
Xenia Community School District
Greene County, Ohio

Basic Financial Statements

June 30, 2011

(with Independent Auditors' Report)



Dave Yost • Auditor of State

Board of Education
Xenia Community School District
578 East 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, 2010 through June 30, 2011. 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 "Dave Yost".

Dave Yost
Auditor of State

February 21, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Xenia Community School District (the District) as of and for the years ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2011, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 23, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

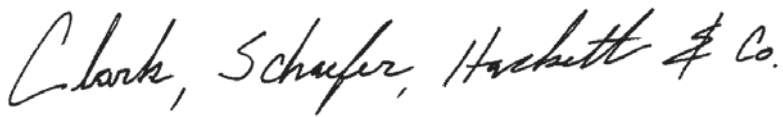
In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 important for assessing the results of our audit.

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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 Schedule of Expenditures of Federal Awards for the year ended June 30, 2011, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Clark, Schaefer, Hackett & Co.".

Springfield, Ohio
December 23, 2011

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

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, 2011. 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 2011 are as follows:

- For governmental activities, net assets decreased \$820,267, which represents a 2 percent decrease from 2010.
- General revenues accounted for \$46,220,179 in revenue or 77 percent of all governmental revenues. Program specific revenues in the form of charges for services and operating grants and contributions and interest accounted for \$13,725,989 or 23 percent of total governmental revenues of \$59,946,168.
- The School District had \$60,766,435 in expenses related to governmental activities, a 5.7 percent increase from prior year.
- The General Fund had \$45,739,672 in revenues and \$48,159,016 in expenditures. The General Fund's balance decreased \$1,463,764 from 2010.
- During fiscal year 2010, the School District issued a total of \$34,670,000 in general obligation notes to provide temporary financing for the School Facilities Construction and Improvement Project which will consist of the building of five new elementary buildings. During fiscal year 2011, the School District issued school facilities construction and improvement bonds to pay off the general obligation notes. A portion of the bonds are Build America Bonds and Qualified School Construction Bonds. As a result, the School District will receive a federal tax credit remitted directly to the School District to save the District \$25,906,157 in interest costs over the life of the bonds. The interest rate is reduced to 3.95% on the Build America Bonds and .64% on the Qualified School Construction Bonds.
- The School District issued energy conservation notes for \$1,945,000 and permanent improvement notes for \$675,000 during fiscal year 2011.
- The School District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Types". As a result of implementing this statement, the School District has reclassified some of its funds to fund types that better reflect the fund's purpose.
 - ◆ The Food Service Fund was previously reported as an enterprise fund, but it is now classified as a special revenue fund.
 - ◆ The Preschool Fund and Uniform School Supplies funds were previously reported as enterprise funds, but they are now combined with the General Fund.
 - ◆ The Public School Support Fund that was previously classified as a special revenue fund has been combined with the General Fund.
 - ◆ The Workers' Compensation Fund that was previously reported as an internal service fund is now classified as an agency fund.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

- ◆ Finally, the Xenia Community Fund that was previously reported as a special revenue fund is now classified as a private purpose trust fund.

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.

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 2011?" 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 reports governmental activities where 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. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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 funds are the General Fund, the Bond Retirement Debt Service Fund, and the Classroom Facilities Capital Projects Fund.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

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

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not used to support the School District's own programs. Fiduciary fund reporting focuses on net assets and changes in net assets.

The School District as a Whole

Governmental Activities

Table 1 provides a summary of the School District's net assets for 2011 compared to 2010:

| | | Table 1 Net Assets | |
|--------------------------|---------------------|--------------------------------|-------------|
| | | <u>Governmental Activities</u> | |
| | | <u>2010 (Restated)</u> | <u>2011</u> |
| Assets | | | |
| Current and Other Assets | \$87,921,206 | \$90,964,968 | |
| Capital Assets | 13,002,414 | 15,349,514 | |
| Total Assets | <u>100,923,620</u> | <u>106,314,482</u> | |
| Liabilities | | | |
| Long-Term Liabilities | 39,371,005 | 45,082,383 | |
| Other Liabilities | 23,458,698 | 23,958,449 | |
| Total Liabilities | <u>62,829,703</u> | <u>69,040,832</u> | |
| Net Assets | | | |
| Invested in Capital | | | |
| Assets, Net of Debt | 10,705,808 | 7,394,446 | |
| Restricted | 27,380,449 | 30,816,748 | |
| Unrestricted | 7,660 | (937,544) | |
| Total Net Assets | <u>\$38,093,917</u> | <u>\$37,273,650</u> | |

Contributing to the increase in governmental assets was additions to construction in progress as the School District continued the construction of building five new elementary buildings. The School District issued School Facilities Construction and Improvement Bonds (to pay off notes), energy conservation

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

notes and permanent improvement notes during fiscal year 2011. These new issues contributed to the increase in long-term liabilities. Unrestricted net assets are the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements. Unrestricted assets for governmental activities decreased \$945,204.

Table 2 shows the changes in net assets for fiscal year 2010 and 2011.

Table 2
Change in Net Assets

| | Governmental Activities | |
|--|--------------------------------|--------------------|
| | <u>2010 (Restated)</u> | <u>2011</u> |
| Revenues | | |
| Program Revenues: | | |
| Charges for Services | \$1,962,414 | \$1,788,001 |
| Operating Grants and Contributions | 7,384,790 | 11,937,988 |
| Total Program Revenues | <u>9,347,204</u> | <u>13,725,989</u> |
| General Revenues | | |
| Property Taxes and Income Taxes | 22,241,506 | 23,985,522 |
| Grants and Entitlements Not Restricted | 21,990,306 | 21,554,048 |
| Grants from School Facilities Commission | 26,400,224 | 0 |
| Other | 216,905 | 680,609 |
| Total General Revenues and Transfers | <u>70,848,941</u> | <u>46,220,179</u> |
| Total Revenues | <u>80,196,145</u> | <u>59,946,168</u> |
| Program Expenses | | |
| Instruction | 32,120,206 | 33,106,112 |
| Support Services: | | |
| Pupils and Instructional Staff | 8,182,022 | 8,753,887 |
| Board of Education, Administration, Fiscal and Business | 6,206,437 | 5,794,455 |
| Operation and Maintenance of Plant | 4,070,484 | 4,013,756 |
| Pupil Transportation | 2,961,342 | 3,307,960 |
| Central | 368,574 | 359,364 |
| Operation of Non-Instructional Services | 2,262,266 | 2,431,395 |
| Extracurricular Activities | 974,957 | 887,034 |
| Interest and Fiscal Charges | 347,061 | 2,112,472 |
| Total Expenses | <u>57,493,349</u> | <u>60,766,435</u> |
| Increase (Decrease) in Net Assets | <u>\$22,702,796</u> | <u>(\$820,267)</u> |

Governmental Activities

Operating grants and contributions increased due to two new grants for fiscal year 2011. The School District received a School Improvement grant for \$1,870,675 and a Race to the Top grant for 27,031. In addition, the School District received more fiscal stabilization grant monies during fiscal year 2011.

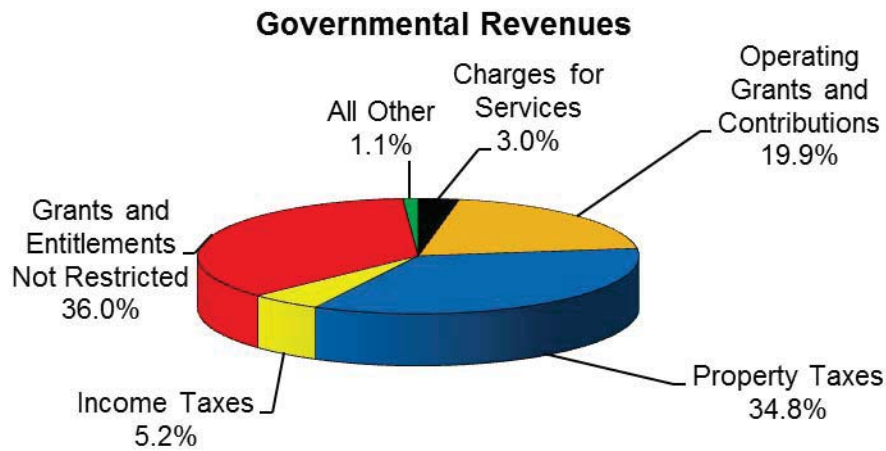
During fiscal year 2010, the School District was awarded a grant from the Ohio School Facilities Commission in the amount \$26,400,224 to build five new elementary buildings.

Interest and fiscal charges increased as a result of interest payments made on the School Facilities Construction and Improvement notes and bonds.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

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.

