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**Xenia Community School District**  
**Greene County, Ohio**

Basic Financial Statements

June 30, 2010

(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, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 28, 2011

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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, business-type activities, each major fund, and the aggregate remaining fund information of the Xenia Community School District (the District) as of and for the years ended June 30, 2010, 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, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010, 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.

The management's discussion and analysis sections on pages 3 through 11, is not a required part of the basic financial statements but are 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.

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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, 2010, is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Clark, Schaefer, Hutchett & Co." The signature is written in a cursive, flowing style.

Springfield, Ohio  
December 22, 2010

**Xenia Community School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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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, 2010. 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 2010 are as follows:

- For governmental activities, net assets increased \$22,747,761, which represents a 149 percent increase from 2009. Net assets of business-type activities decreased \$45,183 or 30 percent from 2009.
- General revenues and transfers accounted for \$70,823,941 in revenue or 90 percent of all governmental revenues. Program specific revenues in the form of charges for services, operating grants and contributions and interest and capital grants and contributions accounted for \$7,495,340 or 10 percent of total governmental revenues of \$78,319,281.
- The School District had \$55,571,520 in expenses related to governmental activities; only \$7,495,340, of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and unrestricted state aid) and transfers of \$70,823,941 were able to provide for these programs.
- The General Fund had \$44,808,566 in revenues and \$47,734,481 in expenditures. The General Fund's balance decreased \$3,076,632 from 2009.
- Net assets for business-type activities decreased \$45,183 due to less charges for services revenue. Total business-type expenses were \$1,922,179. \$1,851,996 received in program revenues contributed to covering these expenses.
- 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.

**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.



**Xenia Community School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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**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 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Reporting the School District's Most Significant Funds**

*Fund Financial Statements*

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 and the Classroom Facilities Capital Projects Fund.

*Governmental Funds*

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

**Xenia Community School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010

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

*Proprietary Funds*

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

*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 2010 compared to 2009:

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
<b>Assets</b>						
Current and Other Assets	\$30,008,352	\$87,843,235	\$333,674	\$304,132	\$30,342,026	\$88,147,367
Capital Assets	12,577,511	12,731,939	58,753	55,910	12,636,264	12,787,849
Total Assets	<u>42,585,863</u>	<u>100,575,174</u>	<u>392,427</u>	<u>360,042</u>	<u>42,978,290</u>	<u>100,935,216</u>
<b>Liabilities</b>						
Long-Term Liabilities	4,422,835	39,275,078	86,815	95,927	4,509,650	39,371,005
Other Liabilities	22,908,622	23,297,929	157,083	160,769	23,065,705	23,458,698
Total Liabilities	<u>27,331,457</u>	<u>62,573,007</u>	<u>243,898</u>	<u>256,696</u>	<u>27,575,355</u>	<u>62,829,703</u>
<b>Net Assets</b>						
Invested in Capital						
Assets, Net of Debt	10,481,909	10,649,898	58,753	55,910	10,540,662	10,705,808
Restricted	1,789,336	27,576,738	0	0	1,789,336	27,576,738
Unrestricted	2,983,161	(224,469)	89,776	47,436	3,072,937	(177,033)
Total Net Assets	<u>\$15,254,406</u>	<u>\$38,002,167</u>	<u>\$148,529</u>	<u>\$103,346</u>	<u>\$15,402,935</u>	<u>\$38,105,513</u>

Contributing to the increase in governmental assets was an increase in equity in pooled cash and cash equivalents due to note proceeds on hand that will be used to build five new elementary buildings. Capital assets increased as construction in progress of \$729,691 was recorded for these new buildings. Long-term liabilities increased as general obligation notes were issued to construct five new elementary buildings. Restricted net assets also increased due to the note proceeds which were not spent at June 30, 2010.

**Xenia Community School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010

Governmental activities, 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 \$3,207,630.

Table 2 shows the changes in net assets for fiscal year 2009 and 2010.

Table 2  
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$1,027,752	\$1,230,373	\$818,102	\$732,041	\$1,845,854	\$1,962,414
Operating Grants and Contributions	5,838,131	6,264,967	1,134,559	1,119,955	6,972,690	7,384,922
Capital Grants and Contributions	52,850	0	0	0	52,850	0
Total Program Revenues	6,918,733	7,495,340	1,952,661	1,851,996	8,871,394	9,347,336
General Revenues						
Property Taxes and Income Taxes	22,751,207	22,241,506	0	0	22,751,207	22,241,506
Grants and Entitlements Not Restricted	21,671,217	21,990,306	0	0	21,671,217	21,990,306
Grants from School Facilities Commission	0	26,400,224	0	0	0	26,400,224
Other	209,987	216,905	4,193	0	214,180	216,905
Transfers	(25,000)	(25,000)	25,000	25,000	0	0
Total General Revenues and Transfers	44,607,411	70,823,941	29,193	25,000	44,636,604	70,848,941
Total Revenues	51,526,144	78,319,281	1,981,854	1,876,996	53,507,998	80,196,277
<b>Program Expenses</b>						
Instruction	30,833,999	32,053,391	0	0	30,833,999	32,053,391
Support Services:						
Pupils and Instructional Staff	7,385,685	8,176,875	0	0	7,385,685	8,176,875
Board of Education, Administration, Fiscal and Business	5,304,982	6,206,437	0	0	5,304,982	6,206,437
Operation and Maintenance of Plant	3,751,404	4,070,484	0	0	3,751,404	4,070,484
Pupil Transportation	2,950,185	2,961,342	0	0	2,950,185	2,961,342
Central	376,753	368,574	0	0	376,753	368,574
Operation of Non-Instructional Services	497,913	412,399	0	0	497,913	412,399
Extracurricular Activities	955,911	974,957	0	0	955,911	974,957
Interest and Fiscal Charges	114,699	347,061	0	0	114,699	347,061
Food Service	0	0	1,930,482	1,850,217	1,930,482	1,850,217
Uniform School Supplies	0	0	56,275	61,667	56,275	61,667
Pre-School	0	0	14,621	10,295	14,621	10,295
Total Expenses	52,171,531	55,571,520	2,001,378	1,922,179	54,172,909	57,493,699
Increase (Decrease) in Net Assets	(\$645,387)	\$22,747,761	(\$19,524)	(\$45,183)	(\$664,911)	\$22,702,578

**Governmental Activities**

Operating grants and contributions increased due to ARRA and fiscal stabilization grant monies.

Capital grants and contributions decreased because the School District did not receive a bus allocation from the State during fiscal year 2010.

The School District's income tax revenue fell during fiscal year 2010 as a result of the slow economy.

