



Dave Yost • Auditor of State

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Xenia Community School District
Greene County
578 East Market Street
Xenia, Ohio 45385

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Xenia Community School District, Greene County, Ohio (the District), as of and for the year ended June 30, 2012, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Xenia Community School District, Greene County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

April 2, 2013

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

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, 2012. 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 2012 are as follows:

- For governmental activities, net assets increased \$1,241,522, which represents a 3 percent increase from 2011.
- General revenues accounted amount to \$43,316,425 for fiscal year 2012. Program specific revenues in the form of charges for services and operating grants and contributions and interest was \$10,622,286 for fiscal year 2012.
- The School District had \$53,836,998 in expenses related to governmental activities, a decrease of \$6,929,437 or 11 percent from prior year.
- The General Fund had \$43,696,312 in revenues and \$42,165,381 in expenditures. The General Fund's balance increased \$1,531,141 from 2011.
- During fiscal year 2010, the School District issued a total of \$34,670,000 in general obligation notes to provide temporary financing for the School Facilities Construction and Improvement Project which will consist of the building of five new elementary buildings. During fiscal year 2011, the School District issued school facilities construction and improvement bonds to pay off the general obligation notes. A portion of the bonds are Build America Bonds and Qualified School Construction Bonds. As a result, the School District receives a federal tax credit remitted directly to the School District to save the District \$25,906,157 in interest costs over the life of the bonds. The interest rate is reduced to 3.95% on the Build America Bonds and .64% on the Qualified School Construction Bonds. For fiscal year 2012, the School District received \$1,269,657 in federal tax credits.
- During fiscal year 2012, the School District continued the construction of five new elementary buildings. Additions to construction in progress on these building were in the amount \$34,227,357.
- During fiscal year, the School District received \$1,339,489 in insurance proceeds as a result of damage from the severe hail storm. The roofs of McKinley Elementary, Warner Middle School, Central and Benner Field House and Xenia High School were severely damaged and require replacement. Capital assets were reduced \$199,680 for the roofs as a result of damage. An extraordinary item is shown on the statement of activities for \$1,139,809, the difference between the proceeds and the loss incurred on the roofs. The roofs will be replaced in fiscal year 2013.
- During fiscal year 2012, the School District reported a gain on the sale of capital assets of \$595,024 from the sale of Arrowood elementary.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

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 non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities where most of the School District's programs and services are reported here including instruction, support service, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund and the Classroom Facilities Capital Projects Fund.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

Governmental Funds

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

Fiduciary Funds

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

The School District as a Whole

Governmental Activities

Table 1 provides a summary of the School District's net assets for 2012 compared to 2011:

Table 1		
Net Assets		
	Governmental Activities	
	2011	2012
Assets:		
Current and Other Assets	\$90,964,968	\$ 58,466,310
Capital Assets	15,349,514	50,529,697
Total Assets	106,314,482	108,996,007
Liabilities:		
Long-Term Liabilities	45,082,383	44,035,556
Other Liabilities	23,958,449	26,445,279
Total Liabilities	69,040,832	70,480,835
Net Assets:		
Invested in Capital:		
Assets, Net of Debt	7,394,446	38,371,925
Restricted	30,816,748	3,564,780
Unrestricted	(937,544)	(3,421,533)
Total Net Assets	\$37,273,650	\$38,515,172

Contributing to the increase in governmental assets was additions to construction in progress as the School District continued the construction of building five new elementary buildings. The School District issued School Facilities Construction and Improvement Bonds (to pay off notes), energy conservation notes and permanent improvement notes during fiscal year 2011. Other liabilities increased as a result of contracts and retainage payable. 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 \$2,483,989.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

Table 2 shows the changes in net assets for fiscal year 2011 and 2012.

**Table 2
Change in Net Assets**

	Governmental Activities	
	2011	2012
Revenues:		
Program Revenues:		
Charges for Services	\$1,788,001	\$1,883,721
Operating Grants and Contributions	11,937,988	8,738,565
Total Program Revenues	<u>13,725,989</u>	<u>10,622,286</u>
General Revenues and Extraordinary Item		
Property Taxes and Income Taxes	23,985,522	21,213,393
Grants and Entitlements Not Restricted	21,554,048	21,354,311
Other	680,609	748,721
Extraordinary Item		1,139,809
Total General Revenues and Extraordinary Item	<u>46,220,179</u>	<u>44,456,234</u>
Total Revenues	<u>59,946,168</u>	<u>55,078,520</u>
Program Expenses:		
Instruction:	33,106,112	28,228,186
Support Services:		
Pupils and Instructional Staff	8,753,887	6,745,289
Board of Education, Administration, Fiscal and Business	5,794,455	5,356,425
Operation and Maintenance of Plant	4,013,756	5,176,685
Pupil Transportation	3,307,960	2,868,760
Central	359,364	231,466
Operation of Non-Instructional Services	2,431,395	2,184,210
Extracurricular Activities	887,034	716,946
Interest and Fiscal Charges	2,112,472	2,329,031
Total Expenses	<u>60,766,435</u>	<u>53,836,998</u>
Increase (Decrease) in Net Assets	<u>(\$ 820,267)</u>	<u>\$1,241,522</u>

Governmental Activities

Operating grants and contributions decreased for fiscal year 2012. The School District did not receive any fiscal stabilization grant money in fiscal year 2012. The School District received almost \$1.5 million in fiscal stabilization monies in 2011. In addition, the amount received for the School Improvement Grant decreased over \$800,000 for fiscal year 2012.

As mentioned earlier, the extraordinary item is for insurance proceeds for hail damage. The gain on the sale of Arrowood Elementary is shown with other revenue above.

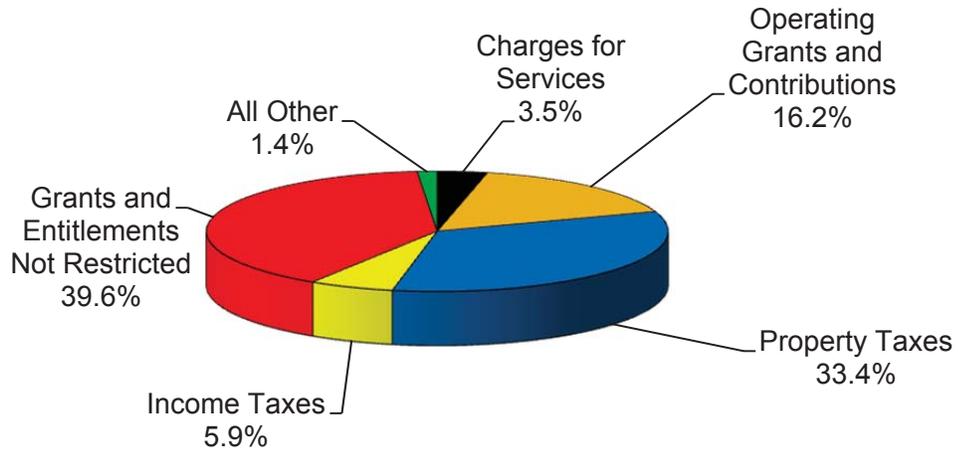
The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. The overall revenue generated by a voted levy does not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0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