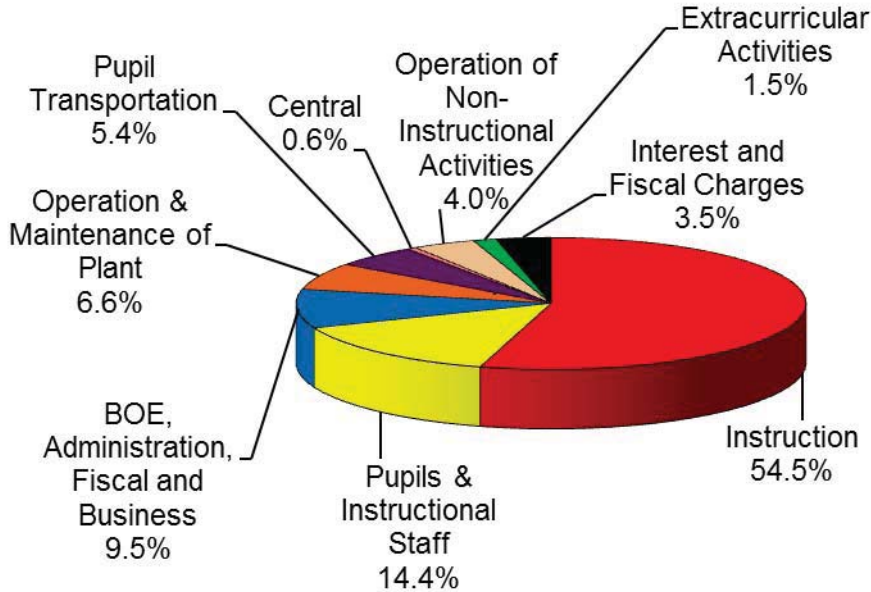
The School District, dependent upon property taxes, is hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 34.8 percent of revenues for governmental activities for the Xenia Community School District for fiscal year 2011. Income taxes added another 5.2 percent. Grants and entitlements not restricted consists largely of state foundation monies.



Instruction comprises 54.5 percent of School District expenses. Support services expenses make up 36.5 percent of expenses.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Governmental Expenses



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

| | Restated | | | |
|--|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | Total Cost of Services 2010 | Net Cost of Services 2010 | Total Cost of Services 2011 | Net Cost of Services 2011 |
| Instruction | \$32,120,206 | (\$27,849,069) | \$33,106,112 | (\$27,015,115) |
| Support Services: | | | | |
| Pupils and Instructional Staff | 8,182,022 | (7,009,246) | 8,753,887 | (6,518,981) |
| Board of Education, Administration, Fiscal and Business | 6,206,437 | (4,847,031) | 5,794,455 | (4,200,412) |
| Operation and Maintenance of Plant | 4,070,484 | (4,062,249) | 4,013,756 | (4,005,923) |
| Pupil Transportation | 2,961,342 | (2,904,245) | 3,307,960 | (3,222,620) |
| Central | 368,574 | (337,066) | 359,364 | (331,614) |
| Operation of Non-Instructional Services | 2,262,266 | (97,584) | 2,431,395 | (104,220) |
| Extracurricular Activities | 974,957 | (692,594) | 887,034 | (603,332) |
| Interest and Fiscal Charges | 347,061 | (347,061) | 2,112,472 | (1,038,229) |
| Total Expenses | \$57,493,349 | (\$48,146,145) | \$60,766,435 | (\$47,040,446) |

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

The dependence upon state foundation and tax revenues is apparent. Approximately 82 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 77 percent. The community, as a whole, provides significant support for the Xenia Community School District.

The School District's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$77,418,135 and expenditures of \$99,831,122.

Although revenues increased \$845,902 or 2 percent and expenditures only increased \$311,107 or less than one percent from restated 2010 totals, the net change in fund balance for the School District's operating fund, the General Fund, was a decrease of \$1,463,764.

The Bond Retirement Fund had a fund balance increase of \$1,856,003. Contributing to the increase is a tax credit on the Build America bonds and qualified school construction bonds of \$1,070,744.

The Classroom Facilities Fund had a \$17,828,272 increase in fund balance. The School District was awarded a grant from the Ohio School Facilities Commission that will be used to build five new elementary schools.

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, final budget basis revenue was \$1,175,145 over the original budget estimate due to increases in property taxes.

Expenditures were tightly monitored which enabled actual expenditures to be \$608,648 under the final appropriations.

Capital Assets

At the end of fiscal year 2011, the School District had \$15,349,514 invested in governmental capital assets.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Table 4 shows fiscal year 2011 balances compared to 2010.

Table 4
Capital Assets at June 30,

| | Governmental Activities | |
|--------------------------------|--------------------------------|--------------|
| | 2010 (restated) | 2011 |
| Land | \$450,091 | \$450,091 |
| Construction in Progress | 729,691 | 3,667,457 |
| Buildings and Improvements | 26,179,236 | 26,361,425 |
| Other Improvements | 294,039 | 294,039 |
| Infrastructure | 17,125 | 17,125 |
| Furniture/Equipment/Fixtures | 9,611,063 | 10,145,527 |
| Vehicles | 2,951,484 | 2,993,243 |
| Less: Accumulated Depreciation | (27,444,880) | (28,579,393) |
| | \$12,787,849 | \$15,349,514 |

In fiscal year 2011, capital asset additions exceeded depreciation. During fiscal year 2011, construction of five new elementary buildings continued. 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,

| | 2010 | 2011 |
|--|--------------|--------------|
| Long-Term Notes | \$660,000 | \$3,125,000 |
| School Facilities Construction and Improvement Bonds | 0 | 34,746,200 |
| School Facilities Construction and Improvement Notes | 34,670,000 | 0 |
| Capital Leases | 1,171,214 | 862,675 |
| Unamortized Bond & Note Premiums | 224,298 | 3,630,626 |
| Totals | \$36,725,512 | \$42,364,501 |

During fiscal year 2011, the School District issued school facility construction and improvement bonds in order to pay off the school facility construction and improvement notes. At the same time, the School District refunded the \$660,000 in energy conservation notes. Also for fiscal year 2011, the School District issued \$675,000 in permanent improvement notes and \$1,945,000 in energy conservation notes.

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

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Current Financial Issues and Concerns

On November 2, 2010, the voters approved a renewal of an emergency levy that provides nearly \$8 million a year for the Xenia Community Schools. The levy is a five year, 11.4 mill (reduced from 13.4 mills when on the ballot five years ago) renewal levy that will continue to fund classroom instruction and key items like textbooks and technology. None of the money will go to construct buildings.

On November 3, 2009, the School District voters approved 3.2 mills to construct five elementary school buildings. Of the total millage, 2.7 mills will be for construction; the remaining 0.5 mill is required by the state for maintenance on the school buildings. The building project is to cover the local portion of \$34,670,000 of the Ohio School Facilities Commission Program. The total project is \$125,408,386. The new schools will be built on the current sites of Cox Elementary School, McKinley Elementary School, Shawnee Elementary School, Tecumseh Elementary School and Arrowood Elementary School. The Xenia Board of Education has set an aspiration goal of 25 percent for including local vendors and companies in the building project

On November 8, 2011, voters rejected a 4.8 mill emergency levy for operations. If approved the levy would have generated about \$3,078,329 annually.

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 Bradley McKee, Treasurer at Xenia Community School District, 578 East Market Street, Xenia, Ohio 45385.

Xenia Community School District

Statement of Net Assets

June 30, 2011

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$60,110,423 |
| Accounts Receivable | 363,574 |
| Accrued Interest Receivable | 750 |
| Intergovernmental Receivable | 8,393,791 |
| Inventory Held for Resale | 17,986 |
| Prepaid Assets | 5,029 |
| Income Taxes Receivable | 1,211,940 |
| Property Taxes Receivable | 19,980,993 |
| Deferred Charges | 880,482 |
| Depreciable Capital Assets, Net | 11,231,966 |
| Nondepreciable Capital Assets | <u>4,117,548</u> |
| Total Assets | <u>106,314,482</u> |
| Liabilities: | |
| Accounts Payable | 712,068 |
| Accrued Wages and Benefits Payable | 4,167,607 |
| Intergovernmental Payable | 1,354,678 |
| Unearned Income | 17,074,647 |
| Accrued Interest Payable | 190,115 |
| Matured Compensated Absences Payable | 401,534 |
| Early Retirement Incentive | 57,800 |
| Long Term Liabilities: | |
| Due Within One Year | 844,163 |
| Due In More Than One Year | <u>44,238,220</u> |
| Total Liabilities | <u>69,040,832</u> |
| Net Assets: | |
| Invested in Capital Assets, Net of Related Debt | 7,394,446 |
| Restricted for: | |
| Capital Projects | 25,789,770 |
| Debt Service | 1,865,736 |
| Other Purposes | 2,934,753 |
| Textbooks and Instructional Materials | 226,489 |
| Unrestricted | <u>(937,544)</u> |
| Total Net Assets | <u>\$37,273,650</u> |

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Statement of Activities
 For the Fiscal Year Ended June 30, 2011

