

**XENIA COMMUNITY SCHOOL DISTRICT**

**Basic Financial Statements**

**June 30, 2004**

**with**

**Independent Auditors' Report**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Xenia Community School District, Greene County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2003 to June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

May 4, 2005

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**XENIA COMMUNITY SCHOOL DISTRICT**

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Xenia Community School District (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Xenia Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General and Emergency Levy Funds 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 February 4, 2005, 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, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Springfield, Ohio  
February 4, 2005



**Xenia Community School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
*Unaudited*

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The discussion and analysis of Xenia Community School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. 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 financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

*Overall:*

- For governmental activities, net assets decreased \$3.06 million, which represents a 23 percent decrease from 2003. Net assets of business-type related activities decreased \$52,571 or 18 percent from 2003.
- General revenues accounted for \$37.0 million in revenue or 89 percent of all governmental revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4.6 million or 11 percent of total governmental revenues of \$41.6 million.
- The School District had \$44.7 million in expenses related to governmental activities; only \$4.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and unrestricted state aid) of \$37.0 million were not adequate to provide for these programs.
- Among major funds, the general fund had \$33.6 million in revenues and \$35.7 million in expenditures. The general fund's fund balance decreased to a negative \$1.6 million from \$.5 million. The School District passed an emergency operating levy to help reduce the deficit fund balance.
- Net assets for enterprise funds decreased \$52,571 due to increase in fringe benefit expenses without a corresponding increase in revenues. Total enterprise expenditures were \$1,798,683; only \$1,745,589 of these expenses were offset by program specific charges for services, grants or contributions. Management increased pricing of food service items, but the increases were insufficient to meet expenses.

**Using these Basic Financial Statements**

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.

**Xenia Community School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
*Unaudited*

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The *Statement of Net Assets* and *Statement of Activities* provides 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 and 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. In the case of Xenia Community School District, the general fund is by far the most significant fund.

### **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 2004?" The Statement of Net Assets and the Statement of Activities answers 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 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, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

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

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 14. Fund financial reports 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 financial

**Xenia Community School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
*Unaudited*

statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and Emergency Levy special revenue fund.

**Governmental Funds** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, 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 governmental 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 difference) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**Proprietary Funds** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in statements for the School District as a whole.

**The School District as a Whole**

***Governmental Activities***

Table 1 shows net assets for fiscal year 2004 and 2003.

	<b>June 30, 2004</b>		
	<b>(in 000's)</b>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b><u>Assets</u></b>			
Current and Other Assets	\$ 22,345	\$ 320	\$ 22,665
Capital Assets	<u>14,373</u>	<u>129</u>	<u>14,502</u>
Total Assets	<u>36,718</u>	<u>449</u>	<u>37,167</u>
<b><u>Liabilities</u></b>			
Long-Term Liabilities	3,970	44	4,014
Other Liabilities	<u>22,483</u>	<u>172</u>	<u>22,655</u>
Total Liabilities	<u>26,453</u>	<u>216</u>	<u>26,669</u>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Debt	12,873	129	13,002
Restricted	925	0	925
Unrestricted (Deficit)	<u>(3,533)</u>	<u>104</u>	<u>(3,429)</u>
Total Net Assets	\$ <u>10,265</u>	\$ <u>233</u>	\$ <u>10,498</u>

**Xenia Community School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**  
*Unaudited*

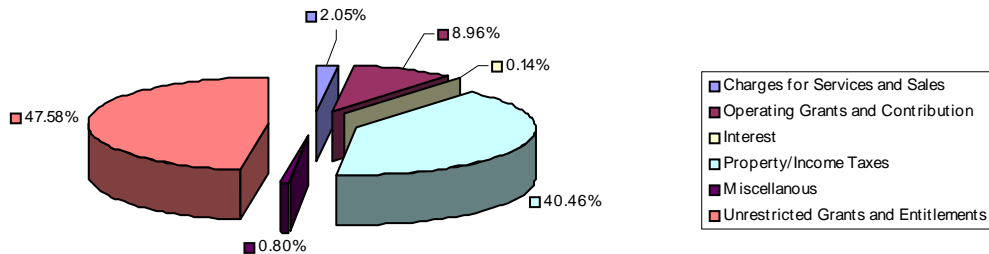
**June 30, 2003**  
**(in 000's)**

	Governmental Activities – <u>Restated</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Current and Other Assets	\$ 19,173	\$ 367	\$ 19,540
Capital Assets	<u>14,975</u>	<u>142</u>	<u>15,117</u>
<b>Total Assets</b>	<b><u>34,148</u></b>	<b><u>509</u></b>	<b><u>34,657</u></b>
<b><u>Liabilities</u></b>			
Long-Term Liabilities	3,629	39	3,668
Other Liabilities	<u>17,188</u>	<u>185</u>	<u>17,373</u>
<b>Total Liabilities</b>	<b><u>20,817</u></b>	<b><u>224</u></b>	<b><u>21,041</u></b>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Debt	13,276	142	13,418
Restricted	1,390	0	1,390
Unrestricted (Deficit)	<u>(1,335)</u>	<u>143</u>	<u>(1,192)</u>
<b>Total Net Assets</b>	<b>\$ <u>13,331</u></b>	<b>\$ <u>285</u></b>	<b>\$ <u>13,616</u></b>

What are the School Districts Revenue Sources?

The following pie graph provides a summary of the School District's Governmental Activities Revenue sources for 2004.

**Revenues - Percentage View**

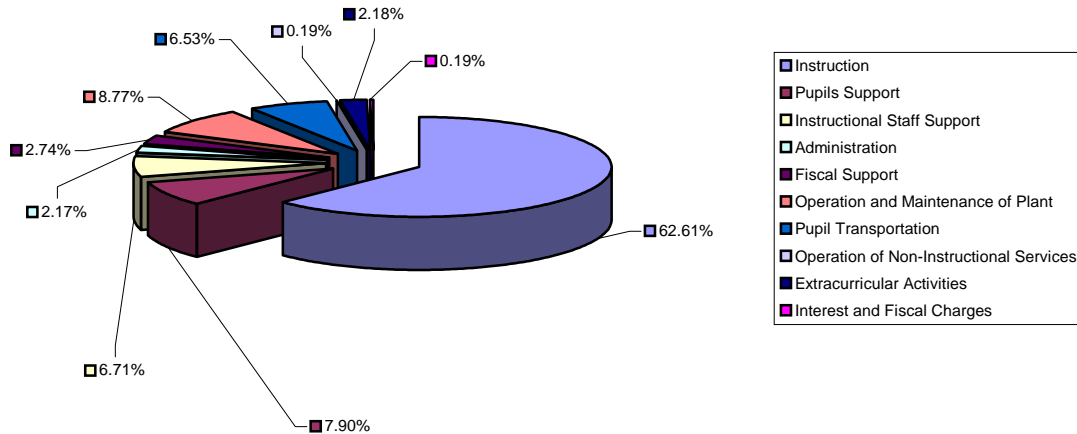


**Xenia Community School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
*Unaudited*

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Where does the School District spend its revenues?