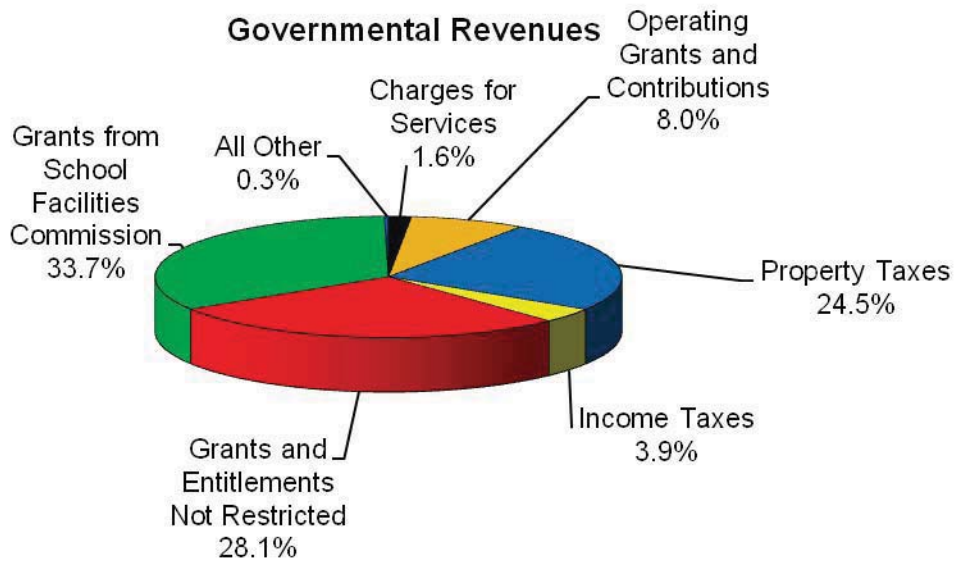
**Xenia Community School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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During fiscal year 2010, the School District was awarded a grant from the Ohio School Facilities Commission in the amount \$26,400,224. This general revenue, new for fiscal year 2010, was the primary reason for the increase in net assets.

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.

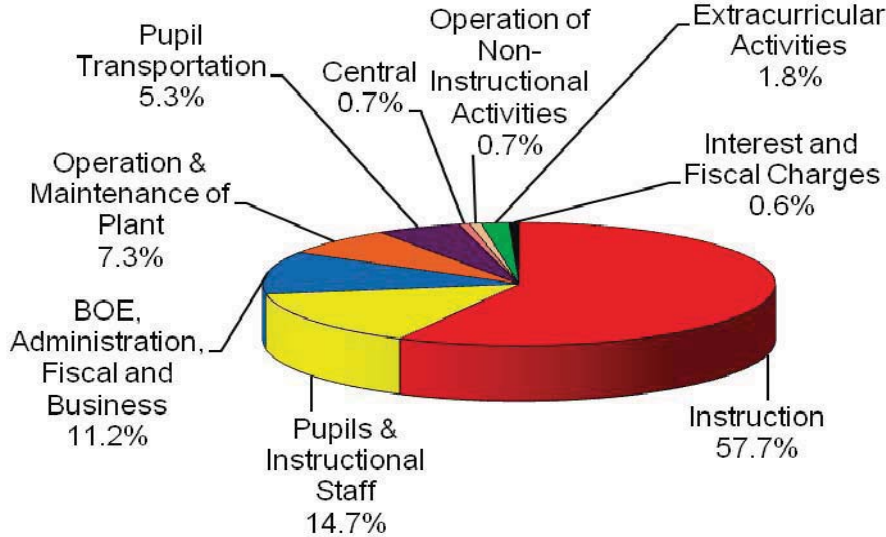
The School District, dependent upon property taxes, is hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 24.5 percent of revenues for governmental activities for the Xenia Community School District for fiscal year 2010. Income taxes added another 3.9 percent. Grants and entitlements not restricted consists largely of state foundation monies.



Instruction comprises 57.7 percent of School District expenses. Support services expenses make up 39.2 percent of expenses.

**Xenia Community School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

**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

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2010	Net Cost of Services 2010
Instruction	\$30,833,999	(\$26,703,716)	\$32,053,391	(\$27,814,180)
Support Services:				
Pupils and Instructional Staff	7,385,685	(5,672,437)	8,176,875	(7,005,224)
Board of Education, Administration, Fiscal and Business	5,304,982	(5,176,960)	6,206,437	(4,847,031)
Operation and Maintenance of Plant	3,751,404	(3,746,404)	4,070,484	(4,062,249)
Pupil Transportation	2,950,185	(2,848,583)	2,961,342	(2,904,245)
Central	376,753	(332,669)	368,574	(337,066)
Operation of Non-Instructional Services	497,913	33,869	412,399	(66,530)
Extracurricular Activities	955,911	(691,199)	974,957	(692,594)
Interest and Fiscal Charges	114,699	(114,699)	347,061	(347,061)
<b>Total Expenses</b>	<b>\$52,171,531</b>	<b>(\$45,252,798)</b>	<b>\$55,571,520</b>	<b>(\$48,076,180)</b>

The dependence upon state foundation and tax revenues is apparent. Approximately 87 percent of instruction activities are supported through taxes and other general revenues; for all activities general

**Xenia Community School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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revenue support is 87 percent. The community, as a whole, provides significant support for the Xenia Community School District.

**Business-Type Activities**

Net assets of business-type activities decreased \$45,183 during fiscal year 2010. This was despite a \$25,000 transfer from the general fund for the uniform school supplies program.

Business-type activities include food service, uniform school supplies and pre-school. Management anticipates future general fund support to business-type activities.

**The School District's Funds**

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$53,904,533 and expenditures of \$55,918,045. The net change in fund balance for the School District's operating fund, the General Fund, was a decrease of \$3,076,632. Income taxes decreased with the slow economy. Property taxes decreased as personal property tax was phased out. Interest revenue decreased with the decline in interest rates. Expenditures increased as salaries were higher than previous year.

The Classroom Facilities Fund, a new major fund for fiscal year 2010, had a \$32,485,265 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 \$537,671 over the original budget estimate due to increases in intergovernmental receipts associated with property taxes such as personal property tax replacement and homestead and rollback revenues.

Expenditures were tightly monitored which enabled actual expenditures to be \$563,761 under the final appropriations.

**Capital Assets**

At the end of fiscal year 2010, the School District had \$12,731,939 invested in governmental capital assets.

**Xenia Community School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

Table 4 shows fiscal year 2010 balances compared to 2009.

Table 4  
 Capital Assets at June 30,

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	2009	2010	2009	2010
Land	\$450,091	\$450,091	\$0	\$0
Construction in Progress	0	729,691	0	0
Buildings and Improvements	25,991,031	26,179,236	0	0
Other Improvements	287,129	294,039	0	0
Infrastructure	17,125	17,125	0	0
Furniture/Equipment/Fixtures	8,884,585	9,113,891	495,901	497,172
Vehicles	2,931,193	2,910,266	41,218	41,218
Less: Accumulated Depreciation	<u>(25,983,643)</u>	<u>(26,962,400)</u>	<u>(478,366)</u>	<u>(482,480)</u>
	<u>\$12,577,511</u>	<u>\$12,731,939</u>	<u>\$58,753</u>	<u>\$55,910</u>

In fiscal year 2010, capital asset additions exceeded depreciation for governmental capital assets. During fiscal year 2010, construction of five new elementary buildings started. 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,

	2009	2010
Energy Conservation Loan	\$805,000	\$660,000
General Obligation Notes	0	34,670,000
Capital Leases	1,290,602	1,171,214
Totals	<u>\$2,095,602</u>	<u>\$36,501,214</u>

During fiscal year 2010, the School District issued \$34,670,000 in general obligation notes. The notes had a premium of \$224,298. The notes matured on July 29, 2010, and were paid off when general obligation bonds were issued.

The School District's overall legal debt margin was \$26,054,791, the energy conservation debt margin was \$5,411,506 and the un-voted debt margin was \$674,612 at June 30, 2010.