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|---|------------------|-------------------------|--|--|
| | Expenses | Charges for Services | Operating Grants, Contributions and Interest | |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$23,313,796 | \$695,888 | \$2,244,921 | (\$20,372,987) |
| Special | 8,106,704 | 159,520 | 2,492,743 | (5,454,441) |
| Vocational | 522,909 | 0 | 82,678 | (440,231) |
| Student Intervention Services | 661,573 | 0 | 415,247 | (246,326) |
| Other | 501,130 | 0 | 0 | (501,130) |
| Support Services: | | | | |
| Pupils | 3,812,722 | 3,045 | 459,778 | (3,349,899) |
| Instructional Staff | 4,941,165 | 6,600 | 1,765,483 | (3,169,082) |
| Board of Education | 43,115 | 0 | 0 | (43,115) |
| Administration | 4,513,629 | 0 | 1,544,463 | (2,969,166) |
| Fiscal | 627,799 | 30,926 | 9,358 | (587,515) |
| Business | 609,912 | 9,296 | 0 | (600,616) |
| Operation and Maintenance of Plant | 4,013,756 | 6,929 | 904 | (4,005,923) |
| Pupil Transportation | 3,307,960 | 48,080 | 37,260 | (3,222,620) |
| Central | 359,364 | 0 | 27,750 | (331,614) |
| Operation of Non-Instructional Services | 2,431,395 | 575,385 | 1,751,790 | (104,220) |
| Extracurricular Activities | 887,034 | 252,332 | 31,370 | (603,332) |
| Interest and Fiscal Charges | 2,112,472 | 0 | 1,074,243 | (1,038,229) |
| Totals | 60,766,435 | 1,788,001 | 11,937,988 | (47,040,446) |

General Revenues and Transfers:

| | |
|---|--------------|
| Property Taxes Levied for: | |
| General Purposes | 20,147,454 |
| Capital Outlay | 402,910 |
| Capital Maintenance | 310,084 |
| Income Tax | 3,125,074 |
| Payments in Lieu of Taxes | 22,163 |
| Grants and Entitlements not Restricted to Specific Programs | 21,554,048 |
| Investment Earnings | 152,120 |
| Miscellaneous | 506,326 |
| Total General Revenues | 46,220,179 |
| Change in Net Assets | (820,267) |
| Net Assets Beginning of Year - Restated (Note 23) | 38,093,917 |
| Net Assets End of Year | \$37,273,650 |

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District

Balance Sheet

Governmental Funds

June 30, 2011

| | <u>General</u> | <u>Bond Retirement</u> | <u>Classroom Facilities</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------------|----------------------------|---------------------------------|---|---|
| Assets: | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,772,165 | \$1,865,736 | \$50,148,320 | \$6,097,713 | \$59,883,934 |
| Receivables: | | | | | |
| Property Taxes | 19,305,403 | 0 | 0 | 675,590 | 19,980,993 |
| Income Taxes | 1,211,940 | 0 | 0 | 0 | 1,211,940 |
| Accounts | 351,574 | 0 | 0 | 12,000 | 363,574 |
| Intergovernmental | 0 | 0 | 5,091,769 | 3,302,022 | 8,393,791 |
| Material and Supplies Inventory | 0 | 0 | 0 | 17,986 | 17,986 |
| Accrued Interest | 750 | 0 | 0 | 0 | 750 |
| Prepaid Items | 5,029 | 0 | 0 | 0 | 5,029 |
| Restricted Asset: | | | | | |
| Equity in Pooled Cash and Cash Equivalents | 226,489 | 0 | 0 | 0 | 226,489 |
| Total Assets | <u><u>\$22,873,350</u></u> | <u><u>\$1,865,736</u></u> | <u><u>\$55,240,089</u></u> | <u><u>\$10,105,311</u></u> | <u><u>\$90,084,486</u></u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | \$199,967 | \$0 | \$49,343 | \$462,758 | \$712,068 |
| Accrued Wages and Benefits Payable | 3,508,266 | 0 | 0 | 659,341 | 4,167,607 |
| Intergovernmental Payable | 1,211,343 | 0 | 0 | 143,335 | 1,354,678 |
| Matured Compensated Absences Payable | 311,042 | 0 | 0 | 90,492 | 401,534 |
| Early Retirement Incentive | 57,800 | 0 | 0 | 0 | 57,800 |
| Deferred Revenue | 17,617,163 | 0 | 4,877,209 | 2,709,538 | 25,203,910 |
| Total Liabilities | <u><u>22,905,581</u></u> | <u><u>0</u></u> | <u><u>4,926,552</u></u> | <u><u>4,065,464</u></u> | <u><u>31,897,597</u></u> |
| Fund Balances | | | | | |
| Nonspendable | 5,029 | 0 | 0 | 17,936 | 22,965 |
| Restricted | 226,489 | 1,865,736 | 50,313,537 | 6,052,455 | 58,458,217 |
| Unassigned | (263,749) | 0 | 0 | (30,544) | (294,293) |
| Total Fund Balances | <u><u>(32,231)</u></u> | <u><u>1,865,736</u></u> | <u><u>50,313,537</u></u> | <u><u>6,039,847</u></u> | <u><u>58,186,889</u></u> |
| Total Liabilities and Fund Balances | <u><u>\$22,873,350</u></u> | <u><u>\$1,865,736</u></u> | <u><u>\$55,240,089</u></u> | <u><u>\$10,105,311</u></u> | <u><u>\$90,084,486</u></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, 2011*

Total Governmental Fund Balances \$58,186,889

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 | |
| Construction in Progress | 3,667,457 | |
| Building and Improvements | 26,361,425 | |
| Other Improvements | 294,039 | |
| Infrastructure | 17,125 | |
| Furniture and Equipment | 10,145,527 | |
| Vehicles | 2,993,243 | |
| Accumulated Depreciation | <u>(28,579,393)</u> | |
| Total Capital Assets | | 15,349,514 |

Deferred charges in governmental activities are not financial resources and therefore are not reported in the funds.

| | | |
|------------------------|--|---------|
| Unamortized Bond Costs | | 880,482 |
|------------------------|--|---------|

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

| | | |
|-------------------|------------------|-----------|
| Property Taxes | 1,161,562 | |
| Intergovernmental | <u>6,967,701</u> | 8,129,263 |

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 | (190,115) | |
| General Obligation Bonds and Refunding Notes | (35,251,200) | |
| Unamortized Premium Bonds and Notes | (3,630,626) | |
| Permanent Improvement Notes | (675,000) | |
| Energy Conservation Loans Payable | (1,945,000) | |
| Capital Lease Payable | (862,675) | |
| Compensated Absences | <u>(2,717,882)</u> | <u>(45,272,498)</u> |

Net Assets of Governmental Activities \$37,273,650

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, 2011

| | General | Bond Retirement | Classroom Facilities | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|-------------------|----------------------|--------------------------|--------------------------|
| Revenues: | | | | | |
| Property Taxes | \$19,734,705 | \$0 | \$0 | \$699,093 | \$20,433,798 |
| Income Taxes | 3,125,074 | 0 | 0 | 0 | 3,125,074 |
| Tuition and Fees | 907,951 | 0 | 0 | 0 | 907,951 |
| Interest | 19,600 | 3,499 | 119,414 | 13,308 | 155,821 |
| Intergovernmental | 21,568,622 | 1,070,744 | 19,337,225 | 9,664,074 | 51,640,665 |
| Payments in Lieu of Taxes | 22,163 | 0 | 0 | 0 | 22,163 |
| Extracurricular Activities | 85,791 | 0 | 0 | 174,674 | 260,465 |
| Charges for Services | 40,222 | 0 | 0 | 572,965 | 613,187 |
| Gifts and Donations | 8,109 | 0 | 6 | 23,461 | 31,576 |
| Rent | 6,398 | 0 | 0 | 0 | 6,398 |
| Miscellaneous | 221,037 | 0 | 0 | 0 | 221,037 |
| Total Revenues | 45,739,672 | 1,074,243 | 19,456,645 | 11,147,575 | 77,418,135 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 21,620,564 | 0 | 0 | 1,425,170 | 23,045,734 |
| Special | 5,991,831 | 0 | 0 | 2,025,062 | 8,016,893 |
| Vocational | 491,422 | 0 | 0 | 0 | 491,422 |
| Student Intervention Services | 86,195 | 0 | 0 | 575,378 | 661,573 |
| Other | 501,130 | 0 | 0 | 0 | 501,130 |
| Support Services: | | | | | |
| Pupils | 3,448,025 | 0 | 0 | 381,581 | 3,829,606 |
| Instructional Staff | 3,133,372 | 0 | 0 | 1,830,100 | 4,963,472 |
| Board of Education | 42,777 | 0 | 0 | 0 | 42,777 |
| Administration | 2,961,365 | 0 | 0 | 1,547,840 | 4,509,205 |
| Fiscal | 659,096 | 0 | 0 | 14,444 | 673,540 |
| Business | 607,269 | 0 | 0 | 0 | 607,269 |
| Operation and Maintenance of Plant | 3,513,090 | 0 | 0 | 132,716 | 3,645,806 |
| Pupil Transportation | 3,014,871 | 0 | 0 | 75,548 | 3,090,419 |
| Central | 326,122 | 0 | 0 | 32,253 | 358,375 |
| Operation of Non-Instructional Services | 2,585 | 0 | 0 | 2,526,631 | 2,529,216 |
| Extracurricular Activities | 657,430 | 0 | 0 | 205,996 | 863,426 |
| Capital Outlay | 0 | 0 | 2,704,164 | 609,010 | 3,313,174 |
| Debt Service: | | | | | |
| Principal Retirement | 1,033,152 | 34,670,000 | 0 | 100,387 | 35,803,539 |
| Interest and Fiscal Charges | 56,294 | 2,117,275 | 0 | 11,914 | 2,185,483 |
| Issuance Costs | 12,426 | 591,804 | 0 | 94,834 | 699,064 |
| Total Expenditures | 48,159,016 | 37,379,079 | 2,704,164 | 11,588,864 | 99,831,123 |
| Excess of Revenues Over (Under) Expenditures | (2,419,344) | (36,304,836) | 16,752,481 | (441,289) | (22,412,988) |
| Other Financing Sources (Uses): | | | | | |
| Refunding Notes Issued | 670,000 | 0 | 0 | 0 | 670,000 |
| Premium on Bonds and Notes Issued | 10,126 | 3,495,857 | 0 | 26,883 | 3,532,866 |
| General Obligation Bonds Issued | 0 | 34,664,982 | 0 | 0 | 34,664,982 |
| Energy Conservation Note Issued | 0 | 0 | 0 | 1,945,000 | 1,945,000 |
| Permanent Improvement Note Issued | 0 | 0 | 0 | 675,000 | 675,000 |
| Insurance Recoveries | 285,085 | 0 | 0 | 0 | 285,085 |
| Transfer In | 0 | 0 | 1,075,791 | 9,631 | 1,085,422 |
| Transfer Out | (9,631) | 0 | 0 | (1,075,791) | (1,085,422) |
| Total Other Financing Sources (Uses) | 955,580 | 38,160,839 | 1,075,791 | 1,580,723 | 41,772,933 |
| Net Change in Fund Balances | (1,463,764) | 1,856,003 | 17,828,272 | 1,139,434 | 19,359,945 |
| Fund Balances at Beginning of Year - Restated (Note 23) | 1,431,533 | 9,733 | 32,485,265 | 4,900,413 | 38,826,944 |
| Fund Balances at End of Year | (\$32,231) | \$1,865,736 | \$50,313,537 | \$6,039,847 | \$58,186,889 |