**Expenditures - Percentage View**



The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. 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 \$35.00 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 \$35.00.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of service. Property taxes made up 60.5 percent of revenue for governmental activities for Xenia Community School District in fiscal year 2004, a slight increase from prior years.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 2 shows, for governmental activities, 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.

**Xenia Community School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**  
*Unaudited*

**Table 2**  
**Total and Cost of Program Services**  
**Governmental Activities**  
(in 000's)

	2004		2003	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	26,062	23,148	\$ 23,429	\$ 20,695
Support Services:				
Pupils and Instructional Staff	6,085	5,218	5,050	4,660
Board of Education, Administration, Fiscal and Business	5,042	4,655	6,181	6,009
Plant Operation and Maintenance	3,650	3,651	3,546	3,547
Pupil Transportation	2,719	2,692	2,519	2,519
Central	75	45	133	133
Operation of Non-Instructional Services	78	78	326	60
Extracurricular Activities	909	546	1,007	654
Interest and Fiscal Charges	<u>79</u>	<u>79</u>	<u>91</u>	<u>91</u>
 Total Expenses	 <u>44,699</u>	 <u>40,112</u>	 <u>42,282</u>	 <u>38,368</u>

The dependence upon general tax revenues for governmental activities is apparent. Over 88.9 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 82.9 percent as shown in the above table. The community, as a whole, is by far the primary support for Xenia Community School District students.

***Business-Type Activities***

Business-type activities include food service, uniform school supply and pre-school education.

Overall Net (Expense) Revenue for business-type activities ended on a \$52,571 negative balance. Food service operations experienced a \$37,314 loss for fiscal year 2004. Management anticipates food service deficits to continue in future fiscal years even though food prices were increased to offset future operating losses. Uniform School Supplies and Pre-School experienced operating losses of \$3,254 and \$12,003 respectively. Management anticipates future general fund support to business-type activities. Table 3 provides a revenue and expense summary for the School District's business-type activities.

**Table 3**  
**Revenue and Expense for Business Type Activities**

June 30, 2004				
	Food Services	Uniform School Supplies	Pre-school	Total
Revenues	\$ 1,689,041	\$ 38,356	\$ 18,715	\$ 1,746,112
Expenditures	<u>1,726,355</u>	<u>41,610</u>	<u>30,718</u>	<u>1,798,683</u>
Net	<u>\$ (37,314)</u>	<u>\$ (3,254)</u>	<u>\$ (12,003)</u>	<u>\$ (52,571)</u>

**Xenia Community School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
*Unaudited*

June 30, 2003

	Food Services	Uniform School Supplies	Pre-school	Total
Revenues	\$ 1,637,981	\$ 40,319	\$ 27,503	\$ 1,705,803
Expenditures	<u>1,707,953</u>	<u>62,554</u>	<u>29,476</u>	<u>1,799,983</u>
Net	<u>\$ (69,972)</u>	<u>\$ (22,235)</u>	<u>\$ (1,973)</u>	<u>\$ (94,180)</u>

***The School District's Funds***

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$41.8 million and expenditures of \$43.8 million. The net change in fund balance for the District operating fund, the General Fund, was a negative \$2.1 million for fiscal year 2004. The ever increasing rate of operating costs outpacing relatively flat revenue growth is the primary factor contributing to the net decrease in general fund net assets for the year.

***General Fund Budgeting Highlights***

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

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

For the General Fund, budget basis revenue was \$109,040 under the original and final budget estimate of \$33.2 million. Of this difference, property tax revenue was \$84,570 over original estimates and intergovernmental revenue was \$192,647 million under original estimates. These two revenue line items fluctuate year to year and are budgeted on a conservative basis to avoid revenue overestimations.

Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$35.6 million, \$2.4 million above revenues.

***Capital Assets and Debt Administration***

At the end of fiscal year 2004, the School District had \$14.5 million (net) invested in land, buildings, equipment and vehicles, \$14.4 million (net) in governmental activities.

Table 4 shows fiscal year 2004 and 2003 capital asset balances for governmental type activities and business-type activities compared to the prior fiscal year.

**Xenia Community School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2004**  
*Unaudited*

**Table 4**

	<u>Governmental Type Activities</u>		<u>Business-Type Activities</u>	
	<u>2004</u>	<u>2003 - Restated</u>	<u>2004</u>	<u>2003</u>
Land	\$ 450,091	\$ 450,091	\$ 0	\$ 0
Buildings and Improvements	25,976,694	25,972,568	0	0
Furniture and Fixtures	7,424,777	7,124,027	519,528	514,328
Infrastructure	17,125	17,125	0	0
Vehicles	1,944,771	1,826,658	41,218	41,218
Less: Accumulated Depreciation	<u>(21,440,422)</u>	<u>(20,415,528)</u>	<u>(431,927)</u>	<u>(413,689)</u>
Totals	<u>\$ 14,373,036</u>	<u>\$ 14,974,941</u>	<u>\$ 128,819</u>	<u>\$ 141,857</u>

The decrease in capital assets is due to recognizing \$1 million in depreciation expense for 2004, offset by \$.4 million in acquisitions. These acquisitions were distributed among furniture and equipment and vehicles. The District continued its ongoing commitment to maintaining and improving its fixed assets. See accompanying notes to the financial statements for more capital asset information.

For fiscal year 2000 and forward, Ohio law requires school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks and instructional supplies. For fiscal year 2004, this amounts to \$664,118 for each set aside requirement. When fiscal year 2004 qualifying disbursements for the capital improvements and textbooks were netted against the cumulative set aside amounts for the year, no set aside for capital improvements remained. However, a set aside of \$25,661 will be carried forward for the textbook reserve for fiscal year 2005.

**Debt**

At June 30, 2004, the School District had an energy conservation note of \$1.4 million, capital leases of \$84,585 and a tax anticipation note in the amount of \$2.6 million in outstanding debt. Of that amount \$2.79 million is due within one year. Principal payments for 2004 totaled \$199,827. At June 30, 2004, the School District's overall legal debt margin was \$51,202,077 and the unvoted debt margin was \$568,911. Additional debt information can be found in the notes to the financial statements.

**Current Financial Related Activities**

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



**Xenia Community School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
*Unaudited*

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

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

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

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

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rosalie Townsend, Treasurer at Xenia Community School District, 578 East Market Street, Xenia, Ohio 45385.