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

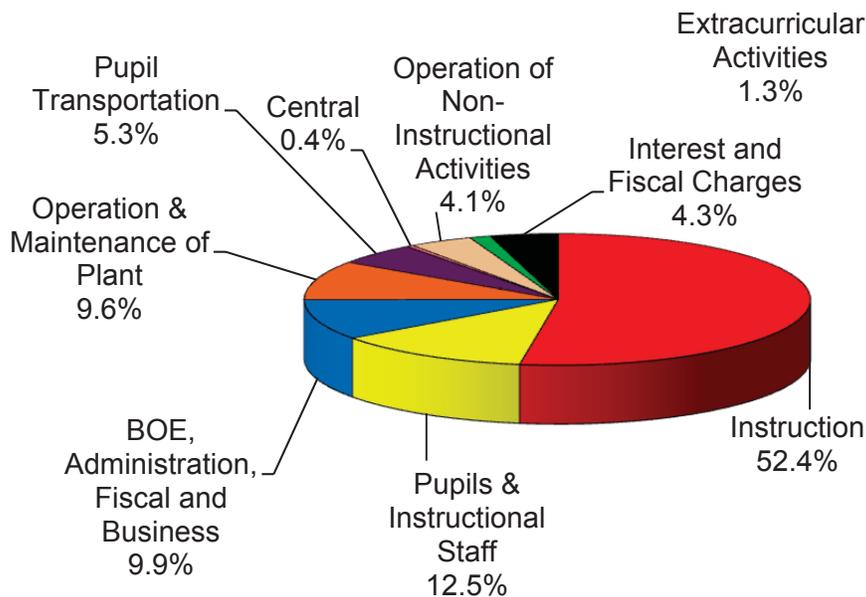
The School District, dependent upon property taxes, is hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 33.4 percent of revenues for governmental activities for the Xenia Community School District for fiscal year 2012. Income taxes added another 5.9 percent. Grants and entitlements not restricted consists largely of state foundation monies.

Governmental Revenues



Instruction comprises 52.4 percent of School District expenses. Support services expenses make up 37.9 percent of expenses.

Governmental Expenses



**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

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 2011	Net Cost of Services 2011	Total Cost of Services 2012	Net Cost of Services 2012
Instruction	\$33,106,112	(\$27,015,115)	\$28,228,186	(\$23,909,869)
Support Services:				
Pupils and Instructional Staff	8,753,887	(6,518,981)	6,745,289	(4,980,926)
Board of Education, Administration, Fiscal and Business	5,794,455	(4,200,412)	5,356,425	(5,051,790)
Operation and Maintenance of Plant	4,013,756	(4,005,923)	5,176,685	(5,161,713)
Pupil Transportation	3,307,960	(3,222,620)	2,868,760	(2,507,929)
Central	359,364	(331,614)	231,466	(217,066)
Operation of Non-Instructional Services	2,431,395	(104,220)	2,184,210	129,784
Extracurricular Activities	887,034	(603,332)	716,946	(455,829)
Interest and Fiscal Charges	2,112,472	(1,038,229)	2,329,031	(1,059,374)
Total Expenses	\$60,766,435	(\$47,040,446)	\$53,836,998	(\$43,214,712)

The dependence upon state foundation and tax revenues is apparent. Approximately 85 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 80 percent. The community, as a whole, provides significant support for the Xenia Community School District.

The School District's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$58,615,492 and expenditures of \$90,231,811.

In the General Fund, revenues decreased over \$2 million, mainly due to less property taxes. Expenses fell approximately \$6 million as the School District cut its costs to keep its budget balanced. For fiscal year 2012, custodial and transportation services were contracted to a private company in order to help save monies. These budget balancing measures allowed the School District's operating fund, the General Fund, to increase fund balance \$1,531,141.

The Classroom Facilities Fund had a \$29,602,361 decrease in fund balance as a large portion of construction was completed in fiscal year 2012. The School District was awarded a grant from the Ohio School Facilities Commission that is being used, along with a local portion, 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.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

For the General Fund, the School District revised its estimated resources by reducing them \$1,150,853. Property tax revenues were lower than anticipated.

Expenditures were tightly monitored which enabled actual expenditures to be \$1,911,383 under the final appropriations. As a result of School District cuts, the final expenditures were over \$5.4 million lower than what was originally budgeted.

Capital Assets

At the end of fiscal year 2012, the School District had \$50,529,697 invested in governmental capital assets.

Table 4 shows fiscal year 2012 balances compared to 2011.

**Table 4
Capital Assets at June 30,**

	Governmental Activities	
	2011	2012
Land	\$ 450,091	\$ 450,091
Construction in Progress	3,667,457	37,894,814
Buildings and Improvements	26,361,425	27,262,201
Other Improvements	294,039	294,039
Infrastructure	17,125	17,125
Furniture/Equipment/Fixtures	10,145,527	10,132,649
Vehicles	2,993,243	2,993,243
Less: Accumulated Depreciation	<u>(28,579,393)</u>	<u>(28,514,465)</u>
	<u>\$15,349,514</u>	<u>\$50,529,697</u>

In fiscal year 2012, capital asset additions exceeded depreciation. During fiscal year 2012, construction of five new elementary buildings continued. Capital assets were reduced \$199,680 for the roofs as a result of hail damage (see extraordinary item mentioned under highlights). 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,**

	2011	2012
Energy Conservation Notes	\$ 1,945,000	\$ 1,810,000
School Facilities Construction and Improvement Bonds	34,746,200	34,860,183
School Facilities Construction and Improvement Notes	505,000	340,000
Permanent Improvement Notes	675,000	650,000
Capital Leases	862,675	638,486
Unamortized Bond & Note Premiums	3,630,626	3,502,328
Totals	<u>\$42,364,501</u>	<u>\$41,800,997</u>

During fiscal year 2012, the School Facilities Construction and Improvement bonds were accreted \$118,983 because some of the bonds are capital appreciation bonds.

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

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)
(Continued)**

Current Financial Issues and Concerns

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

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

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

On August 7, 2012, the voters of the School District voted against replacing a seven year .5percent income tax with a 1.5% income tax.

