



Dave Yost • Auditor of State

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Xenia Community School District
Greene County
819 Colorado Drive
Xenia, Ohio 45385

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Xenia Community School District, Greene County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Qualified Opinion on Capital Assets, Net Position – Net Investment in Capital Assets, and Depreciation Expense

As discussed in Note 20 to the financial statements, management was unable to provide a detailed listing of asset additions for the new elementary schools. Accounting principles generally accepted in the United States of America require assets to be documented so that individual items' original costs and useful lives be maintained for capitalization and depreciation. Without this documentation, we cannot reasonably determine the completeness of capital assets, net position, and depreciation expense of governmental activities.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion on Capital Assets, Net Position – Net Investment in Capital Assets, and Depreciation Expense" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Xenia Community School District, Green County, Ohio (the District, as of and for the year ended June 30, 2013, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the 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 financial statements.

The schedule is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 13, 2014

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The management's discussion and analysis of the Xenia Community School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, net position of governmental activities increased \$7,651,680 which represents a 20.31% increase from 2012's restated net position.
- General revenues accounted for \$43,062,560 in revenue or 77.59% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12,436,287 or 22.41% of total revenues of \$55,498,847.
- The School District had \$49,151,510 in expenses related to governmental activities; \$12,436,287 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$43,062,560 were adequate to provide for these programs.
- The School District's two major governmental funds are the general fund and the classroom facilities fund. The general fund had \$44,359,066 in revenues and \$40,239,582 in expenditures. During fiscal year 2013, the general fund's fund balance increased \$4,119,484 from a balance of \$1,498,910 to \$5,618,394.
- The classroom facilities fund had \$814,658 in revenues and \$21,461,136 in expenditures. During fiscal year 2013, the classroom facilities fund's fund balance decreased by \$20,646,478 from a balance of \$20,711,176 to a balance of \$64,698.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 position* 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 the School District, the general fund and the classroom facilities fund are the most significant funds and are considered major funds.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Reporting the School District as a Whole

Statement of Net Position 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 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The School District's statement of net position and statement of activities can be found on pages 16-17 of this report.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major governmental funds begins on page 12. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's two major governmental funds are the general fund, and classroom facilities 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 year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 18-22 of this report.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Fiduciary Funds

The School District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 23 and 24. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-58 of this report.

The School District as a Whole

The statement of net position provides the perspective of the School District as a whole. The table below provides a summary of the School District's net position at June 30, 2013 and 2012. The June 30, 2012 net position was restated as described in Note 3.

	Net Position	
	<u>Governmental Activities 2013</u>	<u>Restated Governmental Activities 2012</u>
<u>Assets</u>		
Current and other assets	\$ 40,331,331	\$ 57,618,975
Capital assets, net	<u>76,384,561</u>	<u>50,529,697</u>
Total assets	<u>116,715,892</u>	<u>108,148,672</u>
<u>Liabilities</u>		
Current liabilities	8,727,381	9,195,768
Long-term liabilities	<u>44,130,596</u>	<u>44,035,556</u>
Total liabilities	<u>52,857,977</u>	<u>53,231,324</u>
<u>Deferred Inflows of Resources</u>		
Property taxes levied for the next fiscal year	<u>18,538,398</u>	<u>17,249,511</u>
<u>Net Position</u>		
Net investment in capital assets	35,978,815	37,524,590
Restricted	4,580,891	3,564,780
Unrestricted (deficit)	<u>4,759,811</u>	<u>(3,421,533)</u>
Total net position	<u>\$ 45,319,517</u>	<u>\$ 37,667,837</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the School District's assets exceeded liabilities plus deferred inflows of resources by \$45,319,517. Of this total, \$4,759,811 is unrestricted in use.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Total assets of the School District increased \$8,567,220 or 7.92%. Current and other assets decreased \$17,287,644 or 30.00% due primarily to a decrease in equity in pooled cash and cash equivalents. This decrease can be attributable to cash payments to contractors associated with the School District's building project. Capital assets increased \$25,854,864 or 51.17% due mainly to an increase in buildings and furniture/equipment/fixture added during fiscal year 2013.

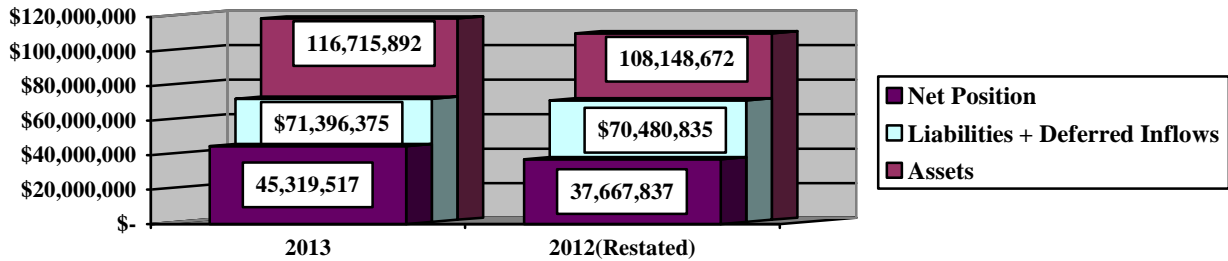
At year-end, capital assets represented 65.44% of total assets. Capital assets include land, construction in progress, buildings and improvements, other improvements, infrastructure, furniture/equipment/fixtures and vehicles. Net investment in capital assets at June 30, 2013, was \$35,978,815. These capital assets are used to provide services to the students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Liabilities of the School District decreased \$373,347 or 0.70%. The primary reason for this decrease is due a decrease in contracts payable at fiscal year-end related to the School District's construction project.

A portion of the School District's net position, \$4,580,891, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$4,759,811 may be used to meet the School District's ongoing obligations to the students and creditors.

The graph below illustrates the School District's assets, liabilities, deferred inflows of resources and net position at June 30, 2013 and 2012. The June 30, 2012 amounts have been restated as described in Note 3.

Governmental Activities



**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The table below shows the change in net position for fiscal year 2013 and 2012. The net position at June 30, 2012 has been restated as described in Note 3.

	Change in Net Position	
	Governmental Activities <u>2013</u>	Restated Governmental Activities <u>2012</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,671,010	\$ 1,883,721
Operating grants and contributions	10,765,277	8,738,565
General revenues:		
Taxes	23,440,180	21,213,393
Payment in lieu of taxes	39,614	31,924
Grants and entitlements	19,442,089	21,354,311
Other	107,785	15,737
Gain on sale of capital assets	-	595,024
Interest	32,892	106,036
Total revenues	<u>55,498,847</u>	<u>53,938,711</u>

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

	Change in Net Position	
	Governmental Activities 2013	Restated Governmental Activities 2012
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 20,469,322	\$ 19,211,531
Special	6,293,428	7,535,001
Vocational	473,007	417,220
Other	798,146	1,064,434
Support services:		
Pupil	2,670,524	3,100,910
Instructional staff	2,829,681	3,644,379
Board of education	28,679	48,039
Administration	3,544,180	4,104,162
Fiscal	493,191	552,322
Business	570,310	651,902
Operations and maintenance	2,676,323	5,176,685
Pupil transportation	2,376,437	2,868,760
Central	175,603	231,466
Operations of non-instructional services:		
Non-instructional services	449,788	390,399
Food service operations	1,568,121	1,793,811
Extracurricular activities	652,959	716,946
Interest and fiscal charges	3,081,811	3,176,366
Total expenses	49,151,510	54,684,333
Excess (deficiency) before extraordinary item	6,347,337	(745,622)
<u>Extraordinary item:</u>		
Insurance settlement for hail damage	1,304,343	1,139,809
Change in net position	7,651,680	394,187
Net position at beginning of year (restated)	37,667,837	37,273,650
Net position at end of year	\$ 45,319,517	\$ 37,667,837

Governmental Activities

Net position of the School District's governmental activities increased \$7,651,680. Total governmental expenses of \$49,151,510 were offset by program revenues of \$12,436,287 and general revenues of \$43,062,560. Program revenues supported 25.30% of the total governmental expenses.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

