

XENIA COMMUNITY SCHOOL DISTRICT

Basic Financial Statements

June 30, 2003

with

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Board of Education
Xenia Community School District

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, 2002 through June 30, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

February 23, 2004

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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, 2003, 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, 2003, 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.

As described in Note 18, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis 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 inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the District, taken as a whole. 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Clark, Schaefer, Hachett & Co.

Springfield, Ohio
January 12, 2004

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(unaudited)

The discussion and analysis of Xenia Community School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2003. 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 basic financial statements and the notes to those statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

Overall:

- For governmental activities, net assets decreased \$2.81 million, which represents a 16 percent decrease from 2002. Net assets of business-type related activities decreased \$93,983 or 25 percent from 2002.
- General revenues in governmental and business type activities accounted for \$35.6 million in revenue or 86 percent of all governmental and business type revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5.62 million or 14 percent of total governmental and business-type revenues of \$41.2 million.
- The School District had \$42.3 million in expenses related to governmental activities; only \$3.9 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$35.6 million were adequate to provide for these programs.
- Among major funds, the general fund had \$31.8 million in revenues and \$34.2 million in expenditures. The general fund's fund balance decreased to \$.5 million from \$2.9 million.
- Net assets for enterprise funds decreased significantly due to decreases in operating revenue with no corresponding decrease in operating expenses. Total enterprise expenditures were \$1.8 million. \$1.7 million 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.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(unaudited)

Using this Annual Financial Report

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

The *Statement of Net Assets* and *Statement of Activities* 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 a 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 2003?" 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.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(unaudited)

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, uniform school supplies and pre-school programs are reported as business-type 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 statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the emergency levy 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.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(unaudited)

The School District as a Whole

Governmental Activities

Table 1 shows net assets for fiscal year 2003. Since this is the first year the School District has prepared financial statements following GASB Statement 34, net asset comparisons to prior fiscal years are not available.

Table 1

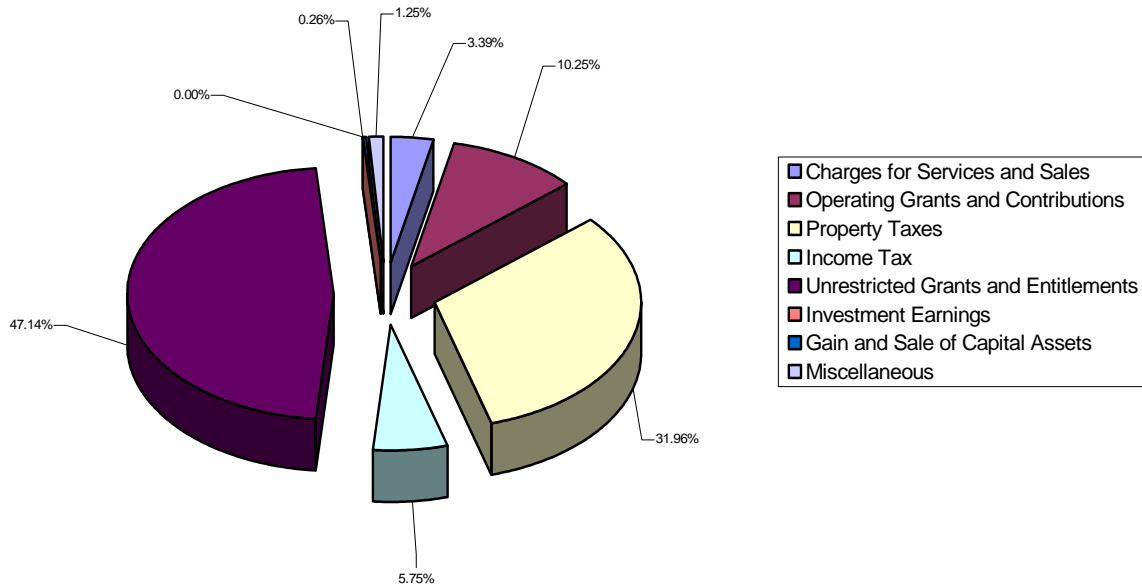
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current and Other Assets	\$19,172,817	\$367,514	\$19,540,331
Capital Assets	<u>16,037,923</u>	<u>141,857</u>	<u>16,179,780</u>
Total Assets	<u>35,210,740</u>	<u>509,371</u>	<u>35,720,111</u>
<u>Liabilities</u>			
Long-Term Liabilities	3,629,080	39,316	3,668,396
Other Liabilities	<u>17,188,358</u>	<u>184,912</u>	<u>17,373,270</u>
Total Liabilities	<u>20,817,438</u>	<u>224,228</u>	<u>21,041,666</u>
<u>Net Assets</u>			
Invested in Capital Assets Net of Debt	14,503,587	141,857	14,645,444
Restricted	1,390,521	-	1,390,521
Unrestricted (Deficit)	<u>(1,500,806)</u>	<u>143,286</u>	<u>(1,357,520)</u>
Total Net Assets	<u>\$14,393,302</u>	<u>\$285,143</u>	<u>\$14,678,445</u>

What are the School Districts Revenue Sources?

The following pie graph provides a summary of the School District's Governmental Activities Revenue sources for 2003.

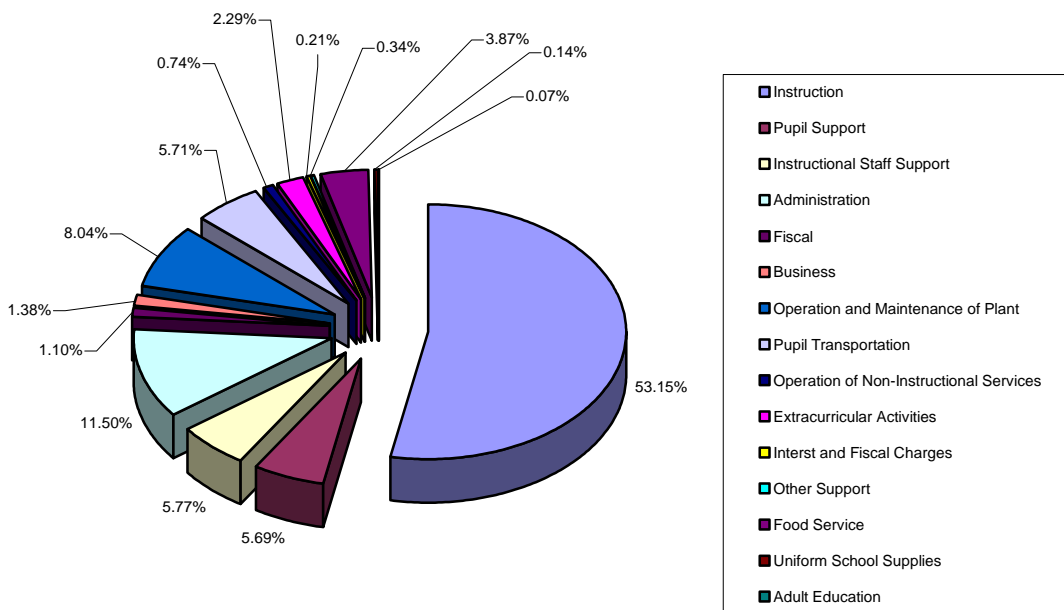
Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(unaudited)