On November 6, 2012, the voters of the School District voted against a five year 6.50 mill emergency levy to avoid an operating deficit.

Contacting the School District's Financial Management

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

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$32,581,184
Cash and Cash Equivalents with Escrow Agent	\$1,039,452
Accounts Receivable	2,008
Accrued Interest Receivable	688
Intergovernmental Receivable	3,089,867
Materials and Supply Inventory	47,122
Income Taxes Receivable	1,209,509
Property Taxes Receivable	19,649,145
Deferred Charges	847,335
Depreciable Capital Assets, Net	12,184,792
Non-depreciable Capital Assets	38,344,905
Total Assets	108,996,007
Liabilities:	
Accounts Payable	233,607
Accrued Wages and Benefits Payable	3,790,367
Contracts Payable	2,464,989
Intergovernmental Payable	1,093,089
Retainage Payable	1,039,452
Unearned Income	17,249,511
Accrued Interest Payable	188,845
Matured Compensated Absences Payable	240,769
Early Retirement Incentive	144,650
Long Term Liabilities:	
Due Within One Year	756,282
Due In More Than One Year	43,279,274
Total Liabilities	70,480,835
Net Assets:	
Invested in Capital Assets, Net of Related Debt	38,371,925
Restricted for:	
Capital Projects	575,307
Debt Service	972,042
Other Purposes	2,017,431
Unrestricted	(3,421,533)
Total Net Assets	\$38,515,172

See accompanying notes to the basic financial statements.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$19,211,531	\$579,642	\$870,285	(\$17,761,604)
Special	7,535,001	214,769	2,187,307	(5,132,925)
Vocational	417,220		82,678	(334,542)
Student Intervention Services	495,784		383,636	(112,148)
Other	568,650			(568,650)
Support Services:				
Pupils	3,100,910	1,404	213,456	(2,886,050)
Instructional Staff	3,644,379	2,596	1,546,907	(2,094,876)
Board of Education	48,039			(48,039)
Administration	4,104,162		156,385	(3,947,777)
Fiscal	552,322	76,459	56,474	(419,389)
Business	651,902	15,317		(636,585)
Operation and Maintenance of Plant	5,176,685	7,987	6,985	(5,161,713)
Pupil Transportation	2,868,760	194,581	166,250	(2,507,929)
Central	231,466		14,400	(217,066)
Operation of Non-Instructional Services	2,184,210	538,559	1,775,435	129,784
Extracurricular Activities	716,946	252,407	8,710	(455,829)
Interest and Fiscal Charges	2,329,031		1,269,657	(1,059,374)
Totals	<u>\$53,836,998</u>	<u>\$1,883,721</u>	<u>\$8,738,565</u>	<u>(43,214,712)</u>
General Revenues and Extraordinary Item:				
Property Taxes Levied for:				
General Purposes				17,403,111
Capital Outlay				339,361
Capital Maintenance				275,948
Income Tax				3,194,973
Payments in Lieu of Taxes				31,924
Grants and Entitlements not Restricted to Specific Programs				21,354,311
Investment Earnings				106,036
Miscellaneous				15,737
Gain on Sale of Capital Asset				595,024
Total General Revenues				<u>43,316,425</u>
Change in Net Assets Before Extraordinary Item				101,713
Extraordinary Item				1,139,809
Change in Net Assets				1,241,522
Net Assets Beginning of Year				<u>37,273,650</u>
Net Assets End of Year				<u>\$38,515,172</u>

See accompanying notes to the basic financial statements.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,255,244	\$22,870,893	\$6,455,047	\$32,581,184
Cash and Cash Equivalents with Escrow Agents		1,039,452		1,039,452
Receivables:				
Property Taxes	18,342,272		1,306,873	19,649,145
Income Taxes	1,209,509			1,209,509
Accounts	2,008			2,008
Intergovernmental	46,588	1,381,647	1,661,632	3,089,867
Material and Supplies Inventory	28,087		19,035	47,122
Accrued Interest	688			688
Total Assets	<u>22,884,396</u>	<u>25,291,992</u>	<u>9,442,587</u>	<u>57,618,975</u>
 Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	142,486		91,121	233,607
Accrued Wages and Benefits Payable	3,215,016		575,351	3,790,367
Contracts Payable		2,376,632	88,357	2,464,989
Retainage Payable		1,039,452		1,039,452
Intergovernmental Payable	914,497		178,592	1,093,089
Matured Compensated Absences Payable	240,769			240,769
Early Retirement Incentive	144,650			144,650
Deferred Revenue	<u>16,728,068</u>	<u>1,164,732</u>	<u>2,214,169</u>	<u>20,106,969</u>
Total Liabilities	<u>21,385,486</u>	<u>4,580,816</u>	<u>3,147,590</u>	<u>29,113,892</u>
 Fund Balances:				
Non-spendable	28,087		19,035	47,122
Restricted		20,711,176	6,275,962	26,987,138
Assigned	1,022,780			1,022,780
Unassigned	<u>448,043</u>			<u>448,043</u>
Total Fund Balances	<u>1,498,910</u>	<u>20,711,176</u>	<u>6,294,997</u>	<u>28,505,083</u>
Total Liabilities and Fund Balances	<u>\$22,884,396</u>	<u>\$25,291,992</u>	<u>\$9,442,587</u>	<u>\$57,618,975</u>

See accompanying notes to the basic financial statements.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012**

Total Governmental Fund Balances	\$28,505,083
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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	37,894,814	
Building and Improvements	27,262,201	
Other Improvements	294,039	
Infrastructure	17,125	
Furniture/ Equipment/ Fixtures	10,132,649	
Vehicles	2,993,243	
Accumulated Depreciation	<u>(28,514,465)</u>	
Total Capital Assets		50,529,697

Unamortized Bond Costs	847,335
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	730,062	
Intergovernmental	<u>2,127,396</u>	2,857,458

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	(188,845)	
General Obligation Bonds	(35,200,183)	
Unamortized Premium Bonds an Notes	(3,502,328)	
Permanent Improvement Notes	(650,000)	
Energy Conservation Loans Payable	(1,810,000)	
Capital Lease Payable	(638,486)	
Compensated Absences	<u>(2,234,559)</u>	<u>(44,224,401)</u>