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, 2011*

Net Change in Fund Balances - Total Governmental Funds \$19,359,945

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 | 3,727,073 | |
| Depreciation Expense | (1,162,750) | |
| Capital Outlay over Depreciation Expense | 2,564,323 | 2,564,323 |

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 | | (2,658) |
|--------------------------------|--|---------|

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 | 825,000 | |
| General Obligation Notes | 34,670,000 | |
| Capital Lease Payments | 308,539 | 35,803,539 |

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 | 426,650 | |
| Intergovernmental | (18,183,700) | (17,757,050) |

The issuance of long-term debt provides current financial resources to governmental funds, but in the statement of net assets, the debt is reported as a liability.

| | | |
|------------------------------------|--------------|--------------|
| Bond Issuance Costs | 699,064 | |
| Premiums on bonds and Notes Issued | (3,532,866) | |
| General Obligation Notes | (675,000) | |
| Energy Conservation Notes | (1,945,000) | |
| Refunding Notes | (670,000) | |
| General Obligation Bonds | (34,664,982) | (40,788,784) |

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:

| | | |
|---|----------|-----|
| Decrease in Accrued Interest | 60,837 | |
| Accretion on Capital Appreciation Bonds | (81,218) | |
| Decrease in Premium on Notes and Bonds | 126,537 | |
| Decrease in Uamortized Bond Costs | (33,147) | |
| Increase in Compensated Absences | (72,591) | 418 |

Change in Net Assets of Governmental Activities (\$820,267)

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, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|--------------|--------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Property Taxes | \$18,081,480 | \$19,256,625 | \$19,675,440 | \$418,815 |
| Income Taxes | 3,115,000 | 3,115,000 | 3,034,491 | (80,509) |
| Tuition and Fees | 943,650 | 943,650 | 872,656 | (70,994) |
| Interest | 65,000 | 65,000 | 22,594 | (42,406) |
| Intergovernmental | 21,632,420 | 21,632,420 | 21,611,015 | (21,405) |
| Payments in Lieu of Taxes | 24,500 | 24,500 | 22,163 | (2,337) |
| Charges for Services | 100,000 | 100,000 | 40,222 | (59,778) |
| Extracurricular Activities | 44,500 | 44,500 | 53,744 | 9,244 |
| Rent | 0 | 0 | 3,205 | 3,205 |
| Miscellaneous | 60,000 | 60,000 | 189,135 | 129,135 |
| Total Revenues | 44,066,550 | 45,241,695 | 45,524,665 | 282,970 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular | 22,472,469 | 21,757,359 | 21,696,107 | 61,252 |
| Special | 5,917,568 | 5,917,568 | 6,015,737 | (98,169) |
| Vocational | 607,679 | 607,679 | 599,030 | 8,649 |
| Other | 562,780 | 562,780 | 597,365 | (34,585) |
| Support Services: | | | | |
| Pupils | 3,591,204 | 3,591,204 | 3,437,822 | 153,382 |
| Instructional Staff | 3,435,407 | 3,435,407 | 3,187,823 | 247,584 |
| Board of Education | 35,669 | 35,669 | 39,644 | (3,975) |
| Administration | 3,039,176 | 3,039,176 | 2,952,181 | 86,995 |
| Fiscal | 643,185 | 643,185 | 635,497 | 7,688 |
| Business | 550,646 | 550,646 | 644,822 | (94,176) |
| Operation and Maintenance of Plant | 3,728,549 | 3,728,549 | 3,571,248 | 157,301 |
| Pupil Transportation | 2,986,160 | 2,986,160 | 3,096,839 | (110,679) |
| Central | 395,404 | 395,404 | 363,967 | 31,437 |
| Extracurricular Activities | 762,474 | 762,474 | 623,959 | 138,515 |
| Capital Outlay | 109,500 | 109,500 | 44,908 | 64,592 |
| Debt Service: | | | | |
| Principal Retirement | 1,003,426 | 1,003,426 | 1,089,518 | (86,092) |
| Interest and Fiscal Charges | 91,355 | 91,355 | 12,426 | 78,929 |
| Total Expenditures | 49,932,651 | 49,217,541 | 48,608,893 | 608,648 |
| Excess of Revenues Over (Under) Expenditures | (5,866,101) | (3,975,846) | (3,084,228) | 891,618 |
| Other Financing Sources (Uses): | | | | |
| Refunding Bonds Issued | 670,000 | 670,000 | 670,000 | 0 |
| Premium on Refunding Bonds Issued | 10,126 | 10,126 | 10,126 | 0 |
| Refund of Prior Year Expenditures | 42,000 | 42,000 | 41,348 | (652) |
| Refund of Prior Year Receipts | (6,700) | (105,000) | (54,840) | 50,160 |
| Transfers Out | (30,000) | (156,000) | (39,631) | 116,369 |
| Total Other Financing Sources (Uses) | 685,426 | 461,126 | 627,003 | 165,877 |
| Net Change in Fund Balances | (5,180,675) | (3,514,720) | (2,457,225) | 1,057,495 |
| Fund Balance at Beginning of Year | 3,093,513 | 3,093,513 | 3,093,513 | 0 |
| Prior Year Encumbrances Appropriated | 626,397 | 626,397 | 626,397 | 0 |
| Fund Balance at End of Year | (\$1,460,765) | \$205,190 | \$1,262,685 | \$1,057,495 |

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

| | Private Purpose Trust | |
|--|--------------------------|-----------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | \$66,131 | \$107,015 |
| Liabilities: | | |
| Accounts Payable | 0 | \$220 |
| Undistributed Monies | 0 | 63,887 |
| Due to Students | 0 | 42,908 |
| | 0 | \$107,015 |
| Net Assets: | | |
| Held in Trust for Scholarships - Non-exendable | 25,000 | |
| Held in Trust for Scholarships - Exendable | 41,131 | |
| Total Net Assets | \$66,131 | |

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, 2011

| | Private Purpose Trust |
|---|--------------------------|
| | Scholarship |
| Additions: | |
| Interest | \$2,334 |
| Gifts and Contributions | 163 |
| Total Additions | 2,497 |
| Deductions: | |
| Scholarships Awarded | 9,525 |
| Change in Net Assets | (7,028) |
| Net Assets Beginning of Year - Restated (Note 23) | 73,159 |
| Net Assets End of Year | \$66,131 |

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, 2011

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. 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 16 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, 2011

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 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.

The statement of net assets presents the financial condition of the governmental 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 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 is self-financing or draws from the general revenues of the School District.

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 financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 two categories: governmental 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 are the School District's major governmental funds:

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.

Classroom Facilities – This capital projects fund accounts for the local and state portion of monies that will be used to build five new elementary buildings.

Bond Retirement - This debt service fund accounts for property taxes and intergovernmental revenue that will be used to pay for the School District's bonds.

The other governmental funds of the School District account for (a) financial resources are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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 moneys owed to individuals outside of the school district.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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; 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.

Non-exchange 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 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 non-exchange transactions must also be available before it can be recognized.

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

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, 2011, but which were levied to finance fiscal year 2012 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.

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 2011, the School District invested in Federal Farm Credit Bank, Federal Home Loan Bank Bonds, Federal Home Loan Bank Discount Notes, Federal Home Loan Mortgage Corporation MTN Bonds, Federal National Mortgage Association MTN Bonds, Fifth Third Institutional Government Money Market Institutional Class, First American Government Obligation Fund, US Treasury Bills and repurchase agreements.

