

Xenia Community School District
Greene County, Ohio

Basic Financial Statements

June 30, 2008

(with Independent Auditors' Report)



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Xenia Community School District, Greene County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 2, 2009

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Xenia Community School District (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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 also not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hachett & Co.

Springfield, Ohio
December 31, 2008

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

The discussion and analysis of Xenia Community School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- For governmental activities, net assets increased \$738,349, which represents a 5 percent increase from 2007. Net assets of business-type activities decreased \$24,979 or 13 percent from 2007.
- General revenues and transfers accounted for \$43,502,170 in revenue or 86 percent of all governmental revenues. Program specific revenues in the form of charges for services, operating grants and contributions and interest and capital grants and contributions accounted for \$6,969,543 or 14 percent of total governmental revenues of \$50,471,713.
- The School District had \$49,733,364 in expenses related to governmental activities; only \$6,969,543, of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and unrestricted state aid) and transfers of \$43,502,170 were able to provide for these programs.
- The General Fund had \$44,210,315 in revenues and \$43,316,573 in expenditures. The General Fund's balance increased \$733,278 from 2007.
- Net assets for business-type activities decreased \$24,979 due to an increase in salaries and cost of sales. Total business-type expenses were \$1,979,115. \$1,924,287 received in program revenues contributed to covering these expenses.

Using this Generally Accepted Accounting Principles Report (GAAP)

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Xenia Community School District, the General Fund is by far the most significant fund.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

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

Proprietary Funds

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

Fiduciary Funds

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

The School District as a Whole

Governmental Activities

Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

Table 1 Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Assets						
Current and Other Assets	\$28,705,748	\$30,120,825	\$371,307	\$327,505	\$29,077,055	\$30,448,330
Capital Assets	13,751,793	12,909,770	74,423	65,096	13,826,216	12,974,866
Total Assets	42,457,541	43,030,595	445,730	392,601	42,903,271	43,423,196
Liabilities						
Long-Term Liabilities	5,029,468	4,734,229	63,883	70,346	5,093,351	4,804,575
Other Liabilities	22,266,629	22,396,573	188,815	154,202	22,455,444	22,550,775
Total Liabilities	27,296,097	27,130,802	252,698	224,548	27,548,795	27,355,350
Net Assets						
Invested in Capital						
Assets, Net of Debt	11,261,238	10,814,192	74,423	65,096	11,335,661	10,879,288
Restricted	1,131,786	1,660,776	0	0	1,131,786	1,660,776
Unrestricted	2,768,420	3,424,825	118,609	102,957	2,887,029	3,527,782
Total Net Assets	\$15,161,444	\$15,899,793	\$193,032	\$168,053	\$15,354,476	\$16,067,846

Contributing to an increase in governmental assets was an increase in equity in pooled cash and cash equivalents of \$1,716,016. Other liabilities increased slightly during fiscal year 2008 due to accrued wages and intergovernmental payables increased with salaries and fringe benefits.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Governmental activities, unrestricted net assets are the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements. Unrestricted assets for governmental activities increased \$656,405.

Table 2 shows the changes in net assets for fiscal year 2007 and 2008.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Revenues						
Program Revenues:						
Charges for Services	\$1,147,095	\$1,244,264	\$839,853	\$866,286	\$1,986,948	\$2,110,550
Operating Grants and Contributions	4,876,200	5,682,786	1,017,386	1,058,001	5,893,586	6,740,787
Capital Grants and Contributions	72,390	42,493	0	0	72,390	42,493
Total Program Revenues	6,095,685	6,969,543	1,857,239	1,924,287	7,952,924	8,893,830
General Revenues						
Property Taxes and Income Taxes	22,711,447	21,917,417	0	0	22,711,447	21,917,417
Grants and Entitlements Not Restricted	21,069,543	21,261,872	0	0	21,069,543	21,261,872
Other	513,868	347,881	5,105	4,849	518,973	352,730
Transfers	(45,000)	(25,000)	45,000	25,000	0	0
Total General Revenues and Transfers	44,249,858	43,502,170	50,105	29,849	44,299,963	43,532,019
Total Revenues	50,345,543	50,471,713	1,907,344	1,954,136	52,252,887	52,425,849
Program Expenses						
Instruction	28,455,362	29,159,215	0	0	28,455,362	29,159,215
Support Services:						
Pupils and Instructional Staff	6,221,133	6,760,156	0	0	6,221,133	6,760,156
Board of Education, Administration, Fiscal and Business	5,375,408	5,505,332	0	0	5,375,408	5,505,332
Operation and Maintenance of Plant	3,281,893	3,434,794	0	0	3,281,893	3,434,794
Pupil Transportation	2,946,023	2,993,064	0	0	2,946,023	2,993,064
Central	234,236	354,191	0	0	234,236	354,191
Operation of Non-Instructional Services	364,092	392,885	0	0	364,092	392,885
Extracurricular Activities	938,729	1,010,829	0	0	938,729	1,010,829
Interest and Fiscal Charges	161,099	122,898	0	0	161,099	122,898
Food Service	0	0	1,820,159	1,895,000	1,820,159	1,895,000
Uniform School Supplies	0	0	14,797	15,060	14,797	15,060
Pre-School	0	0	62,070	69,055	62,070	69,055
Total Expenses	47,977,975	49,733,364	1,897,026	1,979,115	49,875,001	51,712,479
Increase (Decrease) in Net Assets	\$2,367,568	\$738,349	\$10,318	(\$24,979)	\$2,377,886	\$713,370

Governmental Activities

Taxes decreased \$794,030 during fiscal year 2008 due to the phase out of tangible personal property. The State reimbursed the School District for these tax revenues and these monies are shown with grants and entitlements not restricted.

Operating grants and contributions increased due to an early childhood education grant received in fiscal year 2008 and increases in both the auxiliary services and poverty based assistance grants.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

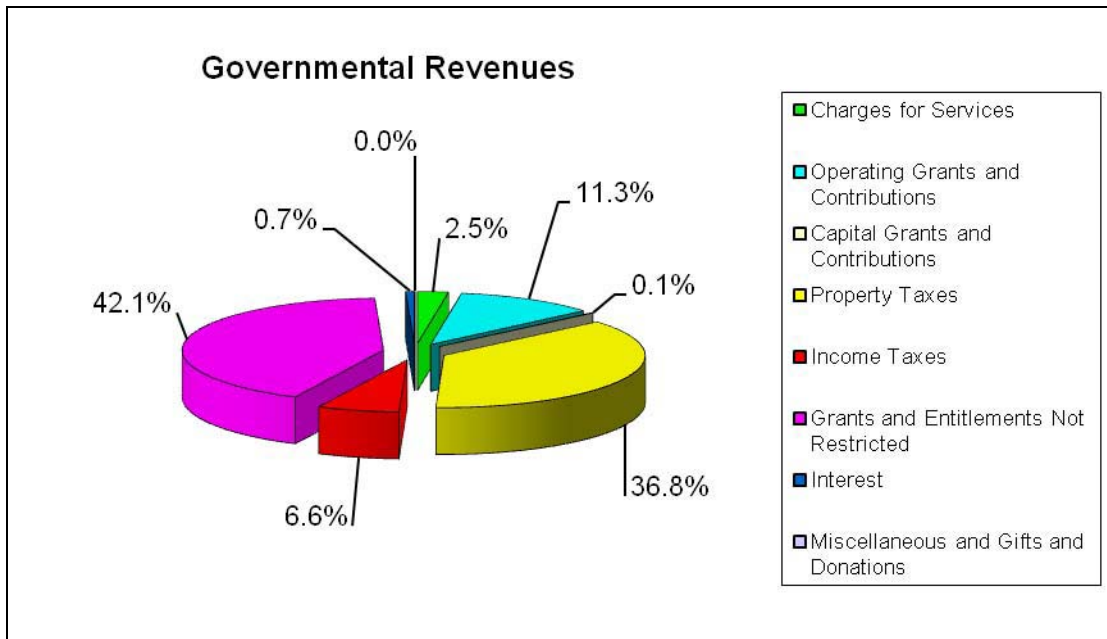
Capital grants and contributions decreased because the School District did not receive any School Net monies during fiscal year 2008 and the bus allocation from the State decreased during fiscal year 2008.