**Xenia Community School District**  
*Statement of Net Assets*  
*June 30, 2004*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 4,574,335	\$ 200,716	\$ 4,775,051
Restricted Assets:			
Cash and Cash Equivalents	25,661	-	25,661
Receivables:			
Taxes	17,202,388	-	17,202,388
Accounts	80,450	2,229	82,679
Intergovernmental	447,255	102,017	549,272
Internal Balances	332	(332)	-
Prepaid Assets	15,042	2,200	17,242
Inventory Held for Resale	-	11,006	11,006
Materials and Supplies Inventory	-	2,051	2,051
Nondepreciable Capital Assets	450,091	-	450,091
Depreciable Capital Assets, Net	13,922,945	128,819	14,051,764
 <i>Total Assets</i>	 36,718,499	 448,706	 37,167,205
<b>Liabilities</b>			
Accounts Payable	665,873	18,042	683,915
Accrued Wages and Benefits	3,058,158	75,430	3,133,588
Compensated Absences Payable	263,204	8,950	272,154
Intergovernmental Payable	1,081,863	70,190	1,152,053
Deferred Revenue	14,813,465	-	14,813,465
Tax Anticipation Note Payable	2,600,000	-	2,600,000
Long-Term Liabilities:			
Due Within One Year	241,705	-	241,705
Due Within More Than One Year	3,728,818	43,522	3,772,340
 <i>Total Liabilities</i>	 26,453,086	 216,134	 26,669,220
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	12,873,451	128,819	13,002,270
Restricted for:			
Capital Projects	158,145	-	158,145
Special Revenue	741,432	-	741,432
Other Purposes	25,661	-	25,661
Unrestricted (Deficit)	(3,533,276)	103,753	(3,429,523)
 <i>Total Net Assets</i>	 \$ 10,265,413	 \$ 232,572	 \$ 10,497,985

See accompanying notes to the basic financial statements

**Xenia Community School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>						
Instruction:						
Regular	\$ 18,712,781	\$ 465,223	\$ 1,502,056	\$ (16,745,502)	\$	(16,745,502)
Special	6,367,949	-	946,583	(5,421,366)		(5,421,366)
Vocational	543,097	-	-	(543,097)		(543,097)
Other	437,874	-	-	(437,874)		(437,874)
Support Services:						
Pupils	3,289,803	-	79,851	(3,209,952)		(3,209,952)
Instructional Staff	2,794,673	-	786,909	(2,007,764)		(2,007,764)
Board of Education	77,123	-	-	(77,123)		(77,123)
Administration	3,901,319	-	386,741	(3,514,578)		(3,514,578)
Fiscal	462,590	-	-	(462,590)		(462,590)
Business	600,637	-	-	(600,637)		(600,637)
Operation and Maintenance of Plant	3,650,659	-	-	(3,650,659)		(3,650,659)
Pupil Transportation	2,719,086	26,812	-	(2,692,274)		(2,692,274)
Central	75,433	-	30,000	(45,433)		(45,433)
Operation of Non-Instructional Services	78,371	-	-	(78,371)		(78,371)
Extracurricular Activities	908,630	362,664	-	(545,966)		(545,966)
Interest and Fiscal Charges	79,375	-	-	(79,375)		(79,375)
<b>Total Governmental Activities</b>	<b>44,699,400</b>	<b>854,699</b>	<b>3,732,140</b>	<b>(40,112,561)</b>		<b>(40,112,561)</b>
<b>Business-Type Activities</b>						
Food Service	1,726,355	877,588	810,930		\$ (37,837)	(37,837)
Uniform School Supplies	41,610	38,356	-		(3,254)	(3,254)
Pre-School	30,718	18,715	-		(12,003)	(12,003)
<b>Total Business-Type Activities</b>	<b>1,798,683</b>	<b>934,659</b>	<b>810,930</b>		<b>(53,094)</b>	<b>(53,094)</b>
<b>Totals</b>	<b>\$ 46,498,083</b>	<b>\$ 1,789,358</b>	<b>\$ 4,543,070</b>		<b>(53,094)</b>	<b>(40,165,655)</b>
<b>General Revenues</b>						
Property Taxes Levied for:						
General Purposes				12,765,590	-	12,765,590
Emergency				3,093,517	-	3,093,517
Income Tax				985,953	-	985,953
Grants and Entitlements not Restricted to Specific Programs				19,809,824	-	19,809,824
Investment Earnings				58,828	93	58,921
Miscellaneous				333,940	430	334,370
<b>Total General Revenues</b>				<b>37,047,652</b>	<b>523</b>	<b>37,048,175</b>
Changes in Net Assets				(3,064,909)	(52,571)	(3,117,480)
Net Assets Beginning of Year, restated				13,330,322	285,143	13,615,465
Net Assets End of Year				\$ 10,265,413	\$ 232,572	\$ 10,497,985

See accompany notes to the basic financial statements

**Xenia Community School District**  
*Balance Sheet*  
**Governmental Funds**  
*June 30, 2004*

	General	Emergency Levy	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 3,279,640	\$ 70,253	\$ 1,128,391	\$ 4,478,284
Receivables:				
Taxes	11,586,296	5,259,950	356,142	17,202,388
Accounts	80,231	-	219	80,450
Intergovernmental	17,551	-	429,704	447,255
Interfund Receivable	6,994	-	-	6,994
Prepaid Items	15,042	-	-	15,042
Restricted Assets:				
Cash and Cash Equivalents	25,661	-	-	25,661
<b>Total Assets</b>	<b>\$ 15,011,415</b>	<b>\$ 5,330,203</b>	<b>\$ 1,914,456</b>	<b>\$ 22,256,074</b>
<b>Liabilities</b>				
Accounts Payable	521,649	-	144,224	665,873
Accrued Wages and Benefits	2,821,150	-	237,008	3,058,158
Compensated Absences Payable	263,204	-	-	263,204
Interfund Payable	-	-	6,994	6,994
Due to Other Funds	12,847	-	2,315	15,162
Intergovernmental Payable	658,746	-	50,051	708,797
Deferred Revenue	9,746,410	5,003,770	392,301	15,142,481
Tax Anticipation Notes Payable	2,600,000	-	-	2,600,000
<b>Total Liabilities</b>	<b>16,624,006</b>	<b>5,003,770</b>	<b>832,893</b>	<b>22,460,669</b>
<b>Fund Balances</b>				
Reserved for:				
Encumbrances	411,258	-	225,111	636,369
Prepaid Items	15,042	-	-	15,042
Textbooks	25,661	-	-	25,661
Property Taxes	853,933	256,180	27,128	1,137,241
Unreserved:				
Undesignated, reported in				
General Fund	(2,918,485)	-	-	(2,918,485)
Special Revenue Fund	-	70,253	671,179	741,432
Capital Projects Funds	-	-	158,145	158,145
<b>Total Fund Balances</b>	<b>(1,612,591)</b>	<b>326,433</b>	<b>1,081,563</b>	<b>(204,595)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,011,415</b>	<b>\$ 5,330,203</b>	<b>\$ 1,914,456</b>	<b>\$ 22,256,074</b>

See accompany notes to the basic financial statements

**Xenia Community School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2004*

<b>Total Governmental Fund Balances</b>		\$ (204,595)
 <b>Amounts reported for governmental activities in the statement of net assets are different because</b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,373,036
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental Grants	27,851	
Taxes	<u>301,165</u>	
Total		329,016
Long-term liabilities, including bonds, payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	1,415,000	
Compensated Absences	2,470,938	
Capital Lease Payable	84,585	
Intergovernmental Payable	<u>261,521</u>	
Total		<u>(4,232,044)</u>
<b>Net Assets of Governmental Activities</b>		<b><u>\$ 10,265,413</u></b>

See accompany notes to the basic financial statements

**Xenia Community School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
**Governmental Funds**  
*For the Fiscal Year Ended June 30, 2004*