Net Assets of Governmental Activities	<u><u>\$38,515,172</u></u>
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See accompanying notes to the basic financial statements.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property Taxes	\$17,820,000		\$629,920	\$18,449,920
Income Taxes	3,194,973			3,194,973
Tuition and Fees	992,228			992,228
Interest	23,632	\$72,969	9,603	106,204
Intergovernmental	21,417,674	3,712,477	9,784,819	34,914,970
Payments in Lieu of Taxes	31,924			31,924
Extracurricular Activities	92,107		144,677	236,784
Charges for Services	91,776		538,559	630,335
Gifts and Donations	7,099		8,365	15,464
Rent	7,987			7,987
Miscellaneous	16,912		17,791	34,703
Total Revenues	<u>43,696,312</u>	<u>3,785,446</u>	<u>11,133,734</u>	<u>58,615,492</u>
Expenditures:				
Current:				
Instruction:				
Regular	19,021,234		1,653,864	20,675,098
Special	5,161,061		2,475,457	7,636,518
Vocational	428,353			428,353
Student Intervention Services	74,857		402,188	477,045
Other	568,650			568,650
Support Services:				
Pupils	2,784,295		357,923	3,142,218
Instructional Staff	2,230,010		1,562,886	3,792,896
Board of Education	47,898			47,898
Administration	3,948,857		165,269	4,114,126
Fiscal	483,193	400	62,154	545,747
Business	663,812		164	663,976
Operation and Maintenance of Plant	2,885,840		163,388	3,049,228
Pupil Transportation	2,524,592		204,305	2,728,897
Central	220,714		18,619	239,333
Operation of Non-Instructional Services	1,047		2,187,765	2,188,812
Extracurricular Activities	553,031		150,789	703,820
Capital Outlay	45,178	33,387,407	2,935,953	36,368,538
Debt Service:				
Principal Retirement	419,112		135,077	554,189
Interest and Fiscal Charges	103,647		2,202,822	2,306,469
Total Expenditures	<u>42,165,381</u>	<u>33,387,807</u>	<u>14,678,623</u>	<u>90,231,811</u>
Excess of Revenues Over (Under) Expenditures	1,530,931	(29,602,361)	(3,544,889)	(31,616,319)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	210		594,814	595,024
Net Change in Fund Balances Before Before Extraordinary Item	1,531,141	(29,602,361)	(2,950,075)	(31,021,295)
Extraordinary Item:				
Insurance Settlement from Hail Damage			1,339,489	1,339,489
Net Change in Fund Balances	1,531,141	(29,602,361)	(1,610,586)	(29,681,806)
Fund Balances at Beginning of Year	(32,231)	50,313,537	7,905,583	58,186,889
Fund Balances at End of Year	<u>\$1,498,910</u>	<u>\$20,711,176</u>	<u>\$6,294,997</u>	<u>\$28,505,083</u>

See accompanying notes to the basic financial statements.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**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, 2012**

Net Change in Fund Balances - Total Governmental Funds (\$29,681,806)

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	\$36,761,583	
Depreciation Expense	(1,361,364)	
Capital Outlay over Depreciation Expense		35,400,219

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 (220,036)

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	135,000	
General Obligation Bonds	170,000	
Permanent Improvement Notes	25,000	
Capital Lease Payments	224,189	
		554,189

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	(431,500)	
Intergovernmental	(4,840,305)	
		(5,271,805)

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

Decrease in Accrued Interest	1,270	
Accretion on Capital Appreciation Bonds	(118,983)	
Decrease in Premium on Notes and Bonds	128,298	
Decrease in Uamortized Bond Costs	(33,147)	
Decrease in Compensated Absences	483,323	
		460,761

Change in Net Assets of Governmental Activities \$1,241,522

See accompanying notes to the basic financial statements.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property Taxes	\$19,092,101	\$18,623,866	\$17,894,036	(\$729,830)
Income Taxes	3,411,481	3,327,814	3,197,404	(130,410)
Tuition and Fees	1,022,569	997,491	958,401	(39,090)
Interest	25,280	24,660	23,694	(966)
Intergovernmental	22,846,885	22,286,564	21,413,201	(873,363)
Payments in Lieu of Taxes	34,061	33,226	31,924	(1,302)
Charges for Services	97,921	95,519	91,776	(3,743)
Extracurricular Activities	61,257	59,755	57,413	(2,342)
Rent	11,929	11,636	11,180	(456)
Miscellaneous	322,108	314,208	301,895	(12,313)
Total Revenues	<u>46,925,592</u>	<u>45,774,739</u>	<u>43,980,924</u>	<u>(1,793,815)</u>
Expenditures:				
Instruction:				
Regular	21,918,322	20,396,634	19,369,416	1,027,218
Special	5,996,013	5,281,460	5,152,705	128,755
Vocational	520,658	503,564	478,093	25,471
Other	517,309	695,658	691,995	3,663
Support Services:				
Pupils	3,581,219	2,895,967	2,831,844	64,123
Instructional Staff	3,304,181	2,409,684	2,326,706	82,978
Board of Education	36,919	54,546	47,928	6,618
Administration	3,075,065	4,000,433	3,898,652	101,781
Fiscal	632,227	601,452	560,680	40,772
Business	646,469	836,637	777,587	59,050
Operation and Maintenance of Plant	3,706,812	3,378,690	3,239,579	139,111
Pupil Transportation	2,966,131	2,735,953	2,616,568	119,385
Central	368,102	241,085	226,582	14,503
Extracurricular Activities	754,477	599,822	507,961	91,861
Capital Outlay	60,658	49,038	47,808	1,230
Debt Service:				
Principal Retirement	585,744	420,532	419,112	1,420
Interest and Fiscal Charges	63,848	107,091	103,647	3,444
Total Expenditures	<u>48,734,154</u>	<u>45,208,246</u>	<u>43,296,863</u>	<u>1,911,383</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,808,562)</u>	<u>566,493</u>	<u>684,061</u>	<u>117,568</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Assets			210	210
Transfers Out		(45,000)		45,000
Total Other Financing Sources (Uses)		<u>(45,000)</u>	<u>210</u>	<u>45,210</u>
Net Change in Fund Balances	(1,808,562)	521,493	684,271	162,778
Fund Balance at Beginning of Year	1,262,685	1,262,685	1,262,685	
Prior Year Encumbrances Appropriated	545,775	545,775	545,775	
Fund Balance at End of Year	<u>(\$102)</u>	<u>\$2,329,953</u>	<u>\$2,492,731</u>	<u>\$162,778</u>

See accompanying notes to the basic financial statements.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$60,804	\$73,623
Liabilities:		
Undistributed Monies		41,853
Due to Students		31,770
		\$73,623
Net Assets:		
Held in Trust for Scholarships - Non-expendable	31,300	
Held in Trust for Scholarships - Expendable	29,504	
Total Net Assets	\$60,804	

See accompanying notes to the basic financial statements.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$2,250
Gifts and Contributions	186
Total Additions	2,436
Deductions:	
Scholarships Awarded	7,748
Change in Net Assets	(5,312)
Net Assets Beginning of Year	66,116
Net Assets End of Year	\$60,804

See accompanying notes to the basic financial statements.