Revenues – Percentage View



Where does the School District spend its revenues?

Expenditures – Percentage View



Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(unaudited)

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 33 percent of revenue for governmental activities for Xenia Community School District in fiscal year 2003.

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.

Table 2

**Total and Cost of Program Services
Governmental Activities**

	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
Instruction	\$23,428,695	\$20,695,261
Support Services		
Pupil and Instruction Staff	5,049,846	4,660,095
Board of Education, Administration, Fiscal and Business	6,180,776	6,008,654
Operation and Maintenance of Plant	3,546,414	3,546,414
Pupil Transportation	2,519,078	2,519,078
Central	133,100	133,100
Operation of Non-Instructional Services	325,735	60,302
Extracurricular Activities	1,007,394	653,957
Interest and Fiscal Charges	<u>91,340</u>	<u>91,340</u>
 Total Expenses	 <u>\$42,282,378</u>	 <u>\$38,368,201</u>

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(unaudited)

The dependence upon general tax revenues for governmental activities is apparent. Over 88 percent of instruction activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 90.7 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.

Overall Net (Expense) Revenue for business-type activities ended on a \$94,180 negative balance. Food service operations experienced net losses in the current and prior years. Management anticipates food service deficits to continue in future fiscal years even though food prices were increased to offset future operating losses. Management anticipates future general fund transfers to support food service operations. 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

	<u>Food Services</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total</u>
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	\$ (69,972)	\$ (22,235)	\$ (1,973)	\$ (94,180)

The School District's Funds

Information about the School District's major governmental funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$39.2 million and expenditures of \$42.2 million. The net change in fund balance for the year was most significant in the General Fund, where the General Fund net assets decreased by \$2.4 million for fiscal year 2003.

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.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(unaudited)

During the course of fiscal year 2003 the School District amended its General Fund budget numerous times. 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 \$.8 million under the original budget estimate of \$33.6 million. Of this \$.8 million difference, personal property tax revenue was approximately \$2.8 million over original estimates and intergovernmental revenue was approximately \$.3.6 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 \$34.4 million, \$2.5 million below revenues.

Capital Assets and Debt Administration

At the end of fiscal year 2003, the School District had \$14.6 million (net of related debt) invested in land, buildings, equipment and vehicles, \$14.5 million (net) in governmental activities.

Table 4 shows fiscal 2003 gross fixed asset balances for governmental type activities and business-type activities (net of depreciation) compared to the prior fiscal year. Additional capital asset information can be found in the notes to the financial statements.

Table 4

	<u>Governmental</u> <u>Type Activities</u>		<u>Business-Type Activities</u> <u>(net of depreciation)</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$450,091	\$450,091	\$0	\$0
Buildings and Improvements	25,973,244	25,903,478	0	0
Infrastructure	17,125	17,125	0	0
Furniture and Fixtures	7,124,027	6,665,769	119,004	132,731
Vehicles	<u>1,826,658</u>	<u>1,326,836</u>	<u>22,853</u>	<u>0</u>
Totals	<u>\$35,391,145</u>	<u>\$34,363,299</u>	<u>\$141,857</u>	<u>\$132,731</u>

The increase in capital assets in the governmental activities is a result of the School District purchasing new buses and computer equipment to be used as instructional tools in the classroom.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(unaudited)

Debt

At June 30, 2003, the School District had an energy conservation note of \$1.5 million and capital leases of \$179,412 in outstanding debt. Of that amount \$199,827 is due within one year. Principal payments for fiscal year 2003 totaled \$107,289. At June 30, 2003 the School District's overall legal debt margin was \$50,277,864 and the unvoted debt margin was \$558,643. Additional debt information can be found in the notes to the financial statements.

Current Financial Related Activities

Xenia Community School District is currently experiencing financial problems. As the preceding information shows, the School District heavily depends on both its property taxpayers and state foundation payments. The district was on the ballot in November 2003 for a 5.4 mill operating levy, which failed. We will be back on the ballot in March 2004 with a 7.9 mill operating levy. If the levy fails in March, the district will be back on the ballot in August. If that attempt should also fail, the district will cut approximately \$4.4 million out of its operating budget by reducing/eliminating purchases of supplies and equipment, transportation, extracurriculars, programs and staff.

Declining state foundation payments due to state cutbacks has helped to cause the district's financial problems. With its major sources of revenue not keeping pace with expenditure increases, the District must seek additional tax revenues to continue current operations. However, the 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, 2003

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 2,921,848	\$ 252,593	\$ 3,174,441
Restricted Assets:			
Cash and Cash Equivalents	573,353	-	573,353
Receivables:			
Taxes	14,860,314	-	14,860,314
Accounts	88,129	826	88,955
Intergovernmental	577,795	96,581	674,376
Internal Balances	505	(505)	-
Prepaid Assets	150,873	2,220	153,093
Inventory Held for Resale	-	13,745	13,745
Materials and Supplies Inventory	-	2,054	2,054
Nondepreciable Capital Assets	450,091	-	450,091
Depreciable Capital Assets, Net	<u>15,587,832</u>	<u>141,857</u>	<u>15,729,689</u>
<i>Total Assets</i>	<u>35,210,740</u>	<u>509,371</u>	<u>35,720,111</u>
Liabilities			
Accounts Payable	403,344	13,613	416,957
Accrued Wages and Benefits	2,951,725	75,667	3,027,392
Compensated Absences Payable	107,254	1,443	108,697
Intergovernmental Payable	156,051	893	156,944
Pension Obligation Payable	880,172	85,054	965,226
Deferred Revenue	12,682,719	8,242	12,690,961
Accrued Interest Payable	7,093	-	7,093
Long-Term Liabilities:			
Due Within One Year	423,075	7,530	430,605
Due Within More Than One Year	<u>3,206,005</u>	<u>31,786</u>	<u>3,237,791</u>
<i>Total Liabilities</i>	<u>20,817,438</u>	<u>224,228</u>	<u>21,041,666</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	14,503,587	141,857	14,645,444
Restricted for:			
Capital Projects	316,974	-	316,974
Other Purposes	1,073,547	-	1,073,547
Unrestricted (Deficit)	<u>(1,500,806)</u>	<u>143,286</u>	<u>(1,357,520)</u>
<i>Total Net Assets</i>	<u>\$ 14,393,302</u>	<u>\$ 285,143</u>	<u>\$ 14,678,445</u>