	General	Emergency Levy	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 13,394,267	\$ 3,093,517	\$ 383,764	\$ 16,871,548
Intergovernmental	19,375,289	381,039	3,901,507	23,657,835
Interest	57,743	-	1,085	58,828
Tuition and Fees	492,035	-	-	492,035
Extracurricular Activities	-	-	362,664	362,664
Miscellaneous	234,869	-	99,171	334,040
<i>Total Revenues</i>	<u>33,554,203</u>	<u>3,474,556</u>	<u>4,748,191</u>	<u>41,776,950</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	13,852,883	3,355,622	858,224	18,066,729
Special	4,663,692	-	1,638,085	6,301,777
Vocational	538,455	-	-	538,455
Other	437,874	-	-	437,874
Support Services:				
Pupils	3,020,722	-	135,890	3,156,612
Instructional Staff	1,837,145	-	866,189	2,703,334
Board of Education	22,870	54,353	-	77,223
Administration	3,528,336	-	260,744	3,789,080
Fiscal	439,200	-	12,902	452,102
Business	588,523	-	-	588,523
Operation and Maintenance of Plant	3,410,328	-	237,633	3,647,961
Pupil Transportation	2,525,527	-	196,374	2,721,901
Central	45,433	-	30,000	75,433
Operation of Non-Instructional Services	-	-	57,439	57,439
Extracurricular Activities	556,031	-	318,664	874,695
Capital Outlay	19,727	-	1,689	21,416
Debt Service:				
Principal	105,000	-	94,827	199,827
Interest	85,120	-	1,344	86,464
<i>Total Expenditures</i>	<u>35,676,866</u>	<u>3,409,975</u>	<u>4,710,004</u>	<u>43,796,845</u>
<i>Excess of Revenue Over/(Under) Expenditures</i>	<u>(2,122,663)</u>	<u>64,581</u>	<u>38,187</u>	<u>(2,019,895)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Fixed Assets	4,245	-	-	4,245
<i>Total Other Financing Sources (Uses)</i>	<u>4,245</u>	<u>-</u>	<u>-</u>	<u>4,245</u>
<i>Net Change in Fund Balances</i>	(2,118,418)	64,581	38,187	(2,015,650)
<i>Fund Balances Beginning of Year</i>	<u>505,827</u>	<u>261,852</u>	<u>1,043,376</u>	<u>1,811,055</u>
<i>Fund Balances End of Year</i>	<u>\$ (1,612,591)</u>	<u>\$ 326,433</u>	<u>\$ 1,081,563</u>	<u>\$ (204,595)</u>

See accompany notes to the basic financial statements

**Xenia Community School District**  
*Reconciliation of the Statement of Revenues, Expenditures  
and Changes in the Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2004*

**Net Change in Fund Balances - Total Governmental Funds** \$ (2,015,650)

***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 these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Assets Additions	438,649	
Current Year Depreciation	<u>(1,036,209)</u>	

Total		(597,560)
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Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of fixed assets.

Proceeds from Sale of Capital Assets	(4,245)	
Loss on Disposal of Capital Assets	<u>(100)</u>	

Total		(4,345)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	(26,488)	
Intergovernmental	<u>(115,871)</u>	

Total		(142,359)
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Repayment of capital lease and bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

199,827

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

7,089

Some expenses reported in the statement of activities, such as compensated absences and pension obligation payable which represents contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Intergovernmental Payable	29,359	
Compensated Absences Payable	<u>(541,270)</u>	

Total		<u>(511,911)</u>
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<b><i>Change in Net Assets of Governmental Activities</i></b>		<b><u><u>\$ (3,064,909)</u></u></b>
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**XENIA COMMUNITY SCHOOL DISTRICT**  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget (Non-GAAP) and Actual  
General Fund  
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive/ (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b><u>REVENUES:</u></b>				
Taxes	\$ 13,084,637	\$ 13,084,637	\$ 13,169,207	\$ 84,570
Tuition and fees	233,212	233,212	314,662	81,450
Transportation fees	59,869	59,869	27,343	(32,526)
Interest	129,029	129,029	54,883	(74,146)
Classroom materials and fees	154,835	154,835	153,066	(1,769)
Intergovernmental	19,559,711	19,559,711	19,367,064	(192,647)
Miscellaneous	67,095	67,095	93,123	26,028
<b>Total Revenues</b>	<b>33,288,388</b>	<b>33,288,388</b>	<b>33,179,348</b>	<b>(109,040)</b>
<b><u>EXPENDITURES:</u></b>				
<b>Instruction:</b>				
Regular	14,082,168	14,082,168	14,059,886	22,282
Special	3,007,287	3,007,287	4,368,248	(1,360,961)
Vocational Educating	540,617	540,617	552,476	(11,859)
Other	500,000	500,000	487,545	12,455
<b>Support Services:</b>				
Pupils	2,525,198	2,525,198	2,967,438	(442,240)
Instructional support	1,960,314	1,960,314	1,850,095	110,219
Board of education	24,609	24,609	23,125	1,484
Administration	4,657,569	4,657,569	3,508,808	1,148,761
Fiscal	515,040	515,040	489,340	25,700
Business	660,084	660,084	594,177	65,907
Operation and maintenance of plant	3,328,233	3,328,233	3,306,339	21,894
Pupil transportation	2,601,375	2,601,375	2,553,138	48,237
Central	105,000	105,000	35,893	69,107
Extracurricular activities	619,372	619,372	563,641	55,731
Capital outlay	39,800	39,800	22,324	17,476
<b>Debt Service:</b>				
Principal payments	105,000	105,000	105,000	-
Interest and fiscal charges	85,120	85,120	85,120	-
<b>Total Expenditures</b>	<b>35,356,786</b>	<b>35,356,786</b>	<b>35,572,593</b>	<b>(215,807)</b>
<b>Excess of Revenues Over/ (Under) Expenditures</b>	<b>(2,068,398)</b>	<b>(2,068,398)</b>	<b>(2,393,245)</b>	<b>(324,847)</b>
<b><u>Other Financing Sources/(Uses):</u></b>				
Sale and loss of assets	4,000	4,000	4,245	245
Refund of prior year expenditures	50,000	50,000	65,275	15,275
Premium and accrued interest on Notes sold	71,000	71,000	67,106	(3,894)
Proceeds from sale of notes	-	-	2,600,000	2,600,000
<b>Total Other Financing Sources/(Uses)</b>	<b>125,000</b>	<b>125,000</b>	<b>2,736,626</b>	<b>2,611,626</b>
<b>Excess of Revenues, Other Financing Sources Over/(Under) Expenditures and Other Financing Uses</b>	<b>(1,943,398)</b>	<b>(1,943,398)</b>	<b>343,381</b>	<b>2,286,779</b>
<b>Fund Balance/(Deficit) July 1</b>	<b>2,178,893</b>	<b>2,178,893</b>	<b>2,178,893</b>	<b>-</b>
<b>Prior year encumbrances appropriated</b>	<b>226,981</b>	<b>226,981</b>	<b>226,981</b>	<b>-</b>
<b>Fund Balance/(Deficit) June 30</b>	<b>\$ 462,476</b>	<b>462,476</b>	<b>2,749,255</b>	<b>2,286,779</b>