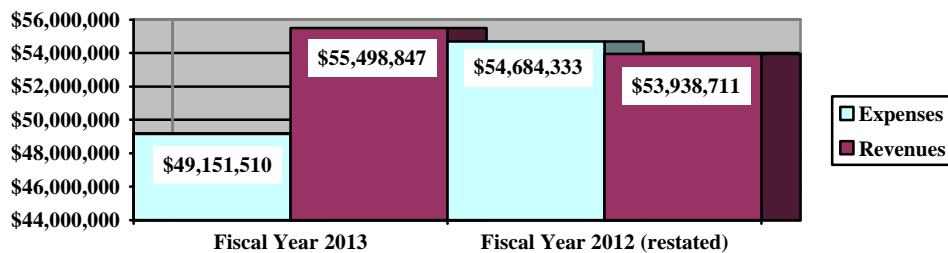
**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Revenues of the School District increased \$1,560,136 or 2.89%. This increase is primarily due to an increase in property taxes. Property taxes increased \$1,968,534 due to better collections on property taxes as well as an increase in assessed property tax values. The primary sources of revenue for governmental activities are derived from taxes, and grants and entitlements. These revenue sources represent 77.27% of total governmental revenue.

The largest expense of the School District is for instructional programs. Instruction expenses totaled \$28,033,903 or 57.04% of total governmental expenses for fiscal year 2013. Overall expenses of the School District decreased \$5,532,823 or 10.12%. This decrease was due to School District cuts put into place due to the failure of a recent levy that mainly effected support service personnel.

The graph below presents the School District’s governmental activities revenues and expenses for fiscal year 2013 and 2012.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and sales and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

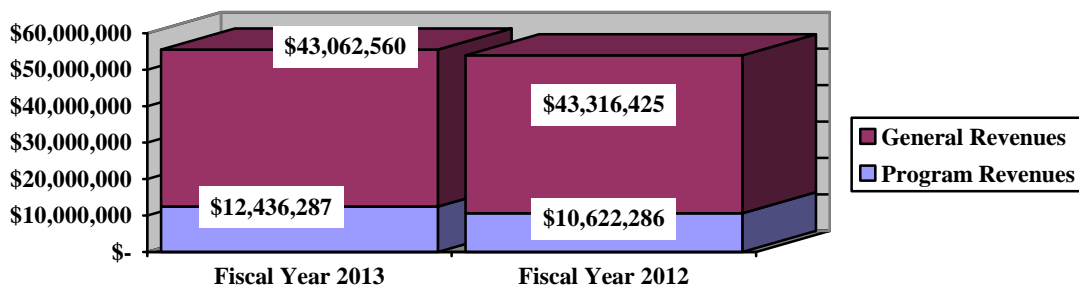
Governmental Activities

	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>	Restated Total Cost of Services <u>2012</u>	Restated Net Cost of Services <u>2012</u>
Program expenses				
Instruction:				
Regular	\$ 20,469,322	\$ 19,068,386	\$ 19,211,531	\$ 17,761,604
Special	6,293,428	1,736,916	7,535,001	5,132,925
Vocational	473,007	390,329	417,220	334,542
Other	798,146	314,739	1,064,434	680,798
Support services:				
Pupil	2,670,524	2,330,027	3,100,910	2,886,050
Instructional staff	2,829,681	1,471,459	3,644,379	2,094,876
Board of education	28,679	28,679	48,039	48,039
Administration	3,544,180	3,368,246	4,104,162	3,947,777
Fiscal	493,191	425,604	552,322	419,389
Business	570,310	570,310	651,902	636,585
Operations and maintenance	2,676,323	2,668,891	5,176,685	5,161,713
Pupil transportation	2,376,437	2,133,550	2,868,760	2,507,929
Central	175,603	161,203	231,466	217,066
Operations of non-instructional services:				
Other non-instructional services	449,788	36,057	390,399	(11,506)
Food service operations	1,568,121	(222,055)	1,793,811	(118,278)
Extracurricular activities	652,959	374,607	716,946	455,829
Interest and fiscal charges	3,081,811	1,858,275	3,176,366	1,906,709
Total expenses	<u>\$ 49,151,510</u>	<u>\$ 36,715,223</u>	<u>\$ 54,684,333</u>	<u>\$ 44,062,047</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 76.73% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 74.70%. The School District's taxpayers and grants and entitlements received from the State of Ohio that are not restricted in use are by far the primary support for School District's students.

The graph below presents the School District's governmental activities revenue for fiscal year 2013 and 2012.

Governmental Activities - General and Program Revenues



**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The School District's Funds

The School District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$10,533,931, which is lower than last year's total of \$28,505,083. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance <u>June 30, 2013</u>	Fund Balance <u>June 30, 2012</u>	<u>Change</u>	Percentage <u>Change</u>
General	\$ 5,618,394	\$ 1,498,910	\$ 4,119,484	274.83 %
Classroom facilities	64,698	20,711,176	(20,646,478)	(99.69) %
Other governmental	<u>4,850,839</u>	<u>6,294,997</u>	<u>(1,444,158)</u>	(22.94) %
Total	<u>\$ 10,533,931</u>	<u>\$ 28,505,083</u>	<u>\$ (17,971,152)</u>	(63.05) %

The School District's general fund balance increased \$4,119,484.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2013 <u>Amount</u>	2012 <u>Amount</u>	<u>Change</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 21,663,553	\$ 21,014,973	\$ 648,580	3.09 %
Tuition	759,664	992,228	(232,564)	(23.44) %
Interest	17,244	23,632	(6,388)	(27.03) %
Intergovernmental	21,516,723	21,417,674	99,049	0.46 %
Other	<u>401,882</u>	<u>247,805</u>	<u>154,077</u>	62.18 %
Total	<u>\$ 44,359,066</u>	<u>\$ 43,696,312</u>	<u>\$ 662,754</u>	1.52 %

	2013 <u>Amount</u>	2012 <u>Amount</u>	<u>Change</u>	Percentage <u>Change</u>
<u>Expenditures</u>				
Instruction	\$ 24,804,747	\$ 25,254,155	\$ (449,408)	(1.78) %
Supporting services	14,374,754	15,789,211	(1,414,457)	(8.96) %
Non-instructional services	26,870	1,047	25,823	2,466.38 %
Extracurricular activities	535,771	553,031	(17,260)	(3.12) %
Facilities acquisition and construction	2,880	45,178	(42,298)	(93.63) %
Debt service	<u>494,560</u>	<u>522,759</u>	<u>(28,199)</u>	(5.39) %
Total	<u>\$ 40,239,582</u>	<u>\$ 42,165,381</u>	<u>\$ (1,925,799)</u>	(4.57) %

Overall revenues of the general fund increased \$662,754. The most significant increase was in the area of taxes which increased \$648,580 or 3.09%. This increase is the result of an increase in income tax revenue due to a better economy and an increase in property tax collections.

Expenditures of the general fund decreased \$1,925,799 or 4.57%. The most significant decreases were in the areas of instruction and support services which decreased \$449,408 and \$1,414,457, respectively. These decreases were due to School District cuts put into place due to the failure of a recent levy.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Classroom Facilities

The classroom facilities fund had \$814,658 in revenues during fiscal year 2013. The classroom facilities fund had \$21,461,136 in expenditures. During fiscal year 2013, the classroom facilities fund's fund balance decreased by \$20,646,478 from a balance of \$20,711,176 to a balance of \$64,698. This significant decrease was the result of costs related to the School District's building project which is just about complete.

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.

During the course of fiscal year 2013, the School District amended its general fund budget several times. For the general fund, original and final budgeted revenues and other financing sources were \$43,990,686. Actual revenues and other financing sources for fiscal year 2013, were \$44,264,655. This represents a \$273,969 increase over final budgeted revenues.

General fund original appropriations and other financing uses totaled \$45,489,669 and final appropriations and other financing uses totaled \$43,314,014. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$41,330,848, which is lower than the final budget appropriations by \$1,983,166.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had \$76,384,561 invested in land, buildings and improvements, other improvements, furniture/equipment/fixtures, and vehicles. This entire amount is reported in governmental activities.