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**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 5 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 ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Xenia Community School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan

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. The most significant of the School District's accounting policies are described below.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

1. Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

2. Fund Financial Statements:

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

B. Fund Accounting

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

1. 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:

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Fiduciary Fund Types:

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

C. Measurement Focus

1. 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.

2. 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.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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; 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.

1. 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.

2. Deferred/ Unearned Revenue:

Deferred/ unearned 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, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred/ unearned revenue. Grants and entitlements and monies from other school districts received before the eligibility requirements are met are also recorded as deferred/unearned 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
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 2012, the School District invested in Federal Farm Credit Bank, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Reference & Discount notes, Federal National Mortgage Association Medium Term Notes, Fifth Third Institutional Government Money Market Institutional Class, INVESCO STIT Government & Agency Fund, and Toyota Motor Corp Discount Commercial Paper.

Investments are reported at fair value. For investments in open-ended mutual funds, fair value is determined by the fund's share price.

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 2012 amounted to \$23,632, which includes \$13,821 assigned from other School District funds.

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

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

H. Interfund Balances

On the fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund Receivables/Payables." Interfund balances amounts are eliminated in the statement of net assets.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

General capital assets are those that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements

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

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

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

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

K. Compensated Absences

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

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

L. Fund Balance

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

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

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

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

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

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

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

M. Net Assets

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

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

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

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

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

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

O. Interfund Activity

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

P. Extraordinary Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. The School District suffered from a severe hail storm in May 2011 during which the School District sustained significant damage to its building's roof. The School District received insurance reimbursements for the damage. The School District is replacing the roofs on the McKinley, Warner Middle School, Central and Benner Field House and Xenia High School. The reroofing will be completed in fiscal year 2013.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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 2012.

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.

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 Balance - 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
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

	General
GAAP Basis	\$1,531,141
Revenue Accruals	380,095
Expenditure Accruals	(656,463)
Perspective Differences	17,195
Encumbrances	(587,697)
Budget Basis	\$ 684,271

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 five years 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
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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.

A. 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 that are not covered by FDIC insurance, whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$24,825,217 and the bank balance was \$25,395,211. \$1,710,635 of the School District's deposits was insured by federal depository insurance. As of June 30, 2012, \$23,684,576 of the School District's bank balance was exposed to custodial risk as it was uninsured and collateralized by securities held by the institution's trust department.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

At June 30, 2012, the School District had the following investments.

<u>Investments</u>	<u>Maturity/ Average Maturity</u>	<u>Fair Value</u>
Federal Farm Credit Bank Bonds	2012	\$ 975,263
Federal Home Loan Bank Bonds	2012	1,100,792
Federal Home Loan Bank Bonds	2013	1,149,897
Federal Home Loan Mortgage Corp Reference Notes	2012	1,962,274
Federal Home Loan Mortgage Corp Discount Notes	2012	359,982
Federal National Mortgage Association MTN Bonds	2012	2,071,696
Fifth Third Institutional Govt Money Market Inst Class	52 days	1,015,231
INVESCO STIT Government and Agency Fund	42 days	165,069
Toyota Motor Credit Corp Discount Commercial Paper	2012	129,834
		<u>\$8,930,038</u>

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

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices. The School District's investments in the Fifth Third Institutional Government Money Market and First American Government Obligation Fund is rated AAAM by Standard & Poor's. The School District's investments in the federal government agencies are rated AAA by Moody's and the Toyota Motor Credit Corp Discount Commercial Paper has an Standard & Poor's rating of A1+.

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:

<u>Investments</u>	<u>Percent</u>
Federal Home Loan Bank Bonds	25%
Federal Home Loan Mortgage Corporation Notes	26%
Federal National Mortgage Association Notes	23%
Federal Farm Credit Bank Bonds	11%
Fifth Third Institutional Govt Money Market	11%

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.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. PROPERTY TAXES

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility 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.

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

The School District receives property taxes from Greene and Warren Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2012, 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, 2012, was \$1,614,204 in the General Fund and \$55,368 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2011, was \$1,688,241 in the General Fund and \$56,544 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which the fiscal year 2012 taxes were collected are:

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. PROPERTY TAXES (Continued)

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property - Residential/Agricultural	\$560,221,510	82.37%	\$535,845,540	82.88%
Commercial/Industrial	100,387,930	14.76%	91,586,560	14.16%
Tangible Personal Property	19,501,950	2.87%	19,137,980	2.96%
Total	<u>\$680,111,390</u>	<u>100.00%</u>	<u>\$646,570,080</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$46.85		\$47.35	

6. INCOME TAX

The School District levies a voted tax of ½ percent for general operations on the income of residents and of estates. The tax had an original effective date of January 1, 1998, and has subsequently been renewed through December 31, 2016. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

7. RECEIVABLES

Receivables at June 30, 2012, consisted of property and income taxes, accounts (tuition and student fees), accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

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

Intergovernmental Receivable	Amounts
Governmental Activities:	
Ohio School Facilities Commission	\$1,381,647
JOBS	29,558
Early Childhood Education	16,842
Special Education Part B IDEA	312,325
Title I	434,035
Title I - Delinquent	59,701
Medicaid	42,688
McKinney-Vento Homeless Assistance	9,434
Reimbursement for pd	3,900
IDEA ECSE	13,286
IRS refund	4,190
Title II-A	54,978
School Improvement Grant	336,890
Greene County History Project	109,287
Race to the Top	281,106
Total Intergovernmental Receivable	<u>\$3,089,867</u>

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance 6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2012</u>
Governmental Assets:				
Capital Assets, not being depreciated:				
Land	\$ 450,091			\$ 450,091
Construction in Progress	3,667,457	\$34,227,357		37,894,814
Total Capital Assets, being depreciated	<u>4,117,548</u>	<u>34,227,357</u>		<u>38,344,905</u>
Capital Assets, being depreciated:				
Building and Improvements	26,361,425	2,068,587	(\$1,167,811)	27,262,201
Other Improvements	294,039			294,039
Infrastructure	17,125			17,125
Furniture/Equipment/Fixtures	10,145,527	465,639	(478,517)	10,132,649
Vehicles	2,993,243			2,993,243
Total Capital Assets, being depreciated	<u>39,811,359</u>	<u>2,534,226</u>	<u>(1,646,328)</u>	<u>40,699,257</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(18,200,187)	(714,074)	968,131	(17,946,130)
Other Improvements	(97,949)	(8,521)		(106,470)
Infrastructure	(8,419)	(856)		(9,275)
Furniture/Equipment/Fixtures	(8,197,680)	(414,922)	458,161	(8,154,441)
Vehicles	(2,075,158)	(222,991)		(2,298,149)
Total Accumulated Depreciation	<u>(28,579,393)</u>	<u>(1,361,364)</u>	<u>1,426,292</u>	<u>(28,514,465)</u>
Total Capital Assets, being depreciated, net	<u>11,231,966</u>	<u>1,172,862</u>	<u>(220,036)</u>	<u>12,184,792</u>
Governmental Activities Capital Assets, net	<u>\$15,349,514</u>	<u>\$35,400,219</u>	<u>(\$ 220,036)</u>	<u>\$50,529,697</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$888,011
Special	48,062
Vocational	10,753
Support Services:	
Pupils	4,879
Instructional Staff	3,886
Board of Education	141
Administration	53,384
Fiscal	76
Business	256
Operation and Maintenance of Plant	40,328
Transportation	214,286
Operation of Non-Instructional Services	79,504
Extracurricular Activities	17,798
Total	<u>\$1,361,364</u>