Interest revenue, which is shown with other, decreased as interest rates fell during 2008.

The passage of a 7.9 mill operating levy in March 2004 has made a significant impact in strengthening the School District's financial position. The change in net assets from 2007 to 2008 was an increase of \$738,349.

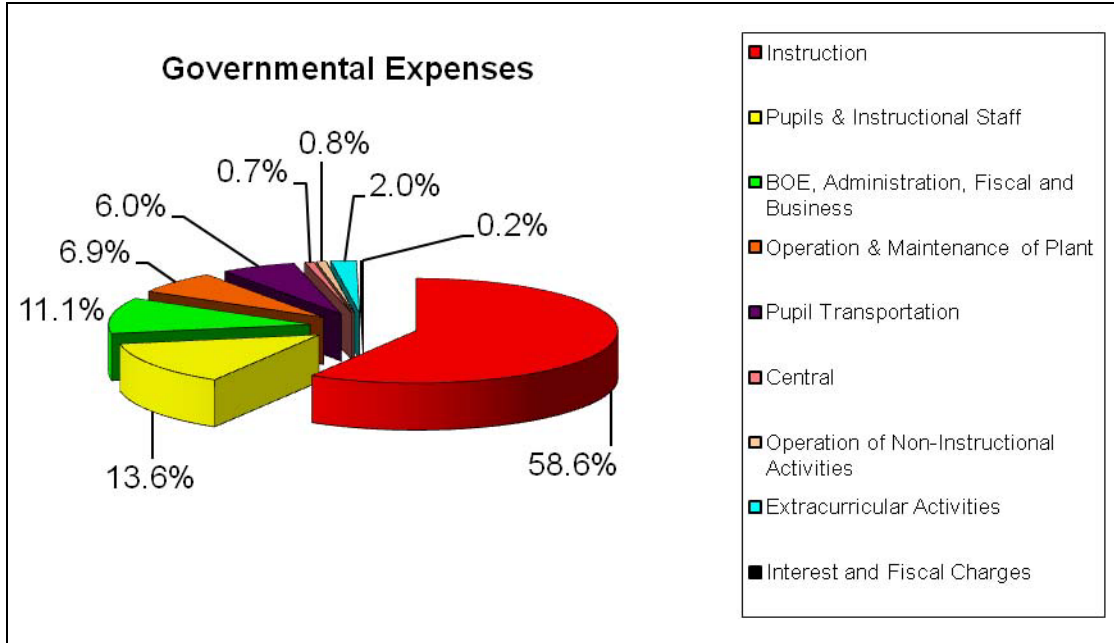
The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District operations. The overall revenue generated by a voted levy does not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0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

The School District, dependent upon property taxes, is hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 36.8 percent of revenues for governmental activities for the Xenia Community School District for fiscal year 2008. Income taxes added another 6.6 percent. Grants and entitlements not restricted, the School District's largest source of revenues consists largely of state foundation monies.



Instruction comprises 58.6 percent of School District expenses. Support services expenses make up 38.3 percent of expenses.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Total and Cost of Program Services
Governmental Activities

	<u>Total Cost of Services 2007</u>	<u>Net Cost of Services 2007</u>	<u>Total Cost of Services 2008</u>	<u>Net Cost of Services 2008</u>
Instruction	\$28,455,362	(\$24,608,511)	\$29,159,215	(\$24,801,616)
Support Services:				
Pupils and Instructional Staff	6,221,133	(5,070,571)	6,760,156	(5,446,797)
Board of Education, Administration, Fiscal and Business	5,375,408	(5,115,882)	5,505,332	(5,327,171)
Operation and Maintenance of Plant	3,281,893	(3,266,244)	3,434,794	(3,423,164)
Pupil Transportation	2,946,023	(2,827,157)	2,993,064	(2,875,359)
Central	234,236	(187,798)	354,191	(307,456)
Operation of Non-Instructional Services	364,092	(15,467)	392,885	248,383
Extracurricular Activities	938,729	(629,561)	1,010,829	(707,743)
Interest and Fiscal Charges	161,099	(161,099)	122,898	(122,898)
Total Expenses	<u><u>\$47,977,975</u></u>	<u><u>(\$41,882,290)</u></u>	<u><u>\$49,733,364</u></u>	<u><u>(\$42,763,821)</u></u>

The dependence upon state foundation and tax revenues is apparent. Over 85 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

support is 86 percent. The community, as a whole, provides significant support for the Xenia Community School District.

Business-Type Activities

Net assets of business-type activities decreased \$24,979 during fiscal year 2008. This was despite a \$25,000 transfer from the general fund for the uniform school supplies program.

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

The School District's Funds

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$50,501,303 and expenditures of \$49,188,664. The net change in fund balance for the School District's operating fund, the General Fund, was a \$733,278. Property tax revenues declined as tangible personal property tax is being phased out. However, income taxes increased slightly from prior year. Interest revenue declined as interest rates fell during fiscal year 2008.

General Fund Budgeting Highlights

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

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

For the General Fund, budget basis revenue was \$220,081 over the final budget estimate of \$44,575,049. Final budgeted revenues were \$844,050 over original budgeted revenue due to increases in property taxes. Interest revenue was lower than anticipated as interest rates in fiscal year 2008 decreased.

Expenditures were tightly monitored which enabled actual expenditures to be \$331,019 under the final appropriations.

Capital Assets

At the end of fiscal year 2008, the School District had \$12,909,770 invested in governmental capital assets.

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Table 4 shows fiscal year 2008 balances compared to 2007.