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, 2010*

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**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

**Contacting the School District's Financial Management**

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



**Xenia Community School District**

*Statement of Net Assets*

*June 30, 2010*

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$41,527,416	\$286,510	\$41,813,926
Accounts Receivable	41,745	2,001	43,746
Accrued Interest Receivable	1,554	0	1,554
Intergovernmental Receivable	25,907,470	0	25,907,470
Inventory Held for Resale	0	13,262	13,262
Internal Balances	439	(439)	0
Prepaid Assets	9,392	2,798	12,190
Income Taxes Receivable	1,121,357	0	1,121,357
Property Taxes Receivable	19,019,297	0	19,019,297
Deferred Charges	214,565	0	214,565
Depreciable Capital Assets, Net	11,552,157	55,910	11,608,067
Nondepreciable Capital Assets	1,179,782	0	1,179,782
Total Assets	<u>100,575,174</u>	<u>360,042</u>	<u>100,935,216</u>
<b>Liabilities:</b>			
Accounts Payable	390,653	7,817	398,470
Accrued Wages and Benefits Payable	4,042,529	109,299	4,151,828
Contracts Payable	158,937	0	158,937
Intergovernmental Payable	1,404,306	43,653	1,447,959
Unearned Income	16,601,029	0	16,601,029
Accrued Interest Payable	250,952	0	250,952
Matured Compensated Absences Payable	299,173	0	299,173
Early Retirement Incentive	150,350	0	150,350
Long Term Liabilities:			
Due Within One Year	35,404,710	0	35,404,710
Due In More Than One Year	3,870,368	95,927	3,966,295
Total Liabilities	<u>62,573,007</u>	<u>256,696</u>	<u>62,829,703</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	10,649,898	55,910	10,705,808
Restricted for:			
Capital Projects	25,895,549	0	25,895,549
Debt Service	9,733	0	9,733
Other Purposes	1,656,894	0	1,656,894
Textbooks and Instructional Materials	14,562	0	14,562
Unrestricted	(224,469)	47,436	(177,033)
Total Net Assets	<u>\$38,002,167</u>	<u>\$103,346</u>	<u>\$38,105,513</u>

See Accompanying Notes to the Basic Financial Statements

**Xenia Community School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>						
Instruction:						
Regular	\$22,874,671	\$704,183	\$403,772	(\$21,766,716)	\$0	(\$21,766,716)
Special	7,801,632	149,900	2,899,293	(4,752,439)	0	(4,752,439)
Vocational	663,935	0	82,063	(581,872)	0	(581,872)
Student Intervention Services	322,352	0	0	(322,352)	0	(322,352)
Other	390,801	0	0	(390,801)	0	(390,801)
Support Services:						
Pupils	3,787,706	2,829	318,780	(3,466,097)	0	(3,466,097)
Instructional Staff	4,389,169	0	850,042	(3,539,127)	0	(3,539,127)
Board of Education	46,118	0	0	(46,118)	0	(46,118)
Administration	4,743,067	0	1,290,205	(3,452,862)	0	(3,452,862)
Fiscal	882,787	38,667	17,526	(826,594)	0	(826,594)
Business	534,465	13,008	0	(521,457)	0	(521,457)
Operation and Maintenance of Plant	4,070,484	8,235	0	(4,062,249)	0	(4,062,249)
Pupil Transportation	2,961,342	52,701	4,396	(2,904,245)	0	(2,904,245)
Central	368,574	0	31,508	(337,066)	0	(337,066)
Operation of Non-Instructional Services	412,399	509	345,360	(66,530)	0	(66,530)
Extracurricular Activities	974,957	260,341	22,022	(692,594)	0	(692,594)
Interest and Fiscal Charges	347,061	0	0	(347,061)	0	(347,061)
Total Governmental Activities	55,571,520	1,230,373	6,264,967	(48,076,180)	0	(48,076,180)
<b>Business-Type Activities:</b>						
Food Service	1,850,217	698,990	1,119,955	0	(31,272)	(31,272)
Uniform School Supplies	61,667	30,801	0	0	(30,866)	(30,866)
Pre-School	10,295	2,250	0	0	(8,045)	(8,045)
Total Business-Type Activities	1,922,179	732,041	1,119,955	0	(70,183)	(70,183)
Totals	\$57,493,699	\$1,962,414	\$7,384,922	(48,076,180)	(70,183)	(48,146,363)
<b>General Revenues and Transfers:</b>						
Property Taxes Levied for:						
General Purposes				18,630,191	0	18,630,191
Capital Outlay				399,332	0	399,332
Capital Maintenance				153,780	0	153,780
Income Tax				3,058,203	0	3,058,203
Payments in Lieu of Taxes				23,570	0	23,570
Grants and Entitlements not Restricted to Specific Programs				21,990,306	0	21,990,306
Grants from School Facilities Commission for Capital Construction				26,400,224	0	26,400,224
Investment Earnings				162,964	0	162,964
Miscellaneous				30,371	0	30,371
Transfers				(25,000)	25,000	0
Total General Revenues and Transfers				70,823,941	25,000	70,848,941
Change in Net Assets				22,747,761	(45,183)	22,702,578
Net Assets Beginning of Year				15,254,406	148,529	15,402,935
Net Assets End of Year				\$38,002,167	\$103,346	\$38,105,513

See Accompanying Notes to the Basic Financial Statements

**Xenia Community School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2010*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$3,693,835	\$32,633,091	\$5,040,767	\$41,367,693
Receivables:				
Property Taxes	18,370,091	0	649,206	19,019,297
Income Taxes	1,121,357	0	0	1,121,357
Accounts	39,479	0	2,266	41,745
Intergovernmental	84,508	24,214,424	1,608,538	25,907,470
Interfund	13,499	0	261	13,760
Accrued Interest	1,554	0	0	1,554
Prepaid Items	9,392	0	0	9,392
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	14,562	0	0	14,562
<b>Total Assets</b>	<b>\$23,348,277</b>	<b>\$56,847,515</b>	<b>\$7,301,038</b>	<b>\$87,496,830</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	\$265,712	\$0	\$124,941	\$390,653
Accrued Wages and Benefits Payable	3,476,456	0	561,885	4,038,341
Contracts Payable	0	147,826	11,111	158,937
Intergovernmental Payable	1,052,662	0	68,548	1,121,210
Interfund Payable	115,968	0	39,678	155,646
Matured Compensated Absences Payable	299,173	0	0	299,173
Early Retirement Incentive	150,350	0	0	150,350
Deferred Revenue	16,741,116	24,214,424	1,531,803	42,487,343
<b>Total Liabilities</b>	<b>22,101,437</b>	<b>24,362,250</b>	<b>2,337,966</b>	<b>48,801,653</b>
<b>Fund Balances</b>				
Reserved for Encumbrances	366,130	2,663,229	474,165	3,503,524
Reserved for Property Taxes	1,628,975	0	54,381	1,683,356
Reserved for Textbooks and Instructional Materials	14,562	0	0	14,562
Unreserved, Designated for:				
Budget Stabilization	573,354	0	0	573,354
Unreserved, Undesignated, Reported in:				
General Fund	(1,336,181)	0	0	(1,336,181)
Special Revenue Funds	0	0	826,442	826,442
Debt Service Funds	0	0	9,733	9,733
Capital Projects Funds	0	29,822,036	3,598,351	33,420,387
<b>Total Fund Balances</b>	<b>1,246,840</b>	<b>32,485,265</b>	<b>4,963,072</b>	<b>38,695,177</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$23,348,277</b>	<b>\$56,847,515</b>	<b>\$7,301,038</b>	<b>\$87,496,830</b>

