	<u>(244,111)</u>	<u>(71,105)</u>	<u>13,607,729</u>
Governmental Activities Capital Assets, net	<u>\$14,373,036</u>	<u>(\$244,111)</u>	<u>(\$71,105)</u>	<u>\$14,057,820</u>
Business-Type Activities				
<i>Capital Assets, being depreciated</i>				
Furniture and Equipment	\$519,528	\$0	\$15,980	\$503,548
Vehicles	41,218	0	0	41,218
Total Capital Assets, being depreciated	<u>560,746</u>	<u>0</u>	<u>15,980</u>	<u>544,766</u>
Less: Accumulated Depreciation				
Furniture and Equipment	(408,288)	(14,670)	14,345	(408,613)
Vehicles	(23,639)	(5,274)	0	(28,913)
Total Accumulated Depreciation	<u>(431,927)</u>	<u>(19,944)</u>	<u>14,345</u>	<u>(437,526)</u>
Business-Type Activities Capital Assets, net	<u>\$128,819</u>	<u>(\$19,944)</u>	<u>\$1,635</u>	<u>\$107,240</u>

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 10 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$705,302
Special	24,460
Support Services:	
Pupils	12,051
Instructional Staff	17,050
Board of Education	338
Administration	31,858
Fiscal	986
Business	424
Operation and Maintenance of Plant	45,765
Transportation	112,842
Operation of Non-Instructional Services	5,317
Extracurricular Activities	<u>37,542</u>
Total	<u><u>\$993,935</u></u>

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

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 2005, the School District contracted with Indiana Insurance Company for general liability insurance with \$1,000,000 single occurrence with 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. Settled claims have not exceeded this commercial coverage in the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

B. Workers' Compensation

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 11 - RISK MANAGEMENT (Continued)

A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund.” This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone 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 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS’ Retirement Board. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$634,381, \$859,39 and \$817,376 respectively; 53 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090 or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB plan.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

Contributions to the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into member’s accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 12 - DEFINED BENEFIT PENSION PLANS (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, one employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$2,642,608, \$2,838,568, and \$2,732,768 respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care costs in the form of a monthly premium.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 13 - POSTEMPLOYMENT BENEFITS (Continued)

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal years ended June 30, 2005, and June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$203,278 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease from 4.91 percent in fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$254,999.

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. Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005, were \$178,221,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. At June 30, 2005, the value of the SERS health care fund was \$267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projects, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of the estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service with a maximum accumulation of 20 days. Teachers do not earn vacation time. The Superintendent and Treasurer earn twenty days per calendar year, with a maximum accumulation of 27 days.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 14 - OTHER EMPLOYEE BENEFITS (Continued)

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated for all personnel. Upon retirement, payment is made for twenty-five percent of accrued, but unused sick leave credit to a maximum of 81 days for all employees except administrators who have a 115 day maximum.

B. Insurance Benefits

The School District provides medical, life and dental insurance to most employees through Anthem Blue Cross Blue Shield of Ohio.

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the School District entered into capital leases for the acquisition of computers to be used by the students of the School District. During fiscal year 2005, the School District entered into a lease for a phone system. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts, "capital outlay" and "inception of capital leases" in the general fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as program/function expenditures on a budgetary basis for the computer lease. The School District made its final principal payments of \$84,585 in fiscal year 2005 on the computer lease. The School District made an additional \$48,393 in principal payments on the phone system lease during fiscal year 2005.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$426,641, which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on these assets at June 30, 2005, was \$0 and the carrying value was \$426,641.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005.

Fiscal Year Ending June 30,	Total Payments
2006	\$71,418
2007	71,328
2008	71,418
2009	71,418
2010	71,418
2011-2012	77,369
Total	434,369
Less: Amount Representing Interest	(56,121)
Present Value of Net Minimum Lease Payments	\$378,248

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 16 - SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2005, the School District had contractual purchase commitments as follows:

Vendor	Contract Amount	Amount Expended	Balance At 6/30/05
Anderson-Williamson	\$105,582	\$0	\$105,582
Xerox Corporation	70,000	59,480	10,520
A.H. Sturgill Roofing Co.	149,400	137,556	11,844
Total	<u>\$324,982</u>	<u>\$197,036</u>	<u>\$127,946</u>