Table 4
 Capital Assets at June 30,

	Governmental Activities		Business-Type Activities	
	2007	2008	2007	2008
Land	\$450,091	\$450,091	\$0	\$0
Buildings and Improvements	25,959,446	25,969,411	0	0
Other Improvements	280,780	280,780	0	0
Infrastructure	17,125	17,125	0	0
Furniture/Equipment/Fixtures	8,477,938	8,499,727	497,687	495,901
Vehicles	2,656,633	2,656,633	41,218	41,218
Less: Accumulated Depreciation	<u>(24,090,220)</u>	<u>(24,963,997)</u>	<u>(464,482)</u>	<u>(472,023)</u>
	<u>\$13,751,793</u>	<u>\$12,909,770</u>	<u>\$74,423</u>	<u>\$65,096</u>

In fiscal year 2008, capital asset depreciation expense exceeded capital asset additions for governmental capital assets. The School District's governmental assets additions included computers, snow blowers, printer, scanner, bleachers, and football equipment. See accompanying notes to the basic financial statements for more capital asset information.

Debt Administration

Table 5 summarizes the debt outstanding:

Table 5
 Outstanding Debt at June 30,

	2007	2008
Energy Conservation Loan	\$1,070,000	\$940,000
Capital Leases	1,420,555	1,155,578
Totals	<u>\$2,490,555</u>	<u>\$2,095,578</u>

The School District's overall legal debt margin was \$57,002,658, the energy conservation debt margin was \$4,760,266 and the un-voted debt margin was \$633,363 at June 30, 2008.

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

Current Financial Issues and Concerns

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

Xenia Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

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

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

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

Contacting the School District's Financial Management

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

Xenia Community School District

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$9,240,718	\$312,361	\$9,553,079
Accounts Receivable	28,693	1,987	30,680
Intergovernmental Receivable	940,066	0	940,066
Inventory Held for Resale	0	18,492	18,492
Internal Balances	8,094	(8,094)	0
Prepaid Assets	5,523	2,759	8,282
Income Taxes Receivable	1,276,034	0	1,276,034
Property Taxes Receivable	18,621,697	0	18,621,697
Depreciable Capital Assets, Net	12,459,679	65,096	12,524,775
Nondepreciable Capital Assets	450,091	0	450,091
Total Assets	<u>43,030,595</u>	<u>392,601</u>	<u>43,423,196</u>
Liabilities:			
Accounts Payable	189,629	6,176	195,805
Accrued Wages and Benefits Payable	3,606,689	101,937	3,708,626
Intergovernmental Payable	1,253,782	46,089	1,299,871
Unearned Income	17,184,677	0	17,184,677
Accrued Interest Payable	4,387	0	4,387
Matured Compensated Absences Payable	157,409	0	157,409
Long Term Liabilities:			
Due Within One Year	637,097	0	637,097
Due In More Than One Year	4,097,132	70,346	4,167,478
Total Liabilities	<u>27,130,802</u>	<u>224,548</u>	<u>27,355,350</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	10,814,192	65,096	10,879,288
Restricted for:			
Capital Projects	226,172	0	226,172
Other Purposes	1,434,604	0	1,434,604
Unrestricted	3,424,825	102,957	3,527,782
Total Net Assets	<u>\$15,899,793</u>	<u>\$168,053</u>	<u>\$16,067,846</u>

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Statement of Activities
 For the Fiscal Year Ended June 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$20,739,048	\$656,951	\$534,626	\$0	(\$19,547,471)	\$0	(\$19,547,471)
Special	7,043,511	212,129	1,918,963	0	(4,912,419)	0	(4,912,419)
Vocational	485,375	0	54,605	0	(430,770)	0	(430,770)
Other	891,281	0	980,325	0	89,044	0	89,044
Support Services:							
Pupils	3,343,164	0	431,768	0	(2,911,396)	0	(2,911,396)
Instructional Staff	3,416,992	0	881,591	0	(2,535,401)	0	(2,535,401)
Board of Education	27,434	0	0	0	(27,434)	0	(27,434)
Administration	4,197,146	0	149,087	0	(4,048,059)	0	(4,048,059)
Fiscal	630,808	29,074	0	0	(601,734)	0	(601,734)
Business	649,944	0	0	0	(649,944)	0	(649,944)
Operation and Maintenance of Plant	3,434,794	8,630	3,000	0	(3,423,164)	0	(3,423,164)
Pupil Transportation	2,993,064	48,598	26,614	42,493	(2,875,359)	0	(2,875,359)
Central	354,191	0	46,735	0	(307,456)	0	(307,456)
Operation of Non-Instructional Services	392,885	0	641,268	0	248,383	0	248,383
Extracurricular Activities	1,010,829	288,882	14,204	0	(707,743)	0	(707,743)
Interest and Fiscal Charges	122,898	0	0	0	(122,898)	0	(122,898)
Total Governmental Activities	49,733,364	1,244,264	5,682,786	42,493	(42,763,821)	0	(42,763,821)
Business-Type Activities:							
Food Service	1,895,000	817,925	1,058,001	0	0	(19,074)	(19,074)
Uniform School Supplies	15,060	18,945	0	0	0	3,885	3,885
Pre-School	69,055	29,416	0	0	0	(39,639)	(39,639)
Total Business-Type Activities	1,979,115	866,286	1,058,001	0	0	(54,828)	(54,828)
Totals	\$51,712,479	\$2,110,550	\$6,740,787	\$42,493	(42,763,821)	(54,828)	(42,818,649)
General Revenues and Transfers:							
Property Taxes Levied for:							
General Purposes					18,223,541	0	18,223,541
Capital Outlay					379,149	0	379,149
Income Tax					3,314,727	0	3,314,727
Grants and Entitlements not Restricted to Specific Programs					21,261,872	0	21,261,872
Investment Earnings					347,374	249	347,623
Miscellaneous					507	4,600	5,107
Transfers					(25,000)	25,000	0
Total General Revenues and Transfers					43,502,170	29,849	43,532,019
Change in Net Assets					738,349	(24,979)	713,370
Net Assets Beginning of Year					15,161,444	193,032	15,354,476
Net Assets End of Year					\$15,899,793	\$168,053	\$16,067,846

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District

Balance Sheet

Governmental Funds

June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$7,274,420	\$1,749,652	\$9,024,072
Receivables:			
Property and Other Taxes	18,268,285	353,412	18,621,697
Income Taxes	1,276,034	0	1,276,034
Accounts	26,055	2,638	28,693
Intergovernmental	163,294	776,772	940,066
Interfund	217,758	0	217,758
Prepaid Items	5,523	0	5,523
Restricted Asset:			
Equity in Pooled Cash and Cash Equivalents	77,302	0	77,302
Total Assets	<u>\$27,308,671</u>	<u>\$2,882,474</u>	<u>\$30,191,145</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$96,602	\$93,027	\$189,629
Accrued Wages and Benefits Payable	3,343,290	262,119	3,605,409
Intergovernmental Payable	901,349	78,086	979,435
Interfund Payable	121,369	226,057	347,426
Matured Compensated Absences Payable	157,409	0	157,409
Deferred Revenue	17,437,743	697,046	18,134,789
Total Liabilities	<u>22,057,762</u>	<u>1,356,335</u>	<u>23,414,097</u>
Fund Balances			
Reserved for Encumbrances	371,796	379,827	751,623
Reserved for Property Taxes	890,239	16,367	906,606
Reserved for Textbooks and Instructional Supplies	77,302	0	77,302
Unreserved, Designated for:			
Budget Reserve	573,354	0	573,354
Unreserved, Undesignated, Reported in:			
General Fund	3,338,218	0	3,338,218
Special Revenue Funds	0	981,969	981,969
Capital Projects Funds	0	147,976	147,976
Total Fund Balances	<u>5,250,909</u>	<u>1,526,139</u>	<u>6,777,048</u>
Total Liabilities and Fund Balances	<u>\$27,308,671</u>	<u>\$2,882,474</u>	<u>\$30,191,145</u>

