



**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Sidney City School District
Shelby County
232 North Miami Street
Sidney, Ohio 45365

To the Members of the Board:

We have audited the accompanying basic financial statements of the Sidney City School District, Shelby County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Sidney City School District, Shelby County, as of June 30, 2001, and the results of its operations and the cash flows of its Enterprise Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2001, the District adopted Governmental Accounting Standards Board Statements 33, 34, 36, 37 and Interpretation 6. Additionally, the District changed the Capital Asset capitalization threshold as described in Note 3.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

We performed our audit to form an opinion on the basic financial statements of the District taken as a whole. The schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

April 22, 2002

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

The discussion and analysis of Sidney City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2001. 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 notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial highlights for 2001 as are follows:

- In total, net assets increased \$3,075 thousand. Net assets of governmental activities increased \$2,919 thousand, which represents a 35 percent increase from fiscal year 2000. Net assets of the business-type activity, which represents food service, increased \$156 thousand or 710 percent from fiscal year 2000.
- General revenues accounted for \$24,087 thousand in revenue or 82 percent of all revenues. Program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$5,227 thousand or 18 percent of total revenues of \$29,314 thousand.
- Total assets of governmental activities increased by \$46,536 thousand primarily as a result of increased cash and cash equivalents at the end of the fiscal year.
- Total program expenses were \$25,096 thousand related to governmental activities; only \$3,987 thousand of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily property taxes, grants, and entitlements) of \$24,084 thousand were adequate to provide for these programs.
- The voters of the School District passed a 3.7 mill, twenty-eight year bond levy in November 2000, to construct a new middle school and renovate the high school. During the fiscal year, the School District issued \$20,000,000 in bond anticipation notes which matured in August 2001. The School District also issued \$19,999,992 in general obligation bonds.

Using the 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 Sidney City School District as a financial whole, or as an entire operating entity.

The statement of net assets and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in a single column. For Sidney City School District, the General Fund and Building capital projects fund are the most significant funds.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this report 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 fiscal year 2001?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

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

In the statement of net assets and the statement of activities, the School District is divided into two distinct kinds of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Business-Type Activity - This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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 major governmental funds are the General Fund and the Building capital projects fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end 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 that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the statement of net assets and the statement of activities and the governmental funds is reconciled in the financial statements.

Enterprise Fund - The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

The School District as a Whole

The perspective of the statement of net assets is of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2001 compared to 2000:

**Table 1 - Net Assets
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activity</u>		<u>Total</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Assets:						
Current and Other Assets	\$67,418	\$21,525	\$209	\$54	\$67,627	\$21,579
Capital Assets, Net	4,563	3,920	136	131	4,699	4,051
Total Assets	<u>71,981</u>	<u>25,445</u>	<u>345</u>	<u>185</u>	<u>72,326</u>	<u>25,630</u>
Liabilities:						
Current and Other Liabilities	39,256	15,891	135	129	39,391	16,020
Long-Term Liabilities	21,520	1,267	32	34	21,552	1,301
Total Liabilities	<u>60,776</u>	<u>17,158</u>	<u>167</u>	<u>163</u>	<u>60,943</u>	<u>17,321</u>
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	4,313	3,920	136	131	4,449	4,051
Restricted	1,844	920	0	0	1,844	920
Unrestricted	5,048	3,447	42	(109)	5,090	3,338
Total Net Assets	<u>\$11,205</u>	<u>\$8,287</u>	<u>\$178</u>	<u>\$22</u>	<u>\$11,383</u>	<u>\$8,309</u>

Total assets increased \$46,696 thousand. Equity in pooled cash and cash equivalents increased \$43,244 thousand as a result of two debt issues. Property tax receivable increased \$2,016 thousand; of this increase \$1,984 thousand is offset by an increase in deferred revenue.

Net assets of the School District's governmental activities increased by \$2,918 thousand. The net assets of the School District business-type activity increased by \$156 thousand.

Table 2 reflects the changes in new assets for fiscal year 2001. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2000 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

**Table 2 - Change in Net Assets
(In Thousands)**

	<u>Governmental Activities</u> <u>2001</u>	<u>Business-Type Activity</u> <u>2001</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for Services and Sales	\$530	\$680	\$1,210
Operating Grants and Contributions	3,293	390	3,683
Capital Grants and Contributions	164	171	335
Total Program Revenues	<u>3,987</u>	<u>1,241</u>	<u>5,228</u>
General Revenues:			
Property Taxes	14,476	0	14,476
Payment in Lieu of Taxes	119	0	119
Grants and Entitlements	8,104	0	8,104
Interest	1,170	2	1,172
Miscellaneous	215	0	216
Total General Revenues	<u>24,084</u>	<u>2</u>	<u>24,086</u>
Total Revenues	<u>28,071</u>	<u>1,243</u>	<u>29,314</u>
Transfers	<u>(56)</u>	<u>56</u>	<u>0</u>
Total Revenues and Transfers	<u>28,015</u>	<u>1,299</u>	<u>29,314</u>
Program Expenses:			
Instruction	14,583	0	14,583
Support Services:			
Pupils and Instructional Staff	2,689	0	2,689
Board of Education, Administration, Fiscal, and Business	2,699	0	2,699
Operation and Maintenance of Plant	2,021	0	2,021
Pupil Transportation	945	0	945
Central	481	0	481
Non-Instructional Services	563	0	563
Extracurricular Activities	567	0	567
Intergovernmental	2	0	2
Interest and Fiscal Charges	546	0	546
Food Service	0	1,143	1,143
Total Expenses	<u>25,096</u>	<u>1,143</u>	<u>26,239</u>
Increase in Net Assets	<u>\$2,919</u>	<u>\$156</u>	<u>\$3,075</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

Governmental Activities

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3, for governmental activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenues and unrestricted state entitlements. Comparisons to fiscal year 2000 have not been made since they are not available.