See accompanying notes to the basic financial statements

Xenia Community School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	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
Governmental Activities						
Instruction:						
Regular	\$ 18,279,083	\$ 104,622	\$ 1,182,236	\$ (16,992,225)	\$ -	\$ (16,992,225)
Special	4,208,755	-	1,446,576	(2,762,179)	-	(2,762,179)
Vocational	487,320	-	-	(487,320)	-	(487,320)
Adult	390	-	-	(390)	-	(390)
Other	453,147	-	-	(453,147)	-	(453,147)
Support Services:						
Pupils	2,506,280	-	85,440	(2,420,840)	-	(2,420,840)
Instructional Staff	2,543,566	-	304,311	(2,239,255)	-	(2,239,255)
Board of Education	18,445	-	-	(18,445)	-	(18,445)
Administration	5,068,924	-	172,122	(4,896,802)	-	(4,896,802)
Fiscal	485,137	-	-	(485,137)	-	(485,137)
Business	608,270	-	-	(608,270)	-	(608,270)
Operation and Maintenance of Plant	3,546,414	-	-	(3,546,414)	-	(3,546,414)
Pupil Transportation	2,519,078	-	-	(2,519,078)	-	(2,519,078)
Central	133,100	-	-	(133,100)	-	(133,100)
Operation of Non-Instructional Services	325,735	-	265,433	(60,302)	-	(60,302)
Extracurricular Activities	1,007,394	353,437	-	(653,957)	-	(653,957)
Interest and Fiscal Charges	91,340	-	-	(91,340)	-	(91,340)
<i>Total Governmental Activities</i>	<u>42,282,378</u>	<u>458,059</u>	<u>3,456,118</u>	<u>(38,368,201)</u>	<u>-</u>	<u>(38,368,201)</u>
Business-Type Activities						
Food Service	1,707,953	870,890	767,091	-	(69,972)	(69,972)
Uniform School Supplies	62,554	40,319	-	-	(22,235)	(22,235)
Pre-School	29,476	27,503	-	-	(1,973)	(1,973)
<i>Total Business-Type Activities</i>	<u>1,799,983</u>	<u>938,712</u>	<u>767,091</u>	<u>-</u>	<u>(94,180)</u>	<u>(94,180)</u>
Totals	<u>\$ 44,082,361</u>	<u>\$ 1,396,771</u>	<u>\$ 4,223,209</u>	<u>(38,368,201)</u>	<u>(94,180)</u>	<u>(38,462,381)</u>

General Revenues

Property Taxes Levied for:			
General Purposes	10,206,130	-	10,206,130
Emergency	2,954,526	-	2,954,526
Income Tax	2,368,280	-	2,368,280
Grants and Entitlements not Restricted to Specific Programs	19,413,053	-	19,413,053
Investment Earnings	104,927	197	105,124
Gain on Sale of Capital Assets	1,400	-	1,400
Miscellaneous	514,334	-	514,334
<i>Total General Revenues</i>	<u>35,562,650</u>	<u>197</u>	<u>35,562,847</u>
Changes in Net Assets	(2,805,551)	(93,983)	(2,899,534)
<i>Net Assets Beginning of Year - As Restated (See Note 18)</i>	<u>17,198,853</u>	<u>379,126</u>	<u>17,577,979</u>
<i>Net Assets End of Year</i>	<u>\$ 14,393,302</u>	<u>\$ 285,143</u>	<u>\$ 14,678,445</u>

See accompanying notes to the basic financial statements

Xenia Community School District
Balance Sheet
Governmental Funds
June 30, 2003

	General	Emergency Levy	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1,806,686	\$ 49,923	\$ 961,418	\$ 2,818,027
Receivables:				
Taxes	11,422,033	3,069,136	369,145	14,860,314
Accounts	88,129	-	-	88,129
Intergovernmental	-	-	577,795	577,795
Interfund Receivable	13,489	-	-	13,489
Prepaid Items	150,873	-	-	150,873
Restricted Assets:				
Cash and Cash Equivalents	573,353	-	-	573,353
<i>Total Assets</i>	14,054,563	3,119,059	1,908,358	19,081,980
Liabilities				
Accounts Payable	343,725	-	59,619	403,344
Accrued Wages and Benefits	2,709,531	-	242,194	2,951,725
Compensated Absences Payable	89,890	-	17,364	107,254
Pension Obligation Payable	551,048	-	38,244	589,292
Interfund Payable	-	-	13,489	13,489
Due to Other Funds	18,068	-	1,616	19,684
Intergovernmental Payable	29,267	-	2,776	32,043
Deferred Revenue	9,807,207	2,857,207	489,680	13,154,094
<i>Total Liabilities</i>	13,548,736	2,857,207	864,982	17,270,925
Fund Balances				
Reserved for:				
Encumbrances	173,563	-	114,706	288,269
Prepaid Items	150,873	-	-	150,873
Property Taxes	694,849	211,929	22,143	928,921
Budget Stabilization	573,353	-	-	573,353
Unreserved, Undesignated reported in:				
General Fund	(1,086,811)	-	-	(1,086,811)
Special Revenue Funds	-	49,923	653,000	702,923
Capital Project Funds	-	-	253,527	253,527
<i>Total Fund Balances</i>	505,827	261,852	1,043,376	1,811,055
<i>Total Liabilities and Fund Balances</i>	\$ 14,054,563	\$ 3,119,059	\$ 1,908,358	\$ 19,081,980