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008

Total Governmental Fund Balances \$6,777,048

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	450,091	
Building and Improvements	25,969,411	
Other Improvements	280,780	
Infrastructure	17,125	
Furniture and Equipment	8,499,727	
Vehicles	2,656,633	
Accumulated Depreciation	<u>(24,963,997)</u>	
Total Capital Assets		12,909,770

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

Property Taxes	539,575	
Intergovernmental	<u>410,537</u>	950,112

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Accrued Interest on Loans	(4,387)	
Energy Conservation Loans Payable	(940,000)	
Capital Lease Payable	(1,155,578)	
Compensated Absences	<u>(2,637,172)</u>	<u>(4,737,137)</u>

Net Assets of Governmental Activities \$15,899,793

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property Taxes	\$18,321,868	\$380,959	\$18,702,827
Income Taxes	3,314,727	0	3,314,727
Tuition and Fees	842,714	0	842,714
Interest	347,374	775	348,149
Intergovernmental	21,291,810	5,621,929	26,913,739
Extracurricular Activities	29,184	258,458	287,642
Charges for Services	53,502	0	53,502
Gifts and Donations	245	27,627	27,872
Rent	8,630	0	8,630
Miscellaneous	261	1,240	1,501
Total Revenues	44,210,315	6,290,988	50,501,303
Expenditures:			
Current:			
Instruction:			
Regular	19,458,997	566,235	20,025,232
Special	5,170,992	1,832,844	7,003,836
Vocational	481,163	0	481,163
Other	257,975	633,040	891,015
Support Services:			
Pupils	2,812,412	506,880	3,319,292
Instructional Staff	2,464,949	926,868	3,391,817
Board of Education	27,096	0	27,096
Administration	4,071,469	154,706	4,226,175
Fiscal	619,403	954	620,357
Business	654,033	0	654,033
Operation and Maintenance of Plant	3,251,656	117,123	3,368,779
Pupil Transportation	2,703,766	104,043	2,807,809
Central	196,797	157,748	354,545
Operation of Non-Instructional Services	0	444,529	444,529
Extracurricular Activities	663,745	327,492	991,237
Capital Outlay	49,367	13,903	63,270
Debt Service:			
Principal Retirement	319,267	75,710	394,977
Interest and Fiscal Charges	113,486	10,016	123,502
Total Expenditures	43,316,573	5,872,091	49,188,664
Excess of Revenues Over Expenditures	893,742	418,897	1,312,639
Other Financing Sources (Uses):			
Transfer In	0	135,464	135,464
Transfer Out	(160,464)	0	(160,464)
Total Other Financing Sources (Uses)	(160,464)	135,464	(25,000)
Net Change in Fund Balances	733,278	554,361	1,287,639
Fund Balances at Beginning of Year	4,517,631	971,778	5,489,409
Fund Balances at End of Year	\$5,250,909	\$1,526,139	\$6,777,048

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds \$1,287,639

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	238,474	
Depreciation Expense	<u>(1,064,139)</u>	
Capital Outlay Under Depreciation Expense		(825,665)

Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale:

Loss on Sale of Capital Assets (16,358)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current fiscal year, these amounts consist of:

Energy Conservation Loans Principal Payments	130,000	
Capital Lease Payments	<u>264,977</u>	394,977

Some revenues that will not be collected for several months after the School District's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by these amounts:

Property Taxes	(100,137)	
Intergovernmental	<u>95,546</u>	(4,591)

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

Decrease in Accrued Interest	606	
Increase in Compensated Absences	<u>(98,259)</u>	(97,653)

Change in Net Assets of Governmental Activities \$738,349

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$17,462,268	\$18,306,318	\$18,678,404	\$372,086
Income Taxes	3,245,588	3,245,588	3,430,979	185,391
Tuition and Fees	992,000	992,000	925,287	(66,713)
Interest	400,000	400,000	333,421	(66,579)
Intergovernmental	21,507,140	21,507,140	21,285,406	(221,734)
Charges for Services	0	0	53,502	53,502
Extracurricular Activities	35,000	35,000	28,557	(6,443)
Rent	0	0	8,630	8,630
Miscellaneous	89,003	89,003	50,944	(38,059)
Total Revenues	43,730,999	44,575,049	44,795,130	220,081
Expenditures:				
Instruction:				
Regular	19,555,091	20,077,995	19,757,291	320,704
Special	5,604,461	5,329,158	5,200,295	128,863
Vocational	486,576	491,253	472,351	18,902
Other	175,000	279,500	277,955	1,545
Support Services:				
Pupils	3,194,992	3,118,832	3,036,696	82,136
Instructional Staff	2,277,961	2,492,230	2,510,671	(18,441)
Board of Education	26,192	26,192	27,441	(1,249)
Administration	4,008,315	4,134,169	4,082,452	51,717
Fiscal	551,287	570,337	634,915	(64,578)
Business	592,377	731,863	698,871	32,992
Operation and Maintenance of Plant	3,063,305	3,171,084	3,329,119	(158,035)
Pupil Transportation	2,588,665	2,703,672	2,811,370	(107,698)
Central	159,259	160,114	174,773	(14,659)
Operation of Non-Instructional Services	30,000	30,000	0	30,000
Extracurricular Activities	637,343	668,316	662,487	5,829
Capital Outlay	64,000	64,000	50,944	13,056
Debt Service:				
Principal Retirement	318,113	318,113	319,267	(1,154)
Interest and Fiscal Charges	124,576	124,576	113,487	11,089
Total Expenditures	43,457,513	44,491,404	44,160,385	331,019
Excess of Revenues Over Expenditures	273,486	83,645	634,745	551,100
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	500	500	261	(239)
Contingency	(250,000)	(250,000)	0	250,000
Transfers Out	(150,000)	(160,464)	(160,464)	0
Advances Out	0	0	(35,730)	(35,730)
Total Other Financing Sources (Uses)	(399,500)	(409,964)	(195,933)	214,031
Net Change in Fund Balances	(126,014)	(326,319)	438,812	765,131
Fund Balance at Beginning of Year	6,058,017	6,058,017	6,058,017	0
Prior Year Encumbrances Appropriated	455,041	455,041	455,041	0
Fund Balance at End of Year	\$6,387,044	\$6,186,739	\$6,951,870	\$765,131

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Statement of Fund Net Assets
Proprietary Funds
June 30, 2008