**Table 3 - Governmental Activities
(In Thousands)**

	Total Cost of Services	Net Cost of Services
	2001	2001
Instruction	\$14,583	\$12,811
Support Services:		
Pupils and Instructional Staff	2,689	1,952
Board of Education, Administration, Fiscal, and Business	2,699	2,624
Operation and Maintenance of Plant	2,021	2,021
Pupil Transportation	945	257
Central	481	435
Non-Instructional Services	563	57
Extracurricular Activities	567	404
Intergovernmental	2	2
Interest and Fiscal Charges	546	546
Total Expenses	\$25,096	\$21,109

The dependence upon tax revenues for governmental activities is apparent. Over 88 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84 percent. The community, as a whole, is the primary support for Sidney City School District students.

Business-Type Activity

The only business-type activity of the School District is the food service operation. This program had revenues and transfers of \$1,299 thousand and expenses of \$1,143 thousand for fiscal year 2001. With an increase in salary and benefits, expenses will continue to increase. However, the Board of Education will maintain lunch prices by increasing sales and reducing costs. With the renovation of the High School cafeteria, implementation of additional serving lines, and innovative meals, student participation in the lunch program is increasing thereby increasing revenue. The business-type activity receives no support from tax revenues.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$48,297 thousand and expenditures and other financing uses of \$26,087 thousand. This positive change in fund balance of \$22,209 thousand for the fiscal year reflects the issuance of \$20 million in general obligation bonds, \$742 thousand in first-half tax collections in the Bond Retirement debt service fund, \$700 thousand increase in State foundation subsidy, and increased interest earnings, along with increased property tax revenue due to the full effect of the reappraisal in tax year 1999.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

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 2001, the School District amended its General Fund budget as needed. The School District uses a modified form of site-based budgeting. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

For the General Fund, final budgeted revenues and other financing sources, in the amount of \$23,908 thousand, were above original budgeted revenues and other financing sources, in the amount of \$22,019 thousand. Of this \$1,889 thousand difference, most was due to increases in State foundation subsidy and property tax revenues due to the reappraisal in tax year 1999, and in part to conservative tax and intergovernmental estimates.

Expenditures and other financing uses were budgeted at \$23,830 thousand while actual expenditures and other financing uses were \$22,530 thousand. The major difference comes from conservative spending patterns as compared to budgeted amounts at site level. Reductions in costs for workers compensation, capital outlay for equipment purchases, and lower utility costs contributed to the differences. Additionally, resources became available during the fiscal year in other funds and contributed to the difference between budget and actual as expenditures could then be made from those funds.

The General Fund revenues and other financing sources of the School District still exceed expenditures and other financing uses by approximately \$1,403 thousand, indicating the School District's ability to meet current costs.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2001, the School District had \$4,699 thousand invested in capital assets, \$4,563 thousand in governmental activities. Table 4 shows fiscal year 2001 balances compared to fiscal year 2000.

**Table 4 - Capital Assets at June 30
(Net of Depreciation in Thousands)**

	Governmental Activities		Business-Type Activity		Total	
	2001	2000	2001	2000	2001	2000
Land	\$207	\$207	\$0	\$0	\$207	\$207
Land Improvements	168	180	0	0	168	180
Buildings and Building Improvements	1,648	1,589	71	73	1,719	1,662
Furniture, Fixtures and Equipment	1,215	1,163	56	47	1,271	1,210
Vehicles	988	781	9	11	997	792
Construction in Progress	337	0	0	0	337	0
Totals	\$4,563	\$3,920	\$136	\$131	\$4,699	\$4,051

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

The primary increase in capital assets for governmental activities is a result of the installation of new cable for interactive video distance learning, the purchase of computers and printers for the classrooms, and the purchase of two new school buses.

Debt

Prior to June 30, 2000, the School District's only long-term debt was an asbestos removal loan with the U. S. Environmental Protection Agency in the amount of \$91,775. The annual loan payments are \$14,120, and the loan will be fully paid in fiscal year 2007.

During fiscal year 2001, the voters of the School District approved, at an election held on November 7, 2000, the issuance of bonds and the levy of taxes to pay the principal and interest thereon.

The School District issued \$10 million school improvement bond anticipation notes dated December 20, 2000, and also issued \$10 million school improvement bond anticipation notes dated February 21, 2001, for constructing, improving, and making additions to school facilities, including equipment and furnishings. The proceeds from the \$20 million in bond anticipation notes were placed in the Building capital projects fund in order to begin the process of designing a new middle school and the renovation of the High School. The notes matured in August 2001. In May 2001, the School District issued \$20 million in general obligation bonds in order to refund the outstanding bond anticipation notes issued in December and February, respectively. The Bonds will be fully matured in fiscal year 2029.

The High School cafeteria expansion and renovation project began in March, along with the design phase of the new middle school. The middle school project is projected to cost approximately \$18.6 million and will house an estimated student population of 900 in grades 6-8. The remaining funds are planned for the renovation of the high school cafeteria, auditorium, additional Physics lab, and a lecture hall.

At June 30, 2001, the School District's overall legal debt margin was \$23,449,888 with an unvoted debt margin of \$475,997. The School District currently has an underlying "A2" rating from Moody's Investors Service, Inc. and a rating of "A" from Standard & Poor's.

Current Issues

The Sidney City School District is financially stable. However, future finances are not without challenges as our community changes and state funding is revised. Some of those challenges are in the future of State funding for schools in light of the ten year old DeRolph court case and the long-term effects of public utility deregulation, as well as the reduction of personal property taxes on business inventory.

Contacting the School District's Financial Management

This financial report was designed to provide our parents, citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Gary Benesh, Chief Financial Officer, Sidney City School District, 232 North Miami Avenue, Sidney, Ohio 45365.