The following table shows fiscal year 2013 balances compared to 2012.

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2013	2012
Land	\$ 450,091	\$ 450,091
Construction in progress	-	37,894,814
Building and improvements	67,983,122	9,316,071
Other improvements	179,938	187,569
Infrastructure	6,993	7,850
Furniture/equipment/fixtures	7,250,967	1,978,208
Vehicles	513,450	695,094
Total	\$ 76,384,561	\$ 50,529,697

The overall increase in capital assets of \$25,854,864 is due to capital outlays of \$28,560,528 exceeding current year depreciation of \$2,290,785 and disposals (net of accumulated depreciation) of \$414,879.

See Note 8 to the basic financial statements for additional information on the School District's capital assets.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Debt Administration

The following table summarizes the School District's long term debt outstanding at June 30, 2013.

	Governmental Activities	
	2013	2012
Energy conservation notes	\$ 1,700,000	\$ 1,810,000
School facilities construction and improvement bonds	35,780,789	34,860,183
School facilities construction and improvement notes	170,000	340,000
Permanent improvement notes	640,000	650,000
Capital leases	466,784	638,486
Unamortized bond & note premiums	3,374,030	3,502,328
Total	\$ 42,131,603	\$ 41,800,997

At June 30, 2013, the School District had \$42,131,603 in current interest bonds, capital appreciation bonds, accreted interest, notes payable, premiums and capital lease obligations. Of this total, \$1,087,731 is due within one year and \$41,043,872 is due within greater than one year.

See Note 14 to the basic financial statements for additional information on the School District's debt administration.

Current Financial Related Activities

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

On November 3, 2009, the School District voters approved 3.2 mills to construct five elementary school buildings. Of the total millage, 2.7 mills will be for construction; the remaining 0.5 mill is required by the state for maintenance on the school buildings. The building project is to cover the local portion of \$34,670,000 of the Ohio School Facilities Commission Program. The total project is \$125,408,386. The new schools were built on the current sites of Cox Elementary School, McKinley Elementary School, Shawnee Elementary School, Tecumseh Elementary School and Arrowood Elementary School. The Xenia Board of Education has set an aspiration goal of 25 percent for including local vendors and companies in the building project. The new elementary buildings were moved into during January 2013.

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

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

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

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Tracy Jarvis, Treasurer at Xenia Community School District, 819 Colorado Drive, Xenia, Ohio 45385.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 14,538,438
Cash and cash equivalents with escrow agent	931,762
Receivables:	
Property taxes	20,961,594
Income taxes	1,443,467
Accounts	16,441
Accrued interest	911
Intergovernmental	2,415,304
Materials and supplies inventory.	23,414
Capital assets:	
Nondepreciable capital assets	450,091
Depreciable capital assets, net.	75,934,470
Capital assets, net	76,384,561
Total assets.	116,715,892
 Liabilities:	
Accounts payable.	231,135
Contracts payable.	2,274,854
Retainage payable	931,762
Accrued wages and benefits payable	3,321,588
Compensated absences payable	251,423
Early retirement incentive payable	195,300
Pension obligation payable.	903,022
Intergovernmental payable	438,242
Accrued interest payable	180,055
Long-term liabilities:	
Due within one year.	1,473,745
Due in more than one year.	42,656,851
Total liabilities	52,857,977
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	18,538,398
Total deferred inflows of resources	18,538,398
 Net position:	
Net investment in capital assets	35,978,815
Restricted for:	
Capital projects	1,604,469
Classroom facilities maintenance	1,239,831
Locally funded programs	15,589
State funded programs.	61,950
Federally funded programs	1,373,984
Student activities	85,241
Other purposes	199,827
Unrestricted	4,759,811
Total net position.	\$ 45,319,517

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 20,469,322	\$ 665,009	\$ 735,927	\$ (19,068,386)
Special	6,293,428	271,396	4,285,116	(1,736,916)
Vocational	473,007	-	82,678	(390,329)
Other	798,146	-	483,407	(314,739)
Support services:				
Pupil.	2,670,524	438	340,059	(2,330,027)
Instructional staff	2,829,681	4,031	1,354,191	(1,471,459)
Board of education	28,679	-	-	(28,679)
Administration.	3,544,180	-	175,934	(3,368,246)
Fiscal.	493,191	40,112	27,475	(425,604)
Business.	570,310	-	-	(570,310)
Operations and maintenance	2,676,323	7,432	-	(2,668,891)
Pupil transportation.	2,376,437	2,050	240,837	(2,133,550)
Central	175,603	-	14,400	(161,203)
Operation of non-instructional services:				
Other non-instructional services	449,788	1,455	412,276	(36,057)
Food service operations	1,568,121	453,451	1,336,725	222,055
Extracurricular activities.	652,959	225,636	52,716	(374,607)
Interest and fiscal charges	3,081,811	-	1,223,536	(1,858,275)
Total governmental activities	\$ 49,151,510	\$ 1,671,010	\$ 10,765,277	(36,715,223)

General revenues:

Property taxes levied for:	
General purposes	18,423,141
Debt service.	915,227
Capital outlay.	344,309
Classroom facilities maintenance	304,277
Payments in lieu of taxes.	39,614
Income taxes levied for:	
General purposes	3,453,226
Grants and entitlements not restricted to specific programs	19,442,089
Investment earnings	32,892
Miscellaneous	107,785
Total general revenues	43,062,560
Extraordinary items.	1,304,343
Total general revenues and extraordinary items	44,366,903
Change in net position	7,651,680
Net position at beginning of year (restated)	37,667,837
Net position at end of year.	\$ 45,319,517

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 6,950,967	\$ 2,397,100	\$ 5,190,371	\$ 14,538,438
Cash and cash equivalents with escrow agents	-	931,762	-	931,762
Receivables:				
Property taxes.	18,582,646	-	2,378,948	20,961,594
Income taxes	1,443,467	-	-	1,443,467
Accounts	16,441	-	-	16,441
Accrued interest	911	-	-	911
Intergovernmental.	436,487	363,628	1,615,189	2,415,304
Materials and supplies inventory.	3,579	-	19,835	23,414
Total assets	<u>\$ 27,434,498</u>	<u>\$ 3,692,490</u>	<u>\$ 9,204,343</u>	<u>\$ 40,331,331</u>
Liabilities:				
Accounts payable	\$ 164,718	\$ -	\$ 66,417	\$ 231,135
Contracts payable.	-	2,208,191	66,663	2,274,854
Retainage payable.	-	931,762	-	931,762
Accrued wages and benefits payable	2,835,196	-	486,392	3,321,588
Compensated absences payable	251,423	-	-	251,423
Early retirement incentive payable	195,300	-	-	195,300
Intergovernmental payable	218,215	124,211	95,816	438,242
Pension obligation payable	762,400	-	140,622	903,022
Total liabilities.	<u>4,427,252</u>	<u>3,264,164</u>	<u>855,910</u>	<u>8,547,326</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	16,239,266	-	2,299,132	18,538,398
Delinquent property tax revenue not available.	707,793	-	42,280	750,073
Intergovernmental revenues not available.	216,537	363,628	1,156,182	1,736,347
Income tax revenue not available	212,051	-	-	212,051
Payment in lieu of taxes not available	13,205	-	-	13,205
Total deferred inflows of resources	<u>17,388,852</u>	<u>363,628</u>	<u>3,497,594</u>	<u>21,250,074</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	3,579	-	19,835	23,414
Restricted:				
Debt service	-	-	1,052,369	1,052,369
Capital improvements	-	64,698	1,747,340	1,812,038
Classroom facilities maintenance	-	-	1,228,938	1,228,938
Food service operations	-	-	275,593	275,593
Non-public schools	-	-	50,654	50,654
Public school preschool	-	-	18,789	18,789
Special education	-	-	76,509	76,509
Targeted academic assistance	-	-	153,850	153,850
Other purposes.	-	-	141,721	141,721
Extracurricular activities	-	-	85,241	85,241
Assigned:				
Student instruction	42,583	-	-	42,583
Student and staff support.	629,561	-	-	629,561
Extracurricular activities	60	-	-	60
Facilities acquisition and construction	350	-	-	350
Subsequent year's appropriations	1,524,808	-	-	1,524,808
Preschool	69,515	-	-	69,515
Unassigned	3,347,938	-	-	3,347,938
Total fund balances	<u>5,618,394</u>	<u>64,698</u>	<u>4,850,839</u>	<u>10,533,931</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 27,434,498</u>	<u>\$ 3,692,490</u>	<u>\$ 9,204,343</u>	<u>\$ 40,331,331</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total governmental fund balances		\$	10,533,931
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			76,384,561
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	750,073	
Income taxes receivable		212,051	
Intergovernmental receivable		1,749,552	
Total		1,749,552	2,711,676
Unamortized premiums on bonds issued are not recognized in the funds.			(3,374,030)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(180,055)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(35,780,789)	
Capital lease obligations		(466,784)	
Compensated absences		(1,998,993)	
Notes payable		(2,510,000)	
Total		(40,756,566)	(40,756,566)
Net position of governmental activities			\$ 45,319,517