	Business-Type Activities	Governmental Activities
	Nonmajor Enterprise Funds	Internal Service Fund
Assets		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$312,361	\$139,344
Accounts Receivable	1,987	0
Interfund Receivable	0	137,762
Inventory Held for Resale	18,492	0
Prepaid Items	2,759	0
<i>Total Current Assets</i>	<u>335,599</u>	<u>277,106</u>
<i>Non-current Assets:</i>		
Depreciable Capital Assets, Net	65,096	0
Total Assets	<u>400,695</u>	<u>277,106</u>
Liabilities		
<i>Current Liabilities:</i>		
Accounts Payable	6,176	0
Accrued Salaries Payable	101,937	1,280
Intergovernmental Payable	46,089	274,346
Interfund Payable	8,094	0
<i>Total Current Liabilities</i>	<u>162,296</u>	<u>275,626</u>
<i>Non-current Liabilities:</i>		
Compensated Absences Payable	70,346	1,480
Total Liabilities	<u>232,642</u>	<u>277,106</u>
Net Assets		
Invested in Capital Assets	65,096	0
Unrestricted	102,957	0
Total Net Assets	<u>\$168,053</u>	<u>\$0</u>

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2008*

	Business-Type Activities <u>Nonmajor Enterprise Funds</u>	Governmental Activities <u>Internal Service Fund</u>
Operating Revenues		
Tuition and Fees	\$18,945	\$0
Charges for Services	847,341	0
Interfund Charges	0	342,434
Other Revenues	4,600	0
Total Operating Revenues	<u>870,886</u>	<u>342,434</u>
Operating Expenses		
Salaries	686,581	31,419
Fringe Benefits	443,635	311,015
Purchased Services	17,098	0
Materials and Supplies	741,421	0
Cost of Sales	81,053	0
Depreciation	9,148	0
Total Operating Expenses	<u>1,978,936</u>	<u>342,434</u>
Operating Loss	<u>(1,108,050)</u>	<u>0</u>
Non-operating Revenues (Expenses)		
Federal Donated Commodities	81,920	0
Intergovernmental	976,081	0
Interest	249	0
Loss on Sale of Capital Assets	(179)	0
Total Non-operating Revenues (Expenses)	<u>1,058,071</u>	<u>0</u>
Loss before Transfers	(49,979)	0
Transfers In	<u>25,000</u>	<u>0</u>
Change in Net Assets	(24,979)	0
Net Assets at Beginning of Year	<u>193,032</u>	<u>0</u>
Net Assets at End of Year	<u>\$168,053</u>	<u>\$0</u>

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008

	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 and Support	\$869,075	\$0
Cash Received from Interfund Charges	0	397,865
Cash Payments for Employee Services	(702,084)	(38,403)
Cash Payments for Employee Benefits	(449,829)	(101,365)
Cash Payments for Goods and Services	(766,405)	(198,015)
Net Cash Received from (Used for) Operating Activities	<u>(1,049,243)</u>	<u>60,082</u>
Cash Flows from Noncapital Financing Activities		
Grants Received	1,104,164	0
Transfers In	25,000	0
Net Cash Received from Noncapital Financing Activities	<u>1,129,164</u>	<u>0</u>
Cash Flows from Investing Activities		
Interest on Investments	249	0
Net Increase in Cash and Cash Equivalents	80,170	60,082
Cash and Cash Equivalents Beginning of Year	232,191	79,262
Cash and Cash Equivalents End of Year	<u>\$312,361</u>	<u>\$139,344</u>
Reconciliation of Operating Loss to Net Cash Received from (Used for) Operating Activities:		
Operating Loss	(\$1,108,050)	\$0
Adjustments to Reconcile Operating Loss to Net Cash Received from (Used for) Operating Activities:		
Depreciation	9,148	0
Donated Commodities	81,920	0
Changes in Assets and Liabilities:		
Increase in Accounts Receivable	(1,811)	0
Increase in Inventory Held for Resale	(867)	0
Decrease in Interfund Receivable	0	55,432
Decrease in Prepaid Items	33	0
Decrease in Accounts Payable	(8,549)	0
Decrease in Accrued Salaries Payable	(7,985)	(9,328)
Decrease in Interfund Payable	(1,466)	0
Increase in Intergovernmental Payable	2,392	12,498
Decrease in Matured Compensated Absences Payable	(20,471)	0
Increase in Compensated Absences Payable	6,463	1,480
Net Cash Provided Received from (Used for) Operating Activities:	<u>(\$1,049,243)</u>	<u>\$60,082</u>

Non-Cash Transaction:

During the fiscal year, the Food Service Enterprise Fund used material and supplies inventory valued at \$81,920. This inventory was donated to the School District and no cash payments were made to acquire the inventory. An expense for the usage was included in the operating loss of the fund and therefore, donated commodities must be recognized as an adjustment to reconcile net cash used for operating activities.

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$80,773	\$48,625
Accounts Receivable	0	1,633
Total Assets	80,773	\$50,258
Liabilities:		
Accounts Payable	0	\$243
Intergovernmental Payable	0	\$20
Undistributed Monies	0	18,109
Due to Students	0	31,886
	0	\$50,258
Net Assets:		
Held in Trust for Scholarships - Non-exendable	25,000	
Held in Trust for Scholarships - Exendable	55,773	
Total Net Assets	\$80,773	

See Accompanying Notes to the Basic Financial Statements

Xenia City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$1,794
Gifts and Contributions	6,750
Total Additions	8,544
Deductions:	
Scholarships Awarded	17,450
Change in Net Assets	(8,906)
Net Assets Beginning of Year	89,679
Net Assets End of Year	\$80,773

See Accompanying Notes to the Basic Financial Statements

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Xenia Community School District (the “School District”) was chartered by Ohio State Legislature. In 1953 state laws were enacted to create local Boards of Education. Today, the School District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The School District operates under a locally-elected five member Board form of government and provides educational services as mandated by State statute and federal guidelines. This Board controls the School District’s instructional and support facilities staffed by 279 non-certificated employees and 378 certificated full-time teaching personnel and administrative employees to provide services to 5,079 students and other community members. The School District currently operates 7 elementary schools, 2 middle schools (grades 6-8) and 1 high school (grades 9-12).

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Xenia Community School District, this includes general operations, food service, and student related activities of the School District.

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

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

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers’
Compensation Group Rating Plan

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Xenia Community School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities, business-type activities and propriety funds provided they do not conflict with or contradict GASB pronouncements. The School District has elected not to apply FASB Statements and Interpretations issued after November 30, 1989, to its business-type and to its proprietary funds. The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

Government-wide Financial Statements:

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

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

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

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

B. Fund Accounting

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

Governmental Funds:

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

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

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

Proprietary Funds

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

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

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

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Fund Types:

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

C. Measurement Focus

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

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

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property and income taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the exchange on which the tax is imposed takes place and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements and monies from other school districts received before the eligibility requirements are met are also recorded as deferred revenue.

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

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures:

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2008, the School District invested in JP Morgan US Treasury Plus Money Market Fund Investor Class, Victory Federal Money Market – Select, Fifth Third Institutional Government Money Market Inst. Class, Fountain Square Commercial Paper. For investments in open-ended mutual funds, fair value is determined by the fund's share price.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$347,374, which includes \$78,819 assigned from other School District funds.