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, 2010*

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Total Governmental Fund Balances \$38,695,177

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	729,691	
Building and Improvements	26,179,236	
Other Improvements	294,039	
Infrastructure	17,125	
Furniture and Equipment	9,113,891	
Vehicles	2,910,266	
Accumulated Depreciation	<u>(26,962,400)</u>	
Total Capital Assets		12,731,939
Unamortized Bond Costs		214,565

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

Property Taxes	734,912	
Intergovernmental	<u>25,151,402</u>	25,886,314

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	(250,952)	
General Obligation Notes Payable	(34,670,000)	
Unamortized Premium on Notes	(224,298)	
Energy Conservation Loans Payable	(660,000)	
Capital Lease Payable	(1,171,214)	
Compensated Absences	<u>(2,549,364)</u>	<u>(39,525,828)</u>

Net Assets of Governmental Activities \$38,002,167

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, 2010*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$18,603,233	\$0	\$541,281	\$19,144,514
Income Taxes	3,058,203	0	0	3,058,203
Tuition and Fees	901,514	0	0	901,514
Interest	98,897	41,953	22,372	163,222
Intergovernmental	21,988,950	2,185,800	6,062,778	30,237,528
Payments in Lieu of Taxes	23,570	0	0	23,570
Extracurricular Activities	43,918	0	219,761	263,679
Charges for Services	51,675	0	0	51,675
Gifts and Donations	0	0	22,022	22,022
Rent	8,235	0	0	8,235
Miscellaneous	30,371	0	0	30,371
<b>Total Revenues</b>	<b>44,808,566</b>	<b>2,227,753</b>	<b>6,868,214</b>	<b>53,904,533</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	22,074,751	0	376,211	22,450,962
Special	5,491,999	0	2,483,641	7,975,640
Vocational	688,160	0	0	688,160
Student Intervention Services	146,932	0	257,229	404,161
Other	390,801	0	0	390,801
<b>Support Services:</b>				
Pupils	3,389,783	0	231,569	3,621,352
Instructional Staff	3,170,100	0	1,144,563	4,314,663
Board of Education	45,780	0	0	45,780
Administration	3,155,004	0	1,285,191	4,440,195
Fiscal	848,198	0	21,730	869,928
Business	537,131	0	0	537,131
Operation and Maintenance of Plant	3,556,857	0	132,553	3,689,410
Pupil Transportation	2,719,479	0	73,092	2,792,571
Central	241,471	0	137,016	378,487
Operation of Non-Instructional Services	0	0	412,980	412,980
Extracurricular Activities	741,697	0	234,830	976,527
Capital Outlay	99,410	734,056	332,044	1,165,510
<b>Debt Service:</b>				
Principal Retirement	344,931	0	104,425	449,356
Interest and Fiscal Charges	91,997	0	7,869	99,866
Issuance Costs	0	0	214,565	214,565
<b>Total Expenditures</b>	<b>47,734,481</b>	<b>734,056</b>	<b>7,449,508</b>	<b>55,918,045</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2,925,915)</b>	<b>1,493,697</b>	<b>(581,294)</b>	<b>(2,013,512)</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	5,270	0	0	5,270
Inception of Capital Lease	0	0	184,968	184,968
Transfer In	0	30,991,568	130,987	31,122,555
Transfer Out	(155,987)	0	(30,991,568)	(31,147,555)
General Obligation Notes Issued	0	0	34,670,000	34,670,000
Premium on Notes Issued	0	0	224,298	224,298
<b>Total Other Financing Sources (Uses)</b>	<b>(150,717)</b>	<b>30,991,568</b>	<b>4,218,685</b>	<b>35,059,536</b>
<b>Net Change in Fund Balances</b>	<b>(3,076,632)</b>	<b>32,485,265</b>	<b>3,637,391</b>	<b>33,046,024</b>
<b>Fund Balances at Beginning of Year</b>	<b>4,323,472</b>	<b>0</b>	<b>1,325,681</b>	<b>5,649,153</b>
<b>Fund Balances at End of Year</b>	<b>\$1,246,840</b>	<b>\$32,485,265</b>	<b>\$4,963,072</b>	<b>\$38,695,177</b>

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, 2010*

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Net Change in Fund Balances - Total Governmental Funds \$33,046,024

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	1,203,913	
Depreciation Expense	<u>(1,049,287)</u>	
Capital Outlay over Depreciation Expense		154,626

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 (198)

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	145,000	
Capital Lease Payments	<u>304,356</u>	449,356

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	38,789	
Intergovernmental	<u>24,395,689</u>	24,434,478

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.

General Obligation Notes (34,670,000)

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

(184,968)

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

Increase in Accrued Interest	(247,195)	
Increase in Premium on Notes	(224,298)	
Increase in Uamortized Bond Costs	214,565	
Increase in Compensated Absences	<u>(224,629)</u>	(481,557)

Change in Net Assets of Governmental Activities \$22,747,761

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, 2010*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property Taxes	\$17,902,500	\$17,902,500	\$18,127,476	\$224,976
Income Taxes	3,125,000	3,125,000	3,123,779	(1,221)
Tuition and Fees	650,000	650,000	894,593	244,593
Interest	125,000	125,000	93,994	(31,006)
Intergovernmental	22,107,300	22,644,971	21,979,119	(665,852)
Payments in Lieu of Taxes	25,000	25,000	23,570	(1,430)
Charges for Services	35,000	35,000	51,675	16,675
Extracurricular Activities	23,000	23,000	44,003	21,003
Rent	25,000	25,000	8,235	(16,765)
Miscellaneous	0	0	14,542	14,542
<b>Total Revenues</b>	<b>44,017,800</b>	<b>44,555,471</b>	<b>44,360,986</b>	<b>(194,485)</b>
<b>Expenditures:</b>				
Instruction:				
Regular	22,298,795	22,289,798	21,887,552	402,246
Special	5,418,606	5,418,606	5,557,147	(138,541)
Vocational	722,172	722,172	719,740	2,432
Student Intervention Services	130,400	130,400	127,681	2,719
Other	272,900	400,500	451,409	(50,909)
Support Services:				
Pupils	3,481,379	3,456,128	3,386,474	69,654
Instructional Staff	3,283,618	3,291,119	3,294,775	(3,656)
Board of Education	34,862	34,862	45,957	(11,095)
Administration	3,307,305	3,476,556	3,422,602	53,954
Fiscal	606,608	606,608	602,845	3,763
Business	564,518	601,518	569,228	32,290
Operation and Maintenance of Plant	3,867,314	3,868,514	3,654,088	214,426
Pupil Transportation	2,781,880	2,864,380	2,786,776	77,604
Central	212,287	217,087	240,364	(23,277)
Extracurricular Activities	717,322	722,822	752,844	(30,022)
Capital Outlay	65,381	65,381	99,410	(34,029)
Debt Service:				
Principal Retirement	341,775	341,775	344,931	(3,156)
Interest and Fiscal Charges	91,355	91,355	91,997	(642)
<b>Total Expenditures</b>	<b>48,198,477</b>	<b>48,599,581</b>	<b>48,035,820</b>	<b>563,761</b>
Excess of Revenues Over (Under) Expenditures	(4,180,677)	(4,044,110)	(3,674,834)	369,276
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Fixed Assets	0	0	5,270	5,270
Refund of Prior Year Expenditures	0	0	9,380	9,380
Contingency	(75,000)	(75,000)	0	75,000
Refund of Prior Year Receipts	(105,000)	(105,000)	(210,340)	(105,340)
Transfers Out	(220,000)	(156,000)	(155,987)	13
<b>Total Other Financing Sources (Uses)</b>	<b>(400,000)</b>	<b>(336,000)</b>	<b>(351,677)</b>	<b>(15,677)</b>
Net Change in Fund Balances	(4,580,677)	(4,380,110)	(4,026,511)	353,599
Fund Balance at Beginning of Year	6,698,843	6,698,843	6,698,843	0
Prior Year Encumbrances Appropriated	421,181	421,181	421,181	0
<b>Fund Balance at End of Year</b>	<b>\$2,539,347</b>	<b>\$2,739,914</b>	<b>\$3,093,513</b>	<b>\$353,599</b>