Investments are reported at fair value. For investments in open-ended mutual funds, fair value is determined by the fund's share price. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2011 amounted to \$19,600, which includes \$11,997 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 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, 2011, 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.

H. 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.

I. Capital Assets

General capital assets are those that 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

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 and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 |

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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 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 long-term bond anticipation notes, general obligation bonds and the energy conservation loan are recognized as a liability in the fund financial statements when due.

K. 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.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The ‘not in spendable form’ includes items that are not expected to be converted to cash.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, unassigned) amounts are available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned and unassigned amounts when expenditures are incurred for purposes for which amount in any of the unrestricted fund balance classifications can be used.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. 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 music and athletic programs, food 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.

None of the restricted net assets were restricted by enabling legislation.

N. Bond and Long-Term Note Premiums/Issuance Costs

Bond and long-term note premiums and issuance costs are deferred and amortized over the term of the debt using the straight line method since the results are not significantly different from the effective interest method. Bond and long-term note premiums are presented as a reduction/addition of the face amount of the payable, whereas issuance costs are recorded as deferred charges.

O. 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 non-operating 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.

P. Estimates

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

Q. 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.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2011.

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.

NOTE 3 - 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).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. The change in the fair market value of investments is not included as revenue on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statements.
5. Perspective differences resulting from fund structure differences.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

| | <u>General</u> |
|-------------------------|-----------------------------|
| GAAP Basis | (\$1,463,764) |
| Revenue Accruals | (374,641) |
| Expenditure Accruals | (70,012) |
| Perspective Differences | (3,036) |
| Encumbrances | <u>(545,772)</u> |
| Budget Basis | <u><u>(\$2,457,225)</u></u> |

NOTE 4 - 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.

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;

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution in security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$20,004,943 and the bank balance was \$21,052,848. \$676,336 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, 2011, \$20,376,512 of the School District's bank balance was exposed to custodial risk as it was uninsured and collateralized by securities held by the institution's trust department.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Investments

At June 30, 2011, the School District had the following investments.

| Investments | Maturity/ Average Maturity | Fair Value |
|--|---------------------------------------|---------------------|
| Repurchase Agreement | 1 day | \$3,053,629 |
| Federal Farm Credit Bank Bonds | 2012 | 1,825,939 |
| Federal Home Loan Bank Bonds | 2011 | 3,825,523 |
| Federal Home Loan Bank Bonds | 2012 | 9,073,964 |
| Federal Home Loan Bank Discount Notes | 2012 | 4,156,238 |
| Federal Home Loan Mortgage Corporation Bonds | 2012 | 310,270 |
| Federal Home Loan Mortgage Corporation MTN Bonds | 2012 | 7,671,542 |
| Federal National Mortgage Association MTN Bonds | 2012 | 2,070,621 |
| Fifth Third Institutional Govt Money Market Inst Class | 51 days | 1,015,126 |
| First American Government Obligation Fund | 44 days | 18,153 |
| U.S. Treasury Bills | 2012 | 7,257,621 |
| | | <u>\$40,278,626</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 the Fifth Third Institutional Government Money Market and First American Government Obligation Fund is rated AAAM by Standard & Poor’s. The School District’s investments in the federal government agencies are rated AAA by Standard & Poor’s.

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 |
|--|----------------|
| Federal Home Loan Bank Bonds | 32% |
| Federal Home Loan Bank Discount Notes | 10% |
| Federal Home Loan Mortgage Corporation MTN Bonds | 20% |
| Federal National Mortgage Association MTN Bonds | 5% |
| Repurchase agreement | 8% |
| U.S. Treasury Bills | 18% |

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the Treasurer or qualified trustee. The repurchase agreement is exposed to custodial credit risk as it is uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the School District’s name.

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District.

Real property tax receipts received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied against local inter-change telephone companies in the prior calendar year on assessed values as of December 31, of that calendar year, at tax rates determined in the preceding year. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The percentages for telecommunications were reduced from 5 percent for 2010 to zero percent for 2011.

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

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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 - PROPERTY TAXES (continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011, 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.

The amount available as an advance at June 30, 2011, was \$1,688,241 in the General Fund and \$56,544 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2010, was \$1,628,975 in the General Fund and \$54,381 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which the fiscal year 2011 taxes were collected are:

| | <u>2010 Second- Half Collections</u> | | <u>2011 First- Half Collections</u> | |
|---|--|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Real Property - | | | | |
| Residential/Agricultural | \$558,374,520 | 82.77% | \$560,221,510 | 82.37% |
| Commercial/Industrial | 96,751,220 | 14.34% | 100,387,930 | 14.76% |
| Tangible Personal Property | 19,486,010 | 2.89% | 19,501,950 | 2.87% |
| Total | <u>\$674,611,750</u> | <u>100.00%</u> | <u>\$680,111,390</u> | <u>100.00%</u> |
| Tax Rate per \$1,000 of Assessed Valuation | \$43.58 | | \$46.85 | |

NOTE 6 – 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 had an original effective date of January 1, 1998, and has subsequently been renewed through December 31, 2016. 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.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011, consisted of property and income taxes, accounts (tuition and student fees), accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

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

| Intergovernmental Receivable | Amounts |
|--|-------------|
| Governmental Activities: | |
| Ohio School Facilities Commission | \$5,091,769 |
| JOBS | 934,794 |
| Early Childhood Education | 33,923 |
| Special Education Part B IDEA | 364,856 |
| Special Education Part B IDEA ARRA | 366,304 |
| Title II-D Technology | 7,996 |
| Title I | 358,617 |
| Title I ARRA | 38,210 |
| Title I - Delinquent | 111,103 |
| Title I - Delinquent ARRA | 15,038 |
| McKinney-Vento Homeless Assistance | 28,644 |
| McKinney-Vento Homeless Assistance ARRA | 5,261 |
| IDEA ECSE | 8,207 |
| IDEA ECSE ARRA | 10,674 |
| Title II-A | 149,302 |
| School Improvement Grant | 499,714 |
| Federal Lunch & Breakfast Reimbursements | 174,061 |
| Greene County History Project | 132,799 |
| Race to the Top | 62,519 |
| Total Intergovernmental Receivable | \$8,393,791 |

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

| | Balance 6/30/2010 (Restated) | Additions | Deletions | Balance 6/30/2011 |
|--|------------------------------------|--------------------|------------------|----------------------|
| Governmental Assets | | | | |
| <i>Capital Assets, not being depreciated</i> | | | | |
| Land | \$450,091 | \$0 | \$0 | \$450,091 |
| Construction in Progress | 729,691 | 2,937,766 | 0 | 3,667,457 |
| Total Capital Assets, being depreciated | <u>1,179,782</u> | <u>2,937,766</u> | <u>0</u> | <u>4,117,548</u> |
| <i>Capital Assets, being depreciated</i> | | | | |
| Building and Improvements | 26,179,236 | 182,189 | 0 | 26,361,425 |
| Other Improvements | 294,039 | 0 | 0 | 294,039 |
| Infrastructure | 17,125 | 0 | 0 | 17,125 |
| Furniture/Equipment/Fixtures | 9,611,063 | 565,359 | (30,895) | 10,145,527 |
| Vehicles | 2,951,484 | 41,759 | 0 | 2,993,243 |
| Total Capital Assets, being depreciated | <u>39,052,947</u> | <u>789,307</u> | <u>(30,895)</u> | <u>39,811,359</u> |
| Less: Accumulated Depreciation | | | | |
| Buildings and Improvements | (17,720,748) | (479,439) | 0 | (18,200,187) |
| Other Improvements | (89,428) | (8,521) | 0 | (97,949) |
| Infrastructure | (7,563) | (856) | 0 | (8,419) |
| Furniture/Equipment/Fixtures | (7,799,574) | (426,343) | 28,237 | (8,197,680) |
| Vehicles | (1,827,567) | (247,591) | 0 | (2,075,158) |
| Total Accumulated Depreciation | <u>(27,444,880)</u> | <u>(1,162,750)</u> | <u>28,237</u> | <u>(28,579,393)</u> |
| Total Capital Assets, being depreciated, net | <u>11,608,067</u> | <u>(373,443)</u> | <u>(2,658)</u> | <u>11,231,966</u> |
| Governmental Activities Capital Assets, net | <u>\$12,787,849</u> | <u>\$2,564,323</u> | <u>(\$2,658)</u> | <u>\$15,349,514</u> |

The beginning balance of governmental capital assets was restated as funds previously reported as enterprise funds were reclassified as governmental funds during the fiscal year (see Note 23). As a result of the reclassification of funds, beginning capital asset balances include \$538,390 (\$497,172 of furniture and equipment and \$41,218 of vehicles) of capital assets, at historical cost, and \$482,480 of accumulated depreciation previously reported as enterprise capital assets. The net book value of the capital assets reclassified to governmental funds for the year ended June 30, 2011 was \$55,910.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 8 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|---|--------------------|
| Instruction: | |
| Regular | \$706,716 |
| Special | 15,838 |
| Vocational | 10,660 |
| Support Services: | |
| Pupils | 5,810 |
| Instructional Staff | 4,898 |
| Board of Education | 338 |
| Administration | 55,637 |
| Fiscal | 161 |
| Business | 256 |
| Operation and Maintenance of Plant | 47,221 |
| Transportation | 232,118 |
| Operation of Non-Instructional Services | 60,186 |
| Extracurricular Activities | 22,911 |
| Total | <u>\$1,162,750</u> |

NOTE 9 - 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 2011, 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 2011, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 16). 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, 2011

NOTE 9 - 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 Hunter Consulting provides administrative, cost control and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent of annual covered salary. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$729,388, \$1,127,067, and \$693,332, respectively; 45.07 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, 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 DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. 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. Investment decisions are made by the member.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

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. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2011, 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 STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$3,212,896, \$3,201,298, and \$3,098,554, respectively; 83.20 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending upon their income. SERS' reimbursement to retirees was \$45.50.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$46,938, \$67,024, and \$57,206, respectively; 45.07 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Health Care Plan – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$225,188, \$151,075, and \$423,665, respectively; 17.68 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' at www.ohsers.org under employers/audit resources.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$247,146, \$246,254, and \$238,350, respectively; 83.20 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 12 - 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 22 days. Teachers do not earn vacation time. The Superintendent and Treasurer earn twenty days per calendar year, with a maximum accumulation of 27 days.