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

F. Inventory

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Interfund Balances

On the fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as “Interfund Receivables/Payables.” Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balances amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as “Internal Balances”.

I. Capital Assets

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

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

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

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

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Accrued Liabilities and Long-term Obligations

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

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

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees who have reached the age of 50.

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

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid. The non-current portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Fund Balance Reserves

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

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

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Assets

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

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

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

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

N. Operating Revenues and Expenses

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

O. Interfund Activity

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

P. Estimates

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

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Budgetary Data

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2008.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

NOTE 3 - FUND DEFICITS

The District Managed Student Activities special revenue fund had a deficit fund balance at June 30, 2008, of \$22,094. The General Fund is liable for any deficit in this fund and will provide operating transfers when cash is required, not when accruals occur.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. The change in the fair market value of investments is not included as revenue on the budget basis operating statement. This amount is included as revenue on the GAAP basis operating statements.

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

	General
GAAP Basis	\$733,278
Revenue Accruals	553,678
Expenditure Accruals	(440,463)
Advances	(35,730)
Change in Fair Market Value of Investments	13,953
Funds with Negative Cash Balances	17,445
Encumbrances	(403,349)
Budget Basis	\$438,812

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution in security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$1,368,704 and the bank balance was \$2,000,877. \$144,181 of the School District's deposits was insured by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$1,856,696 of the School District's bank balance of \$2,000,877 was exposed to custodial risk as it was uninsured and collateralized by securities held by the institution's trust department.

Investments

At June 30, 2008, the School District had the following investments.

Investments	Average Maturity	Fair Value
JP Morgan US Treasury Plus Money Market Fund Investor Class	27 days	\$3,731,850
Fountain Square CM FDG Disc Commerical Paper	8/15/2008	1,992,600
Fountain Square CM FDG Disc Commerical Paper	10/15/2008	1,981,880
Fifth Third Institutional Govt Money Market Inst Class	55 days	430,417
Victory Federal Money Market Select Mutual Fund	29 days	177,026
		\$8,313,773

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

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District’s investment policy does not further limit its investment choices. The School District’s investments in JP Morgan US Treasury Plus Money Market Fund, the Fifth Third Institutional Government Money Market and the Victory Federal Money Market Select Mutual Fund are rated AAAM by Standard & Poor’s. The Fountain Square Commercial Paper is A-1+ by Standard & Poor’s.

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. More than 5 percent of the School District’s investments are in the following:

Investments	Percent
JP Morgan US Treasury Plus Money Market Fund Investor Class	45%
Fountain Square CM FDG Disc Commerical Paper	48%
Fifth Third Institutional Government Money Market	5%

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The School District has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the Treasurer or qualified trustee.

NOTE 6 - 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.

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 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 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.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - PROPERTY TAXES (continued)

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property is currently assessed at 6.25 percent of true value.

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 Greene County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 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, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance is recognized as revenue. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The amount available as an advance at June 30, 2008, was \$890,239 in the General Fund and \$16,367 in the Permanent Improvement Capital Projects Fund. The amount available as an advance at June 30, 2007, was \$1,246,775 in the General Fund and \$26,147 in the Permanent Improvement Capital Projects Fund.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property -				
Residential/Agricultural	\$503,031,990	80.27%	\$512,097,960	80.85%
Commercial/Industrial	76,738,770	12.24%	84,582,830	13.36%
Tangible Property - Personal	46,939,752	7.49%	36,682,078	5.79%
Total	<u>\$626,710,512</u>	<u>100.00%</u>	<u>\$633,362,868</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$47.45		\$47.35	

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 7 – INCOME TAX

The School District levies a voted tax of ½ percent for general operations on the income of residents and of estates. The tax had an original effective date of January 1, 1998, and has subsequently been renewed through December 31, 2011. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2008, consisted of property and income taxes, accounts (tuition and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

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

<u>Intergovernmental Receivable</u>	<u>Amounts</u>
Governmental Activities:	
Literacy Improvement Grant	\$6,477
Special Education Part B IDEA	236,805
Early Childhood Education	47,935
Title I	297,255
Title I - Delinquent	58,691
McKinney - Vento Homeless	22,971
School Improvement - Title I	1,565
Title V - Innovative Program	7,939
IDEA ECSE	10,020
Title II-A	72,895
Title II-D Technology	693
21st Century Grant	7,392
Title II-D (competitive)	522
Project More Grant - McKinley	2,400
Safe and Drug Free Schools, Tile IV-A	3,212
Bus Purchases	15,565
Reimbursement from Greene County ESC	10,868
Reimbursement of tuition from schools	<u>136,861</u>
Total Intergovernmental Receivable	<u><u>\$940,066</u></u>

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/2007	Additions	Deletions	Balance 6/30/2008
Governmental Assets				
<i>Capital Assets, not being depreciated</i>				
Land	\$450,091	\$0	\$0	\$450,091
<i>Capital Assets, being depreciated</i>				
Building and Improvements	25,959,446	9,965	0	25,969,411
Other Improvements	280,780	0	0	280,780
Infrastructure	17,125	0	0	17,125
Furniture/Equipment/Fixtures	8,477,938	228,509	(206,720)	8,499,727
Vehicles	2,656,633	0	0	2,656,633
Total Capital Assets, being depreciated	<u>37,391,922</u>	<u>238,474</u>	<u>(206,720)</u>	<u>37,423,676</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(16,294,258)	(472,070)	0	(16,766,328)
Other Improvements	(64,090)	(7,669)	0	(71,759)
Infrastructure	(4,995)	(856)	0	(5,851)
Furniture/Equipment/Fixtures	(6,501,182)	(384,470)	190,362	(6,695,290)
Vehicles	(1,225,695)	(199,074)	0	(1,424,769)
Total Accumulated Depreciation	<u>(24,090,220)</u>	<u>(1,064,139)</u>	<u>190,362</u>	<u>(24,963,997)</u>
Total Capital Assets, being depreciated, net	<u>13,301,702</u>	<u>(825,665)</u>	<u>(16,358)</u>	<u>12,459,679</u>
Governmental Activities Capital Assets, net	<u>\$13,751,793</u>	<u>(\$825,665)</u>	<u>(\$16,358)</u>	<u>\$12,909,770</u>
Business-Type Activities				
<i>Capital Assets, being depreciated</i>				
Furniture and Equipment	\$497,687	\$0	(\$1,786)	\$495,901
Vehicles	41,218	0	0	41,218
Total Capital Assets, being depreciated	<u>538,905</u>	<u>0</u>	<u>(1,786)</u>	<u>537,119</u>
Less: Accumulated Depreciation				
Furniture and Equipment	(425,021)	(7,390)	1,607	(430,804)
Vehicles	(39,461)	(1,758)	0	(41,219)
Total Accumulated Depreciation	<u>(464,482)</u>	<u>(9,148)</u>	<u>1,607</u>	<u>(472,023)</u>
Business-Type Activities Capital Assets, net	<u>\$74,423</u>	<u>(\$9,148)</u>	<u>(\$179)</u>	<u>\$65,096</u>