See accompanying notes to the basic financial statements

Xenia Community School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2003*

Total Governmental Fund Balances		\$ 1,811,055
 Amounts reported for governmental activities in the statement of net assets are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,037,923
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	327,653	
Intergovernmental Grants	143,722	
Total		471,375
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		2
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	(1,520,000)	
Compensated Absences	(1,929,668)	
Accrued Interest Payable	(7,093)	
Capital Lease Payable	(179,412)	
Pension Obligation Payable	(290,880)	
Total		(3,927,053)
Net Assets of Governmental Activities		\$ 14,393,302

Xenia Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Emergency Levy	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 12,181,907	\$ 2,955,447	\$ 364,081	\$ 15,501,435
Intergovernmental	18,979,718	380,670	3,393,610	22,753,998
Interest	103,692	-	1,235	104,927
Tuition and Fees	104,622	-	-	104,622
Extracurricular Activities	-	-	356,286	356,286
Transportation Fees	39,111	-	-	39,111
Classroom Materials and Fees	131,485	-	24	131,509
Miscellaneous	244,189	-	96,676	340,865
<i>Total Revenues</i>	<u>31,784,724</u>	<u>3,336,117</u>	<u>4,211,912</u>	<u>39,332,753</u>
Expenditures				
Current:				
Instruction:				
Regular	12,999,217	3,461,607	912,536	17,373,360
Special	2,852,628	-	1,382,997	4,235,625
Vocational	499,035	-	-	499,035
Other	453,147	-	-	453,147
Support Services:				
Pupils	2,387,498	-	131,808	2,519,306
Instructional Staff	1,876,351	-	733,356	2,609,707
Board of Education	17,669	-	-	17,669
Administration	4,782,275	52,407	217,075	5,051,757
Fiscal	533,216	-	-	533,216
Business	609,908	-	-	609,908
Operation and Maintenance of Plant	3,283,089	-	199,298	3,482,387
Pupil Transportation	2,838,080	-	115,576	2,953,656
Central	133,100	-	-	133,100
Operation of Non-Instructional Services	632,190	-	343,527	975,717
Extracurricular Activities	125,155	-	355,495	480,650
Capital Outlay	-	-	65,884	65,884
Debt Service:				
Principal	95,000	-	12,289	107,289
Interest	90,440	-	1,344	91,784
<i>Total Expenditures</i>	<u>34,207,998</u>	<u>3,514,014</u>	<u>4,471,185</u>	<u>42,193,197</u>
<i>Excess of Revenue Under Expenditures</i>	<u>(2,423,274)</u>	<u>(177,897)</u>	<u>(259,273)</u>	<u>(2,860,444)</u>
Other Financing Sources				
Proceeds from Sale of Fixed Assets	6,910	-	-	6,910
<i>Total Other Financing Sources</i>	<u>6,910</u>	<u>-</u>	<u>-</u>	<u>6,910</u>
<i>Net Change in Fund Balances</i>	<u>(2,416,364)</u>	<u>(177,897)</u>	<u>(259,273)</u>	<u>(2,853,534)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,922,191</u>	<u>439,749</u>	<u>1,302,649</u>	<u>4,664,589</u>
<i>Fund Balances End of Year</i>	<u>\$ 505,827</u>	<u>\$ 261,852</u>	<u>\$ 1,043,376</u>	<u>\$ 1,811,055</u>

See accompanying 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, 2003*

Net Change in Fund Balances - Total Governmental Funds \$ (2,853,534)

***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	898,506
Current Year Depreciation	<u>(1,313,340)</u>

Total (414,834)

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	(6,910)
Loss on Disposal of Capital Assets	<u>1,400</u>

Total (5,510)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	27,501
Intergovernmental	<u>115,173</u>

Total 142,674

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.

107,289

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

444

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

Pension Obligation Payable	(3,206)
Compensated Absences Payable	<u>221,124</u>

Total 217,918

The internal service fund used by management to charge the cost of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal services fund is allocated amount the governmental activities.

2

Change in Net Assets of Governmental Activities **\$ (2,805,551)**

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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Taxes	\$ 10,108,855	\$ 12,958,855	\$ 12,413,847	\$ (545,008)
Tuition and fees	140,000	140,000	103,877	(36,123)
Transportation fees	99,000	99,000	58,069	(40,931)
Interest	250,000	250,000	134,412	(115,588)
Classroom materials and fees	153,000	153,000	134,064	(18,936)
Intergovernmental	22,719,667	19,076,550	18,980,351	(96,199)
Miscellaneous	115,000	115,000	58,318	(56,682)
Total Revenues	33,585,522	32,792,405	31,882,938	(909,467)
<u>EXPENDITURES:</u>				
Instruction:				
Regular	13,365,454	13,337,424	13,183,218	154,206
Special	2,936,206	2,936,206	2,849,083	87,123
Vocational Educating	561,654	561,654	498,163	63,491
Other	497,030	497,030	491,024	6,006
Support Services:				
Pupils	2,427,560	2,427,560	2,386,490	41,070
Instructional support	1,959,340	1,987,368	1,914,046	73,322
Board of education	19,690	19,690	23,095	(3,405)
Administration	4,645,339	4,645,339	4,609,953	35,386
Fiscal	496,704	496,704	498,186	(1,482)
Business	639,286	639,286	572,784	66,502
Operation and maintenance of plant	3,375,422	3,375,422	3,418,787	(43,365)
Pupil transportation	3,004,752	3,052,280	2,812,221	240,059
Central	50,000	50,000	133,100	(83,100)
Extracurricular activities	617,559	617,559	647,359	(29,800)
Capital outlay	162,538	162,538	169,180	(6,642)
Debt Service:				
Principal payments	95,000	95,000	95,000	-
Interest and fiscal charges	90,480	90,480	90,440	40
Total Expenditures	34,944,014	34,991,540	34,392,129	599,411
Excess of Revenues Under Expenditures	(1,358,492)	(2,199,135)	(2,509,191)	(310,056)
<u>Other Financing Sources/(Uses):</u>				
Sale and loss of assets	5,000	5,000	6,910	1,910
Refund of prior year expenditures	5,000	165,000	148,880	(16,120)
Other miscellaneous use of funds	(1,200,000)	(1,200,000)	-	1,200,000
Total Other Financing Sources/(Uses)	(1,190,000)	(1,030,000)	155,790	1,185,790
Excess of Revenues, Other Financing Sources Under Expenditures and Other Financing Uses	(2,548,492)	(3,229,135)	(2,353,401)	875,734
Fund Balance - July 1, 2002	3,546,176	3,546,176	3,546,176	-
Prior year encumbrances appropriated	986,118	986,118	986,118	-
Fund Balance - June 30, 2003	\$ 1,983,802	1,303,159	2,178,893	875,734