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 certificated employees, twenty-eight percent of accrued, but unused sick leave credit to a maximum of 91 days for classified employees, one-third of accrued, but unused sick leave credit to a maximum of 119 days for administrators and forty percent of accrued, but unused sick leave credit to a maximum of 143 days for the positions of Assistant Superintendent and Director. For the Assistant and Director, severance is split into two payments, one at retirement and one in January 1 of the following year.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 - OTHER EMPLOYEE BENEFITS (Continued)

B. Early Retirement Incentive Program

The School District offers the following retirement incentive program:

Certificated Employees:

1. Any employee eligible to retire and has ten year of service with the District shall receive an incentive \$3,000 for providing the district with notification of their retirement on or before March 1. Employees must retire between June 1 and August 1 of that year.
2. Employees who retire in the first year they are eligible, shall receive a monthly payment of \$450, which shall continue for a period of 24 months, to defray the cost of medical insurance.
3. Employees who have earned thirty-five years of service and elect to retire prior to exceeding thirty-six years of service, and notifies the School District by March 1 indicating pending retirement on or before August 31 of that year shall receive a \$10,000 stipend upon retirement. Employees electing the benefit noted in benefit 2 above are not eligible to receive this benefit.

Administrative Employees:

1. Any administrator who reaches eligibility of either 30 years or more at any age or 25 years and at least age 55 for retirement with STRS and who retires for the first time under STRS regulation and notifies the Board of Education in writing by February 1, shall receive a one-time incentive of \$5,000.
2. Administrators shall also receive a monthly payment of \$500, which shall continue for a period of 24 months, to defray the cost of medical insurance.

During the year ended June 30, 2011, three employees notified the School District of their pending retirement who met the requirements of the retirement incentive program. In addition, the School District had ten employees who they are still paying their monthly payments that help defray the cost of medical insurance. As a result, a liability of \$57,800 has been accrued for the retirement incentive associated with these individuals at June 30, 2011.

C. Insurance Benefits

The School District provides medical, life, vision and dental insurance to most employees. Medical insurance is through United Healthcare, life insurance is through Unimerica Insurance Company, vision insurance is through Vision Service Plan and dental insurance is through Superior Dental.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the School District entered into capital leases for the acquisition of a phone system, computers, and school buses to be used by the students of the School District. Each lease meets 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. The School District made \$308,539 in principal payments on the leases during fiscal year 2011.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$2,419,122, 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, 2011, was \$1,084,862 and the carrying value was \$1,334,260. 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, 2011.

| Fiscal Year Ending June 30, | Total Payments |
|---|----------------|
| 2012 | \$262,043 |
| 2013 | 199,013 |
| 2014 | 149,962 |
| 2015 | 149,264 |
| 2016 | 149,392 |
| 2017-2019 | 63,742 |
| Total | 973,416 |
| Less: Amount Representing Interest | (110,741) |
| Present Value of Net Minimum Lease Payments | \$862,675 |

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

| | (Restated) Amount Outstanding 6/30/2010 | Additions | Deletions | Amount Outstanding 6/30/2011 | Amount Due in One Year |
|--|--|---------------------|-----------------------|------------------------------------|------------------------------|
| Governmental Activities | | | | | |
| Energy Conservation | | | | | |
| Loan 1999 5.6% | \$660,000 | \$0 | (\$660,000) | \$0 | \$0 |
| School Facilities Construction and Improvement Note, 2009 | 15,000,000 | 0 | (15,000,000) | 0 | 0 |
| School Facilities Construction and Improvement Note, 2010 | 19,670,000 | 0 | (19,670,000) | 0 | 0 |
| Unamortized Premium on Notes | 224,298 | 0 | (7,477) | 216,821 | 0 |
| School Facilities Construction and Improvement Refunding | | | | | |
| Notes 2010 | 0 | 670,000 | (165,000) | 505,000 | 165,000 |
| Unamortized Premium on Notes | 0 | 10,126 | (2,532) | 7,594 | 0 |
| School Facilities Construction and Improvement Bonds | | | | | |
| Capital Appreciation Bonds | 0 | 271,200 | 0 | 271,200 | 0 |
| Serial Bonds, Series 2010B | 0 | 10,000 | 0 | 10,000 | 5,000 |
| Series 2010C, Term Bonds | 0 | 20,305,000 | 0 | 20,305,000 | 0 |
| Series 2010A, Term Bonds | 0 | 14,160,000 | 0 | 14,160,000 | 0 |
| Unamortized Premium on Bonds | 0 | 3,495,857 | (116,529) | 3,379,328 | 0 |
| Energy Conservation Notes | 0 | 1,945,000 | 0 | 1,945,000 | 135,000 |
| Unamortized Premium on Notes | 0 | 25,903 | 0 | 25,903 | 0 |
| Permanent Improvement Notes | 0 | 675,000 | 0 | 675,000 | 25,000 |
| Unamortized Premium on Notes | 0 | 980 | 0 | 980 | 0 |
| Total Loans and Notes | 35,554,298 | 41,569,066 | (35,621,538) | 41,501,826 | 330,000 |
| Capital Leases | 1,171,214 | 0 | (308,539) | 862,675 | 224,189 |
| Compensated Absences | 2,645,291 | 463,077 | (390,486) | 2,717,882 | 289,974 |
| Total Governmental Activities Long-Term Liabilities | \$39,370,803 | \$42,032,143 | (\$36,320,563) | \$45,082,383 | \$844,163 |

The beginning balance of the long-term obligations of governmental activities was restated as funds previously reported as enterprise funds were reclassified as governmental funds during the fiscal year (see Note 23). As a result of the reclassification of funds, the beginning balance of compensated absences includes \$95,927 previously reported as long-term obligations of enterprise funds.

Energy Conservation Loan - 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. These bonds were paid off when the school facilities construction and improvement refunding notes were issued.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

School Facilities Construction and Improvement Notes - On December 30, 2009, the School District issued \$19,670,000 in general obligation notes at a 1.5% interest rate. The notes maturity date was July 29, 2010. The notes had a premium of \$125,298. On February 9, 2010, the School District issued \$15,000,000 in general obligation notes at a 1.7% interest rate. The notes maturity date was July 29, 2010. The notes had a premium of \$99,000. Both notes were issued to provide temporary financing for the school facilities construction and improvement project which will consist of the building of five new elementary buildings.

School Facilities Construction and Improvement Refunding Notes – The School District issued \$670,000 in notes that were used to pay off the 1999 Energy Conservation Loan. The interest rates on the notes range from 1% to 2%. The final maturity on the notes is June 1, 2014. The School District completed the current refunding to reduce its total debt service payments over the life of the note by \$55,010.

School Facilities Construction and Improvement Bonds - On July 28, 2010, the School District paid off its school facilities construction and improvement notes with proceeds from bonds and long-term notes. The School District issued a total of \$34,664,982 in bonds and notes.

2010A - The School District issued \$14,160,000 in school facilities construction and improvement qualified school construction bonds (QSCB) with a 6% interest rate, \$670,000 in Series 2010 notes with an interest rate ranging from .8% to 2%. The final maturity is June 1, 2027.

2010B – The School District issued \$10,000 in current interest serial bonds with a 2% interest rate, \$189,982 in Series 2010B capital appreciation bonds with approximate interest rates ranging from 2.02% to 3.5%. The final maturity is December 1, 2017.

2010C - The School District issued \$20,305,000 in current interest Build America bonds (BAB) with interest rates ranging from 6.25% to 6.6%. The bonds and notes have a final maturity on December 1, 2040.

The BAB and QSCB bonds federally taxable, direct payment bonds. The School District will receive a tax credit remitted directly back to the School District that will save the School District in interest costs. Over the life of the QSCB, the federal tax credit is \$12,782,420. Over the life of the Build America bonds, the federal tax credit is \$13,123,737. These term bonds are subject to extraordinary optional redemption, in whole at any time or in part on any interest payment date, at a redemption price of 100% of the principal amount thereof, plus accrued interest, to the date fixed for redemption in the event that the QSCB or Build America bonds payments from the federal government cease or are in an amount less than 35% of the corresponding interest payable on the bonds.