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$671,874
Special	16,049
Vocational	4,414
Support Services:	
Pupils	10,126
Instructional Staff	12,677
Board of Education	338
Administration	62,323
Fiscal	744
Business	445
Operation and Maintenance of Plant	41,762
Transportation	191,927
Operation of Non-Instructional Services	8,879
Extracurricular Activities	42,581
Total	<u>\$1,064,139</u>

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the School District contracted with Indiana Insurance Company for general liability insurance with \$1,000,000 single occurrence with a \$3,000,000 aggregate. Property is protected by Indiana Insurance. The School District's vehicles are covered under a business policy with Indiana Insurance with additional vehicle coverage under Monticello. Settled claims have not exceeded this commercial coverage in the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 10 - RISK MANAGEMENT (Continued)

A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund.” This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the GRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$604,786, \$683,350, and \$612,766 respectively; 49.71 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$2,919,536, \$2,724,205, and \$2,645,543 respectively; 83.97 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. The School District did not make any contributions to the DC and Combined Plans for fiscal year 2008.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 12 – POSTEMPLOYEMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$100,284.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$376,267, \$306,589, and \$284,639 respectively; 36.46 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$43,576, \$42,230, and \$38,226 respectively; 49.71 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 12 – POSTEMPLOYEMENT BENEFITS (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$224,580, \$209,554, and \$203,503, respectively; 83.97 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated for all personnel. Upon retirement, payment is made for twenty-five percent of accrued, but unused sick leave credit to a maximum of 81 days for certificated employees, twenty-eight percent of accrued, but unused sick leave credit to a maximum of 91 days for classified employees and one-third of accrued, but unused sick leave credit to a maximum of 115 days for administrators.

B. Early Retirement Incentive Program

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

Certificated Employees:

1. Any employee eligible to retire and has ten year of service with the District shall receive an incentive of \$2,500 for fiscal year 2008 and \$3,000 for fiscal years 2009 and 2010 for providing the district with notification of their retirement on or before March 1. Employees must retire between June 1 and August 1 of that year.
2. Employees who retire in the first year they are eligible, shall receive a monthly payment of \$450, which shall continue for a period of 24 months, to defray the cost of medical insurance.
3. Employees who have earned thirty-five years of service and elect to retire prior to exceeding thirty-six years of service, and notifies the School District by March 1 indicating pending retirement on or before August 31 of that year shall receive a \$10,000 stipend upon retirement. For fiscal year 2008 only, any employee with more than thirty-five years of service is eligible. Employees electing the benefit noted in benefit 2 above are not eligible to receive this benefit.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 13 - OTHER EMPLOYEE BENEFITS (Continued)

Classified Employees (effective through fiscal year 2010):

1. Full-Time employees who retire under SERS regulations for the first time and give the School District timely notices of that retirement will receive a one-time incentive of \$5,000.
2. Part-Time employees who retire under SERS regulations for the first time and give the School District timely notices of that retirement will receive a one-time incentive of \$1,205.
3. For fiscal year 2008, employees must retire after reaching 120 days as required by SERS and must notify the Board in writing of their resignation for retirement purposes 30 days prior to reaching the 120 days to receive the incentive.

During the year ended June 30, 2008, six employees notified the School District of their pending retirement who met the requirements of the retirement incentive program. As a result, a liability of \$33,850 has been accrued for the retirement incentive associated with these individuals and has been included as part of the matured compensated absence liability reported at June 30, 2008.

C. Insurance Benefits

The School District provides medical, life and dental insurance to most employees through Medical Mutual of Ohio.

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the School District entered into capital leases for the acquisition of computers to be used by the students of the School District and a phone system. During fiscal year 2006, the School District entered into a lease with Sky Bank for computer equipment and participated in the OASBO school lease pool for energy conservation improvements and school buses. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The School District made \$264,977 in principal payments on the leases during fiscal year 2008.

Capital assets acquired by lease have been capitalized in the statement of net assets for governmental activities in the amount of \$1,769,225, which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on these assets at June 30, 2008, was \$393,524 and the carrying value was \$1,375,701. The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

Fiscal Year Ending June 30,	Total Payments
2009	\$304,095
2010	218,545
2011	218,519
2012	122,626
2013	121,140
2014-2017	362,567
Total	1,347,492
Less: Amount Representing Interest	(191,914)
Present Value of Net Minimum Lease Payments	\$1,155,578

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Amount Outstanding 6/30/2007	Additions	Deletions	Amount Outstanding 6/30/2008	Amount Due in One Year
Governmental Activities					
Energy Conservation					
Loan 1999 5.6%	\$1,070,000	\$0	(\$130,000)	\$940,000	\$135,000
Capital Leases	1,420,555	0	(264,977)	1,155,578	252,878
Compensated Absences	2,538,913	249,554	(149,816)	2,638,651	249,219
Total Governmental Activities					
Long-Term Liabilities	\$5,029,468	\$249,554	(\$544,793)	\$4,734,229	\$637,097
Business-Type Activities					
Compensated Absences	\$63,883	\$6,463	\$0	\$70,346	\$0

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

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

Capital leases will be paid from the General Fund and Capital Improvement Fund. Compensated absences will be paid from the General Fund, the Title I, Poverty Based Assistance, Miscellaneous Federal Grants, EMIS, Title VI-B and Auxiliary Special Revenue Funds, and the Food Service Enterprise Fund.

The School District's overall legal debt margin was \$57,002,658, the energy conservation debt margin was \$4,760,266 and the un-voted debt margin was \$633,363 at June 30, 2008.

Principal and interest requirements to retire the energy conservation loan outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$135,000	\$52,640	\$187,640
2010	145,000	45,080	190,080
2011	150,000	36,960	186,960
2012	160,000	28,560	188,560
2013	170,000	19,600	189,600
2014	180,000	10,080	190,080
Totals	<u>\$940,000</u>	<u>\$192,920</u>	<u>\$1,132,920</u>

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of six representatives from the member districts elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent and the executive director. The School District paid MVECA \$116,278 for services provided during the fiscal year. Financial information can be obtained from Norma Stewart, Executive Director, at MVECA at 330 East Enon Road, Yellow Springs, Ohio 45387.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 126 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2008, the School District paid \$181,067 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, OH 45377.

Greene County Career Center – The Greene County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts’ elected Boards, which possesses its own budgeting and taxing authority. During fiscal year 2008, the School District did not make any payments to the Greene County Career Center. To obtain financial information, write to the Greene County Career Center, Judith Geers, who serves as Treasurer, at 2960 W. Enon Road, Xenia, Ohio 45385.