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**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2001**

	Governmental Activities	Business-Type Activity	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$50,825,524	\$270,373	\$51,095,897
Cash and Cash Equivalents:			
In Segregated Accounts	2,055		2,055
With Fiscal Agent	7,876		7,876
Investments in Segregated Accounts	7,500		7,500
Accounts Receivable	45,985	3	45,988
Accrued Interest Receivable	278		278
Internal Balances	99,977	(99,977)	
Intergovernmental Receivable	481,856		481,856
Prepaid Items	162,644	10,553	173,197
Inventory Held for Resale		21,789	21,789
Materials and Supplies Inventory	47,683	6,095	53,778
Property Taxes Receivable	15,536,379		15,536,379
Unamortized Issuance Costs	200,686		200,686
Nondepreciable Capital Assets	544,164		544,164
Depreciable Capital Assets, Net	4,018,971	136,119	4,155,090
Total Assets	71,981,578	344,955	72,326,533
Liabilities:			
Accounts Payable	300,807	1,344	302,151
Contracts Payable	440,933		440,933
Accrued Wages and Benefits Payable	2,443,949	93,898	2,537,847
Intergovernmental Payable	587,362	39,912	627,274
Retainage Payable	10,960		10,960
Special Termination Benefits Payable	21,000		21,000
Accrued Interest Payable	543,538		543,538
Notes Payable	20,000,000		20,000,000
Deferred Revenue	14,928,663		14,928,663
Long-Term Liabilities:			
Due Within One Year	723,404	1,994	725,398
Due in More Than One Year	20,775,511	29,913	20,805,424
Total Liabilities	60,776,127	167,061	60,943,188
Net Assets:			
Invested in Capital Assets, Net of Related Debt	4,312,920	136,119	4,449,039
Restricted For:			
Set Asides	210,054		210,054
Debt Service	828,607		828,607
Capital Projects	246,533		246,533
Other Purposes	558,991		558,991
Unrestricted	5,048,346	41,775	5,090,121
Total Net Assets	\$11,205,451	\$177,894	\$11,383,345

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
Instruction:				
Regular	\$10,848,827	\$235,488	\$157,843	\$40,500
Special	2,778,418	22,039	1,295,262	
Vocational	38,359	1,235	20,150	
Other	917,614			
Support Services:				
Pupils	1,312,362	106,409	31,701	
Instructional Staff	1,377,026		598,550	
Board of Education	12,466			
Administration	1,949,506		74,267	
Fiscal	635,348			
Business	101,196			
Operation and Maintenance of Plant	2,021,157			
Pupil Transportation	944,732	2,735	589,391	96,063
Central	480,891		19,052	27,000
Non-Instructional Services	563,207		506,599	
Extracurricular Activities	566,524	161,701	414	
Intergovernmental	2,301			
Interest and Fiscal Charges	546,285			
Total Governmental Activities	<u>25,096,219</u>	<u>529,607</u>	<u>3,293,229</u>	<u>163,563</u>
Business-Type Activity:				
Food Service	1,142,913	679,949	389,521	171,337
Totals	<u>\$26,239,132</u>	<u>\$1,209,556</u>	<u>\$3,682,750</u>	<u>\$334,900</u>

General Revenues:

Property Taxes Levied for General Purposes
 Payment in Lieu of Taxes
 Grants and Entitlements not Restricted to Specific Programs
 Interest
 Miscellaneous
 Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year (Restated - Note 3)

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activity	Total
(\$10,414,996)		(\$10,414,996)
(1,461,117)		(1,461,117)
(16,974)		(16,974)
(917,614)		(917,614)
(1,174,252)		(1,174,252)
(778,476)		(778,476)
(12,466)		(12,466)
(1,875,239)		(1,875,239)
(635,348)		(635,348)
(101,196)		(101,196)
(2,021,157)		(2,021,157)
(256,543)		(256,543)
(434,839)		(434,839)
(56,608)		(56,608)
(404,409)		(404,409)
(2,301)		(2,301)
(546,285)		(546,285)
(21,109,820)		(21,109,820)
	\$97,894	97,894
(21,109,820)	97,894	(21,011,926)
14,475,805		14,475,805
119,378		119,378
8,103,849		8,103,849
1,169,911	2,306	1,172,217
215,275		215,275
24,084,218	2,306	24,086,524
(55,728)	55,728	
24,028,490	58,034	24,086,524
2,918,670	155,928	3,074,598
8,286,781	21,966	8,308,747
<u>\$11,205,451</u>	<u>\$177,894</u>	<u>\$11,383,345</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2001**

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$8,311,729	\$40,514,770	\$1,788,971	\$50,615,470
Cash and Cash Equivalents:				
In Segregated Accounts			2,055	2,055
With Fiscal Agent			7,876	7,876
Investments in Segregated Accounts			7,500	7,500
Accounts Receivable	37,150	5,622	3,213	45,985
Accrued Interest Receivable			278	278
Interfund Receivable	150,000			150,000
Intergovernmental Receivable	101,151		380,705	481,856
Prepaid Items	152,063		10,581	162,644
Materials and Supplies Inventory	47,683			47,683
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	210,054			210,054
Property Taxes Receivable	13,629,085		1,907,294	15,536,379
Total Assets	<u>22,638,915</u>	<u>40,520,392</u>	<u>4,108,473</u>	<u>67,267,780</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	171,587		129,220	300,807
Contracts Payable	115,890	194,625	130,418	440,933
Interfund Payable			50,023	50,023
Accrued Wages and Benefits Payable	2,267,274		176,675	2,443,949
Intergovernmental Payable	396,944		27,105	424,049
Retainage Payable		3,624	7,336	10,960
Accrued Interest Payable		395,933		395,933
Notes Payable		20,000,000		20,000,000
Deferred Revenue	13,290,815		2,066,285	15,357,100
Total Liabilities	<u>16,242,510</u>	<u>20,594,182</u>	<u>2,587,062</u>	<u>39,423,754</u>
Fund Balances:				
Reserved for Budget Stabilization	210,054			210,054
Reserved for Property Taxes	455,456		73,359	528,815
Reserved for Encumbrances	78,357	1,016,712	180,212	1,275,281
Unreserved, Reported in:				
General Fund	5,652,538			5,652,538
Special Revenue Funds			300,647	300,647
Debt Service Fund			755,105	755,105
Capital Projects Funds		18,909,498	212,088	19,121,586
Total Fund Balances (Deficit)	<u>6,396,405</u>	<u>19,926,210</u>	<u>1,521,411</u>	<u>27,844,026</u>
Total Liabilities and Fund Balances	<u>\$22,638,915</u>	<u>\$40,520,392</u>	<u>\$4,108,473</u>	<u>\$67,267,780</u>