The bonds will be paid from the Bond Retirement debt service fund.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Energy Conservation Notes 2011A – On May 12, 2011, the School District issued \$1,945,000 of energy conservation notes to finance the design and implementation of energy conservation measures in buildings throughout the School District which are 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. The interest rate on the bonds is between 0.70-4.50% with a final maturity on December 1, 2025.

Permanent Improvement Notes 2011 B – On May 12, 2011, the School District issued \$675,000 in permanent improvement notes for the purpose of acquiring and constructing permanent improvements. The notes carry interest rates between 4.50% and 5.50% and have a final maturity on December 1, 2040. The bonds will be paid with proceeds received from a permanent improvement levy.

Capital leases will be paid from the General Fund and Permanent Improvement Fund. Compensated absences will be paid from the General Fund, the Title I, Title VI-B, School Improvement Grant, Food Service and Auxiliary Special Revenue Funds.

The School District's overall legal debt margin was \$27,735,779, the energy conservation debt margin was \$4,681,003 and the un-voted debt margin was \$680,111 at June 30, 2011.

Principal and interest requirements to notes and bonds outstanding at June 30, 2011, are as follows:

| Fiscal Year Ending June 30, | Notes | | Bonds | | Total | |
|--------------------------------|-------------|-------------|--------------|--------------|--------------|--------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2012 | \$325,000 | \$106,468 | \$5,000 | \$2,168,938 | \$330,000 | \$2,275,406 |
| 2013 | 290,000 | 95,925 | 5,000 | 2,168,838 | 295,000 | 2,264,762 |
| 2014 | 295,000 | 89,763 | 96,163 | 2,997,624 | 391,163 | 3,087,387 |
| 2015 | 130,000 | 83,437 | 50,160 | 3,068,628 | 180,160 | 3,152,065 |
| 2016 | 130,000 | 80,319 | 27,624 | 3,171,163 | 157,624 | 3,251,482 |
| 2017-2021 | 695,000 | 341,881 | 4,366,031 | 12,127,906 | 5,061,031 | 12,469,788 |
| 2022-2026 | 840,000 | 197,350 | 6,800,000 | 10,843,938 | 7,640,000 | 11,041,287 |
| 2027-2031 | 120,000 | 96,450 | 6,385,000 | 7,138,506 | 6,505,000 | 7,234,956 |
| 2032-2036 | 130,000 | 65,175 | 7,350,000 | 4,411,875 | 7,480,000 | 4,477,050 |
| 2037-2041 | 170,000 | 24,750 | 9,580,000 | 1,643,500 | 9,750,000 | 1,668,250 |
| Totals | \$3,125,000 | \$1,181,518 | \$34,664,978 | \$49,740,916 | \$37,789,978 | \$50,922,433 |

Capital appreciation bonds are shown in the table above at original principal amount. While the original principal amount was \$189,982, the accreted value at maturity of the capital appreciation bonds will be \$4,210,000 with bonds maturing December 1, 2013 through 2017. Total accreted interest of \$81,218 has been included on the statement of net assets at June 30, 2011.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 15 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

| <u>Fund Balance:</u> | <u>General</u> | <u>Bond Retirement</u> | <u>Classroom Facilities</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------------------|--------------------|------------------------|-----------------------------|---------------------------------|---------------------------------|
| Nonspendable: | | | | | |
| Inventory | \$ - | \$ - | \$ - | \$ 17,936 | \$ 17,936 |
| Prepays | 5,029 | - | - | - | 5,029 |
| Total Nonspendable | 5,029 | - | - | 17,936 | 22,965 |
| Restricted for: | | | | | |
| Textbooks and Instructional Materials | 226,489 | - | - | - | 226,489 |
| Classroom Maintenance | - | - | - | 550,214 | 550,214 |
| Athletics | - | - | - | 36,023 | 36,023 |
| Capital Improvements | - | - | 50,313,537 | 4,916,815 | 55,230,352 |
| Debt Service | - | 1,865,736 | - | - | 1,865,736 |
| State and Federal Grants | - | - | - | 549,403 | 549,403 |
| Total Restricted | 226,489 | 1,865,736 | 50,313,537 | 6,052,455 | 58,458,217 |
| Unassigned | (263,749) | - | - | (30,544) | (294,293) |
| Total Fund Balance | \$ (32,231) | \$ 1,865,736 | \$ 50,313,537 | \$ 6,039,847 | \$ 58,186,889 |

NOTE 16 - 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 \$173,449 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.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS (continued)

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 126 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 2011, the School District paid \$251,338 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 2011, the School District paid \$500 to the Greene County Career Center. To obtain financial information, write to the Greene County Career Center, Judith Geers, 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. For fiscal year 2011, the School District paid \$5,580.

NOTE 17 - 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.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 17 - SET-ASIDE REQUIREMENTS (continued)

| | Textbooks | Capital Improvement | Total |
|---|------------------|------------------------|------------------|
| Set-aside balance June 30, 2010 | \$14,562 | \$0 | \$14,562 |
| Current year set-aside requirement | 691,967 | 691,967 | 1,383,934 |
| Current year offset | 0 | (480,560) | (480,560) |
| Qualifying expenditures | (480,040) | (316,488) | (796,528) |
| Totals | <u>\$226,489</u> | <u>(\$105,081)</u> | <u>\$121,408</u> |
| Set-aside carried forward to future years | <u>\$226,489</u> | <u>\$0</u> | <u>\$226,489</u> |

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.

The School District has \$573,354 that is a part of unassigned fund balance in the General Fund and represents monies that were accumulated in conjunction with the prior requirement that school districts establish a budget reserve account. While the State of Ohio eliminated the mandatory set-aside for budget reserve accounts, the Board of Education deemed it appropriate to maintain the reserve with funds already accumulated.

NOTE 18 – 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 represent the principal portion of the endowment. The amount of appreciation in donor-restricted investments that is available for expenditures by the governing body is \$41,131 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.

NOTE 19 – INERFUND ACTIVITY

During fiscal year 2011, the General Fund transferred \$9,631 to the EMIS special revenue fund which is shown with other governmental funds. The EMIS transfer was to provide additional central services support. In addition, the Buildings Fund transferred \$1,075,791 to the Classroom Facilities Fund. The transfer was for the local portion of the project as required by program requirements.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 20 – CONTRACTUAL COMMITMENT

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, assigned or unassigned classifications of fund balance. At fiscal year-end, the School District’s commitments for encumbrances in the governmental funds were as follows:

| Fund | Year-End Encumbrances |
|--------------------------|--------------------------|
| General Fund | \$392,772 |
| Bond Retirement | 2,381 |
| Classroom Facilities | 1,762,024 |
| Other Governmental Funds | 2,680,017 |
| Total | \$4,837,194 |

At June 30, 2011, the School District had the following outstanding contractual commitments which were outstanding encumbrances at year-end and are included in the amounts shown above:

| Vendor | Amount |
|-------------------------------------|-------------|
| Brewer & Garrett Company | \$1,740,150 |
| Fanning/Howey Associates, Inc. | 992,176 |
| Stan & Associates | 117,930 |
| Professional Services Industry | 227,484 |
| Westech Environmental Services | 172,581 |
| Northwest Ohio Computer Association | 300,677 |
| Pearson AGS Globe | 162,029 |

NOTE 21 – ACCOUNTABILITY

Fund Deficits

The General Fund and the Education Stabilization special revenue fund had deficit fund balances at June 30, 2011, of \$32,231 and \$30,544. The general fund is liable for any deficit in the special revenue fund and will provide operating transfers when cash is required, not when accruals occur.

Compliance

Ohio Rev. Code Section 5705.39 requires that appropriations from each fund to be limited by the total of the estimated resources for that fund. The School District had several funds at year-end, as well as the original budget for the general fund, where appropriations exceeded estimated resources.

NOTE 22 - CONTINGENCIES

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 are 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, 2011.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 23 – CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

In implementing the statement, the School District reclassified some of their funds to different fund types in order for the funds to be consistent with the new fund definitions. The reclassification of funds had the following effect on the School District’s net assets:

| | Governmental Activities | Business-Type Activities | Private Purpose Trust Funds |
|-----------------------------------|----------------------------|-----------------------------|--------------------------------|
| Net Assets June 30, 2010 | \$ 38,002,167 | \$ 103,346 | \$ 61,563 |
| Change in Fund Structure | 91,750 | (103,346) | 11,596 |
| Adjusted Net Assets June 30, 2010 | \$ 38,093,917 | \$ - | \$ 73,159 |

In addition, the reclassification of funds had the following effect on the School District’s individual governmental funds.

| | General | Bond Retirement | Classroom Facilities | Other Governmental Funds | Total Governmental Funds |
|--|--------------|--------------------|-------------------------|--------------------------------|--------------------------------|
| Fund Balance June 30, 2010 | \$ 1,246,840 | \$ 9,733 | \$ 32,485,265 | \$ 4,953,339 | \$ 38,695,177 |
| Governmental funds reclass | 118,181 | - | - | (129,777) | (11,596) |
| Proprietary funds reclass | 66,512 | - | - | 76,851 | 143,363 |
| Adjusted Fund Balance June 30, 2010 | \$ 1,431,533 | \$ 9,733 | \$ 32,485,265 | \$ 4,900,413 | \$ 38,826,944 |

In the prior year, the Bond Retirement Fund was reported within the Other Governmental Funds however it is reported as a major fund for the current fiscal year.