See accompanying notes to the basic financial statements



**XENIA COMMUNITY SCHOOL DISTRICT**  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget (Non-GAAP) and Actual  
Emergency Levy Fund  
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES:</u></b>				
Taxes	\$ 3,029,488	\$ 3,029,488	\$ 3,049,266	\$ 19,778
Intergovernmental	<u>335,000</u>	<u>335,000</u>	<u>381,039</u>	<u>46,039</u>
Total Revenues	3,364,488	3,364,488	3,430,305	65,817
<b><u>EXPENDITURES:</u></b>				
Instruction:				
Regular	3,356,975	3,356,975	3,355,622	1,353
Support Services:				
Administration	<u>53,000</u>	<u>53,000</u>	<u>54,353</u>	<u>(1,353)</u>
Total Expenditures	<u>3,409,975</u>	<u>3,409,975</u>	<u>3,409,975</u>	<u>-</u>
Excess of Revenues Over/ (Under) Expenditures	(45,487)	(45,487)	20,330	65,817
Fund Balance/(Deficit) July 1	<u>49,925</u>	<u>49,925</u>	<u>49,925</u>	<u>-</u>
Fund Balance/(Deficit) June 30	<u>\$ 4,438</u>	<u>4,438</u>	<u>70,255</u>	<u>65,817</u>

See accompanying notes to the basic financial statements

**Xenia Community School District**  
*Statement of Fund Assets*  
*Proprietary Funds*  
*June 30, 2004*

	Business - Type Activities <u>Nonmajor Enterprise Funds</u>	Governmental Activities - <u>Internal Service Fund</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 200,716	\$ 96,051
Receivables:		
Accounts	2,229	-
Intergovernmental	102,017	-
Due from Other Funds	-	15,494
Prepaid Items	2,200	-
Inventory Held For Resale	11,006	-
Materials and Supplies Inventory	2,051	-
<i>Total Current Assets</i>	<u>320,219</u>	<u>111,545</u>
<i>Non-current Assets</i>		
Capital Assets, Net	<u>128,819</u>	<u>-</u>
<i>Total Assets</i>	<u>449,038</u>	<u>111,545</u>
<b>Liabilities</b>		
Accounts Payable	18,042	-
Accrued Wages	75,430	-
Compensated Absences Payable	8,950	-
Due to Other Funds	332	-
Intergovernmental Payable	70,190	111,545
<i>Total Current Liabilities</i>	<u>172,944</u>	<u>111,545</u>
Non-current Liabilities:		
Compensated Absences Payable	<u>43,522</u>	<u>-</u>
<i>Total Liabilities</i>	<u>216,466</u>	<u>111,545</u>
<b>Net Assets</b>		
Invested in Capital Assets	128,819	-
Unrestricted	<u>103,753</u>	<u>-</u>
<i>Total Net Assets</i>	<u>\$ 232,572</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements

**Xenia Community School District**  
*Statement of Revenues,  
Expenses, and Changes in Fund Net Assets*  
**Proprietary Funds**  
June 30, 2004

	Business - Type Activities <u>Nonmajor Enterprise Funds</u>	Governmental Activities - <u>Internal Service Fund</u>
<b>Operating Revenues</b>		
Tuition and Fees	57,071	-
Charges for Services	<u>877,588</u>	<u>227,003</u>
<i>Total Operating Revenues</i>	<u>934,659</u>	<u>227,003</u>
<b>Operating Expenses</b>		
Salaries	637,646	227,005
Fringe Benefits	390,734	-
Purchased Services	39,196	-
Materials and Supplies	100,719	-
Cost of Sales	612,150	-
Depreciation	<u>18,238</u>	<u>-</u>
<i>Total Operating Expenses</i>	<u>1,798,683</u>	<u>227,005</u>
<i>Operating Income (Loss)</i>	<u>(864,024)</u>	<u>(2)</u>
<b>Non-Operating Revenues (Expenses)</b>		
Federal Donated Commodities	108,387	-
Intergovernmental	702,543	-
Interest	93	-
Other Non-operating Revenues	<u>430</u>	<u>-</u>
<i>Total Non-Operating Revenues</i>	<u>811,453</u>	<u>-</u>
<i>Change in Net Assets</i>	(52,571)	(2)
<i>Net Assets (Deficit) Beginning of Year</i>	<u>285,143</u>	<u>2</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>232,572</u></u>	<u><u>-</u></u>

See accompanying notes to the basic financial statements

**Xenia Community School District**  
*Statement of Cash Flows*  
*Proprietary Funds*  
*June 30, 2004*

	Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>		
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$ 933,756	\$ 231,698
Cash Payments to Employees for Services	(660,477)	-
Cash Payments for Employees Benefit	(372,356)	-
Cash Payments for Goods and Services	(645,230)	(239,468)
<i>Net Cash Provided by (Used in) Operating Activities</i>	(744,307)	(7,770)
<b>Cash Flows from Noncapital Financing Activities</b>		
Grants Received	697,537	-
<i>Net Cash Provided by (Used by) Noncapital Financing Activities</i>	697,537	-
<b>Cash Flows from Capital Financing Activities</b>		
Acquisition of Capital Assets	(5,200)	-
<i>Net Cash Provided by (Used by) Capital Financing Activities</i>	(5,200)	-
<b>Cash Flows from Investing Activities</b>		
Interest on Investment	93	-
<i>Net Cash Provided by (Used by) Investing Financing Activities</i>	93	-
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(51,877)	(7,770)
<i>Cash and Cash Equivalents Beginning of Year</i>	252,593	103,821
<i>Cash and Cash Equivalents End of Year</i>	\$ 200,716	\$ 96,051

***Reconciliation of Operating Loss to Net Cash Provided by Operating Activities***

Operating Loss	\$ (864,024)	\$ (2)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Depreciation	18,238	-
Donated Commodities	108,387	-
(Increase) Decrease in Assets:		
Accounts Receivable	(1,403)	-
Prepaid items	20	-
Inventory Held for Resale	2,739	-
Materials and Supplies Inventory	3	-
Due From Other Funds	-	4,696
Increase (Decrease) in Liabilities:		
Accounts Payable	4,429	-
Accrued Wages	(237)	-
Compensated Absences Payable	11,713	-
Intergovernmental Payable	(15,757)	(12,464)
Due To Other Funds	(173)	-
Deferred Revenue	(8,242)	-
<i>Total Adjustments</i>	119,717	(7,768)
<i>Net Cash Provided by (Used in) Operating Activities</i>	\$ (744,307)	\$ (7,770)

***Non-cash, Investing, Capital and Financing Activities:***

During the year, the Food Service Enterprise fund used material and supplies inventory valued at \$108,387. This inventory was donated to the District and no cash payments were made to acquire the inventory. An expense for the usage was included in the operating loss of the fund and therefore, donated commodities must be recognized as an adjustment to reconcile net cash used for operating activities.