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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 2012, 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. 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 2012, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures 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.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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 2012, the allocation to pension and death benefits is 12.7 percent of annual covered salary. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$752,940, \$729,388, and \$1,127,067, respectively; 54.23 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member.

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.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2012, 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, 2012, 2011, and 2010 were \$2,783,345, \$3,212,896, and \$3,201,298, respectively; 85.26 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

11. POST-EMPLOYMENT 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 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending upon their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$44,465, \$46,938, and \$67,024, respectively; 54.23 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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.

**XENIA COMMUNITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

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, 2012, the health care allocation is .55 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 2012, 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, 2012, 2011, and 2010 were \$121,240, \$225,188, and \$151,075, respectively; 14.58 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

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

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, 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, 2012, 2011, and 2010 were \$214,103, \$247,146, and \$246,254, respectively; 85.26 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**XENIA COMMUNITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service with a maximum accumulation of 22 days. Teachers do not earn vacation time. The Superintendent and Treasurer earn twenty days per calendar year, with a maximum accumulation of 27 days.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated for all personnel. Upon retirement, payment is made for twenty-five percent of accrued, but unused sick leave credit to a maximum of 81 days for certificated employees, twenty-eight percent of accrued, but unused sick leave credit to a maximum of 91 days for classified employees, one-third of accrued, but unused sick leave credit to a maximum of 119 days for administrators and forty percent of accrued, but unused sick leave credit to a maximum of 143 days for the positions of Assistant Superintendent and Director. For the Assistant and Director, severance is split into two payments, one at retirement and one in January 1 of the following year.

B. Early Retirement Incentive Program

The School District offers the following retirement incentive program:

Certificated Employees:

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

Administrative Employees:

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

During the year ended June 30, 2012, nine employees notified the School District of their pending retirement who met the requirements of the retirement incentive program. In addition, the School District had nine employees who they are still paying their monthly payments that help defray the cost of medical insurance. As a result, a liability of \$144,650 has been accrued for the retirement incentive associated with these individuals at June 30, 2012.

**XENIA COMMUNITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. OTHER EMPLOYEE BENEFITS (Continued)

C. Insurance Benefits

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

13. CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the School District entered into capital leases for the acquisition of a phone system, computers, and school buses to be used by the students of the School District. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The School District made \$224,189 in principal payments on the leases during fiscal year 2012.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$1,384,088, 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, 2012, was \$554,812 and the carrying value was \$829,276. 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, 2012.

Fiscal Year Ending June 30,	Total Payments
2013	\$199,013
2014	149,962
2015	149,264
2016	149,392
2017	28,299
2018-2019	35,443
Total	711,373
Less: Amount Representing Interest	(72,887)
Present Value of Net Minimum Lease Payments	\$638,486

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2012 were as follows:

**XENIA COMMUNITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

	<u>Amount Outstanding 6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Amount Outstanding 6/30/2012</u>	<u>Amount Due in One Year</u>
Governmental Activities:					
School Facilities Construction and Improvement Note, 2010 Unamortized Premium on Notes	\$ 216,821		(\$7,477)	\$ 209,344	
School Facilities Construction and Improvement Refunding Notes 2010 Unamortized Premium on Notes	505,000 7,594		(165,000) (2,532)	340,000 5,062	\$170,000
School Facilities Construction and Improvement Bonds					
Capital Appreciation Bonds	271,200	\$118,983		390,183	
Serial Bonds, Series 2010B	10,000		(5,000)	5,000	5,000
Series 2010C, Term Bonds	20,305,000			20,305,000	
Series 2010A, Term Bonds	14,160,000			14,160,000	
Unamortized Premium on Bonds	3,379,328		(116,529)	3,262,799	
Energy Conservation Notes	1,945,000		(135,000)	1,810,000	110,000
Unamortized Premium on Notes	25,903		(1,727)	24,176	
Permanent Improvement Notes	675,000		(25,000)	650,000	10,000
Unamortized Premium on Notes	980		(33)	947	
Total Loans and Notes	41,501,826	118,983	(458,298)	41,162,511	295,000
Capital Leases	862,675		(224,189)	638,486	171,308
Compensated Absences	2,717,882		(483,323)	2,234,559	289,974
Total Governmental Activities					
Long-Term Liabilities	<u>\$45,082,383</u>	<u>\$118,983</u>	<u>(\$1,165,810)</u>	<u>\$44,035,556</u>	<u>\$756,282</u>

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

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

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

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

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

Energy Conservation Notes 2011A – On May 12, 2011, the School District issued \$1,945,000 of energy conservation notes to finance the design and implementation of energy conservation measures in buildings throughout the School District which are intended to significantly reduce the energy consumption in those buildings. The repayment of these notes will be made from the School District's general fund with the savings realized through the implementation of the energy conservation measures over the ensuing fifteen years. The interest rate on the bonds is between 0.70-4.50% with a final maturity on December 1, 2025.

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

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

The School District's overall legal debt margin was \$23,848,367, the energy conservation debt margin was \$3,669,131 and the un-voted debt margin was \$646,570 at June 30, 2012.