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, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive/ (Negative)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Taxes	\$ 3,359,370	\$ 3,359,370	\$ 3,028,442	\$ (330,928)
Intergovernmental	<u>229,980</u>	<u>229,980</u>	<u>380,865</u>	<u>150,885</u>
Total Revenues	3,589,350	3,589,350	3,409,307	(180,043)
<u>EXPENDITURES:</u>				
Instruction:				
Regular	3,470,534	3,470,534	3,470,534	-
Support Services:				
Administration	<u>53,025</u>	<u>53,025</u>	<u>52,407</u>	<u>618</u>
Total Expenditures	<u>3,523,559</u>	<u>3,523,559</u>	<u>3,522,941</u>	<u>618</u>
Excess of Revenues Over/ (Under) Expenditures	65,791	65,791	(113,634)	(179,425)
Fund Balance - July 1, 2002	<u>163,559</u>	<u>163,559</u>	<u>163,559</u>	<u>-</u>
Fund Balance - June 30, 2003	<u>\$ 229,350</u>	<u>229,350</u>	<u>49,925</u>	<u>(179,425)</u>

Xenia Community School District
Statement of Fund Assets
Proprietary Funds
June 30, 2003

	Business-Type Activities <u>Nonmajor Enterprise Funds</u>	Governmental Activities - Internal Service Fund
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 252,593	\$ 103,821
Receivables:		
Accounts	826	-
Intergovernmental	96,581	-
Due from Other Funds	-	20,189
Prepaid Items	2,220	-
Inventory Held For Resale	13,745	-
Materials and Supplies Inventory	2,054	-
<i>Total Current Assets</i>	<u>368,019</u>	<u>124,010</u>
Capital Assets, Net	<u>141,857</u>	<u>-</u>
<i>Total Assets</i>	<u>509,876</u>	<u>124,010</u>
Liabilities		
Accounts Payable	13,613	-
Accrued Wages	75,667	-
Compensated Absences Payable	8,973	-
Due to Other Funds	505	-
Intergovernmental Payable	893	124,008
Deferred Revenue	8,242	-
Pension Obligation Payable	85,054	-
<i>Total Current Liabilities</i>	<u>192,947</u>	<u>124,008</u>
Long-Term Liabilities:		
Compensated Absences Payable	<u>31,786</u>	<u>-</u>
<i>Total Liabilities</i>	<u>224,733</u>	<u>124,008</u>
Net Assets		
Invested in Capital Assets	141,857	-
Unrestricted	143,286	2
<i>Total Net Assets</i>	<u>\$ 285,143</u>	<u>\$ 2</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, 2003

	Business-Type Activities <u>Nonmajor Enterprise Funds</u>	Governmental Activities - Internal Service <u>Fund</u>
Operating Revenues		
Tuition	\$ 18,560	\$ -
Charges for Services	-	124,010
Food Services	870,890	-
Classroom Materials and Fees	40,319	-
<i>Total Operating Revenues</i>	<u>929,769</u>	<u>124,010</u>
Operating Expenses		
Salaries	691,155	-
Fringe Benefits	296,197	-
Purchased Services	21,030	-
Materials and Supplies	98,114	-
Cost of Sales	676,244	-
Depreciation	17,243	-
Other	-	124,008
<i>Total Operating Expenses</i>	<u>1,799,983</u>	<u>124,008</u>
<i>Operating Income (Loss)</i>	<u>(870,214)</u>	<u>2</u>
Non-Operating Revenues		
Federal Donated Commodities	98,641	-
Intergovernmental	668,450	-
Interest	197	-
Other Non-operating Revenues	8,943	-
<i>Total Non-Operating Revenues</i>	<u>776,231</u>	<u>-</u>
<i>Change in Net Assets</i>	(93,983)	2
<i>Net Assets - Beginning of Year</i>	<u>379,126</u>	<u>-</u>
<i>Net Assets - End of Year</i>	<u>\$ 285,143</u>	<u>\$ 2</u>

See accompanying notes to the basic financial statements

Xenia Community School District
Statement of Cash Flows
Proprietary Funds
June 30, 2003

	Business-Type Activities Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Increase (Decrease in Cash and Cash Equivalents)		
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 935,723	\$ 103,821
Cash Payments to Employees for Services	(644,077)	-
Cash Payments for Employees Benefit	(335,739)	-
Cash Payments for Goods and Services	(690,349)	-
Other Cash Payments	10,583	-
	<u>(723,859)</u>	<u>103,821</u>
<i>Net Cash Provided by (Used in) Operating Activities</i>		
Cash Flows from Noncapital Financing Activities		
Grants Received	642,413	-
	<u>642,413</u>	<u>-</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>		
Cash Flows from Capital Financing Activities		
Acquisition of Capital Assets	(26,369)	-
	<u>(26,369)</u>	<u>-</u>
<i>Net Cash Provided Used by Capital Financing Activities</i>		
Cash Flows from Investing Activities		
Interest on Investment	197	-
	<u>197</u>	<u>-</u>
<i>Net Cash Provided by Investing Financing Activities</i>		
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(107,618)	103,821
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>360,211</u>	<u>-</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 252,593</u>	<u>\$ 103,821</u>

(Continued)

See accompanying notes to the basic financial statements

Xenia Community School District
Statement of Cash Flows
Proprietary Funds (continued)
June 30, 2003

	Business-Type Activities Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
<i>Operating Income (Loss)</i>	\$ (870,214)	\$ 2
Adjustments:		
Depreciation	17,243	-
Other Non-Operating Revenues	8,943	-
Donated Commodities	98,641	-
(Increase) Decrease in Assets:		
Accounts Receivable	7,186	-
Prepaid items	(521)	-
Inventory Held for Resale	11,382	-
Materials and Supplies Inventory	(3)	-
Intergovernmental Receivable	-	(20,189)
Internal Balances	(29)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	9,926	-
Accrued Wages	6,133	-
Compensated Absences Payable	(14,062)	-
Pension Obligation Payable	13,836	-
Intergovernmental Payable	(1,865)	124,008
Deferred Revenue	(10,455)	-
<i>Total Adjustments</i>	146,355	103,819
<i>Net Cash Provided by (Used in) Operating Activities</i>	\$ (723,859)	\$ 103,821