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 18,422,378	\$ -	\$ 1,544,565	\$ 19,966,943
Income taxes	3,241,175	-	-	3,241,175
Payment in lieu of taxes	26,409	-	-	26,409
Tuition	759,664	-	-	759,664
Transportation fees	2,050	-	-	2,050
Earnings on investments	17,244	13,554	2,589	33,387
Charges for services	-	-	453,451	453,451
Extracurricular	92,820	-	134,709	227,529
Classroom materials and fees	164,735	-	-	164,735
Rental income	7,432	-	-	7,432
Contributions and donations	4,869	-	53,305	58,174
Contract services	56,149	-	-	56,149
Other local revenues	47,418	-	55,269	102,687
Intergovernmental - state	21,402,211	801,104	809,470	23,012,785
Intergovernmental - federal	114,512	-	7,417,547	7,532,059
Total revenues	<u>44,359,066</u>	<u>814,658</u>	<u>10,470,905</u>	<u>55,644,629</u>
Expenditures:				
Current:				
Instruction:				
Regular	18,992,228	-	848,610	19,840,838
Special	4,918,905	-	1,772,475	6,691,380
Vocational	486,557	-	-	486,557
Other	407,057	-	442,385	849,442
Support services:				
Pupil	2,625,997	-	340,498	2,966,495
Instructional staff	1,715,420	-	1,341,573	3,056,993
Board of education	30,464	-	-	30,464
Administration	3,568,229	-	181,265	3,749,494
Fiscal	498,368	-	25,287	523,655
Business	585,353	-	354	585,707
Operations and maintenance	2,808,385	-	9,107	2,817,492
Pupil transportation	2,369,706	-	1,405	2,371,111
Central	172,832	-	14,400	187,232
Operation of non-instructional services:				
Other non-instructional services	26,870	-	405,459	432,329
Food service operations	-	-	1,630,962	1,630,962
Extracurricular activities	535,771	-	149,829	685,600
Facilities acquisition and construction	2,880	21,461,136	3,790,362	25,254,378
Debt service:				
Principal retirement	404,426	-	62,276	466,702
Interest and fiscal charges	90,134	-	2,203,159	2,293,293
Total expenditures	<u>40,239,582</u>	<u>21,461,136</u>	<u>13,219,406</u>	<u>74,920,124</u>
Extraordinary item:				
Insurance settlement from hail damage	-	-	1,304,343	1,304,343
Net change in fund balances	4,119,484	(20,646,478)	(1,444,158)	(17,971,152)
Fund balances at beginning of year	1,498,910	20,711,176	6,294,997	28,505,083
Fund balances at end of year	<u>\$ 5,618,394</u>	<u>\$ 64,698</u>	<u>\$ 4,850,839</u>	<u>\$ 10,533,931</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

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, 2013

Net change in fund balances - total governmental funds	\$	(17,971,152)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital asset additions	\$ 28,560,528	
Current year depreciation	<u>(2,290,785)</u>	
Total		26,269,743
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(414,879)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	20,011	
Income taxes	212,051	
Intergovernmental	<u>(377,844)</u>	
Total		(145,782)
Repayment of bond, notes and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	5,000	
Notes	290,000	
Capital leases	<u>171,702</u>	
Total		466,702
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	8,790	
Accreted interest on capital appreciation bonds	(925,606)	
Amortization of bond premiums	<u>128,298</u>	
Total		(788,518)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>235,566</u>
Change in net position of governmental activities	\$	<u>7,651,680</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Property taxes	\$ 18,626,893	\$ 18,626,893	\$ 18,400,995	\$ (225,898)
Income taxes	3,197,402	3,197,402	3,219,268	21,866
Payment in lieu of taxes	23,570	23,570	26,409	2,839
Tuition	696,422	696,422	738,836	42,414
Transportation fees	47,901	47,901	2,050	(45,851)
Earnings on investments	93,994	93,994	17,021	(76,973)
Extracurricular	44,003	44,003	58,117	14,114
Classroom materials and fees	150,270	150,270	127,544	(22,726)
Rental income	8,235	8,235	7,432	(803)
Contract services	51,675	51,675	56,149	4,474
Other local revenues	64,998	64,998	10,558	(54,440)
Intergovernmental - state	20,806,342	20,806,342	21,411,199	604,857
Intergovernmental - federal	175,054	175,054	152,230	(22,824)
Total revenues	43,986,759	43,986,759	44,227,808	241,049
Expenditures:				
Current:				
Instruction:				
Regular	19,695,772	19,245,344	19,121,810	123,534
Special	5,348,800	5,104,473	4,999,181	105,292
Vocational	554,002	500,928	481,610	19,318
Other	701,366	579,900	419,260	160,640
Support services:				
Pupil	3,387,408	2,740,815	2,699,544	41,271
Instructional staff	2,319,688	1,828,002	1,768,104	59,898
Board of education	45,176	43,282	36,994	6,288
Administration	3,866,856	4,067,340	3,544,322	523,018
Fiscal	818,272	525,014	461,632	63,382
Business	869,077	701,037	643,060	57,977
Operations and maintenance	3,625,574	3,322,513	3,093,750	228,763
Pupil transportation	2,755,610	2,935,205	2,876,054	59,151
Central	229,625	332,891	170,602	162,289
Other operation of non-instructional services	-	24,543	24,543	-
Extracurricular activities	508,554	504,260	491,155	13,105
Facilities acquisition and construction	48,140	9,490	3,230	6,260
Debt service:				
Principal	405,113	405,113	404,426	687
Interest and fiscal charges	90,102	90,234	90,134	100
Total expenditures	45,269,135	42,960,384	41,329,411	1,630,973
Excess (deficiency) of revenues over (under) expenditures	(1,282,376)	1,026,375	2,898,397	1,872,022
Other financing sources (uses):				
Refund of prior year's expenditures	1,000	1,000	-	(1,000)
Transfers (out)	(220,534)	(353,630)	(1,437)	352,193
Sale of capital assets	2,927	2,927	36,847	33,920
Total other financing sources (uses)	(216,607)	(349,703)	35,410	385,113
Net change in fund balance	(1,498,983)	676,672	2,933,807	2,257,135
Fund balance at beginning of year	2,492,731	2,492,731	2,492,731	-
Prior year encumbrances appropriated	587,697	587,697	587,697	-
Fund balance at end of year	\$ 1,581,445	\$ 3,757,100	\$ 6,014,235	\$ 2,257,135

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 52,046	\$ 64,787
Receivables:		
Intergovernmental	-	137,089
Total assets	52,046	\$ 201,876
Liabilities:		
Due to students	-	\$ 32,388
Undistributed monies	-	169,488
Total liabilities	-	\$ 201,876
Net position:		
Held in trust for scholarships	52,046	
Total net position	\$ 52,046	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 114
Gifts and contributions	2,000
Total additions	2,114
Deductions:	
Scholarships awarded	10,872
Change in net position	(8,758)
Net position at beginning of year	60,804
Net position at end of year	\$ 52,046

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District operates under a locally-elected five member Board form of government and provides educational services as mandated by State statute and federal guidelines. The School District currently operates 5 elementary schools, 2 middle schools (grades 6-8) and 1 high school (grades 9-12).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (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's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the 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; or (3) 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 (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the School District has no component units. The basic financial statements of the reporting entity include only those of the School District (the primary government).