Principal and interest requirements to notes and bonds outstanding at June 30, 2012, are as follows:

**XENIA COMMUNITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	Notes		Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 290,000	\$ 95,925	\$ 5,000	\$ 2,168,838	\$ 295,000	\$ 2,264,763
2014	295,000	89,763	96,163	2,997,624	391,163	3,087,387
2015	130,000	83,437	50,160	3,068,628	180,160	3,152,065
2016	130,000	80,319	27,624	3,171,163	157,624	3,251,482
2017	135,000	76,850	14,301	3,204,487	149,301	3,281,337
2018-2022	715,000	317,881	5,651,730	11,092,207	6,366,730	11,410,088
2023-2027	705,000	165,950	8,510,000	10,843,937	9,215,000	11,009,887
2028-2032	125,000	90,813	4,650,000	6,036,531	4,775,000	6,127,344
2033-2037	135,000	57,887	7,855,000	3,917,713	7,990,000	3,975,600
2038-2041	140,000	16,225	7,800,000	1,070,850	7,940,000	1,087,075
Totals	<u>\$2,800,000</u>	<u>\$1,075,050</u>	<u>\$34,659,978</u>	<u>\$47,571,978</u>	<u>\$37,459,978</u>	<u>\$48,647,028</u>

Capital appreciation bonds are shown in the table above at original principal amount. While the original principal amount was \$189,982, the accreted value at maturity of the capital appreciation bonds will be \$4,210,000 with bonds maturing December 1, 2013 through 2017. Total accreted interest of \$118,983 has been included on the statement of net assets at June 30, 2012.

15. FUND BALANCE

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

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

Fund Balance	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Non-spendable:				
Inventory	\$ 28,087		\$ 19,035	\$ 47,122
Restricted for:				
Classroom Maintenance			877,101	877,101
Athletics			47,645	47,645
Food Service			117,179	117,179
Capital Improvements		\$20,711,176	3,969,930	24,681,106
Debt Service			972,042	972,042
State and Federal Grants			292,065	292,065
Total Restricted		<u>20,711,176</u>	<u>6,275,962</u>	<u>26,987,138</u>
Assigned for:				
Unpaid Obligations	852,246			852,246
FY 13 Appropriations				
Public School Support	108,158			108,158
Uniform School Supplies	10,539			10,539
Preschool	51,837			51,837
Total Assigned	<u>1,022,780</u>			<u>1,022,780</u>
Unassigned	448,043			448,043
Total Fund Balance	<u>\$1,498,910</u>	<u>\$20,711,176</u>	<u>\$6,294,997</u>	<u>\$28,505,083</u>

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Fayette, Greene, Madison 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 seven 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 \$140,539 for services provided during the fiscal year. Financial information can be obtained from Thor Sage, Executive Director, at MVECA at 330 East Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 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 2012, the School District paid \$194,796 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 2012, the School District paid \$466 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.

**XENIA COMMUNITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

17. SET-ASIDE REQUIREMENTS

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

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2012.

	Capital Improvement
Set-aside balance June 30, 2011	
Current year set-aside requirement	\$ 816,626
Current year offset	(1,033,495)
Qualifying expenditures	(316,435)
Totals	(\$ 533,304)
Set-aside carried forward to future years	\$ 0

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

18. DONOR-RESTRICTED ENDOWMENTS

The School District's private purpose trust funds include donor-restricted endowments. Net assets held in trust for scholarships – non-expendable of \$31,300 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 \$29,504 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.

19. CONTRACTUAL COMMITMENT

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

Fund	Year-End Encumbrances
General Fund	\$ 593,375
Classroom Facilities	19,345,656
Other Governmental Funds	1,322,224
Total	\$21,261,255

At June 30, 2012, the School District had the following outstanding contractual commitments which were outstanding encumbrances at year-end and are included in the amounts shown above:

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

19. CONTRACTUAL COMMITMENT (Continued)

<u>Vendor</u>	<u>Amount</u>
Dugan and Myers Construction	\$4,117,917
Fanning/Howey Associates, Inc.	479,231
Mark Allard Excavation	1,150,397
Kelchner, Inc.	443,602
AKA Construction	2,594,625
Scaparotti Construction Group	109,288
Stan & Associates	92,905
ESI Electrical Contractors	1,199,084
Precision Piping Inc.	422,083
Dalmatian Fire Inc.	367,579
Feldkamp Enterprises, Inc.	534,167
Breckenridge Kitchen Equipment	773,164
Stonecreek Interior Systems	1,566,336
Chapel Electric	2,179,889
Vaughen Industries	3,421,344
Kahoe Air Balance Co.	143,535
Brown & Bills Architects	116,230

20. CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

21. CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2012, the School District implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses the provisions related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the School District.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the School District.

**XENIA COMMUNITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

22. SUBSEQUENT EVENTS

The School District assessed events occurring subsequent to June 30, 2012, to November 6, 2012, for potential recognition and disclosure in the financial statements.

On November 6, 2012, the voters of the School District voted against a five year 6.50 mill emergency levy to avoid an operating deficit.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through Ohio Department of Education					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$103,005		\$103,005
Cash Assistance:					
School Breakfast Program	10.553	\$318,095		\$318,095	
National School Lunch Program	10.555	1,061,537		1,061,537	
Total Child Nutrition Cluster		<u>1,379,632</u>	<u>103,005</u>	<u>1,379,632</u>	<u>103,005</u>
Total U.S. Department of Agriculture		<u>1,379,632</u>	<u>103,005</u>	<u>1,379,632</u>	<u>103,005</u>
U.S. DEPARTMENT OF EDUCATION					
Passed Through Ohio Department of Education					
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	1,645,043		1,632,584	
ARRA - Title I Grants to Local Educational Agencies	84.389	52,823		62,661	
Total Title I, Part A Cluster		<u>1,697,866</u>		<u>1,695,245</u>	
Special Education Cluster:					
Special Education Grants to States	84.027	1,163,731		1,184,294	
ARRA - Special Education Grants to States	84.391	357,750		401,211	
Total Special Education Grants to States		<u>1,521,481</u>		<u>1,585,505</u>	
Special Education Preschool Grants					
ARRA - Special Education Preschool Grants	84.392	10,674		13,546	
Total Special Education Preschool Grants		<u>36,643</u>		<u>40,442</u>	
Passed Through Greene County Educational Service Center					
Special Education Grants to States	84.027	2,465		2,465	
Total Special Education Cluster		<u>1,560,589</u>		<u>1,628,412</u>	
Education of Homeless Children and Youth Cluster					
Education of Homeless Children and Youth	84.196	66,889		58,356	
ARRA - Education of Homeless Children and Youth	84.387	5,261		7,124	
Total Education of Homeless Children and Youth Cluster		<u>72,150</u>		<u>65,480</u>	
Passed Through Ohio Department of Education					
Education Technology State Grants	84.318	18,592		4,451	
Improving Teacher Quality State Grants	84.367	390,639		388,684	
ARRA - School Improvement Grants	84.388	1,845,692		1,914,586	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394			146,695	
ARRA - State Fiscal Stabilization Fund (SFSF)					
Race to the Top Incentive Grants	84.395	79,496		74,589	
Education Jobs Fund	84.410	930,327		916,860	
Passed Through Greene County Educational Service Center					
Fund for the Improvement of Education	84.215	25,626		25,626	
(Direct Award)					
Fund for the Improvement of Education	84.215	249,285		249,285	
Total Fund for Improvement of Education		<u>274,911</u>		<u>274,911</u>	
Total U.S. Department of Education		<u>6,870,262</u>		<u>7,109,913</u>	
ENVIRONMENTAL PROTECTION AGENCY					
Passed Through Ohio Department of Transportation					
State Clean Diesel Grant Program	66.040	27,251			
Total Environmental Protection Agency		<u>27,251</u>			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed Through Greene County Educational Service Center					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	54,860		54,860	
Total U.S. Department of Health and Human Services		<u>54,860</u>		<u>54,860</u>	
Total		<u>\$8,332,005</u>	<u>\$103,005</u>	<u>\$8,544,405</u>	<u>\$103,005</u>