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan (GRP). The GRP’s business and affairs are conducted by an eleven member committee consisting of the Chairperson, a representative from the Montgomery County Educational Service Center, and eight other members elected by a majority vote of all member school districts. The Chief administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 17 - SET-ASIDE REQUIREMENTS

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

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

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 17 - SET-ASIDE REQUIREMENTS (continued)

	Textbooks	Capital Improvement	Total
Set-aside balance June 30, 2007	(\$96,394)	\$0	(\$96,394)
Current year set-aside requirement	743,353	743,353	1,486,706
Current year offset	0	(457,899)	(457,899)
Qualifying expenditures	(569,657)	(349,859)	(919,516)
Totals	<u>\$77,302</u>	<u>(\$64,405)</u>	<u>\$12,897</u>
Set-aside carried forward to future years	<u>\$77,302</u>	<u>\$0</u>	<u>\$77,302</u>

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

The \$574,354 reported as unreserved but designated fund balance in the General Fund represents monies that were accumulated in conjunction with the prior requirement that school districts establish a budget reserve account. While the State of Ohio eliminated the mandatory set-aside for budget reserve accounts, the Board of Education deemed it appropriate to maintain the reserve with funds already accumulated.

NOTE 18 – DONOR-RESTRICTED ENDOWMENTS

The School District’s private purpose trust funds include donor-restricted endowments. Net assets held in trust for scholarships – non-expendable of \$25,000 represent the principal portion of the endowment. The amount of appreciation in donor-restricted investments that is available for expenditures by the governing body is \$55,773 and is included as net assets held in trust for scholarships - expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment’s intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each fiscal year.

NOTE 19 – INERFUND ACTIVITY

At June 30, 2008, the General Fund had an interfund loan of \$217,758 to the Other Governmental Funds. The loan of \$50,000 for the athletic department will be repaid with extracurricular revenues received through the athletic program. The loan of \$17,445 was due to the timing of grant dollar receipts. When the grant dollars are received, the loan will be paid back. The loan of \$313 was for monies owed for a field trip. The loan of \$150,000 was for monies owed from Title VI-B program that was reimbursed after the fiscal year-end.

At June 30, 2008, the General Fund had an interfund payable of \$121,369 to the Internal Service Fund for additional amounts owed for workers’ compensation. The Other Governmental Funds owed an additional \$8,299 and the Food Service Enterprise Fund owed \$8,094.

During fiscal year 2008, the General Fund transferred \$135,464 to the EMIS Special Revenue Fund which is shown with other governmental funds. The transfer was to provide additional central services support. Also during fiscal year 2008, the General Fund transferred \$25,000 to the Uniform School Supplies Enterprise fund to help support the purchase of the school supplies.

Xenia Community School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 20 – CONTRACTUAL COMMITMENT

On February 27, 2008 the Board of Education approved the purchase of land for \$905,000 or \$12,859 per acre contingent upon the passage of a bond levy by voters in November 2008 or March 2009. Seller agrees to hold the land until November 2009 if the levy does not pass by March 2009; however the purchase price per acre increases to \$13,859 for a total purchase price of \$975,379.

NOTE 21 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

NOTE 22 – CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2008, the School District implemented GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This statement had no effect on fund balances or net assets. The new disclosures required by this statement are included in the notes to the financial statements (See Note 12).

Also, the School District implemented GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”. This statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. This statement had no effect on fund balances or net assets.

In addition, the School District implemented GASB Statement No. 50, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans.” This statement more closely aligns current pension requirements for governments with those that governments are beginning to implement for retiree health insurance and other post-employment benefits. The new disclosures required by this statement are included in the notes to the financial statements (See Note 11).

Xenia Community School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008

<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>				
Food Distribution Program	NN-N1	10.550	\$ 82,787	\$ 82,787
Nutritional Cluster:				
National School Breakfast Program	05-PU	10.553	228,719	228,719
National School Lunch Program	LLP4	10.555	813,167	813,167
Summer Food Service Program	24-PU	10.559	<u>24,650</u>	<u>24,650</u>
Total Nutrition Cluster			<u>1,066,536</u>	<u>1,066,536</u>
Total U.S. Department of Agriculture			<u>1,149,323</u>	<u>1,149,323</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grant	C1-SD	84.010	1,177,116	1,195,882
Title I Grant-CSR	RFCC	84.332	5,595	5,187
Special Education Cluster:				
Special Education Grant	6B-SF	84.027	1,346,355	1,301,811
Special Education - Preschool Grant	PG-S1	84.173	<u>34,509</u>	<u>35,021</u>
Total Special Education Cluster			<u>1,380,864</u>	<u>1,336,832</u>
Title IV-A Safe & Drug Free Schools and Communities	DR-S1	84.186	21,353	19,719
21st Century Community Learning Center	T1-S1	84.287	267,404	254,817
Innovative Programs Grant	C2-S1	84.298	13,907	16,758
Education Technology Grant	TJ-SL	84.318	67,542	39,213
Improving Teacher Quality Grant	TR-S1	84.367	310,823	296,689
Education for Homeless Children and Youth		84.196	61,777	51,644
<i>Direct Award</i>				
Implementation of Education	n/a	84.215	<u>153,504</u>	<u>153,504</u>
Total U.S. Department of Education			<u>3,459,885</u>	<u>3,370,245</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
<i>Passed Through Ohio Department of Education</i>				
Learn and Serve America	SV-S1	94.004	<u>(735)</u>	<u>63</u>
TOTAL FEDERAL AWARDS			<u>\$ 4,608,473</u>	<u>\$ 4,519,631</u>

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

Xenia Community School District
Notes to the Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2008

Note A – Significant Accounting Policies

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

Note B – U.S. Department Of Agriculture Programs

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State and Local funds. It is assumed federal monies are expended first. At June 30, 2008, the School District had no significant food commodities in inventory.

Note C – Matching Requirements

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Xenia Community School District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2008-001 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

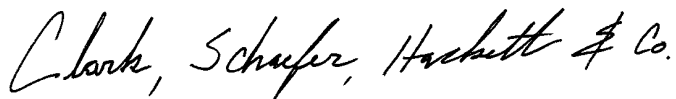
Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated December 31, 2008.

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

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



Springfield, Ohio
December 31, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited 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 each of its major federal programs for the year ended June 30, 2008. 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 31, 2008

Xenia Community School District
 Schedule of Findings and Questioned Costs
 Fiscal Year Ended June 30, 2008

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	None noted
Identification of major programs:	
<i>Special Education Cluster:</i>	
CFDA 84.027 – Title VI(B) Grant	
CFDA 84.173 – Preschool Disabilities Grant	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

Finding 2008-001 – Financial Statement Adjustments

One adjustment totaling \$150,000 was made to the Other Governmental Funds opinion unit of the financial statements. The General Fund expended money throughout the year on behalf of the Title VI-B fund and subsequent to year-end the Title VI-B fund reimbursed the General Fund for those expenditures. This transaction should have been recorded as a Due to/from other funds on the financial statements at year-end.

The school district should ensure that all significant transactions are appropriately reported in the financial statements.

Management Response: The District was made aware of, and agrees, with the adjustment noted above and it has been posted to the financial statements.

Section III – Federal Awards Findings and Questioned Costs

None noted

Section IV – Summary of Prior Audit Findings and Questioned Costs

None reported



Mary Taylor, CPA
Auditor of State

XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 12, 2009