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2001**

Total Governmental Fund Balances		\$27,844,026
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,563,135
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	\$39,143	
Intergovernmental Receivable	310,393	
Property Taxes Receivable	78,901	
		428,437
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds		200,686
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, are not reported in the funds		(163,313)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(147,605)	
Compensated Absences Payable	(1,212,205)	
Special Termination Benefits Payable	(21,000)	
General Obligation Bonds Payable	(20,209,055)	
Asbestos Removal Payable	(77,655)	
		(21,667,520)
Net Assets of Governmental Activities		\$11,205,451

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property Taxes	\$13,425,737		\$1,017,818	\$14,443,555
Payment in Lieu of Taxes	119,378			119,378
Intergovernmental	9,349,657		1,983,214	11,332,871
Interest	569,829	\$571,318	28,764	1,169,911
Tuition and Fees	213,570			213,570
Extracurricular Activities			165,689	165,689
Gifts and Donations			13,115	13,115
Miscellaneous	203,212	47,500	110,649	361,361
Total Revenues	<u>23,881,383</u>	<u>618,818</u>	<u>3,319,249</u>	<u>27,819,450</u>
Expenditures:				
Current:				
Instruction:				
Regular	10,407,605		329,775	10,737,380
Special	2,225,646		536,756	2,762,402
Vocational	37,390			37,390
Other	917,614			917,614
Support Services:				
Pupils	1,147,342		151,670	1,299,012
Instructional Staff	913,042		462,219	1,375,261
Board of Education	12,466			12,466
Administration	1,889,456		80,333	1,969,789
Fiscal	571,774	47,500	19,960	639,234
Business	101,196			101,196
Operation and Maintenance of Plant	1,978,881			1,978,881
Pupil Transportation	1,130,223		1,439	1,131,662
Central	455,999		32,324	488,323
Non-Instructional Services				
Extracurricular Activities	375,455		174,066	549,521
Capital Outlay	2,700	254,804	326,031	583,535
Intergovernmental			2,301	2,301
Debt Service:				
Principal Retirement			14,120	14,120
Interest and Fiscal Charges		395,933		395,933
Issuance Costs		200,686		200,686
Total Expenditures	<u>22,166,789</u>	<u>898,923</u>	<u>2,702,643</u>	<u>25,768,355</u>
Excess of Revenues Over (Under) Expenditures	<u>1,714,594</u>	<u>(280,105)</u>	<u>616,606</u>	<u>2,051,095</u>
Other Financing Sources (Uses):				
General Obligation Bonds Issued		19,999,992		19,999,992
Capital Appreciation Bond Premium		461,098		461,098
Serial and Term Bond Discount		(254,775)		(254,775)
Proceeds from Sale of Capital Assets	2,000			2,000
Transfers In			14,120	14,120
Transfers Out	(64,120)			(64,120)
Total Other Financing Sources (Uses)	<u>(62,120)</u>	<u>20,206,315</u>	<u>14,120</u>	<u>20,158,315</u>
Net Change in Fund Balances	<u>1,652,474</u>	<u>19,926,210</u>	<u>630,726</u>	<u>22,209,410</u>
Fund Balances at Beginning of Year (Restated - Note 3)	<u>4,743,931</u>		<u>890,685</u>	<u>5,634,616</u>
Fund Balances (Deficit) at End of Year	<u>\$6,396,405</u>	<u>\$19,926,210</u>	<u>\$1,521,411</u>	<u>\$27,844,026</u>

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Net Change in Fund Balances - Total Governmental Funds \$22,209,410

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

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year:

Capital Outlay - Depreciable Capital Assets	\$637,934	
Capital Outlay - Construction in Progress Related to Debt	250,215	
Capital Outlay - Other Construction in Progress	86,644	
Book Value of Trade In	(8,540)	
Depreciation	<u>(302,990)</u>	663,263

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(2,000)	
Loss on Disposal of Capital Assets	<u>(17,726)</u>	(19,726)

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

Property Taxes	32,250	
Intergovernmental	204,403	
Tuition and Fees	35,050	
Extracurricular Activities	(452)	
Miscellaneous	<u>7,216</u>	278,467

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.