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan

B. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position 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 position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

C. Fund Accounting

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

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

Classroom Facilities Fund - This capital projects fund accounts for the local and state portion of monies that will be used to build five new elementary buildings.

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

FIDUCIARY FUNDS

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

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement on net position. The statement of activities accounts for increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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, current deferred outflows of resources, current liabilities and current deferred inflows of resources 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.

The private purpose trust fund is reported using the economic resources measurement focus. The agency funds do not report a measurement focus as it does not report operations.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange 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.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5).

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

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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, interest, tuition, grants, student fees and rentals.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the School District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the School District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair market value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

F. 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 2013, the School District invested in U. S. Government money market funds and U. S. Government mutual funds (INVESCO STIT funds).

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

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$17,244, which includes \$7,719 assigned from other School District funds.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

G. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories consist of expendable supplies held for consumption and purchased and donated food held for resale. On the fund financial statements, reported materials and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, 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. On the fund financial statements, reported prepayments is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. There were no prepaid items at June 30, 2013.

I. Interfund Balances

On the fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund loans receivable/payable." Interfund balances amounts are eliminated in the statement of net position. There were no interfund balances at June 30, 2013.

J. Capital Assets

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

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

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

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

K. Accrued Liabilities and Long-term Obligations

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

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

L. 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 "Compensated Absences Payable" in the funds from which the employees will be paid. The non-current portion of the liability is not reported.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for the following nonmajor governmental funds: the food service fund and the special trust fund.

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

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

Bond and long-term note premiums are deferred and amortized over the term of the debt using the straight-line method since the results are not significantly different from the effective interest method. Bond and long-term note premiums are presented as a reduction/addition of the face amount of the payable. Issuance costs are expensed in the year they occur.

P. Interfund Activity

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The School District received \$1,304,343 in insurance proceeds from a severe hail storm in May 2011 during which the School District sustained significant damage to its buildings’ roofs. The School District replaced the roofs on the McKinley, Warner Middle School, Central and Brenner Field House and Xenia High School. This amount is reported as an extraordinary item on the basic financial statements.

R. Estimates

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

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

S. 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 2013.

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 - ACCOUNTABILITY AND COMPLIANCE

For fiscal year 2013, the School District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the School District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. For the School District, the implementation of GASB Statement No. 65 has changed (1) the classification of certain items, including the deferral of property taxes levied for the subsequent fiscal year, previously reported as liabilities to *deferred inflows of resources*, (2) the classification of unamortized deferred charges on debt refunding transactions from a reduction of liabilities to *deferred outflows of resources*, (3) the reporting of debt issuance costs to an expense in the period incurred rather than amortized over the term of the related debt issuance and (4) net assets of the School District as previously reported to remove unamortized bond issuance costs previously reported. The implementation of GASB Statement No. 65 had the following effect on net assets as previously reported:

	Governmental Activities
Net assets as previously reported	\$38,515,172
Removal of unamortized bond issuance costs	(847,335)
Net position at July 1, 2012	\$37,667,837

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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 or 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 2% 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 items (1) and (2) above 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 Treasury Asset Reserve of Ohio (STAR Ohio);

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all School District deposits was \$11,663,157. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$12,094,630 of the School District's bank balance of \$12,765,115 was exposed to custodial risk as discussed below, while \$670,485 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2013, the School District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment Maturities</u> 6 months or less
U. S. Government money market	\$ 1,015,380	\$ 1,015,380
U. S. Government mutual funds	<u>2,908,496</u>	<u>2,908,496</u>
Total	<u>\$ 3,923,876</u>	<u>\$ 3,923,876</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the School District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The School District's investments in the U. S. Government money market and mutual funds obtained an AAAM money market rating by Standard & Poor's. The School District's investment policy does not specifically address credit risk beyond requiring the School District to only invest in securities authorized by State Statute.

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 the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the School District at June 30, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
U. S. Government money market	\$ 1,015,380	25.88
U. S. Government mutual funds	<u>2,908,496</u>	<u>74.12</u>
Total	<u>\$ 3,923,876</u>	<u>100.00</u>

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash to the Statement of Net Position

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of June 30, 2013:

<u>Cash per note</u>	
Carrying amount of deposits	\$ 11,663,157
Investments	<u>3,923,876</u>
Total	<u>\$ 15,587,033</u>
 <u>Cash per statement of net position</u>	
Governmental activities	\$ 15,470,200
Private purpose trust funds	52,046
Agency funds	<u>64,787</u>
Total	<u>\$ 15,587,033</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes 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, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$1,635,587 in the general fund, \$31,387 in the permanent improvement fund (a nonmajor governmental fund) and \$25,100 in the classroom maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$1,614,204 in the general fund, \$30,646 in the permanent improvement fund (a nonmajor governmental fund) and \$24,721 in the classroom maintenance fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 5 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 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 inflows of resources.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 627,432,100	97.04	\$ 629,775,760	96.46
Public utility personal	<u>19,137,980</u>	<u>2.96</u>	<u>23,123,840</u>	<u>3.54</u>
Total	<u>\$ 646,570,080</u>	<u>100.00</u>	<u>\$ 652,899,600</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation				
General	\$43.05		\$45.45	
Bond	3.00		3.00	
Permanent improvement	0.80		0.80	
Classroom facilities	0.50		0.50	

NOTE 6 - INCOME TAX

The School District levies a voted tax of 1/2% percent for general operations on the income of residents and of estates. The tax had an original effective date of January 1, 1998, and has subsequently been renewed through December 31, 2016. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 7 - RECEIVABLES

Receivables at June 30, 2013, consisted of property and income taxes, accounts (tuition and student fees), accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables except property taxes are expected to be received within one year. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

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

Governmental activities:

Ohio Facilities Construction Commission	\$ 363,628
Green County ESC	206,745
Medicaid School Program	216,537
State Breakfast Program	3,824
Enterprise Zone Agreement with City of Xenia	13,205
Early Childhood	4,917
Race to the Top	137,649
Title VI-B IDEA	179,776
School Improvement Stimulus A	88,351
Title I School Improvement Stimulus G	339,074
Title I	697,037
IDEA Part B - Preschool Stimulus	10,351
Title II-A	46,909
Green County History Project	<u>107,301</u>
Total Intergovernmental Receivable	<u>\$ 2,415,304</u>

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2013</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 450,091	\$ -	\$ -	\$ 450,091
Construction in Progress	37,894,814	19,691,542	(57,586,356)	-
Total capital assets, not being depreciated	<u>38,344,905</u>	<u>19,691,542</u>	<u>(57,586,356)</u>	<u>450,091</u>
<i>Capital assets, being depreciated:</i>				
Buildings and Improvements	27,262,201	60,196,800	(5,065,456)	82,393,545
Other Improvements	294,039	15,899	(7,434)	302,504
Infrastructure	17,125	-	-	17,125
Furniture/Equipment/Fixtures	10,132,649	6,241,668	(3,263,714)	13,110,603
Vehicles	2,993,243	975	-	2,994,218
Total capital assets, being depreciated	<u>40,699,257</u>	<u>66,455,342</u>	<u>(8,336,604)</u>	<u>98,817,995</u>
<i>Less: accumulated depreciation:</i>				
Buildings and Improvements	(17,946,130)	(1,365,295)	4,901,002	(14,410,423)
Other Improvements	(106,470)	(16,096)	-	(122,566)
Infrastructure	(9,275)	(857)	-	(10,132)
Furniture/Equipment/Fixtures	(8,154,441)	(725,918)	3,020,723	(5,859,636)
Vehicles	(2,298,149)	(182,619)	-	(2,480,768)
Total accumulated depreciation	<u>(28,514,465)</u>	<u>(2,290,785)</u>	<u>7,921,725</u>	<u>(22,883,525)</u>
Governmental activities capital assets, net	<u>\$ 50,529,697</u>	<u>\$ 83,856,099</u>	<u>\$ (58,001,235)</u>	<u>\$ 76,384,561</u>