The accompanying notes are an integral part of this schedule.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Xenia Community School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Xenia Community School District
Greene County
578 East Market Street
Xenia, Ohio 45385

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Xenia Community School District, Greene County, (the District) as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 2, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. We consider finding 2012-001 described in the accompanying schedule of to be a material weakness.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

April 2, 2013



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Xenia Community School District
Greene County
578 East Market Street
Xenia, Ohio 45385

To the Board of Education:

Compliance

We have audited the compliance of Xenia Community School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Xenia Community School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Xenia Community School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2012-003.

Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program, 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 opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2012-003 to be a material weakness.

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

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated April 2, 2013.

We intend this report solely for the information and use of the management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

April 2, 2013

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education Cluster (CFDA # 84.027, 84.173, 84.391 & 84.392) Improving Teacher Quality State Grants (CFDA # 84.367) ARRA - School Improvement Grant (CFDA # 84.388) ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants (CFDA # 84.394) Education Jobs Funds (CFDA # 84.410)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2012-001

MATERIAL WEAKNESS

The District prepared its annual Financial Statements in accordance with Generally Accepted Accounting Principles (GAAP). The District's Statement of Net Assets for fiscal year 2012 contained the following error that required an audit adjustment:

- Invested in Capital Assets, Net of Related Debt was understated by \$5,130,251
- Restricted for Capital Outlay was overstated by \$8,005,540
- Unrestricted was understated by \$2,875,289.

The above noted exceptions were determined to be material to the financial statements and required audit adjustments to the accompanying financial statements. The District should develop and implement policies and procedures to verify that amount reported on the Financial Statements are accurate and properly disclosed. Failure to implement such procedures could result in material misstatements on the Financial Statements.

Official's Response:

The School District's financial statements contained an inadvertent error in the calculation of net assets. The School District has worked in conjunction with the audit team to create a new spreadsheet that will be used in future calculations to ensure accuracy.

FINDING NUMBER 2012-002

SIGNIFICANT DEFICIENCY

For financial reporting purposes, the District is required to report payables outstanding at June 30 related to work performed or services received during the previous fiscal year. The District did not report \$216,915 in payments made for Scaparotti construction manager fees as a liability on its financial statements. The following payments were made for construction manager services that were rendered prior to June 30:

- Check #993205, in the amount of \$52,991 paid on July 9, 2012 for services provided between March 28, 2012 and April 21, 2012.
- Check #993028 in the amount of \$82,480 paid on July 10, 2012 for services performed between April 25, 2012 and May 22, 2012.
- Check #993038 in the amount of \$81,444 paid on July 26, 2012 for services performed between May 23, 2012 and June 26, 2012

The unrecorded amounts were determined to be immaterial to the District's classroom facilities fund and the entity wide statement of net assets and did not require audit adjustments in the accompanying financial statements. However the internal control deficiency is significant enough to **warrant** the attention of those charged with governance as the design or operation of controls did not allow management or employees when performing their assigned functions, to prevent, or detect and timely correct misstatements.

The District should implement procedures to review all expenditures made after year end to determine if any services were performed for the District during the prior fiscal year and should be report as a liability at year end. Failure to do so could result in the financial statements being materially misstated.

Official's Response:

The School District did not receive request to pay from the GM until after the year-end close. The services were signed off to pay after year-end close and were inadvertently not included in the accrual process.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2012-003
CFDA Title and Number	Special Education Grants to States (84.027) ARRA - Special Education Grants to States (84.391)
Federal Award Number / Year	CFDA 84.027 – 2012 and 2011 CFDA 84.391 – 2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE AND MATERIAL WEAKNESS

34 CFR Section 300.320 (a), in part, states that as used in this part, the term individualized education program or IEP means a written statement for each child with a disability that is developed, reviewed, and revised in a meeting in accordance with sections 300.320 through 300.324. Additionally, **34 CFR Section 300.112** states that the State must ensure that an IEP or an IFSP that meets the requirements of section 636(d) of the Act, is developed, reviewed, and revised for each child with a disability in accordance with sections 300.320 through 300.324, except as provided in section 300.300(b)(3)(ii).

OMB Circular A-133 Subpart C Section .300(b) requires the auditee to maintain internal controls over Federal programs that provides reasonable assurance the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

During February 2012 the Ohio Department of Education, Office for Exceptional Children (OEC), conducted an IDEA on-site review over the District's Special Education Program, specifically student Individualized Education Plans (IEPs). In a letter dated May 3, 2012, ODE informed the District that they must submit to OEC a corrective action plan (CAP) to address and correct the findings of noncompliance identified during the IDEA review. A finding is made when noncompliance with a specific IDEA requirement is identified through the review process. Noncompliance that is identified which is 30% or more of the records reviewed by OEC and substantiated through other data sources must be included in a CAP with action steps to address each of the noncompliance findings.

The percentages of noncompliance found during OEC review were:

All Areas	15.8%
Child Find	7.5%
Delivery of Services	30.0%
Least Restrictive Environment	12.7%

The District did not have adequate controls in place to prevent non-compliance with IDEA requirements in relation to IEPs as identified in the results noted above. Appropriate controls should be developed and implemented to verify compliance with IDEA requirements. Failure to have adequate controls in place may result in loss of federal funding.

Official's Response:

We are working in conjunction with ODE in implementing and fulfilling requirements of our ODE approved correction action plan.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Athletic Gate Receipts	No	FY12 gate receipt records were destroyed. Management Letter Citation for destruction of records issued.
2011-002	Ohio Rev. Code Section 5705.39 – Appropriations exceeded Estimated Resources	Yes	
2001-003	34 CFR 80,20(b)(7) - Cash Management – SFSF Grant	Yes	



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XENIA COMMUNITY SCHOOL DISTRICT

GREENE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 16, 2013**