**Xenia Community School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2004*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 41,073	\$ 46,222
<i>Total Assets</i>	41,073	46,222
<b>Liabilities</b>		
Accounts Payable	-	2,118
Undistributed Monies	-	9,913
Due to Students	-	34,191
<i>Total Liabilities</i>	-	\$ 46,222
<b>Net Assets</b>		
Held in Trust for Scholarships	41,073	
<i>Total Net Assets</i>	\$ 41,073	

See accompanying notes to the basic financial statements

**Xenia Community School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust*  
*For the Year Ended June 30, 2004*

	Private Purpose Trust
<b>Addition</b>	
Interest	\$ 498
Other Operating Revenues	2,725
<i>Total Addition</i>	3,223
<b>Deduction</b>	3,950
<i>Change in Net Assets</i>	(727)
<i>Net Assets Beginning of Year</i>	41,800
<i>Net Assets End of Year</i>	\$ 41,073

See accompanying notes to the basic financial statements

***Xenia Community School District***  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

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**Note 1 – Description of the School District**

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

The District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This Board controls the District's instructional and support facilities staffed by 272 non-certificated personnel and 368 certificated full time teaching and administrative personnel to provide services to students and other community members. The Average Daily Membership (ADM) as of October 1, 2003 was 5,004. It currently operates 7 elementary schools, 2 middle schools (grades 6-8), and 1 high school (grades 9-12.)

**Note 2 – Summary of Significant Accounting Policies**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its government-wide and proprietary fund financial statements provided they do not conflict with or contradict GASB pronouncements. The District has elected not to follow subsequent FASB statements. The District's significant accounting policies are described below.

***A. Reporting Entity***

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

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

**Xenia Community School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

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For the fiscal year 2004, the School District does not have any component units.

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

***B. Fund Accounting***

During the 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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

***Governmental Fund Types*** Governmental funds focus 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 major governmental funds:

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

***Emergency Levy Fund*** The emergency levy fund is used to account for financial transactions related to the emergency levy.

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

***Proprietary Fund Types*** Proprietary funds focus on the determination of the changes in net assets, financial position and cash flows and are classified as either enterprise or internal service.

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



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

**Fiduciary Fund Types** Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trusts, 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 scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds are used to account for resources that belong to various student groups of the School District and unclaimed monies owed to individuals outside of the School District.

### **C. Basis Of Presentation**

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relation between the government-wide statements and the statements to governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods and services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues, are presented as general revenues with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

***Xenia Community School District***  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

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***Fund Financial Statements*** Fund financial statements report detailed information about the School District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is represented in a separate column. Non-major funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financial uses) of current financial resources.

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

The 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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary fund also use the accrual basis of accounting.

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 year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). 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 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

**Xenia Community School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

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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: income taxes, property taxes available as an advance, interest, tuition, grants, student fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***E. Budgetary Data***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level.

***Tax Budget*** Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the board-adopted budget is filed with the Greene County Budget Commission for tax rate determination.

***Estimated Resources*** Prior to March 15, the Board of Education accepts by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The

***Xenia Community School District***  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

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revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amount set forth in the final Amended Certificate.

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

Any revisions that alter the total appropriations of any fund must be approved by the Board of Education. 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 years. The amounts reported as the final budgeted amounts reflect the final appropriation amounts passed by the Board during the year.

***F. Cash and Cash Equivalents***

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

Under existing Ohio statutes, all investments earnings accrue to the general fund except those specifically related to Agency Funds, certain trust funds and those funds individually authorized by Board resolution. Interest earnings are allocated to these funds based on average monthly cash balances. Interest income earned in fiscal 2004 for general fund totaled \$57,743. The nonmajor funds and private-purpose trust fund also earned interest in the amounts of \$1,178 and \$498, respectively.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

***Xenia Community School District***  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

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***G. Restricted Assets***

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District for the purchase of textbook and specific instructional items. See Note 17 for additional information regarding set-asides.

***H. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2004, 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 year in which services are consumed.

***I. Inventory***

On government-wide financial statements and proprietary fund financial statements, inventories are represented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

***J. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The District follows the policy of not capitalizing assets with a cost of less than \$1,000 and a useful life of less than 3 years. 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 capitalized. Interest incurred during the construction of capital assets is also capitalized.

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

**Xenia Community School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Building and Improvements	50Years	N/A
Other Improvements	20Years	N/A
Infrastructure	15Years	N/A
Furniture	10Years	10Years
Equipment	5 Years	5 Years
Fixtures	10Years	N/A
Vehicles	10Years	10Years

***K. Interfund Balances***

On fund financial statements, receivables and payables resulting in short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

***L. Compensated Absences***

GASB Statement No. 6 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

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

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

<u>Vacation</u>	<u>Certified</u>	<u>Superintendent and Treasurer</u>	<u>Non-Certificated and Exempt</u>
How earned	Not Eligible	20 days	10-20 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	27 days	20 days
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Paid Upon Termination	Paid Upon Termination

**Xenia Community School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

<u>Sick Leave</u>	<u>Certified</u>	<u>Superintendent and Treasurer</u>	<u>Non-Certificated and Exempt</u>
How earned	1¼ days per month of employment (15 days per year)	1¼ days per month of employment (15 days per year)	1¼ days per month of employment (15 days per year)
Maximum Accumulation	Unlimited	Unlimited	Unlimited
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of matured compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits 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. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

***Xenia Community School District***  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

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***O. Fund Balance Reserves***

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for textbooks represents money set-aside by the School District for the future purchase of textbooks and specific instructional materials.

***P. 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.

The net assets held in trust for scholarships signifies the legal restrictions on the use of principal. Under the Ohio law, unclaimed money must be held for five years before it becomes available for appropriation. Money not yet held for the five year period is presented as undistributed monies in the agency funds.

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

***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. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are tuition for summer school and adult education classes, sales for food service and uniform school supplies, and charges for services for self-insurance programs. Operating expenses are necessary costs occurred to provide the good or service that is the primary activity of the fund.



**Xenia Community School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

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**Note 3 – Restatement of Fund Balance**

During fiscal year 2004, the School District made changes to the estimated lives of certain assets in order to more accurately represent the condition of the asset. As a result, a prior period adjustment was used to show the effect of the change in estimate. The adjustment reduced beginning net assets of the government wide activities by \$1,062,980 and increased accumulated depreciation by the same amount. See Note 7 for detail of the effect or the restatement on the capital asset balances.

Government Activities Net Assets, June 30, 2003	\$ 14,393,302
Capital Asset Adjustment	<u>(1,062,980)</u>
Government Activities Net Assets, July 1, 2003	\$ <u>13,330,322</u>

**Note 4 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances –Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for (GAAP basis).
4. Principal paid on short-term notes are reported as expenditures on a budget basis rather than a reduction of liability on a GAAP basis.

**Xenia Community School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and emergency levy fund:

	<b>Net Change in Fund Balance</b>	
	General	Emergency Levy
GAAP Basis	\$ (2,118,418)	\$ 64,581
Net Adjustment for Revenue Accruals	(242,474)	(44,251)
Net Adjustment for Expenditure Accruals	631,759	0
Proceeds from Sale of Notes	2,600,000	0
Adjustment for Encumbrances	(527,486)	0
	\$343,381	\$20,330
Budget Basis	\$343,381	\$20,330

**Note 5 – Deposits and Investments**

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

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

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

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

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

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

*Xenia Community School District*  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
  4. Bonds and other obligations of the State of Ohio
  5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
  6. The State Treasurer's investment pool (STAR Ohio);
  7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time, and
  8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

*Cash on Hand:* At fiscal year end, the School District had \$8,639 in undeposited cash in hand which is included on the balance sheet of the school District as part of "Equity in pooled cash and cash equivalents."