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,862,893
Special	54,572
Vocational	12,748
<u>Support services:</u>	
Pupil	3,912
Instructional staff	2,829
Administration	49,740
Fiscal	76
Business	64
Operations and maintenance	41,176
Pupil transportation	175,523
<u>Operation of non-instructional services:</u>	
Other non-instructional services	58,685
Food service operations	11,266
Extracurricular	<u>17,301</u>
Total depreciation expense	<u>\$ 2,290,785</u>

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2013, the School District contracted with Indiana Insurance Company for general liability insurance with \$1,000,000 single occurrence with a \$3,000,000 aggregate. Property is protected by Indiana Insurance. The School District's vehicles are covered under a business policy with Indiana Insurance. Settled claims have not exceeded this commercial coverage in the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

B. Workers' Compensation

For fiscal year 2013, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - RISK MANAGEMENT - (Continued)

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

NOTE 10 - 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 defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 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 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$443,421, \$752,940 and \$729,388, respectively; 28.97 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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 website at www.strsoh.org, under "*Publications*".

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - 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 fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$2,611,088, \$2,783,345 and \$3,212,896, respectively; 84.20 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$128,027 made by the School District and \$91,448 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Employers/Audit Resources*".

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 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$94,048, \$121,240 and \$225,188, respectively; 28.97 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$25,048, \$44,465 and \$46,938, respectively; 28.97 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The School District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, 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, 2013, 2012 and 2011 were \$200,853, \$214,103 and \$247,146, respectively; 84.20 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Early Retirement Incentive Program

The School District offers the following retirement incentive program:

Certified Employees:

1. Any employee eligible to retire and has ten years of service with the School District shall receive an incentive of \$3,000 for providing the School District with notification of their retirement on or before March 1. Employees must retire between June 1 and August 1 of that year.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 12 - OTHER EMPLOYEE BENEFITS - (Continued)

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

Administrative Employees:

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

During the year ended June 30, 2013, 13 employees notified the School District of their pending retirement who met the requirements of the retirement incentive program. In addition, the School District had 15 employees from fiscal year 2012 and 8 employees from fiscal year 2013 who they are still paying their monthly payment that help defray the cost of medical insurance. As a result, a liability of \$195,300 has been accrued for the retirement incentive associated with these individuals at June 30, 2013.

C. Insurance Benefits

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

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the School District entered into capital leases for the acquisition of a phone system, computers, and school buses to be used by the students of the School District. Each lease meets the criteria of a capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The School District made \$171,702 in principal payments on the leases during fiscal year 2013.

Capital assets acquired by lease have been capitalized in the statement of net position for governmental activities in the amount of \$1,359,113, 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, 2013, was \$859,617 and the carrying value was \$499,496.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

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, 2013.

<u>Fiscal Year Ending June 30.</u>	<u>Amount</u>
2014	\$ 150,629
2015	149,718
2016	147,653
2017	28,300
2018	28,299
2019	<u>9,424</u>
Total minimum lease payments	514,023
Less: amount representing interest	<u>(47,239)</u>
Total	<u>\$ 466,784</u>

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**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Balance <u>June 30, 2012</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2013</u>	Amounts Due in <u>One Year</u>
School Facilities Construction and Improvement Refunding Notes 2010	\$ 340,000	\$ -	\$ (170,000)	\$ 170,000	\$ 170,000
Unamortized Premium on Notes	5,062	-	(2,532)	2,530	-
School Facilities Construction and Improvement Bonds					
Series 2010A, Term Bonds	14,160,000	-	-	14,160,000	-
Series 2010B Capital Appreciation Bonds	189,982	-	-	189,982	96,154
Series 2010B Accredited Interest	200,201	925,606	-	1,125,807	566,586
Serial Bonds, Series 2010B	5,000	-	(5,000)	-	-
Series 2010C, Term Bonds	20,305,000	-	-	20,305,000	-
Unamortized Premium on Bonds	3,262,799	-	(116,529)	3,146,270	-
Unamortized Premium on Notes	209,344	-	(7,477)	201,867	-
Energy Conservation Notes	1,810,000	-	(110,000)	1,700,000	110,000
Unamortized Premium on Notes	24,176	-	(1,727)	22,449	-
Permanent Improvement Notes	650,000	-	(10,000)	640,000	15,000
Unamortized Premium on Notes	947	-	(33)	914	-
Total Loans and Notes	<u>41,162,511</u>	<u>925,606</u>	<u>(423,298)</u>	<u>41,664,819</u>	<u>957,740</u>
Capital Leases	638,486	-	(171,702)	466,784	129,991
Compensated Absences	<u>2,234,559</u>	<u>196,389</u>	<u>(431,955)</u>	<u>1,998,993</u>	<u>386,014</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 44,035,556</u>	<u>\$ 1,121,995</u>	<u>\$ (1,026,955)</u>	<u>\$ 44,130,596</u>	<u>\$ 1,473,745</u>

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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

The following is a summary of the future debt service requirements to maturity of the School Facilities Construction and Improvement Refunding Notes:

Fiscal Year Ending June 30,	Series 2010 Notes		
	Principal	Interest	Total
2014	\$ 170,000	\$ 3,400	\$ 173,400
Total	<u>\$ 170,000</u>	<u>\$ 3,400</u>	<u>\$ 173,400</u>

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

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

The following is a summary of the future debt service requirements to maturity of the Series 2010 A School Facilities Construction and Improvement Bonds:

Fiscal Year Ending June 30,	Series 2010A Bonds		
	Principal	Interest	Total
2014	\$ -	\$ 849,600	\$ 849,600
2015	-	849,600	849,600
2016	-	849,600	849,600
2017	-	849,600	849,600
2018	810,000	849,600	1,659,600
2019 - 2023	6,165,000	4,248,000	10,413,000
2024 - 2028	<u>7,185,000</u>	<u>4,248,000</u>	<u>11,433,000</u>
Total	<u>\$ 14,160,000</u>	<u>\$ 12,744,000</u>	<u>\$ 26,904,000</u>

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

Capital appreciation bonds are shown in the table on the next page at original principal amount. While the original principal amount was \$189,982, the accreted value at maturity of the capital appreciation bonds will be \$4,210,000 with bonds maturing December 1, 2013 through 2017. Total accreted interest of \$1,125,807 has been included on the statement of net position at June 30, 2013.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity of the Series 2010B Capital Appreciation Bonds:

Fiscal Year Ending June 30,	<u>Series 2010 B Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 96,154	\$ 828,846	\$ 925,000
2015	50,151	899,849	950,000
2016	27,614	1,002,386	1,030,000
2017	14,301	1,035,699	1,050,000
2018	<u>1,762</u>	<u>253,238</u>	<u>255,000</u>
Total	<u>\$ 189,982</u>	<u>\$ 4,020,018</u>	<u>\$ 4,210,000</u>

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

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

The bonds will be paid from the bond retirement debt service fund (a nonmajor governmental fund).