NOTE 24 – SUBSEQUENT EVENTS

House Bill 30 eliminated the requirement to put money into the set-aside for textbooks and instructional materials. It was effective July 1, 2011.

On July 6, 2011, the Board of Education approved the sale of Arrowood Elementary School for \$600,000.

On November 8, 2011, the voters rejected a 4.8 mill emergency levy for operations. If approved the levy would have generated about \$3,078,329 annually.

Xenia Community School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011

| <u>Federal Grantor/Program Title</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> | | | |
| Child Nutrition Cluster | | | |
| Non-Cash Assistance (Food Distribution): | | | |
| National School Lunch Program | 10.555 | 80,773 | 80,773 |
| Cash Assistance: | | | |
| School Breakfast Program | 10.553 | 114,379 | 114,379 |
| National School Lunch Program | 10.555 | 825,243 | 825,243 |
| Summer Food Service Program for Children | 10.559 | 22,891 | 22,891 |
| Total Nutrition Cluster | | <u>1,043,286</u> | <u>1,043,286</u> |
| Total U.S. Department of Agriculture | | <u>1,043,286</u> | <u>1,043,286</u> |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | |
| <i>(Passed Through Ohio Department of Education)</i> | | | |
| Title I, Part A Cluster: | | | |
| Title I Grants to Local Education Agencies | 84.010 | 1,380,029 | 1,413,577 |
| ARRA - Title I Grants to Local Education Agencies | 84.389 | 262,340 | 270,441 |
| Total Title I, Part A Cluster | | <u>1,642,369</u> | <u>1,684,018</u> |
| Education of Homeless Children and Youth Cluster: | | | |
| Education of Homeless Children and Youth | 84.196 | 34,512 | 47,519 |
| ARRA Education of Homeless Children and Youth | 84.387 | 13,520 | 13,012 |
| Total Education of Homeless Children and Youth Cluster | | <u>48,032</u> | <u>60,531</u> |
| Special Education Cluster: | | | |
| Special Education Grant | 84.027 | 1,185,521 | 1,253,613 |
| ARRA - Special Education Grant | 84.391 | 225,001 | 246,784 |
| Special Education - Preschool Grant | 84.173 | 27,084 | 28,084 |
| ARRA - Special Education - Preschool Grant | 84.392 | 11,973 | 13,973 |
| Total Special Education Cluster | | <u>1,449,579</u> | <u>1,542,454</u> |
| Title IV-A Safe & Drug Free Schools and Communities | 84.186 | 1,173 | 2,288 |
| ARRA - Education Stabilization Grant | 84.394 | 1,488,020 | 1,477,348 |
| Education Technology Grant | 84.318 | 5,934 | 5,850 |
| Improving Teacher Quality Grant | 84.367 | 363,462 | 343,011 |
| ARRA School Improvement Grant | 84.388 | 1,870,675 | 1,768,485 |
| Javits Gifted and Talented Student Education | 84.206 | - | 1,000 |
| Race to the Top | 84.395 | 27,031 | 20,553 |
| <i>(Direct Award)</i> | | | |
| The Greene County History Project | 84.215 | 342,456 | 342,456 |
| Total U.S. Department of Education | | <u>7,238,731</u> | <u>7,247,994</u> |
| TOTAL FEDERAL AWARDS | | <u>\$ 8,282,017</u> | <u>\$ 8,291,280</u> |

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

Note A – Significant Accounting Policies

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

Note B – U.S. Department Of Agriculture Programs

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

Note C – Food Distribution Programs

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and consumed. At June 30, 2011, the School District had no significant food commodities in inventory.

Note D – Matching Requirements

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

**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, Ohio 45385

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Xenia Community School District (the District), as of and for the years ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 23, 2011, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the schedule of findings and questioned costs as item 2011-001 that we consider to be a significant deficiency in internal control over financial reporting.

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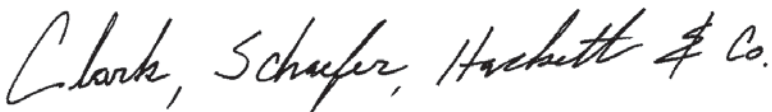
Compliance and Other Matters

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2011-002.

We noted certain matters that we reported to management of the District, in a separate letter dated December 23, 2011.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the finance committee, Board of Education, the Auditor of State of Ohio, 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.



Springfield, Ohio
December 23, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Xenia Community School District (the District) with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-003.

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Internal Control Over Compliance

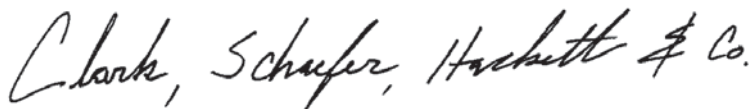
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-003. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the finance committee, the Board of Education, the Auditor of State of Ohio, 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.



Springfield, Ohio
December 23, 2011

Section I – Summary of Auditors’ Results

Financial Statements

| | |
|--|-------------|
| Type of auditors’ report issued: | Unqualified |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | None noted |
| • Significant deficiency(ies) identified not considered to be material weakness(es)? | Yes |
| Noncompliance material to financial statements noted? | Yes |

Federal Awards

| | |
|--|-------------|
| Internal control over major programs: | |
| • Material weakness(es) identified? | None noted |
| • Significant deficiency(ies) identified not considered to be material weakness(es)? | Yes |
| Type of auditors’ report issued on compliance for major programs: | Unqualified |
| Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133? | Yes |
| Identification of major programs: | |
| Education Stabilization Grant – CFDA# 84.394 | |
| ARRA School Improvement Grant – CFDA# 84.388 | |
| Greene County History Project – CFDA# 84.215 | |
| Dollar threshold to distinguish between Type A and Type B programs: | \$300,000 |
| Auditee qualified as low-risk auditee? | Yes |

Section II – Financial Statement Findings

Finding 2011-001: Athletic Gate Receipts:

The District maintains ticket control forms for athletic events. The first ticket and the last ticket are attached and the amount of gate revenue is recalculated and compared to the actual deposit. The District did not complete these forms accurately or consistently during the fiscal year. The District has had difficulties with this control procedure in varying degrees for the past several audits

The District should ensure forms are properly completed, including attaching the first and last ticket of each gate series. This practice will help ensure gate receipts are properly reconciled and athletic event deposits are complete.

Management’s Response: We will sit down with the Athletic Director and make sure he understands the process of maintaining accurate gate records and emphasis being consistent on who and how the forms are to be completed.

Finding 2011-002: Appropriations exceeded Estimated Resources:

Ohio Rev. Code section 5705.39 states that appropriations from each fund shall not exceed the total of the estimated revenue available for expenditures. At fiscal year end, the District had several funds that had appropriations exceeding estimated resources.

The District should monitor the appropriations throughout the year to ensure that the appropriations do not exceed the estimated resources.

Management's Response: There was a change in the Treasurer's position and the District has implemented procedures to ensure compliance in the future.

Section III – Federal Awards Findings and Questioned Costs

Finding 2011-003: Education Stabilization Grant – ARRA – CFDA No. 84.394

Condition: We performed cash management compliance tests to determine if the District was minimizing the time that elapsed between the receipt of funding from the Ohio Department of Education (ODE) and the disbursement of the funds. We noted the District did not always spend the monthly amounts received through State Foundation payments in accordance with policies stipulated by the ODE.

Criteria: 34 CFR 80.20(b)(7) states in part “when advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.” For the State Education Stabilization Grant funding, ODE provided the funding through its normal Foundation payment schedule and the District was not required to request the funding. However, ODE stipulated that amounts received should be spent within 30 days or by the end of the month in which it was received, whichever came first.

Effect: Noncompliance with cash management requirements could result in pass-through agencies seeking repayment of excess interest earnings on federal funding or other remedial actions.

Cause: The District did not implement specific procedures to ensure federal funds were disbursed in accordance with both Federal and ODE requirements.

Recommendation: We recommend the District implement cash management procedures to ensure compliance with all federal requirements.

Management's Response: As stated in ODE's August 2011 School Finance Newsletter, "ODE understands that the communication provided in May caused confusion for many treasurers. If your district retained any of the SFSF funds provided to you in June, ODE will provide documentation to include in your files to mitigate potential findings." The District also received an increase in SFSF monies that was not communicated of \$166,399.54. At that time, ODE stated that the SFSF funds could be expended through September 30, 2011.

Xenia Community School District
Schedule of Prior Audit Findings and Questioned Costs
Fiscal Year Ended June 30, 2011

None Reported in Prior Year.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

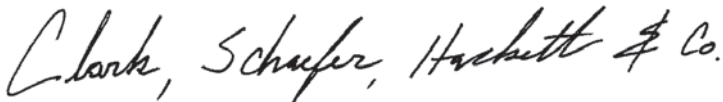
Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Xenia Community School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on June 13, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying and which is supplemented by the District's Administrative Guidelines Section 5517.01.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education, and the Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.



Springfield, Ohio
December 23, 2011

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At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success

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Dave Yost • Auditor of State

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
MARCH 8, 2012**