See Accompanying Notes to the Basic Financial Statements

**Xenia Community School District**

*Statement of Fund Net Assets*

*Proprietary Funds*

*June 30, 2010*

	Business-Type Activities	Governmental Activities
	Nonmajor Enterprise Funds	Internal Service Fund
<b>Assets</b>		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$286,510	\$145,161
Accounts Receivable	2,001	0
Interfund Receivable	0	142,325
Inventory Held for Resale	13,262	0
Prepaid Items	2,798	0
<i>Total Current Assets</i>	<u>304,571</u>	<u>287,486</u>
<i>Non-current Assets:</i>		
Depreciable Capital Assets, Net	55,910	0
<b>Total Assets</b>	<u><u>360,481</u></u>	<u><u>287,486</u></u>
<b>Liabilities</b>		
<i>Current Liabilities:</i>		
Accounts Payable	7,817	0
Accrued Salaries Payable	109,299	4,188
Intergovernmental Payable	43,653	283,096
Interfund Payable	439	0
<i>Total Current Liabilities</i>	<u>161,208</u>	<u>287,284</u>
<i>Non-current Liabilities:</i>		
Compensated Absences Payable	95,927	202
<b>Total Liabilities</b>	<u><u>257,135</u></u>	<u><u>287,486</u></u>
<b>Net Assets</b>		
Invested in Capital Assets	55,910	0
Unrestricted	47,436	0
<b>Total Net Assets</b>	<u><u>\$103,346</u></u>	<u><u>\$0</u></u>

See Accompanying Notes to the Basic Financial Statements



**Xenia Community School District**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2010*

	Business-Type Activities <u>Nonmajor Enterprise Funds</u>	Governmental Activities <u>Internal Service Fund</u>
<b>Operating Revenues</b>		
Tuition and Fees	\$2,250	\$0
Charges for Services	729,791	0
Interfund Charges	<u>0</u>	<u>348,267</u>
Total Operating Revenues	<u>732,041</u>	<u>348,267</u>
<b>Operating Expenses</b>		
Salaries	761,284	47,099
Fringe Benefits	393,237	301,168
Purchased Services	24,668	0
Materials and Supplies	720,664	0
Cost of Sales	18,212	0
Depreciation	<u>4,114</u>	<u>0</u>
Total Operating Expenses	<u>1,922,179</u>	<u>348,267</u>
Operating Loss	<u>(1,190,138)</u>	<u>0</u>
<b>Non-operating Revenues (Expenses)</b>		
Federal Donated Commodities	17,256	0
Intergovernmental	<u>1,102,699</u>	<u>0</u>
Total Non-operating Revenues (Expenses)	<u>1,119,955</u>	<u>0</u>
Loss before Transfers	(70,183)	0
Transfers In	<u>25,000</u>	<u>0</u>
Change in Net Assets	(45,183)	0
Net Assets at Beginning of Year	<u>148,529</u>	<u>0</u>
Net Assets at End of Year	<u><u>\$103,346</u></u>	<u><u>\$0</u></u>

See Accompanying Notes to the Basic Financial Statements

**Xenia Community School District**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2010

	Business-Type Activities Nonmajor Enterprise Funds	Governmental Activities Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>		
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers and Support	\$734,191	\$0
Cash Received from Interfund Charges	0	377,964
Cash Payments for Employee Services	(750,150)	(54,133)
Cash Payments for Employee Benefits	(405,976)	(40,955)
Cash Payments for Goods and Services	(741,181)	(234,574)
Net Cash Provided By (Used for) Operating Activities	<u>(1,163,116)</u>	<u>48,302</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Grants Received	1,261,568	0
Transfers In	25,000	0
Net Cash Received from Noncapital Financing Activities	<u>1,286,568</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition of Capital Assets	(1,271)	0
Net Increase in Cash and Cash Equivalents	122,181	48,302
Cash and Cash Equivalents Beginning of Year	<u>164,329</u>	<u>96,859</u>
Cash and Cash Equivalents End of Year	<u>\$286,510</u>	<u>\$145,161</u>
<b>Reconciliation of Operating Loss to Net Cash Provided By (Used for) Operating Activities:</b>		
Operating Loss	(\$1,190,138)	\$0
<b>Adjustments to Reconcile Operating Loss to Net Cash Provided By (Used) for Operating Activities:</b>		
Depreciation	4,114	0
Donated Commodities	17,256	0
<b>Changes in Assets and Liabilities:</b>		
Decrease in Accounts Receivable	2,150	0
Decrease in Inventory Held for Resale	956	0
Decrease in Interfund Receivable	0	29,697
Increase in Prepaid Items	(1,899)	0
Increase in Accounts Payable	5,937	0
Increase (Decrease) in Accrued Salaries Payable	3,182	(7,954)
Decrease in Interfund Payable	(8,353)	0
Increase (Decrease) in Intergovernmental Payable	(5,433)	28,855
Increase (Decrease) in Compensated Absences Payable	9,112	(2,296)
Net Cash Provided By (Used for) Operating Activities	<u>(\$1,163,116)</u>	<u>\$48,302</u>

**Non-Cash Transaction:**

During the fiscal year, the Food Service Enterprise Fund used material and supplies inventory valued at \$112,079. This inventory was donated to the School District and no cash payments were made to acquire the inventory. An expense for the usage was included in the operating loss of the fund and therefore, donated commodities must be recognized as an adjustment to reconcile net cash used for operating activities.

See Accompanying Notes to the Basic Financial Statements

**Xenia Community School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2010*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$61,563	\$60,564
<b>Liabilities:</b>		
Accounts Payable	0	\$47
Undistributed Monies	0	21,365
Due to Students	0	39,152
	0	\$60,564
<b>Net Assets:</b>		
Held in Trust for Scholarships - Non-exendable	25,000	
Held in Trust for Scholarships - Exendable	36,563	
Total Net Assets	\$61,563	

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, 2010*

	Private Purpose Trust
	Scholarship
<b>Additions:</b>	
Interest	\$690
Gifts and Contributions	4,266
Total Additions	4,956
<b>Deductions:</b>	
Scholarships Awarded	13,730
Change in Net Assets	(8,774)
Net Assets Beginning of Year	70,337
Net Assets End of Year	\$61,563

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, 2010*

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**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 15 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, 2010*

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**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, business-type activities and propriety funds provided they do not conflict with or contradict GASB pronouncements. The School District has elected not to apply FASB Statements and Interpretations issued after November 30, 1989, to its business-type and to its proprietary funds. The most significant of the School District's accounting policies are described below.