NOTE 17 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	Amount Outstanding 6/30/04	Additions	Deductions	Amount Outstanding 6/30/05	Amounts Due in One Year
Governmental Activities					
Energy Conservation					
Loan 1995 5.6%	\$1,415,000	\$0	(\$110,000)	\$1,305,000	\$115,000
Capital Leases	84,585	426,641	(132,978)	378,248	55,168
Compensated Absences	2,470,938	139,692	(263,204)	2,347,426	263,204
Total Governmental Activities					
Long - Term Liabilities	<u>\$3,970,523</u>	<u>\$566,333</u>	<u>(\$506,182)</u>	<u>\$4,030,674</u>	<u>\$433,372</u>
Business-Type Activities					
Compensated Absences	<u>\$43,522</u>	<u>\$0</u>	<u>(\$179)</u>	<u>\$43,343</u>	<u>\$0</u>

In June 1999, the School District issued \$1,920,790 in school energy conservation improvement notes to finance the design and implementation of energy conservation measures in buildings throughout the School District which were intended to significantly reduce the energy consumption in those buildings. The repayment of these notes will be made from the School District's general fund with the savings realized through the implementation of the energy conservation measures over the ensuing fifteen years.

Capital leases will be paid from the general fund. Compensated absences will be paid from the general fund and the food service, Title I, Title II-A, special education, student intervention and auxiliary special revenue funds.

The School District's overall legal debt margin was \$50,176,081, the energy conservation debt margin was \$3,913,874 and the unvoted debt margin was \$579,875 at June 30, 2005.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 17 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the energy conservation loan outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$115,000	\$73,080	\$188,080
2007	120,000	66,640	186,640
2008	130,000	59,920	189,920
2009	135,000	52,640	187,640
2009	145,000	45,080	190,080
2011-2014	660,000	95,200	755,200
Totals	<u>\$1,305,000</u>	<u>\$392,560</u>	<u>\$1,697,560</u>

NOTE 18 – SHORT TERM OBLIGATION

The following is a summary of note activity for the School District for the fiscal year ended June 30, 2005:

	Amount Outstanding 6/30/04	Additions	Deductions	Amount Outstanding 6/30/05
Tax Anticipation Note, 3.6%	<u>\$2,600,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,600,000</u>

The School District issued a two year tax anticipation note on April 12, 2004, to provide financing for operations. The debt will be repaid from proceeds of a tax levy collected by the County Auditor.

Principal and interest requirements to retire the tax anticipation note outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2006	\$1,300,000	\$70,200	\$1,370,200
2007	1,300,000	23,400	1,323,400
Totals	<u>\$2,600,000</u>	<u>\$93,600</u>	<u>\$2,693,600</u>

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties. 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 six representatives from the member districts elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent and the executive director. The School District paid MVECA \$82,410 for services provided during the fiscal year. Financial information can be obtained from Norma Stewart, Executive Director, at MVECA at 330 East Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 123 school districts in 18 counties. 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 for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2005, the School District paid \$17,070 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, OH 45377.

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. During fiscal year 2005, the School District did not make any contributions to the Greene County Career Center. To obtain financial information, write to the Greene County Career Center, Steve Sutcliffe, who serves as Treasurer, at 2960 W. Enon Road, Xenia, Ohio 45385.

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan (GRP). The GRP’s business and affairs are conducted by an eleven member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 20 - SET-ASIDE REQUIREMENTS

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

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

In fiscal year 2004, the amount reported for textbooks and instructional materials was incorrect. The amount was restated from \$25,661 to (\$278,362).

	Textbooks and Instructional Materials	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2004	(\$278,362)	\$0
Current Year Set-aside Requirement	683,998	663,998
Qualifying Disbursements	(600,900)	(364,794)
Current Year Offsets	0	(416,275)
Totals	(\$195,264)	(\$117,071)
Set-aside Balances Carried Forward to Future Fiscal Years	(\$195,264)	\$0

The School District had qualifying disbursements and offsets during the fiscal year that reduced the capital acquisitions amounts below zero; however, this extra amount may not be used to reduce the set-aside requirements in future fiscal years.