14,120

Bond proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of activities. Governmental funds report the effect of premiums and discounts when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities:

Capital Appreciation Bonds Premium	(461,098)	
General Obligation Bonds	(19,999,992)	
Serial and Term Bond Discount	<u>254,775</u>	(20,206,315)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

Annual Accretion	(2,740)	
Accrued Interest Payable	<u>(147,605)</u>	(150,345)

Issuance costs are reported as an expenditure when paid in the governmental funds, but is deferred and amortized on the statement of activities:

Unamortized Issuance Costs		200,686
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Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(12,893)	
Compensated Absences Payable	(90,997)	
Special Termination Benefits Payable	<u>33,000</u>	(70,890)

Change in Net Assets of Governmental Activities

\$2,918,670

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$13,034,409	\$13,489,241	\$13,489,241	
Payment in Lieu of Taxes	7,822	7,822	119,378	\$111,556
Intergovernmental	8,072,352	9,319,307	9,322,074	2,767
Interest	495,110	535,328	569,829	34,501
Tuition and Fees	201,146	209,456	213,859	4,403
Miscellaneous	133,628	272,086	140,710	(131,376)
Total Revenues	<u>21,944,467</u>	<u>23,833,240</u>	<u>23,855,091</u>	<u>21,851</u>
Expenditures:				
Current:				
Instruction:				
Regular	10,930,930	11,107,654	10,504,861	602,793
Special	2,195,428	2,233,082	2,136,475	96,607
Vocational	39,276	39,843	39,423	420
Other	1,000,973	1,142,973	1,031,549	111,424
Support Services:				
Pupils	1,137,969	1,171,611	1,135,756	35,855
Instructional Staff	950,204	985,717	921,718	63,999
Board of Education	15,358	15,383	12,813	2,570
Administration	1,857,828	1,965,710	1,872,063	93,647
Fiscal	641,916	642,383	573,188	69,195
Business	113,690	117,290	106,950	10,340
Operation and Maintenance of Plant	2,305,899	2,264,074	2,122,425	141,649
Pupil Transportation	1,143,741	1,207,581	1,118,570	89,011
Central	523,137	561,881	422,570	139,311
Extracurricular Activities	324,558	368,148	363,895	4,253
Capital Outlay	6,538	6,538	3,925	2,613
Total Expenditures	<u>23,187,445</u>	<u>23,829,868</u>	<u>22,366,181</u>	<u>1,463,687</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,242,978)</u>	<u>3,372</u>	<u>1,488,910</u>	<u>1,485,538</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	53,881	53,883	54,824	941
Proceeds from Sale of Capital Assets			2,000	2,000
Advances In	20,911	20,911	20,911	
Advances Out			(150,000)	(150,000)
Transfers Out	(50,000)	(50,000)	(14,120)	35,880
Total Other Financing Sources (Uses)	<u>24,792</u>	<u>24,794</u>	<u>(86,385)</u>	<u>(111,179)</u>
Net Change in Fund Balance	<u>(1,218,186)</u>	<u>28,166</u>	<u>1,402,525</u>	<u>1,374,359</u>
Fund Balance at Beginning of Year	6,140,628	6,140,628	6,140,628	
Prior Year Encumbrances Appropriated	433,947	433,947	433,947	
Fund Balance at End of Year	<u>\$5,356,389</u>	<u>\$6,602,741</u>	<u>\$7,977,100</u>	<u>\$1,374,359</u>

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FUND NET ASSETS
ENTERPRISE FUND
JUNE 30, 2001**

	<u>Food Service</u>
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$270,373
Accounts Receivable	3
Interfund Receivable	23
Prepaid Items	10,553
Inventory Held for Resale	21,789
Materials and Supplies Inventory	<u>6,095</u>
Total Current Assets	308,836
 <u>Non-Current Assets:</u>	
Capital Assets, Net	<u>136,119</u>
Total Assets	<u>444,955</u>
 Liabilities:	
Current Liabilities:	
Accounts Payable	1,344
Accrued Wages and Benefits Payable	93,898
Compensated Absences Payable	1,994
Interfund Payable	100,000
Intergovernmental Payable	<u>39,912</u>
Total Current Liabilities	237,148
 Long-Term Liabilities:	
Compensated Absences Payable	<u>29,913</u>
Total Liabilities	<u>267,061</u>
 Net Assets:	
Invested in Capital Assets	136,119
Unrestricted	<u>41,775</u>
Total Net Assets	<u><u>\$177,894</u></u>

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Food Service
Operating Revenues:	
Sales	\$679,949
Operating Expenses:	
Salaries	404,609
Fringe Benefits	209,072
Purchased Services	14,985
Materials and Supplies	30,536
Cost of Sales	476,453
Depreciation	7,205
Total Operating Expenses	1,142,860
Operating Loss	(462,911)
Non-Operating Revenues (Expenses):	
Federal Donated Commodities	63,885
Operating Grants	496,973
Interest	2,306
Loss on Disposal of Capital Assets	(53)
Total Non-Operating Revenues (Expenses)	563,111
Income Before Contributions and Transfers	100,200
Capital Contributions	5,728
Transfers In	50,000
Change in Net Assets	155,928
Net Assets at Beginning of Year (Restated - Note 3)	21,966
Net Assets at End of Year	\$177,894

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASHFLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Food Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$679,923
Cash Payments for Salaries	(408,972)
Cash Payments for Fringe Benefits	(204,060)
Cash Payments for Goods and Services	(463,839)
Net Cash Used for Operating Activities	(396,948)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	514,100
Cash Received from Advances In	100,000
Net Cash Provided by Noncapital Financing Activities	614,100
Cash Flows from Capital and Related Financing Activities:	
Cash Payments for Capital Assets	(7,112)
Cash Flows from Investing Activities:	
Cash Received from Interest	2,306
Net Increase in Cash and Cash Equivalents	212,346
Cash and Cash Equivalents at Beginning of Year	58,027
Cash and Cash Equivalents at End of Year	\$270,373
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$462,911)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	7,205
Donated Commodities Received During Year	63,885
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	92
Increase in Interfund Receivable	(23)
Increase in Prepaid Items	(2,002)
Increase in Inventory Held for Resale	(3,833)
Increase in Materials and Supplies Inventory	(3,356)
Increase in Accounts Payable	1,344
Increase in Accrued Wages and Benefits Payable	6,232
Decrease in Intergovernmental Payable	(1,231)
Decrease in Compensated Absences Payable	(2,350)
Net Cash Used for Operating Activities	(\$396,948)

Non-Cash Transactions

During fiscal year 2001, the School District's governmental funds acquired fixed assets, in the amount of \$5,728, and donated them to the Food Service enterprise fund.
During fiscal year 2001, the School District received donated commodities, in the amount of \$63,885.