**A. Basis of Presentation**

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

*Government-wide Financial Statements:*

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

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

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

*Fund Financial Statements:*

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

**B. Fund Accounting**

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

*Governmental Funds:*

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

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

*Proprietary Funds*

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

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

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

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

*Fiduciary Fund Types:*

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

**C. Measurement Focus**

*Government-wide Financial Statements:*

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

*Fund Financial Statements:*

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

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



**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

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; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

*Revenues - Exchange and Non-exchange Transactions:*

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

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. 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, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements and monies from other school districts received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

*Expenses/Expenditures:*

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

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

**E. Cash and Cash Equivalents**

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

During fiscal year 2010, the School District invested in Fifth Third Institutional Government Money Market Inst. Class, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation MTN Bonds, Federal National Mortgage Association MTN Bonds, Federal National Mortgage Association Discount Notes, Federal Farm Credit Bank Bonds, First American Government Obligation Fund, 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.

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 2010 amounted to \$98,897, which includes \$28,936 assigned from other School District funds.

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

**F. Inventory**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

**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, except for any net residual amounts due between governmental and business-type activities, which are presented as “Internal Balances”.

**I. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The School District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than 3 years. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

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

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

**J. Accrued Liabilities and Long-term Obligations**

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

In general, payables and accrued liabilities those, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences 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 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. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**L. Fund Balance Reserves and Designations**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designation reflects the School District's intentions and is subject to change. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes and textbooks and instructional materials. A fund designation has been established for budget stabilization (See Note 16).

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

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

**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 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. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are tuition for preschool, sales for food service and uniform school supplies, and interfund charges for workers' compensation premium. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

**O. 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.

**P. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after 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.

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

**Q. Estimates**

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

**R. Budgetary Data**

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2010.

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).

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING** (continued)

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.

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

	General
GAAP Basis	(\$3,076,632)
Revenue Accruals	(453,889)
Expenditure Accruals	114,514
Funds with Negative Cash Balances	13,499
Change in Fair Market Value of Investments	2,190
Encumbrances	(626,193)
Budget Basis	(\$4,026,511)

**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.

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

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

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

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

***Deposits***

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. 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.



**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

At fiscal year-end, the carrying amount of the School District’s deposits was \$4,474,902 and the bank balance was \$4,771,936. \$672,329 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, 2010, \$4,099,607 of the School District’s bank balance of \$4,771,936 was exposed to custodial risk as it was uninsured and collateralized by securities held by the institution’s trust department.

**Investments**

At June 30, 2010, the School District had the following investments.

<b>Investments</b>	<b>Maturity/ Average Maturity</b>	<b>Fair Value</b>
Repurchase Agreement	1 day	\$1,719,795
Federal Farm Credit Bank Bonds	2011	3,588,438
Federal Home Loan Bank Bonds	2011	12,550,997
Federal Home Loan Bank Bonds	2012	3,690,177
Federal Home Loan Mortgage Corporation MTN Bonds	2012	1,950,098
Federal Home Loan Mortgage Corporation MTN Bonds	2013	1,625,715
Federal National Mortgage Association Bonds	2012	1,002,190
Federal National Mortgage Association MTN Bonds	2012	2,518,521
Federal National Mortgage Association Discount Note	2011	8,694,809
First American Government Obligation Fund	42 days	115,312
Fifth Third Institutional Govt Money Market Inst Class	45 days	5,099
		<b>\$37,461,151</b>

*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:

<b>Investments</b>	<b>Percent</b>
Federal Farm Credit Bank Bonds	10%
Federal Home Loan Bank Bonds	43%
Federal Home Loan Mortgage Corporation MTN Bonds	10%
Federal National Mortgage Association MTN Bonds	7%
Federal National Mortgage Association Discount Notes	23%

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**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 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 are 5 percent for 2010 and 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.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility property taxes are payable on the same date as real property taxes described previously.

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, 2010, are available to finance fiscal year 2010 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, 2010*

**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, 2010, 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, 2010, was \$1,628,975 in the General Fund and \$54,381 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2009, was \$1,153,218 in the General Fund and \$20,076 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which the fiscal year 2010 taxes were collected are:

	<u>2009 Second- Half Collections</u>		<u>2010 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Real Property -				
Residential/Agricultural	\$558,250,140	82.13%	\$558,374,520	82.77%
Commercial/Industrial	92,664,240	13.63%	96,751,220	14.34%
Tangible Personal Property	28,818,744	4.24%	19,486,010	2.89%
Total	<u>\$679,733,124</u>	<u>100.00%</u>	<u>\$674,611,750</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$43.10		\$43.50	

**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, 2011. 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, 2010*

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2010, consisted of property and income taxes, accounts (tuition and student fees), interfund, 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:

<u>Intergovernmental Receivable</u>	<u>Amounts</u>
Governmental Activities:	
Ohio School Facilities Commission	\$24,214,424
Auxiliary Services	41,038
Early Childhood Education	50,834
High Schools That Work	3,317
Special Education Part B IDEA	460,701
Title II-D Technology	13,074
Title I	293,063
Title I - Delinquent	45,750
Title I - Delinquent ARRA	9,455
McKinney-Vento Homeless Assistance	19,078
McKinney-Vento Homeless Assistance ARRA	18,781
IDEA ECSE	3,528
IDEA ECSE ARRA	2,907
Title II-A	170,585
Safe and Drug Free Schools, Tile IV-A	1,173
Greene County History Project	475,254
State Foundation FY 10 adjustments	84,508
Total Intergovernmental Receivable	<u>\$25,907,470</u>

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
<b>Governmental Assets</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$450,091	\$0	\$0	\$450,091
Construction in Progress	0	729,691	0	729,691
Total Capital Assets, being depreciated	<u>450,091</u>	<u>729,691</u>	<u>0</u>	<u>1,179,782</u>
<i>Capital Assets, being depreciated</i>				
Building and Improvements	25,991,031	188,205	0	26,179,236
Other Improvements	287,129	6,910	0	294,039
Infrastructure	17,125	0	0	17,125
Furniture/Equipment/Fixtures	8,884,585	256,107	(26,801)	9,113,891
Vehicles	2,931,193	23,000	(43,927)	2,910,266
Total Capital Assets, being depreciated	<u>38,111,063</u>	<u>474,222</u>	<u>(70,728)</u>	<u>38,514,557</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(17,240,099)	(480,649)	0	(17,720,748)
Other Improvements	(80,698)	(8,730)	0	(89,428)
Infrastructure	(6,707)	(856)	0	(7,563)
Furniture/Equipment/Fixtures	(7,036,483)	(348,433)	26,603	(7,358,313)
Vehicles	(1,619,656)	(210,619)	43,927	(1,786,348)
Total Accumulated Depreciation	<u>(25,983,643)</u>	<u>(1,049,287)</u>	<u>70,530</u>	<u>(26,962,400)</u>
Total Capital Assets, being depreciated, net	<u>12,127,420</u>	<u>(575,065)</u>	<u>(198)</u>	<u>11,552,157</u>
Governmental Activities Capital Assets, net	<u>\$12,577,511</u>	<u>\$154,626</u>	<u>(\$198)</u>	<u>\$12,731,939</u>
<b>Business-Type Activities</b>				
<i>Capital Assets, being depreciated</i>				
Furniture and Equipment	\$495,901	\$1,271	\$0	\$497,172
Vehicles	41,218	0	0	41,218
Total Capital Assets, being depreciated	<u>537,119</u>	<u>1,271</u>	<u>0</u>	<u>538,390</u>
Less: Accumulated Depreciation				
Furniture and Equipment	(437,147)	(4,114)	0	(441,261)
Vehicles	(41,219)	0	0	(41,219)
Total Accumulated Depreciation	<u>(478,366)</u>	<u>(4,114)</u>	<u>0</u>	<u>(482,480)</u>
Business-Type Activities Capital Assets, net	<u>\$58,753</u>	<u>(\$2,843)</u>	<u>\$0</u>	<u>\$55,910</u>