See accompanying notes to the basic financial statements

Xenia Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 41,800	\$ 56,311
<i>Total Assets</i>	41,800	56,311
Liabilities		
Accounts Payable	-	5,683
Undistributed Monies	-	8,874
Due to Students	-	41,754
<i>Total Liabilities</i>	-	\$ 56,311
Net Assets		
Held in Trust for Scholarships	41,800	
<i>Total Net Assets</i>	\$ 41,800	

See accompanying notes to the basic financial statements

Xenia Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2003

	Private Purpose Trust
	Scholarship
Addition	
Interest	\$ 727
Other Operating Revenues	150
<i>Total Addition</i>	877
Deduction	665
<i>Change in Net Assets</i>	212
<i>Net Assets Beginning of Year</i>	41,588
<i>Net Assets End of Year</i>	\$ 41,800

See accompanying notes to the basic financial statements

Xenia Community School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 1 – Description of the School District

The 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, 2002 was 5,208. 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's significant accounting policies are described below.

A. Reporting Entity

For financial reporting purposes the District's financial statements include all funds, account groups, 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.

For the fiscal year 2003, 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.

Xenia Community School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

B. Fund Accounting

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial 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 recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund 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's major governmental funds:

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

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 the food service, uniform school supply and pre-school.

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

Fiduciary Fund Types Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets

Xenia Community School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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.

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 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 governmental funds statement.

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 of the School District, 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.

Fund Financial Statements Fund financial statements report detailed information about the School District. The focus of governmental and enterprise 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.

Xenia Community School District
Notes to the Basic Financial Statements
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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 funds also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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, 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 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, 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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the 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.

Xenia Community School District
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On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

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 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 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 as the original budgeted amounts reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts reflect amounts in the final amended certificate issued during fiscal year 2003.

Appropriations By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is 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.

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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 appropriations amounts passed by the Board during the year.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized appropriation.

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 2003 for general fund totaled \$103,692. The non-major funds and private-purpose funds also earned interest in the amounts of \$1,432 and \$727, 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.

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 creation of a reserve for budget stabilization. See Note 15 for additional information regarding set-asides.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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.

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I. Inventory

On government-wide financial statements, inventories are represented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. 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 a capitalization threshold of one thousand dollars. 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. 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	50 Years	N/A
Other Improvements	20 Years	N/A
Infrastructure	15 Years	N/A
Furniture	10 Years	10 Years
Equipment	5 Years	5 Years
Fixtures	10 Years	N/A
Vehicles	10 Years	10 Years

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K. Interfund Balances

On fund financial statements, receivables and payables resulting from 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. 16 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
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<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 unpaid 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
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N. Interfund Activities

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenue.

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

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 budget stabilization.

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 budget stabilization represents money previously received through worker's compensation rebates which are required to be set-aside by statute and money set-aside by the School District to protect against cyclical changes in revenues and expenditures.

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.

Xenia Community School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

R. 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.

S. 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.

Note 3 – 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.

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:

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Net Change in Fund Balance

	General	Emergency Levy
Budget Basis	(\$2,353,401)	(\$113,634)
Net Adjustment for Revenue Accruals	(247,094)	(73,190)
Net Adjustment for Expenditure Accruals	411,112	8,927
Adjustment for Encumbrances	(226,981)	0
GAAP Basis	(\$2,416,364)	(\$177,897)

Note 4 – Deposits and Investments

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

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

Inactive 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;
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;

Xenia Community School District
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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 \$8,115 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in pooled cash and cash equivalents."

Deposits: At fiscal year end, the carrying amount of the School District's deposits was (\$346,496) and the bank balance was \$466,483. Of the bank balance,

1. \$200,955 was covered by federal depository insurance or surety bonds; and
2. \$265,528 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.

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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 \$168,049 and money market funds consisting of U.S. Treasury obligations in the amount of \$4,016,237, which 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	\$3,845,905	\$-
Cash on Hand	(8,115)	-
Investments:		
U.S. Treasury Money Market Funds	(4,016,237)	4,016,237
Mutual Funds	(168,049)	168,049
GASB Statement 3	(\$346,496)	\$4,184,286

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 5 – Property Taxes

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

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Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar year 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Green and Clinton County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$694,849 and is recognized as revenue in the General Fund, \$211,929 in the Emergency Levy Fund and \$22,143 in the Permanent Improvement Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed value, by property classification, upon which taxes were collected in 2003 are as follows:

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	2002	2003
Real Property -		
Residential/Agricultural	\$425,014,447	\$434,472,300
Public Utilities	61,520	66,240
Commercial/Industrial	-	64,195,610
Tangible Property -		
Personal	58,844,764	59,908,793
Total Valuation	\$483,920,754	558,642,943

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, included:

	Balance 7/1/2002	Addition	Deletion	Adjustments	Balance 6/30/2003
Governmental Activities					
<i>Capital Assets, not being depreciated:</i>					
Land	\$ 450,091	\$ -	\$ -	\$ -	\$ 450,091
<i>Total Capital Assets, not being depreciated:</i>	450,091	-	-	-	450,091
<i>Capital Asset, being depreciated:</i>					
Buildings and Improvements	25,885,813	525	-	-	25,886,338
Other Improvements	17,665	69,241	-	-	86,906
Infrastructure	17,125	-	-	-	17,125
Furniture/Equipment/Fixtures	6,665,769	465,120	(4,198)	(2,664)	7,124,027
Vehicles	1,326,836	528,696	(19,659)	(9,215)	1,826,658
<i>Total Capital Assets, being depreciated:</i>	33,913,208	1,063,582	(23,857)	(11,879)	34,941,054
Less Accumulated Depreciation:					
Building and Improvements	(12,844,997)	(53,241)	-	-	(12,898,238)
Other Improvements	(2,052)	(4,162)	-	-	(6,214)
Infrastructure	-	(893)	-	-	(893)
Furniture/Equipment/Fixtures	(4,319,543)	(1,132,214)	1,570	-	(5,450,187)
Vehicles	(903,516)	(122,830)	19,441	9,215	(997,690)
<i>Total Accumulated Depreciation</i>	(18,070,108)	(1,313,340)	21,011	9,215	(19,353,222)
<i>Total Capital Assets being depreciated, net</i>	15,843,100	(249,758)	(2,846)	(2,664)	15,587,832
Governmental Activities Capital Assets, Net	\$ 16,293,191	\$ (249,758)	\$ (2,846)	\$ (2,664)	\$ 16,037,923