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2001**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$131,291	\$47,733
Cash and Cash Equivalents:		
In Segregated Accounts	3,441	
With Fiscal Agent	1,883	
Investments:		
In Segregated Accounts	149,769	
With Fiscal Agent	130,105	
Accrued Interest Receivable	2,291	
Total Assets	418,780	\$47,733
Liabilities:		
Undistributed Assets		\$12,511
Due to Students		35,222
Total Liabilities		\$47,733
Net Assets:		
Held in Trust for Students	\$418,780	

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Private Purpose Trust
Additions:	
Interest	\$25,661
Contributions and Donations	26,220
Total Additions	51,881
Deductions:	
Pupils	8,450
Non-Instructional Services	23,178
Total Deductions	31,628
Change in Net Assets	20,253
Net Assets at Beginning of Year (Restated - Note 3)	398,527
Net Assets at End of Year	\$418,780

See Accompanying Notes to the Basic Financial Statements.

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**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Sidney City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District is the 96th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by one hundred seventy-two classified employees, two hundred forty-six certified teaching personnel, and twenty-three administrative employees who provide services to 3,887 students and other community members. The School District currently operates eight instructional/support buildings.

A. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

The Sidney City School Foundation, Inc. is organized as a not-for-profit corporation and operates exclusively for the benefit of the School District. The Foundation receives and administers donations for educational purposes. The Foundation is governed by a five member board of trustees who are the same individuals that serve as members of the Board of Education. The Foundation is a blended component unit and the financial statements of the Foundation for the year ended December 31, 2000, are included as other governmental funds and private purpose trust fiduciary funds in the School District's basic financial statements.

Within the School District's boundaries, Holy Angels Elementary and Lehman High School are operated through the Cincinnati Catholic Diocese. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is included as a nonmajor governmental fund for financial reporting purposes.

The School District participates in three jointly governed organizations and two insurance pools, and is associated with a related organization. These organizations are the Upper Valley Joint Vocational School, West Central Ohio Special Education Regional Resource Center, Southwestern Ohio Educational Purchasing Cooperative, Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust, Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan, and the Amos Memorial Public Library. These organizations are presented in Notes 21, 22, and 23 to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Sidney City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and business-type activity. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

2. Fund Financial Statements

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds

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

General Fund

The General Fund 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.

Building Capital Projects Fund

The Building Capital Projects Fund is used to account for the debt proceeds and interest for construction of the cafeteria addition at the high school and a new middle school.

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

2. Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The following is the School District's proprietary fund:

Enterprise Fund

The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

Food Service

The Food Service enterprise fund accounts for the financial transactions related to the food service operations of the School District. This fund is the School District's only enterprise fund and it is reported as a major fund.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide scholarships to students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for the employee's Section 125 plan and various student-managed activities.

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its enterprise fund.

The private purpose trust funds are accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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, payment in lieu of taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

2. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

3. Expenses/Expenditures

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the object level within each function and fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during fiscal year 2001.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward 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.

F. Cash and Investments

To improve cash management, 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. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The School District's investments are reported at fair value, except for repurchase agreements and non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

The School District is a participant in an external investment pool maintained by the Shelby County Educational Service Center. Investments are governed by the trust agreement and are limited to conservative growth stocks. The investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually based on quoted market price. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the investment income that it earns.

Following Ohio statutes, 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 2001 was \$569,829, which includes \$49,780 assigned from other School District funds.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments of the School District's 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 presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

Inventory is presented at the lower of cost or market. Cost is determined on a first-in, first-out basis and is expensed when used on the government-wide financial statements, or recorded as an expenditure/expense when used on the fund financial statements.

Inventory consists of administrative supplies in the governmental funds, and donated and purchased food in the enterprise funds.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by State statute to be set aside to create a reserve for budget stabilization.

J. Unamortized Issuance Costs/Bond Premium and Discount

On government-wide financial statements, issuance costs and bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond discounts are presented as a reduction of the face amount of bonds payable.

Bond premiums on the capital appreciation bonds are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amounts of the bonds.

On the governmental fund financial statements, issuance costs, bond premiums, and bond discounts are recognized in the current period.

K. Capital Assets

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of one thousand dollars. The School District does not have any infrastructure. Improvements are capitalized. Interest incurred during the construction of capital assets by the enterprise fund is also capitalized.

All capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Land Improvements	10 - 20 years
Buildings and Building Improvements	10 - 75 years
Furniture, Fixtures, and Equipment	3 - 20 years
Vehicles	15 years

L. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statements of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances".

M. 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 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 after twenty years of service.

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

For the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Notes are recognized as a liability on the fund financial statements when due.

O. Fund Balance Reserves

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

The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

P. Net Assets

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

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

R. Capital Contributions

Contributions of capital on enterprise fund financial statements arise from outside contributions of capital assets, contributions from other funds, or from grants or outside contributions of resources restricted to capital acquisition and construction.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Interfund Transactions

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

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

T. 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 management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

U. Estimates

The preparation of 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.

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principles

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions"; GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statements No. 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis recognition must be met and the revenues must be available.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE (Continued)

The government-wide financial statements split the School District's programs between governmental activities and the business-type activity. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2000, caused by the conversion to the accrual basis of accounting. Except for the restatement explained below, the beginning net asset amount for the business-type activity equals fund equity of the enterprise fund from the prior fiscal year. GASB Statement No. 37 makes certain clarifications regarding escheat property and several provisions of GASB Statement No. 34, including the Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements. GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The School District elected to change the capital asset capitalization threshold from \$500 to \$1,000 in the current fiscal year. This change resulted in a restatement of capital assets for the governmental funds and business type activity. As of June 30, 2000, the General Fixed Asset Account Group reported \$8,565,688 in gross fixed assets. Implementation of GASB 34 results in reporting the General Fixed Asset Account Group as Governmental Capital Assets. The change in capitalization criteria reduced the gross Capital Assets to \$7,652,744. The restatement table below reflects the adjustment required for the change in the capital asset threshold for the food service enterprise fund.