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 8 - CAPITAL ASSETS** (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$632,102
Special	16,304
Vocational	6,752
Support Services:	
Pupils	9,835
Instructional Staff	5,719
Board of Education	338
Administration	59,431
Fiscal	693
Business	340
Operation and Maintenance of Plant	46,496
Transportation	193,793
Operation of Non-Instructional Services	45,877
Extracurricular Activities	31,607
Total	<u>\$1,049,287</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 2010, 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 2010, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 15). 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, 2010*

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**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](http://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 2010, the allocation to pension and death benefits is 12.78 percent of annual covered salary. The remaining 1.22% of the 14% 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, 2010, 2009 and 2008 were \$1,127,067, \$693,332, and \$604,786, respectively; 53.84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**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](http://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, 2010*

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**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, 2010, 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, 2010, 2009, and 2008 were \$3,201,298, \$3,098,554, and \$2,919,536, respectively; 84.12 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. The School District payments to the DC and Combined Plans for fiscal year 2010 were \$113,624 by employees and \$159,074 from the School District.

**NOTE 11 – POSTEMPLOYEMENT 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 2010 was \$96.40 for most participants, but could be as high as \$353.60 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, 2010*

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**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 2010, 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, 2010, 2009, and 2008 were \$67,024, \$57,206, and \$43,576, respectively; 53.84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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, 2010, the health care allocation is .46 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 2010, 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, 2010, 2009, and 2008 were \$151,075, \$423,665, and \$376,267, respectively; 14.46 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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](http://www.ohsers.org) under employers/audit resources.

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**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](http://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 2010, 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, 2010, 2009, and 2008 were \$246,254, \$238,350, and \$224,580, respectively; 84.12 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**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 and one-third of accrued, but unused sick leave credit to a maximum of 118 days for administrators.

**B. Early Retirement Incentive Program**

During the fiscal year ended June 30, 2008 and through June 30, 2010, the School District offered a retirement incentive program to its employees who retire for the first time. A summary of the program is as follows:

Certificated Employees:

1. Any employee eligible to retire and has ten year of service with the District shall receive an incentive of \$2,500 for fiscal year 2008 and \$3,000 for fiscal years 2009 and 2010 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.

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 12 - OTHER EMPLOYEE BENEFITS** (Continued)

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.

Classified Employees (effective through fiscal year 2010):

1. Full-Time employees who retire under SERS regulations for the first time and give the School District timely notices of that retirement will receive a one-time incentive of \$5,000.
2. Part-Time employees who retire under SERS regulations for the first time and give the School District timely notices of that retirement will receive a one-time incentive of \$1,205.
3. For fiscal year 2009, employees must retire after reaching 120 days as required by SERS and must notify the Board in writing of their resignation for retirement purposes 30 days prior to reaching the 120 days to receive the incentive.

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, 2010, ten employees notified the School District of their pending retirement who met the requirements of the retirement incentive program. In addition, the School District had eight employees who they are still paying their monthly payments. As a result, a liability of \$150,350 has been accrued for the retirement incentive associated with these individuals at June 30, 2010.

**C. Insurance Benefits**

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

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**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. During fiscal year 2010, the School District entered into additional leases for computer equipment. 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. New capital leases are reflected in the accounts "capital outlay" and "inception of capital leases" in the General Fund. The School District made \$304,356 in principal payments on the leases during fiscal year 2010.

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, 2010, was \$884,628 and the carrying value was \$1,534,494. 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, 2010.

Fiscal Year Ending June 30,	Total Payments
2011	\$358,635
2012	262,043
2013	199,013
2014	149,962
2015	149,264
2016-2019	213,134
Total	1,332,051
Less: Amount Representing Interest	(160,837)
Present Value of Net Minimum Lease Payments	\$1,171,214

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Amount Outstanding 6/30/2009	Additions	Deletions	Amount Outstanding 6/30/2010	Amount Due in One Year
<b>Governmental Activities</b>					
Energy Conservation Loan 1999 5.6%	\$805,000	\$0	(\$145,000)	\$660,000	\$150,000
School Facilities Construction and Improvement Note, 2009 1.7%	0	15,000,000	0	15,000,000	15,000,000
School Facilities Construction and Improvement Note, 2010 1.5%	0	19,670,000	0	19,670,000	19,670,000
Unmortized Premium on Notes	0	224,298	0	224,298	0
Total Loans and Notes	<u>805,000</u>	<u>34,894,298</u>	<u>(145,000)</u>	<u>35,554,298</u>	<u>34,820,000</u>
Capital Leases	1,290,602	184,968	(304,356)	1,171,214	309,095
Compensated Absences	<u>2,327,233</u>	<u>521,506</u>	<u>(299,173)</u>	<u>2,549,566</u>	<u>275,615</u>
Total Governmental Activities Long-Term Liabilities	<u>\$4,422,835</u>	<u>\$35,600,772</u>	<u>(\$748,529)</u>	<u>\$39,275,078</u>	<u>\$35,404,710</u>
<b>Business-Type Activities</b>					
Compensated Absences	<u>\$86,815</u>	<u>\$9,112</u>	<u>\$0</u>	<u>\$95,927</u>	<u>\$0</u>

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

On December 30, 2009, the School District issued \$19,670,000 in general obligation notes. 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. 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.

Both general obligation notes were paid off when bonds were issued on July 28, 2010 (See Note 22). Principal payments on the bonds for fiscal year 2011 are \$165,000. The bonds have a final maturity date of December 1, 2040.

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**NOTE 14 - LONG-TERM OBLIGATIONS** (Continued)

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, Title II-A and Auxiliary Special Revenue Funds, and the Food Service Enterprise Fund.

The School District's overall legal debt margin was \$26,054,791, the energy conservation debt margin was \$5,411,506 and the un-voted debt margin was \$674,612 at June 30, 2010.

Principal and interest requirements to retire the energy conservation loan outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$150,000	\$36,960	\$186,960
2012	160,000	28,560	188,560
2013	170,000	19,600	189,600
2014	180,000	10,080	190,080
Totals	\$660,000	\$95,200	\$755,200

Principal and interest requirements to retire the general obligation notes outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$34,670,000	\$291,710	\$34,961,710

**NOTE 15 - 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 \$245,380 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, 2010*

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**NOTE 15 - 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 2010, the School District paid \$261,989 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 2010, the School District did not make any payments 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.