**Xenia Community School District**  
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For the Year Ended June 30, 2004

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$212,897 and the bank balance was \$898,455. Of the bank balance,

1. \$201,349 was covered by federal depository insurance; and
2. \$697,106 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to successful claim by the FDIC.

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

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

The School District's investments at year end included mutual funds in the amount of \$1,329,727, money market funds consisting of U.S. Treasury obligations in the amount of \$2,911,862 and government bonds in the amount of \$424,882, all of which are classified as Category 3 investments. These amounts represent the carrying value and fair value for these investments.

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$ 4,888,007	\$ -
Cash on Hand	(8,639)	-
Investments:		
Mutual Funds	(1,329,727)	1,329,727
U.S. Treasury Money Market Funds	(2,911,862)	2,911,862
Federal Farm Credit Bank Bonds	(189,962)	189,962
Federal National Mortgage Assoc.	(234,920)	234,920
GASB Statement 3	\$ 212,897	\$ 4,666,471

**Xenia Community School District**  
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Ohio Revised Code Chapter 135, Uniform Depository act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurances.

**Note 6 – Property Taxes**

Property taxes include amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2004 were based are as follows:

	2003 Second Half Collections	2004 First Half Collections
Real Property -		
Residential/Agricultural	\$434,472,300	\$443,208,380
Public Utilities	66,240	66,240
Commercial/Industrial	64,195,610	65,728,560
Tangible Property -		
Personal	59,908,793	59,908,793
Total Valuation	\$558,642,943	568,911,973

In 2004, real property taxes were levied in January 1, 2003, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. A revaluation of real property is required to be completed no less than every six years, with a statistical update every third year. The most recent revaluation was completed in January 2002. Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25% of true value (as defined). In 2004, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2004, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due June 20th. The County Auditor remits portions of the taxes collected to all taxing Districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which become measurable at June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2004 was \$853,933 and is recognized as revenue in the General Fund, \$256,180 in the Emergency Levy Fund and \$27,128 in the Permanent Improvement Fund.

**Xenia Community School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

**Note 7 – Capital Assets**

Capital assets activities for the fiscal year ended June 30, 2004, was as follows:

	Balance 6/30/03 - Restated	Addition	Deletion	Balance 6/30/2004
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 450,091	\$ -	\$ -	\$ 450,091
<i>Total Capital Assets, not being depreciated:</i>	<u>450,091</u>	<u>-</u>	<u>-</u>	<u>450,091</u>
<i>Capital Asset, being depreciated:</i>				
Buildings and Improvements	25,886,338	-	-	25,886,338
Other Improvements	86,230	4,126	-	90,356
Infrastructure	17,125	-	-	17,125
Furniture/Equipment/Fixtures	7,124,027	316,410	(15,660)	7,424,777
Vehicles	1,826,658	118,113	-	1,944,771
<i>Total Capital Assets, being depreciated:</i>	<u>34,940,378</u>	<u>438,649</u>	<u>(15,660)</u>	<u>35,363,367</u>
Less Accumulated Depreciation:				
Building and Improvements	(13,894,050)	(34,246)	-	(13,928,296)
Other Improvements	(6,214)	-	-	(6,214)
Infrastructure	(893)	-	-	(893)
Furniture/Equipment/Fixtures	(5,510,008)	(895,763)	11,315	(6,394,456)
Vehicles	(1,004,363)	(106,200)	-	(1,110,563)
<i>Total Accumulated Depreciation</i>	<u>(20,415,528)</u>	<u>(1,036,209)</u>	<u>11,315</u>	<u>(21,440,422)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>14,524,850</u>	<u>(597,560)</u>	<u>(4,345)</u>	<u>13,922,945</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,974,941</u>	<u>\$ (597,560)</u>	<u>\$ (4,345)</u>	<u>\$ 14,373,036</u>

**Xenia Community School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

	Balance 7/1/2003	Addition	Deletion	Balance 6/30/2004
<b>Business-Type Activities</b>				
<i>Capital Asset, being depreciated:</i>				
Furniture and Equipment	\$ 514,328	\$ 5,200	\$ -	\$ 519,528
Vehicles	41,218	-	-	41,218
<b>Total Capital Assets, being depreciated:</b>	<b>555,546</b>	<b>5,200</b>	<b>-</b>	<b>560,746</b>
Less Accumulated Depreciation:				
Furniture and Equipment	(395,324)	(12,964)	-	(408,288)
Vehicles	(18,365)	(5,274)	-	(23,639)
<b>Total Accumulated Depreciation</b>	<b>(413,689)</b>	<b>(18,238)</b>	<b>-</b>	<b>(431,927)</b>
Business-Type Activities Capital Assets, Net	<b>\$ 141,857</b>	<b>\$ (13,038)</b>	<b>\$ -</b>	<b>\$ 128,819</b>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 746,267
Special	26,595
Support Services:	
Pupil	12,051
Instructional Staff	22,681
Board of Education	338
Administration	36,201
Fiscal	1,611
Business	424
Operation and Maintenance of Plant	41,192
Pupil Transportation	106,200
Operation of Non-instructional Services	6,931
Extracurricular Activities	35,718
<b>Total Depreciation Expense</b>	<b>\$ 1,036,209</b>

**Xenia Community School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

**Note 8 – Income Tax**

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

**Note 9 - Receivables**

Receivables at June 30, 2004, consisted of property taxes, income taxes, intergovernmental grants and accounts receivable. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**Note 10 – Long-term Obligations**

The changes in the School District’s long-term obligations during fiscal year 2004 were as follows:

	Principal Outstanding 7/1/03	Additions	Deductions	Principal Outstanding 6/30/04	Due in One Year
<b>Governmental Activities</b>					
Energy Conservation Notes 1999, 5.6%	\$ 1,520,000	\$ 0	\$ (105,000)	\$ 1,415,000	\$ 110,000
Total Long-Term Notes	1,520,000	0	(105,000)	1,415,000	110,000
Capital Lease	179,412	0	(94,827)	84,585	84,585
Compensated Absences	1,929,668	698,917	(157,647)	2,470,938	47,120
Total					
Governmental Activities	\$ 3,629,080	\$ 698,917	\$ (357,474)	\$ 3,970,523	\$ 241,705
<b>Business-type Activities</b>					
Compensated Absences	\$ 39,316	\$ 4,206	\$ 0	\$ 43,522	\$ 0

The School District’s overall legal debt margin was \$51,202,077 with an un-voted debt margin of \$568,911 at June 30, 2004.

In June 1999, the School District issued \$1,920,790 in school energy conservation improvement notes to finance the design and implementation of energy conservation measures in buildings throughout the School District which were intended to significantly reduce the energy consumption in those buildings. The repayment of these notes was to 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.



**Xenia Community School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2004 are as follows:

Fiscal Year June 30	Principal	Interest	Total
2005	\$ 110,000	79,240	189,240
2006	115,000	73,080	188,080
2007	120,000	66,640	186,640
2008	130,000	59,920	189,920
2009	135,000	52,640	187,640
2010-2014	805,000	140,280	945,280
Totals	\$ <u>1,415,000</u>	\$ <u>471,800</u>	\$ <u>1,886,800</u>

**Note 11 – Short Term Obligation**

The following is a summary of note activity for the School District for the year ended June 30, 2004.