B. Restatement of Fund Equity

The restatement due to the implementation of the above statements and interpretation had the following effects on fund equity of the major and nonmajor funds of the School District as they were previously reported. The implementation had no effect on the Building major fund.

The restatement from governmental fund balance to net assets of governmental activities:

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Activities</u>
Fund Balance June 30, 2000	\$4,617,495	\$855,272	\$5,472,767
GASB Statement No. 33 and 36 Adjustment:			
Intergovernmental Receivable	0	1,000	1,000
GASB Statement No. 34 Adjustment:			
Change in Fund Structure	32,427	12,517	44,944
GASB Interpretation No. 6 Adjustment:			
Compensated Absences Payable	94,009	21,896	115,905
Adjusted Fund Balance	<u>\$4,743,931</u>	<u>\$890,685</u>	5,634,616
GASB Statement No. 34 Adjustments:			
Accounts Receivable			\$72,338
Intergovernmental Receivable			30,981
Property Taxes Receivable			46,651
Capital Assets			3,919,598
Intergovernmental Payable			(150,420)
Special Termination Benefits Payable			(54,000)
Compensated Absences Payable			(1,121,208)

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

	General	Other Governmental	Total Governmental Activities
Other Long-Term Liabilities			(91,775)
Governmental Activities Net Assets at June 30, 2000			\$8,286,781

The restatement of the business-type activity:

	Business-Type Activity
Fund Equity June 30, 2000	(\$33,099)
GASB 33 and 36 Adjustment:	
Change in Federal Commodities	\$6,301
GASB 34 Adjustment:	
Change in Fund Structure	(253)
Change in Threshold and Distribution:	
Capital Assets	49,017
Adjusted Net Assets at June 30, 2000	\$21,966

The restatement of the private purpose trust funds:

	Private Purpose Trust
Fund Equity June 30, 2000	\$444,417
GASB 33 and 36 Adjustment:	
Interest Receivable	(1,199)
GASB 34 Adjustment:	
Change in Fund Structure	(44,691)
Adjusted Net Assets at June 30, 2000	\$398,527

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2001, the Title VI B special revenue fund and the Building capital projects fund had deficit fund balances of \$4,132 and \$79,412, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The Auxiliary Services special revenue fund had appropriations in excess of estimated resources plus available balances for the fiscal year ended June 30, 2001, in the amount of \$4,656.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE (Continued)

The following accounts had expenditures in excess of appropriations for the fiscal year ended June 30, 2001.

<u>Fund Type/Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Debt Service Fund			
Bond Retirement			
Debt Service			
Interest and Fiscal Charges	\$206,308	\$206,315	\$7
Capital Projects Fund			
Power Up			
Capital Outlay			
Capital Outlay	45,069	49,711	4,642

The Board of Education is establishing budgetary controls to avoid future violations of budgetary compliance.

5. BUDGETARY BASIS OF ACCOUNTING

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

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Net Change in Fund Balance	
GAAP Basis	\$1,652,474
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2000, Received in Cash FY 2001	527,200
Accrued FY 2001, Not Yet Received in Cash	(476,571)
Expenditure Accruals:	
Accrued FY 2000, Paid in Cash FY 2001	(2,592,782)
Accrued FY 2001, Not Yet Paid in Cash	2,951,695
Prepaid Items	(28,089)
Materials and Supplies Inventory	(7,630)
Advances In	20,911
Advances Out	(150,000)
Transfers Out	50,000
Encumbrances Outstanding at Year End (Budget Basis)	(544,683)
Budget Basis	<u><u>\$1,402,525</u></u>

6. DEPOSITS AND INVESTMENTS

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Interim monies may be deposited or invested in the following securities:

- a. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- f. The State Treasurer's investment pool (STAR Ohio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
- h. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

At fiscal year end, the School District had \$1,425 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

At fiscal year end, the School District had \$9,759 in cash and cash equivalents held by the Shelby County Educational Service Center, which is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent". The Educational Service Center holds this flow through money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No. 3.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

At fiscal year end, the carrying amount of the School District's deposits was \$7,782,941 and the bank balance was \$8,478,566. Of the bank balance, \$442,276 was covered by federal depository insurance and \$8,036,290 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAR Ohio and investments in mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Risk Category</u>		
	<u>3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Federal Home Loan Mortgage Corporation Discounted Notes	\$28,813,000	\$28,813,000	\$28,813,000
Federal National Mortgage Association Discounted Notes	9,985,000	9,985,000	9,985,000
Qwest Communications International, Inc.	8,282	8,282	8,282
SBC Communications, Inc.	6,494	6,494	6,494
Verizon Communications	5,714	5,714	5,714
Repurchase Agreements	2,342,697	2,342,697	2,342,844
	<u>\$41,161,187</u>	41,161,187	41,161,334
Investments in Shelby County Educational Service Center's Investment Pool		130,106	130,106
STAR Ohio		1,921,554	1,921,554
Mutual Funds		570,578	570,578
Total		<u>\$43,783,425</u>	<u>\$43,783,572</u>