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	Balance 7/1/2002	Addition	Deletion	Adjustments	Balance 6/30/2003
Business-Type Activities					
<i>Capital Asset, being depreciated:</i>					
Furniture and Equipment	\$ 514,328	\$ -	\$ -	\$ -	\$ 514,328
Vehicles	14,849	26,369	-	-	41,218
Total Capital Assets, being depreciated:	529,177	26,369	-	-	555,546
Less Accumulated Depreciation:					
Furniture and Equipment	(381,597)	(13,727)	-	-	(395,324)
Vehicles	(14,849)	(3,516)	-	-	(18,365)
Total Accumulated Depreciation	(396,446)	(17,243)	-	-	(413,689)
Business-Type Activities Capital Assets, Net	\$ 132,731	\$ 9,126	\$ -	\$ -	\$ 141,857

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 989,000
Special	43,670
Adult	390
Support Services:	
Pupil	11,433
Instructional Staff	38,058
Board of Education	338
Administration	33,397
Fiscal	5,952
Business	536
Operation and Maintenance of Plant	41,531
Pupil Transportation	101,305
Operation of Non-instructional Services	5,475
Extracurricular Activities	42,255
Total Depreciation Expense	\$ 1,313,340

Xenia Community School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Note 7 – 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 five-year tax levy became effective on 1/1/98, and was renewed on 1/1/2002. 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 8 - Receivables

Receivables at June 30, 2003, consisted of current and delinquent property taxes, income taxes, accounts (student fees), intergovernmental grants and interfund transactions. 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. A summary of the principal items of intergovernmental receivables follows:

	Amount
<u>Governmental Activities:</u>	
Title I	\$ 415,383
Title VI(B)	80,363
Title II-A	66,457
Other non-major	15,592
Total Governmental Activities	577,795
<u>Business-Type Activities:</u>	
Food Service Subsidies	96,581
Total Intergovernmental Receivables	\$ 674,376

Note 9 – Long-term Obligations

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Principal Outstanding 7/1/02	Additions	Deductions	Principal Outstanding 6/30/03	Due in One Year
Governmental Activities					
Energy Conservation Bonds 1999, 5.6%	\$ 1,615,000	\$ 0	\$ (95,000)	\$ 1,520,000	\$ 105,000
Total Long-Term Bonds	1,615,000	0	(90,000)	1,520,000	105,000
Capital Lease	26,625	165,076	(12,289)	179,412	94,827
Compensated Absences	2,150,791	0	(221,123)	1,929,668	223,248
Total					
Governmental Activities	\$ 3,792,416	\$ 165,076	\$ (328,412)	\$ 3,629,080	\$ 423,075
Business-type Activities					
Compensated Absences	\$ 54,821	\$ 0	\$ (15,505)	\$ 39,316	\$ 7,530

Xenia Community School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

The School District's overall legal debt margin was \$50,277,864 with an unvoted debt margin of \$558,643 at June 30, 2003.

Principal and interest requirements to the energy conservation bonds outstanding at June 30, 2002 are as follows:

Fiscal Year June 30	Principal	Interest	Total
2004	\$ 105,000	\$ 85,120	\$ 190,120
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
2009-2013	760,000	182,840	942,840
2014	180,000	10,080	190,080
Totals	\$ 1,520,000	\$ 556,920	\$ 2,076,920

Note 10 – Capital Lease

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, 2003:

Fiscal Year Ending June 30	Amount
2004	\$96,171
2005	84,809
Total Minimum Lease Payments	180,980
Less: Amount Representing Interest	(1,568)
Net Present Value of Minimum Lease Payments	\$179,412

Note 11 – Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension

Xenia Community School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's contributions to SERS for the years ending June 30, 2003, 2002, and 2001 were \$817,376, \$717,062, and \$621,384 respectively; 39 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$500,656 represents the unpaid contribution for fiscal year 2003, and is recorded as a liability within the respective funds in which the employees' salaries are paid.

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.

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, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Effective July 1, 2003, the member contribution rate increased to the statutory maximum of 10 percent.

Xenia Community School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

The District's contributions to STRS for the years ending June 30, 2003, 2002, and 2001 were \$2,732,768, \$2,412,338, and \$2,386,728 respectively, 83 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$464,570 represents the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds in which the employees' salaries are paid.

Note 12 – 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, 2003, 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 \$2.8 billion on June 30, 2003. For the District, this amount equaled \$195,198 during the 2003 fiscal year.

For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000. There were 108,294 eligible benefit recipients.

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. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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, 2003 the allocation rate is 5.83 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 2003, the minimum pay has been established at \$14,500. For the School, the amount to fund health care benefits, including the surcharge, was \$525,453 for fiscal year 2003. 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.

Xenia Community School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003, were \$204,930,737 and the target level was \$307.4 million. At June 30, 2003, the Retirement System's net assets available for payment of health care benefits of \$303.6 million. The number of benefit recipients currently receiving health care benefits is approximately 50,000.

Note 13 – 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 2003, the School District contracted with Nationwide Insurance Company for general liability insurance with \$1,000,000 single occurrence limit and a \$3,000,000 aggregate. District property is protected by insurance coverage provided by Indiana Insurance. The School District's vehicles are covered under a business policy with Indiana Insurance with additional vehicle coverage under Monticello. Insurance coverage has not decreased over the past three years, nor has settled claims exceeded coverage during the same period.

Note 14 – 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, 2003.

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 15 – Set-aside Requirements

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, in various reserves. The following information describe the changes in the amount set aside for textbook and instructional materials, capital improvements and budget stabilization from the end of the prior year to the end of the current year.