The following is a summary of the future debt service requirements to maturity of the Series 2010 C School Facilities Construction and Improvement Bonds:

Fiscal Year Ending June 30,	<u>Series 2010 C Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 1,319,187	\$ 1,319,187
2015	-	1,319,187	1,319,187
2016	-	1,319,187	1,319,187
2017	-	1,319,187	1,319,187
2018	-	1,319,187	1,319,187
2019 - 2023	-	6,595,935	6,595,935
2024 - 2028	-	6,595,935	6,595,935
2029 - 2033	5,995,000	5,698,966	11,693,966
2034 - 2038	8,290,000	3,392,110	11,682,110
2039 - 2041	<u>6,020,000</u>	<u>614,790</u>	<u>6,634,790</u>
Total	<u>\$ 20,305,000</u>	<u>\$ 29,493,671</u>	<u>\$ 49,798,671</u>

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

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

The following is a summary of the future debt service requirements to maturity of the Series 2011A Energy Conservation Notes:

Fiscal Year	<u>Series 2011 A Energy Conservation Notes</u>		
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 110,000	\$ 54,900	\$ 164,900
2015	115,000	52,650	167,650
2016	115,000	50,206	165,206
2017	120,000	47,413	167,413
2018	120,000	44,262	164,262
2019 - 2023	655,000	158,069	813,069
2024 - 2026	<u>465,000</u>	<u>28,300</u>	<u>493,300</u>
Total	<u>\$ 1,700,000</u>	<u>\$ 435,800</u>	<u>\$ 2,135,800</u>

Permanent Improvement Notes 2011 B - On May 12, 2011, the School District issued \$675,000 in permanent improvement notes for the purpose of acquiring and constructing permanent improvements. The notes carry interest rates between 4.50% and 5.50% and have a final maturity on December 1, 2040. The bonds will be paid with proceeds received from a permanent improvement levy. At June 30, 2013, there were \$600,050 in unspent proceeds.

The following is a summary of the future debt service requirements to maturity of the Series 2011 B Permanent Improvement Notes:

Fiscal Year	<u>Series 2011 B Permanent Improvement Notes</u>		
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 15,000	\$ 31,463	\$ 46,463
2015	15,000	30,787	45,787
2016	15,000	30,113	45,113
2017	15,000	29,437	44,437
2018	15,000	28,763	43,763
2019 - 2023	85,000	133,237	218,237
2024 - 2028	105,000	111,238	216,238
2029 - 2033	125,000	84,812	209,812
2034 - 2038	140,000	50,305	190,305
2039 - 2041	<u>110,000</u>	<u>9,350</u>	<u>119,350</u>
Total	<u>\$ 640,000</u>	<u>\$ 539,505</u>	<u>\$ 1,179,505</u>

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Capital leases will be paid from the general fund and permanent improvement fund. Compensated absences will be paid from the general fund and the following nonmajor governmental funds: the Title I fund, Title VI-B fund, Title II fund, School Improvement Grant fund, Miscellaneous Grant fund, Food Service fund and Auxiliary fund.

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013 are a voted debt margin of \$24,348,351, including available funds of \$1,052,369, an unvoted debt margin of \$652,900 and an energy conservation debt margin of \$4,176,096.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Miami Valley Educational Computer Association - The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Fayette, Greene, Madison and Highland Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The Governing Board of MVECA consists of seven representatives from the member districts elected by majority vote of all charter member school districts with in each county plus one representative from the fiscal agent and the executive director. The School District paid MVECA \$88,445 for services provided during the fiscal year. Financial information can be obtained from Thor Sage, Executive Director, at MVECA at 330 East Enon Road, Yellow Springs, Ohio 45387.

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

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2013, the School District paid \$11,511 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.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOLS -
(Continued)**

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 2013, the School District paid \$745 to the Greene County Career Center. To obtain financial information, write to the Greene County Career Center, Judith Geers, who serves as Treasurer, at 2960 W. Enon Road, Xenia, Ohio 45385.

B. Insurance Purchasing Pool

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

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 2,933,807
Net adjustment for revenue accruals	32,247
Net adjustment for expenditure accruals	427,253
Net adjustment for other sources/uses	(35,410)
Funds budgeted elsewhere **	(8,801)
Adjustment for encumbrances	770,388
GAAP basis	<u>\$ 4,119,484</u>

**

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, the rotary fund and the public school support fund

NOTE 17 - CONTINGENCIES

A. Grants

The School District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School District.

B. Litigation

The School District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The School District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

NOTE 18 - SET-ASIDES

The School District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 18 - SET-ASIDES - (Continued)

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	778,466
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(27,256)
Excess qualified expenditures from prior years	-
Current year offsets	(776,628)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (25,418)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 589,795
Classroom facilities fund	590,686
Other governmental	<u>408,012</u>
Total	<u>\$ 1,588,493</u>

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 20 - COMPLIANCE AND ACCOUNTABILITY

The School District was not in compliance with legal provisions as follows:

The School District was in violation of Ohio Administrative Code Section 117-2-02 (D)(4)(c) by not maintaining a detail listing of assets added in the new elementary schools. The total furniture, fixtures and equipment additions amounted to \$6,094,530.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Grant	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program		10.555		\$106,120		\$106,120
Cash Assistance:						
School Breakfast Program		10.553	\$268,455		\$268,455	
National School Lunch Program		10.555	933,817		933,817	
Total Child Nutrition Cluster			<u>1,202,272</u>	<u>106,120</u>	<u>1,202,272</u>	<u>106,120</u>
Total U.S. Department of Agriculture			<u>1,202,272</u>	<u>106,120</u>	<u>1,202,272</u>	<u>106,120</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I, Part A Cluster:						
Title I Grants to Local Educational Agencies	2013	84.010	1,195,049		1,130,690	
	2012	84.010	154,888		191,446	
Total Title I Grants to Local Educational Agencies			<u>1,349,937</u>		<u>1,322,136</u>	
ARRA - Title I Grants to Local Educational Agencies		84.389	425		3,642	
Total Title I, Part A Cluster			<u>1,350,362</u>		<u>1,325,778</u>	
Special Education Cluster:						
Special Education Grants to States	2013	84.027	1,043,857		966,536	
Special Education Grants to States	2012	84.027	130,432		152,774	
Total Special Education Grants to States			<u>1,174,289</u>		<u>1,119,310</u>	
Special Education Preschool Grants	2013	84.173	33,386		22,042	
Special Education Preschool Grants	2012	84.173	(73)			
Total Special Education Preschool Grants			<u>33,313</u>		<u>22,042</u>	
Total Special Education Cluster			<u>1,207,602</u>		<u>1,141,352</u>	
Education of Homeless Children and Youth	2013	84.196	43,502		37,718	
Education of Homeless Children and Youth	2012	84.196	(7,030)		1,694	
Total Education of Homeless Children and Youth			<u>36,472</u>		<u>39,412</u>	
Education Technology State Grants	2012	84.318	(2)		14,847	
Improving Teacher Quality State Grants	2013	84.367	254,160		245,369	
Improving Teacher Quality State Grants	2012	84.367	45,917		56,538	
Total Improving Teacher Quality State Grants			<u>300,077</u>		<u>301,907</u>	
School Improvements Grants Cluster						
School Improvement Grants	2013	84.377	1,376,249		1,298,703	
ARRA - School Improvement Grants	2013	84.388	96,852		37,288	
ARRA - School Improvement Grants	2012	84.388	179,948		213,244	
Total Arra - School Improvement Grants			<u>276,800</u>		<u>250,532</u>	
Total School Improvements Grants Cluster			<u>1,653,049</u>		<u>1,549,235</u>	
ARRA - State Fiscal Stabilization (SFSF) - Race to the Top Incentive Grants	2013	84.395	329,484		232,804	
ARRA - State Fiscal Stabilization (SFSF) - Race to the Top Incentive Grants	2012	84.395	8,492		19,648	
Total Race to the Top Incentive Grants			<u>337,976</u>		<u>252,452</u>	
Education Jobs Fund	2012	84.410	29,558		43,025	
Direct Award						
Fund for the Improvement of Education		84.215	227,760		227,662	
Total U.S. Department of Education			<u>5,142,854</u>		<u>4,895,670</u>	
Total			<u>\$6,345,126</u>	<u>\$106,120</u>	<u>\$6,097,942</u>	<u>\$106,120</u>

The accompanying notes are an integral part of this schedule.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – REFUND OF ARRA – SCHOOL IMPROVEMENT GRANT RECEIPTS FOR FY2012, CFDA #84.388

\$29,119 of ARRA – School Improvement Grant for fiscal year 2012 was refunded to the Ohio Department of Education during the audit period. This refund has reduced the amount of receipts reported on the accompanying Schedule.