**NOTE 16 - 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, 2010*

**NOTE 16 - SET-ASIDE REQUIREMENTS** (continued)

	Textbooks	Capital Improvement	Total
Set-aside balance June 30, 2009	(\$205)	\$0	(\$205)
Current year set-aside requirement	775,911	775,911	1,551,822
Current year offset	0	(446,421)	(446,421)
Qualifying expenditures	(761,144)	(368,977)	(1,130,121)
Totals	\$14,562	(\$39,487)	(\$24,925)
Set-aside carried forward to future years	\$14,562	\$0	\$14,562

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 \$573,354 reported as unreserved but designated fund balance in the General Fund 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 17 – 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 \$36,563 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 18 – INERFUND ACTIVITY**

At June 30, 2010, the General Fund had an interfund payable of \$115,968 which was owed to the Internal Service Fund for additional amounts owed for workers’ compensation. The Other Governmental Funds had an interfund payable of \$39,678, of which \$13,499 was due to the General Fund to cover negative cash balances and \$25,918 was due to the Internal Service Fund for workers compensation. The Food Service Enterprise fund owed \$439 to the internal service fund for workers compensation.

During fiscal year 2010, the General Fund transferred \$20,000, and \$110,987, respectively, to the Athletic and EMIS special revenue funds which are shown with other governmental funds. The EMIS transfer was to provide additional central services support. The Athletic transfer was to provide support to the school’s athletic programs. Also during fiscal year 2010, the General Fund transferred \$25,000 to the Uniform School Supplies Enterprise fund to help support the purchase of the school supplies. In addition, the Buildings fund transferred \$30,991,568 to the Classroom Facilities Fund. The transfer was for the local portion of the project.



**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 18 – INERFUND ACTIVITY** (continued)

Finally, during fiscal year 2010, the General fund had an interfund receivable of \$13,499. The Title II-A and High Schools that Work had interfund payables of \$11,793 and \$1,706, respectively. The receivable was to eliminate a negative cash balance in the fund at fiscal year end. The monies will be returned when grant dollars are received.

**NOTE 19 – CONTRACTUAL COMMITMENT**

At June 30, 2010, the School District had outstanding contractual commitments with Fanning/Howey Associates, Inc. and Stan and Associates of \$2,626,789 and \$140,143, respectively for professional design services and commissioning plans.

**NOTE 20 – FUND DEFICITS**

The EMIS, State Fiscal Stabilization and School Improvement Grant special revenue funds had deficit fund balances at June 30, 2010, of \$157, \$34,101, and \$4,696. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

**NOTE 21 - CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2010.

**NOTE 22 – CHANGES IN ACCOUNTING PRINCIPLE**

For fiscal year 2010, the School District implemented GASB Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”. GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The implementation of this statement did not result in any changes to the financial statements.

**NOTE 23 – SUBSEQUENT EVENTS**

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 \$34,664,979 in bonds and notes. The School District issued \$14,160,000 in School Facilities Construction and Improvement Bonds, Series 2010A with a 6% interest rate, \$670,000 in Series 2010 notes with an interest rate ranging from .8% to 2%, \$10,000 in Series 2010B 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%, and \$20,305,000 in Series 2010C Current Interest Term Bonds with interest rates ranging from 6.25% to 6.6%. The bonds and notes have a final maturity on December 1, 2040.

**Xenia Community School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**NOTE 23 – SUBSEQUENT EVENTS** (continued)

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.

Xenia Community School District  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2010

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	84,599	84,599
Cash Assistance:			
School Breakfast Program	10.553	267,210	267,210
National School Lunch Program	10.555	945,198	945,198
Summer Food Service Program for Children	10.559	19,987	19,987
Total Nutrition Cluster		<u>1,316,994</u>	<u>1,316,994</u>
Total U.S. Department of Agriculture		<u>1,316,994</u>	<u>1,316,994</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education</i>			
Title I, Part A Cluster:			
Title I Grants to Local Education Agencies	84.010	1,327,699	1,331,709
ARRA - Title I Grants to Local Education Agencies	84.389	<u>342,788</u>	<u>321,633</u>
Total Title I, Part A Cluster		<u>1,670,487</u>	<u>1,653,342</u>
Education of Homeless Children and Youth Cluster:			
Education of Homeless Children and Youth	84.196	49,042	43,138
ARRA Education of Homeless Children and Youth	84.387	4,690	3,335
Total Education of Homeless Children and Youth Cluster		<u>53,732</u>	<u>46,473</u>
Special Education Cluster:			
Special Education Grant	84.027	1,044,227	947,562
ARRA - Special Education Grant	84.391	679,572	614,327
Special Education - Preschool Grant	84.173	34,748	33,513
ARRA - Special Education - Preschool Grant	84.392	<u>16,832</u>	<u>11,960</u>
Total Special Education Cluster		<u>1,775,379</u>	<u>1,607,362</u>
Title IV-A Safe & Drug Free Schools and Communities	84.186	20,865	20,468
ARRA - Education Stabilization Grant	84.394	1,223,056	1,087,034
Innovative Programs Grant	84.298	(560)	39
Education Technology Grant	84.318	4,017	4,927
Improving Teacher Quality Grant	84.367	257,806	290,596
<i>Direct Award</i>			
The Greene County History Project	84.215	<u>269,412</u>	<u>269,412</u>
Total U.S. Department of Education		<u>5,274,194</u>	<u>4,979,653</u>
<b>TOTAL FEDERAL AWARDS</b>		<u>\$ 6,591,188</u>	<u>\$ 6,296,647</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, 2010, 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, business-type activities, each major fund, and the aggregate remaining fund information of the Xenia Community School District (the District), as of and for the years ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting 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.

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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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District, in a separate letter dated December 22, 2010.

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

A handwritten signature in cursive script that reads "Clark, Schufer, Hackett & Co." The signature is written in black ink on a white background.

Springfield, Ohio  
December 22, 2010

**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, 2010. 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. 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, 2010.

**Internal Control Over Compliance**

The 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.

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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.

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
December 22, 2010



Xenia Community School District  
 Schedule of Findings and Questioned Costs  
 Fiscal Year Ended June 30, 2010

**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)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
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?	None noted

Identification of major programs:

Education Stabilization Grant – CFDA 84.394

*Title I, Part A Cluster:*

Title I Grant - CFDA 84.010

ARRA Title I Grant – CFDA 84.389

*Special Education Cluster:*

Special Education Grant – CFDA 84.027

ARRA Special Education Grant – CFDA 84.391

Special Education – Preschool Grant – CFDA 84.173

ARRA Special Education – Preschool Grant – CFDA 84.392

*Nutrition Cluster:*

National School Lunch Program – CFDA 10.555

National School Breakfast Program – CFDA 10.553

Summer Food Service Program – CFDA 10.559

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**

None noted

**Section III – Federal Awards Findings and Questioned Costs**

None noted

Xenia Community School District  
Schedule of Prior Audit Findings and Questioned Costs  
Fiscal Year Ended June 30, 2010

**Finding 2009-001:** Financial Statement Adjustments – Corrected



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



# 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  
FEBRUARY 10, 2011**