Xenia Community School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

	<u>Textbooks</u>	<u>Capital Improvement</u>	<u>Budget Reserve</u>	<u>Total</u>
Set-aside balance as of June 30, 2002	\$ (186,190)	\$ 0	\$ 573,353	\$ 387,163
Current year set-aside requirement	664,118	664,118	0	1,328,236
Current year offset	0	(426,109)	0	(426,109)
Qualifying expenditures	<u>(988,021)</u>	<u>(360,348)</u>	<u>0</u>	<u>(1,348,369)</u>
Totals	<u>(510,093)</u>	<u>(122,339)</u>	<u>573,353</u>	<u>(59,079)</u>
Cash balance carried forward to FY 2004	\$ <u>(510,093)</u>	\$ <u>0</u>	\$ <u>573,353</u>	<u>63,260</u>
Amount restricted for budget stabilization				<u>573,353</u>
Total restricted assets			\$	<u><u>573,353</u></u>

Although the District had qualifying expenditures during the year that reduced the set-aside amounts below zero for capital improvement and textbooks, only the extra amounts for textbooks may be used to reduce the set-aside requirements of future years.

Note 16 – 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 \$156,169 for services provided during the year. Complete financial statements can be obtained from MVECA located in Yellow Springs, Ohio 45387.

Xenia Community School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

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 17 – Accountability

Fund Deficits

Fund balances at June 30, 2003 included the following individual fund deficits:

Fund	Deficit Fund Balance
Special Revenue Funds	
EMIS	\$17,047
Title VI-B	32,726
Title I	208,555
Goals 2000	10,788

The fund deficit in all funds is the result of the recognition of liabilities in accordance with generally accepted accounting principles. Management is analyzing the operations of these funds to determine appropriate steps to eliminate the deficits.

Note 18 – Changes in Accounting Principals and Restatement of Fund Balance

Changes in Accounting Principles For the fiscal year 2003, the School District has implemented GASB No. 34, “Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments”, GASB No. 37, “Basic Financial Statements for State and Local Governments: Omnibus”, GASB NO. 38, “Certain Financial Statement Note Disclosures”, GASB No. 41, “Budgetary Comparison Schedules – Perspective Differences – an amendment of GASB Statement No. 34”, and GASB Interpretation No. 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

GASB 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Xenia Community School District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2003

The government-wide financial statements split the School District's programs between business-type and governmental activities. The beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflect the change in fund balance for governmental funds at June 30, 2002, caused by elimination of the internal service fund and the conversion to the accrual basis of accounting.

The transition from governmental fund balance to net assets of the governmental activities is presented as follow:

	General	Emergency Levy	Nonmajor	Total
Fund Balance June 30, 2002	\$2,922,191	\$439,749	\$1,302,649	\$4,664,589
GASB 34 Adjustments:				
Capital Assets				16,293,191
Deferred Revenue				328,701
Pension Obligation				(287,674)
Compensated Absences				(2,150,792)
Accrued Interest Payable				(7,537)
Capital Leases				(26,625)
General Obligation Bonds				(1,615,000)
Governmental Activities Net Assets, July 1, 2002				\$17,198,853

Xenia Community School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2003

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education</i>				
Nutritional Cluster:				
Food Distribution Program	NN-N1	10.550	\$ 98,157	\$ 98,157
National School Breakfast Program	05-PU	10.553	93,680	93,680
National School Lunch Program	04-PU	10.555	472,406	472,406
Summer Food Service Program	24-PU	10.559	42,988	42,988
Total Nutrition Cluster			<u>707,231</u>	<u>707,231</u>
Total U.S. Department of Agriculture			<u>707,231</u>	<u>707,231</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grant	C1-S1	84.010	871,917	1,241,302
Special Education Cluster:				
Title VI-B Grant	6B-SF	84.027	617,962	684,555
Preschool Disabilities Grant	PG-S1	84.173	44,454	56,858
Total Special Education Cluster			<u>662,416</u>	<u>741,413</u>
Drug Free Schools and Communities	DR-S1	84.186	42,043	41,843
Education for Homeless Children and Youth	HC-S1	84.196	24,360	22,747
McAulliffe Fellowship	CJ-S1	84.215	-	124
Goals 2000	G2-S9	84.276	-	24,192
Eisenhower Grant	MS-S1	84.281	(1,106)	476
Title VI - Innovative Education Grant	C2-S1	84.298	28,628	60,638
Title II-D - Technology	TJ-S1	84.318	27,682	11,203
Comprehensive School Reform	RF-S2	84.332	168,750	218,267
Title VI-R - Class Size Reduction Grant	CR-S1	84.340	(14,026)	36,001
ATIP Grant	AT-S2	84.352A	12,185	14,384
Improving Teacher Quality	TR-S1	84.367	<u>289,709</u>	<u>272,176</u>
Total U.S. Department of Education			<u>2,112,558</u>	<u>2,684,766</u>

(Continued)

Xenia Community School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2003
(Continued)

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>Passed Through Ohio Department of MR/DD</i>				
Community Alternative Funding System	N/A	93.778	<u>717</u>	<u>717</u>
<u>U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY</u>				
Disaster Assistance	N/A	85.544	<u>7,182</u>	<u>-</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
<i>Passed Through Ohio Department of Education</i>				
Learn and Serve America	SV-S4	94.004	<u>12,826</u>	<u>13,250</u>
TOTAL FEDERAL AWARD EXPENDITURES			<u>\$ 2,840,514</u>	<u>\$ 3,405,964</u>

XENIA COMMUNITY SCHOOL DISTRICT
Notes to the Schedule of Federal Award Expenditures
For the Year Ended June 30, 2003

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, 2003 the District had no significant food commodities in inventory.

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

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting
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 Xenia Community School District (the District), as of and for the year ended June 30, 2003, wherein we noted that the District implemented the new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and have issued our report thereon dated January 12, 2004. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances on noncompliance that we have reported to management of the District in a separate letter dated January 12, 2004.

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 assurance 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 over financial reporting 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 misstatements in amounts that would be material in relation to the financial statement 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 a material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to management of the District in a separate letter dated January 12, 2004.

This report is intended 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.

Clark, Schaefer, Hachett & Co.

Springfield, Ohio

January 12, 2004

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, 2003. 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 are 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, 2003.

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 January 12, 2004.

This report is intended 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.

Chap, Schaefer, Hachett & Co.

Springfield, Ohio

January 12, 2004

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

XENIA COMMUNITY SCHOOL DISTRICT
JUNE 30, 2003

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.010 – Title I CFDA #84.367 - Improving Teacher Quality
(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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**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140
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800-282-0370
Facsimile 614-466-4490

XENIA COMMUNITY SCHOOL DISTRICT

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 9, 2004**