NOTE E – TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts or a reduction in receipts. The District transferred the following program amounts:

Fund	Grant/Year	CFDA #	Transfer In	Transfer Out
506 - 9012	Race to the Top 2012	84.395		(\$7,578)
506 - 9013	Race to the Top 2013	84.395	\$7,578	
516 - 9012	Special Education Part B 2012	84.027		(34,022)
516 - 9013	Special Education Part B 2013	84.027	34,022	
572 - 912H	Education of Homeless Children and Youth 2012	84.196		(7,030)
572 - 913H	Education of Homeless Children and Youth 2013	84.196	7,030	
572 - 912T	Title I	84.010		(48,336)
572 - 913T	Title I	84.010	48,336	
587 - 9012	Special Education Preschool Grants 2012	84.173		(73)
587 - 9013	Special Education Preschool Grants 2013	84.173	73	
590 - 9012	Improving Teacher Quality (Title II-A) 2012	84.367		(8,768)
590 - 9013	Improving Teach Quality (Title IIA) - 2013	84.367	8,768	



Dave Yost • Auditor of State

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

Xenia Community School District
Greene County
819 Colorado Drive
Xenia, Ohio 45385

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Xenia Community School District, Greene County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 13, 2014. We qualified our opinion on the Government-Type Activities because we were unable to obtain sufficient evidence to support the completeness of the District's capital assets, net position – net investment in capital assets, and depreciation expense.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2013-002.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

March 13, 2014



Dave Yost • Auditor of State

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

Xenia Community School District
Greene County
819 Colorado Drive
Xenia, Ohio 45385

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Xenia Community School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Xenia Community School's District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings and questioned costs identifies the District's major federal programs.

Management's Responsibility

The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Special Education Cluster

As described in finding 2013-003 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Allowable Costs/Cost Principles applicable to its Special Education Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Special Education Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Special Education Cluster* paragraph, the Xenia Community School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Special Education Cluster for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Xenia Community City School District complied in all material respects with the requirements referred to above that could directly and materially affect each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Other Matters.

The District's response to our noncompliance finding 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.

Report on Internal Control over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-003 to be a material weakness.

The District's response to our internal control over compliance finding 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.

Xenia Community School District
Greene County
Independent Auditor's Report on Compliance with Requirements Applicable
To Each Major Federal Program and on Internal Control Over
Compliance Required by OMB Circular A-133
Page 3

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 13, 2014

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**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified: Nutrition Cluster Unmodified: Race to the Top Unmodified: Title I Cluster Qualified: Special Education Cluster
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: National School Breakfast Program (CFDA # 10.553) National School Lunch Program (CFDA #10.555) Race to the Top Incentive Grants (CFDA #84.395) Title I Grants to Local Educational Agencies (CFDA #84.010) ARRA Title I Grants to Local Educational Agencies (CFDA #84.389) Special Education Cluster: Special Education-Grants to States (CFDA #84.027) Special Education-Preschool Grants (CFDA #84.173)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

Material Weakness

The District does not have a board approved policy regarding depreciation. As a result, the useful lives of assets were not applied consistently to all assets in each class. Some assets recorded on the District's books were not being depreciated according to the useful life schedule in Note 2.J of the financial statements. Additionally, per review of District accounting policies, several inconsistencies were noted between District policies and financial statement footnotes.

According to District policy 7450 - Property Inventory:

"For purposes of this policy "equipment" shall mean a unit of furniture or furnishings, an instrument, a machine, an apparatus, or a set of articles which retains its shape and appearance with use, is nonexpendable, costs at least \$1,000 and does not lose its identity when incorporated into a more complex unit. When defining supplies for inventory purposes, no items will be counted whose total value is less than \$100."

While District policy 7455 - Accounting System for Fixed Assets states:

"Fixed assets are defined as those tangible assets of the District with 1.) a useful life in excess of one (1) year and an initial cost equal to or exceeding \$250. Further, some items may be identified as "controlled" assets that, although they do not meet all fixed asset criteria, are to be recorded on the fixed-asset system to maintain control."

Note 2.J of the financial statements describing the accounting policy for the District states:

"All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital 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."

Because of the multiple definitions of what constitutes a fixed asset, it is not determinable which policy the District considers to be the correct policy or which policy the District is following to depreciate its capital assets. We recommend the Board of Education adopts a formal, unambiguous policy that clearly defines a capitalization threshold low enough that allows the District to track its assets while not exerting an undue burden on the accounting system by setting the threshold too low. This policy should also state the useful life for each class of asset and accounting records adjusted to reflect the new policy.

Officials Response: I have contacted the company that Xenia works with on policy writing. I shared the audit finding and we will be meeting in March 2014 to write/edit the policy needed.

FINDING NUMBER 2013-002

Noncompliance/Material Weakness

According to Ohio Administrative Code Section 117-2-02 (D)(4)(c), a public office in the State of Ohio shall maintain:

"Capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items."

The District was unable to provide a detail listing of assets added in the new elementary schools. When adding furniture, fixtures and equipment, the District posted the assets into the capital asset system as one total amount per building instead of recording each asset individually and giving them each a tag number. The total amount of additions was \$6,094,530. The documents provided by the District did not detail original cost, acquisition date, asset description, location, voucher number, or tag number. Failure to accurately maintain the District's accounting records 1) reduces the accountability over District funds and assets, 2) reduces the District's ability to monitor financial activity, 3) increases the risk that errors, theft or fraud could occur and not be detected, and 4) increases the likelihood that the District's financial statements will be misstated.

Due to the lack of supporting documentation, a qualified opinion was issued. We recommend the District inventory all assets on hand, maintain a detailed listing of all fixed assets, and reconcile the inventory periodically to maintain proper oversight over District financial resources.

Official's Response: Before the start of this audit, the Treasurer's staff had already discussed needing an updated inventory evaluation due to the opening of five new school buildings. We were upfront and shared this issue with the auditors when they started working on inventory. I will be asking for quotes from vendors for their services on updating the inventory district wide before June 30, 2014.

AOS Conclusion: We recommend that the District obtain a valuation company to review their capital assets. The lack of completeness and existence in capital assets at June 30, 2013 lead to our rendering a qualified opinion on the financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2013-003

Noncompliance/Questioned Cost/Material Weakness – Allowable Costs/Cost Principles

Finding Number	2013-003
CFDA Title and Number	Special Education Cluster: CFDA #84.027: Special Education-Grants to States CFDA #84.173: Special Education-Preschool Grants
Federal Award Number / Year	2013
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

2 C.F.R. Part 225, Attachment B, §8(h)(3) states, where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certification that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. **2 C.F.R. Part 225, Attachment B, §8(h)(4) states in part**, where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

The District did not complete time and effort certifications for any of the classified employees paid from the Special Education grant. The District did not maintain other documentation to support the work performed on this program. This resulted in questioned costs totaling \$113,317.

The District should develop and implement policies and procedures to track the time spent on federal and non-federal activities for all employees paid either completely or partly from federal funds.

Official's Response: The District had a new employee that was unaware that classified staff needed to complete time and effort certificates. The Grants Coordinator and I have reviewed the time and effort rules with all that need to know. All forms are currently up-to-date.

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Statement of Net Assets contained errors.	No	Not Corrected – Unable to calculate due to issue noted as Finding Number 2013-002
2012-002	Failure to properly report all contracts payable at year end.	Yes	
2012-003	34 CFR Section 300.320 (a) failure to prevent noncompliance with Special Education IEP requirements	Yes	

**XENIA COMMUNITY SCHOOL DISTRICT
GREENE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
Fiscal year end JUNE 30, 2013**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2013-003	Train all staff in charge of time and effort certificates. Including information on who needs to sign them and when. Write a requirements/rules sheet for new employees.	Already completed	Tracy A. Jarvis



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Xenia Community School District
Greene County
819 Colorado Drive
Xenia, Ohio 45385

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Xenia Community School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on January 14, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act". Ohio Rev. Code Section 3313.666 required the Board to amend its policy by November 4, 2012.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

March 13, 2014

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Dave Yost • Auditor of State

XENIA COMMUNITY SCHOOL DISTRICT

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 8, 2014**