	Balance 6/30/03	Increase	Decrease	Balance 6/30/04
Tax Anticipation Note, 3.0%	\$ 0	2,600,000	0	\$ 2,600,000
Total	\$ <u>0</u>	<u>2,600,000</u>	<u>0</u>	<u>\$ 2,600,000</u>

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

**Note 12 – Capital Lease**

During fiscal year 2003 the School District entered into a capital lease for the acquisition of computers valued at \$253,971 to be used by the students of the School District. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2004:

Fiscal Year Ending June 30	Amount
2005	84,809
Total Minimum Lease Payments	84,809
Less: Amount Representing Interest	(224)
Net Present Value of Minimum Lease Payments	<u>\$84,585</u>

*Xenia Community School District*  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

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**Note 13 – Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$859,639, \$817,376 and \$717,062, respectively; 37 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$543,032 represents the unpaid contribution for fiscal year 2004 and is recorded as a liability within the respective funds and the Statement of Net Assets.

***B. State Teachers Retirement System***

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

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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

***Xenia Community School District***  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

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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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, 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. For fiscal year 2003, the portion used to fund pension obligations was 9.5 percent.

Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% 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 for the fiscal years ended June 30, 2004, 2003, and 2002 were \$2,838,568, \$2,732,768 and \$2,412,338; 83 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**Note 14 – Postemployment Benefit**

State Teachers Retirement System of Ohio (STRS Ohio) provides comprehensive healthcare benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (R.C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. The R.C. grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year ended June 30, 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004. For the District, this amount equaled \$202,755 during the 2004 fiscal year.

For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

***Xenia Community School District***  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, the allocation rate is 4.91 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the School, the amount to fund health care benefits, including the surcharge, was \$301,493 for fiscal year 2004.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits of \$300.8 million. The number of benefit recipients currently receiving health care benefits is approximately 62,000.

**Note 15 – Risk Management**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2004, the School District contracted with Indiana Insurance Company for general liability insurance with \$1,000,000 single occurrence limit and a \$3,000,000 aggregate. Property is protected by Indiana Insurance. The School District's vehicles are covered under a business policy with Indiana Insurance with additional vehicle coverage under Monticello. Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

**Note 16 – Contingencies**

*A. Grants*

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2004.

**Xenia Community School District**  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

*C. State School Funding Decision*

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state’s school funding plan. The decision reaffirmed earlier decisions that Ohio’s current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed “...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...” The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**Note 17 – Set-aside Requirements**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an amount for the acquisition and construction of capital improvements. Although the District had qualifying offsets and disbursements during the year that reduced the set-aside amount below zero for capital acquisitions, these extra amounts may not be used to reduce the set-aside requirement of future years. Excess disbursements related to the textbook reserve may be carried forward from year to year. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Improvement</u>	<u>Total</u>
Set-aside balance as of June 30, 2003	\$ (186,190)	\$ 0	\$ (186,190)
Current year set-aside requirement	\$ 664,118	\$ 664,118	\$ 1,328,236
Current year offset	\$ 0	\$ (432,055)	\$ (432,055)
Qualifying expenditures	\$ <u>(452,267)</u>	\$ <u>(353,435)</u>	\$ <u>(805,702)</u>
Totals	\$ <u>25,661</u>	\$ <u>(121,372)</u>	\$ <u>(95,711)</u>
Cash balance carried forward to FY 2005	\$ <u><u>25,661</u></u>	\$ <u><u>0</u></u>	\$ <u><u>25,661</u></u>

*Xenia Community School District*  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2004

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**18 – Jointly Governed Organizations**

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

Miami Valley Educational Cooperative Association (MVECA) - The School District is a participant in MVECA, which is a computer consortium. MVECA is an association of public school districts within the geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of two representatives from each of the participating members. The School District paid MVECA \$87,983 for services provided during the year. Complete financial statements can be obtained from MVECA located in Yellow Springs, Ohio 45387.

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

**Note 19 – Accountability and Compliance**

*A. Compliance*

The District's expenditures exceed appropriations in the General Fund, Management Information Systems Special Revenue Fund and Internal Service Fund.

*B. Fund Deficits*

The General Fund has a fund deficit of \$1,612,591 at June 30, 2004. The fund deficit is the result of recognition of liabilities in accordance with generally accepted accounting principles. Management is analyzing the operations of this fund to determine appropriate steps to eliminate the deficits.

**Xenia Community School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2004**

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education</i>				
Nutritional Cluster:				
Food Distribution Program	NN-N1	10.550	108,387	108,387
National School Breakfast Program	05-PU	10.553	117,893	117,893
National School Lunch Program	04-PU	10.555	527,106	527,106
Summer Food Service Program	24-PU	10.559	35,152	35,152
Total Nutrition Cluster			788,538	788,538
Total U.S. Department of Agriculture			788,538	788,538
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grant	C1-S1	84.010	1,398,461	1,212,115
Special Education Cluster:				
Title VI-B Grant	6B-SF	84.027	786,527	750,243
Preschool Disabilities Grant	PG-S1	84.173	24,797	24,797
Total Special Education Cluster			811,324	775,040
Drug Free Schools and Communities	DR-S1	84.186	36,326	32,123
Education for Homeless Children and Youth	HC-S1	84.196	45,339	33,071
21st Century Community Living Centers	T1-S1	84.287	414,843	371,778
Title VI - Innovative Education Grant	C2-S1	84.298	36,162	36,162
Title II-D - Technology	TJ-S1	84.318	30,159	30,159
Comprehensive School Reform	RF-S2	84.332	147,456	147,456
Improving Teacher Quality	TR-S1	84.367	377,502	377,502
Total U.S. Department of Education			3,297,572	3,015,406
<b><u>U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY</u></b>				
Disaster Assistance	N/A	85.544	1,188	1,188
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u></b>				
<i>Passed Through Ohio Department of Education</i>				
Learn and Serve America	SV-S4	94.004	6,509	6,509
<b>TOTAL FEDERAL AWARD EXPENDITURES</b>			<b>4,093,807</b>	<b>\$ 3,811,641</b>

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

**XENIA COMMUNITY SCHOOL DISTRICT**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2004

1. Significant Accounting Policies:

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

2. Nutrition Cluster:

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2004 the District had no significant food commodities in inventory.



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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Xenia Community School District (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected with in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated February 4, 2005.

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

Springfield, Ohio  
February 4, 2005

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

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

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

Compliance

We have audited the compliance of the Xenia Community School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 4, 2005.

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

Springfield, Ohio  
February 4, 2005

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

XENIA COMMUNITY SCHOOL DISTRICT  
 JUNE 30, 2004

1. SUMMARY OF AUDITORS' RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	<u>Nutrition Cluster</u> CFDA #10.550 – Food Distribution Program CFDA # 10.553 – National School Breakfast Program CFDA # 10.555 – National School Lunch Program CFDA #10.559 – Summer Food Service Program  CFDA #84.287 - 21 <sup>st</sup> Century Community
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS RELATED TO THE DISTRICT'S FEDERAL AWARDS

None

4. SCHEDULE OF PRIOR AUDIT FINDINGS

None



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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 17, 2005**