NOTE 21 – DONOR-RESTRICTED ENDOWMENTS

The School District’s private purpose trust funds include donor-restricted endowments. Net assets held in trust for scholarships – non-expendable of \$25,000 represents the principal portion of the endowment. The amount of appreciation in donor-restricted investments that is available for expenditures by the governing body is \$84,987 and is included as net assets held in trust for scholarships - expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment’s intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each fiscal year.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 22 – INTERFUND ACTIVITY

At June 30, 2005, the interfund loan from the general fund to the other governmental funds of \$33,297 was due to the timing of grant dollar receipts. When grant dollars are received, the loans will be paid back.

At June 30, 2005, the general fund had an interfund payable to the internal service fund due for additional amounts owed for workers' compensation.

NOTE 22 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

NOTE 23 – SUBSEQUENT EVENT

On November 8, 2005, the voters of the School District renewed a 1.3 mills permanent improvement levy commencing 2006. This is a five year levy. In addition, the voters renewed a levy for 13.40 mills commencing 2006. This levy is for emergency operating expenses and is also a five year levy.

Xenia Community School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2005

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education</i>				
Nutritional Cluster:				
Food Distribution Program	NN-N1	10.550	\$ 119,604	\$ 119,604
National School Breakfast Program	05-PU	10.553	131,591	131,591
National School Lunch Program	04-PU	10.555	563,854	563,854
Summer Food Service Program	24-PU	10.559	<u>40,963</u>	<u>40,963</u>
Total Nutrition Cluster			<u>856,012</u>	<u>856,012</u>
Total U.S. Department of Agriculture			<u>856,012</u>	<u>856,012</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grant	C1-S1	84.010	953,602	1,060,138
Special Education Cluster:				
Special Education Grant	6B-SF	84.027	1,252,326	1,304,070
Special Education - Preschool Grant	PG-S1	84.173	<u>49,207</u>	<u>39,048</u>
Total Special Education Cluster			<u>1,301,533</u>	<u>1,343,118</u>
Safe & Drug Free Schools and Communities	DR-S1	84.186	32,799	41,302
Education for Homeless Children and Youth	HC-S1	84.196	44,060	60,452
21st Century Community Learning Center	T1-S1	84.287	499,194	540,848
Innovative Programs Grant	C2-S1	84.298	40,703	44,315
Education Technology Grant	TJ-S1	84.318	16,546	14,646
Comprehensive School Reform Grant	RF-S2	84.332	18,723	33,658
Improving Teacher Quality Grant	TR-S1	84.367	333,375	334,705
<i>Direct Award</i>				
Implementation of Education	n/a	84.215	<u>126,205</u>	<u>126,205</u>
Total U.S. Department of Education			<u>3,366,740</u>	<u>3,599,387</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
<i>Passed Through Ohio Department of Education</i>				
Learn and Serve America	SV-S4	94.004	<u>1,240</u>	<u>5,703</u>
TOTAL FEDERAL AWARDS			<u>\$ 4,223,992</u>	<u>\$ 4,461,102</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

XENIA COMMUNITY SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

1. Significant Accounting Policies:

The accompanying schedule of expenditures of federal awards is a summary of the federal awards programs of the Xenia Community School District. This 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, 2005 the District had no significant food commodities in inventory.



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

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Board of Education
Xenia Community School District
578 East Market Street
Xenia, OH 45385

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Xenia Community School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 13, 2006. 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.

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 opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the District, in a separate letter dated January 13, 2006.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 13, 2006



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

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 East Market Street
Xenia, OH 45385

Compliance

We have audited the compliance of Xenia Community School District, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of 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 on the District's compliance with those requirements.

In our opinion, the Xenia Community School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

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 the 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 reportable 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 caused by error or fraud 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.

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

Clark, Schufer, Hachett & Co.

Springfield, Ohio
January 13, 2006

XENIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS
 OMB CIRCULAR A-133 § .505
 JUNE 30, 2005

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):	<i>Special Education Cluster:</i> CFDA #84.027 – Special Education Grant CFDA #84.173 – Special Education Preschool Grant CFDA # 84.215 – Implementation of Education
(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

XENIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2005

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
JUNE 13, 2006**