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

A reconciliation between the classification of cash and cash equivalents and investments on the basic financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$51,290,176	\$287,374
Cash on Hand	(1,425)	0
Cash and Cash Equivalents with Shelby County Educational Service Center	(9,759)	0
Certificates of Deposit	136,778	(136,778)
Federal Home Loan Mortgage Corporation Discounted Notes	(28,813,000)	28,813,000
Federal National Mortgage Association Discounted Notes	(9,985,000)	9,985,000
Repurchase Agreements	(2,342,697)	2,342,697
STAR Ohio	(1,921,554)	1,921,554
Mutual Funds	(570,578)	570,578
GASB Statement No. 3	<u>\$7,782,941</u>	<u>\$43,783,425</u>

7. RECEIVABLES

Receivables at June 30, 2001, consisted of accounts (rent and student fees), accrued interest, interfund, intergovernmental, and property taxes. All receivables are considered collectible within one year and 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.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	<u>\$101,151</u>
Other Governmental Funds	
Eisenhower	1,601
Title VI-B	28,289
Title I	94,336
Title VI	7,360
Reducing Class Size	9,188
Reading Excellence	189,931
Comprehensive School Reform	50,000
Total Other Governmental Funds	<u>380,705</u>
Total Intergovernmental Receivables	<u>\$481,856</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

8. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes received in calendar year 2001 were levied after April 1, 2000, on the assessed values as of January 1, 2000, 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 real and tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Shelby and Logan Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is reflected as revenue at fiscal year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2001, was \$455,456 in the General Fund, \$64,130 in the Bond Retirement debt service fund, and \$9,229 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2000, was \$518,960 in the General Fund and \$10,669 in the Permanent Improvement capital projects fund.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

8. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$238,520,930	51.11%	\$242,037,240	50.86%
Industrial/Commercial	91,248,050	19.56	93,021,610	19.54
Public Utility	25,636,910	5.49	23,266,820	4.89
Tangible Personal	111,242,730	23.84	117,671,091	24.71
Total Assessed Value	<u>\$466,648,620</u>	<u>100.00%</u>	<u>\$475,996,761</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.40		\$44.10	

During fiscal year 2001, the School District passed a 3.70 mill bond levy.

9. PAYMENT IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2001 were \$119,378.

10. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2001, was as follows:

	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$207,305	\$0	\$0	\$207,305
Construction in Progress	0	336,859	0	336,859
Total Non depreciable Capital Assets	<u>207,305</u>	<u>336,859</u>	<u>0</u>	<u>544,164</u>
Depreciable Capital Assets				
Land Improvements	224,413	0	0	224,413
Buildings and Building Improvements	3,146,242	116,912	0	3,263,154
Furniture, Fixtures, and Equipment	2,675,531	230,254	(98,866)	2,806,919
Vehicles	1,399,253	290,768	(120,029)	1,569,992
Total Depreciable Capital Assets	<u>7,445,439</u>	<u>637,934</u>	<u>(218,895)</u>	<u>7,864,478</u>
Total Capital Assets at Historical Cost	<u>7,652,744</u>	<u>974,793</u>	<u>(218,895)</u>	<u>8,408,642</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

10. CAPITAL ASSETS (Continued)

	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/01</u>
Less Accumulated Depreciation				
Land Improvements	(44,269)	(12,420)	0	(56,689)
Buildings and Building Improvements	(1,557,105)	(57,928)	0	(1,615,033)
Furniture, Fixtures, and Equipment	(1,513,073)	(157,615)	79,140	(1,591,548)
Vehicles	(618,699)	(75,027)	111,489	(582,237)
Total Accumulated Depreciation	<u>(3,733,146)</u>	<u>(302,990)</u>	<u>190,629</u>	<u>(3,845,507)</u>
Depreciable Capital Assets, Net	<u>3,712,293</u>	<u>334,944</u>	<u>(28,266)</u>	<u>4,018,971</u>
Governmental Activities				
Capital Assets, Net	<u>\$3,919,598</u>	<u>\$671,803</u>	<u>(\$28,266)</u>	<u>\$4,563,135</u>
 Business-Type Activities				
Depreciable Capital Assets				
Buildings and Building Improvements	\$177,583	\$0	\$0	\$177,583
Furniture, Fixtures, and Equipment	300,305	12,840	(40,709)	272,436
Vehicles	15,004	0	0	15,004
Total Depreciable Capital Assets at Historical Cost	<u>492,892</u>	<u>12,840</u>	<u>(40,709)</u>	<u>465,023</u>
Less Accumulated Depreciation				
Buildings and Building Improvements	(104,315)	(2,296)	0	(106,611)
Furniture, Fixtures, and Equipment	(253,475)	(3,913)	40,656	(216,732)
Vehicles	(4,565)	(996)	0	(5,561)
Total Accumulated Depreciation	<u>(362,355)</u>	<u>(7,205)</u>	<u>40,656</u>	<u>(328,904)</u>
Business-Type Activities				
Capital Assets, Net	<u>\$130,537</u>	<u>\$5,635</u>	<u>(\$53)</u>	<u>\$136,119</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$166,266
Special	5,714
Vocational	969
Support Services:	
Pupils	5,803
Instructional Staff	4,626
Administration	5,141
Fiscal	2,424
Operation and Maintenance of Plant	13,395
Pupil Transportation	60,312
Central	11,182
Non-Instructional Services	8,440
Extracurricular Activities	18,718
Total Depreciation Expense	<u>\$302,990</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. INTERFUND ASSETS/LIABILITIES

At June 30, 2001, the General Fund had an interfund receivable and the other governmental funds and Food Service enterprise fund had an interfund payable, in the amount of \$150,000. The interfund payable consisting of \$20,000 in the Reducing Class Size and \$30,000 in the Reading Excellence special revenue funds resulted from the provision of cash flow resources by the General Fund until the receipt of grant monies by the special revenue funds; \$100,000 in the Food Service enterprise fund resulted from a short-term loan. The interfund payable, in the amount of \$23, in the Public Pupil Support special revenue fund resulted from services provided by the Food Service enterprise fund.

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Agribusiness Insurance for the following insurance coverage:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$55,547,000
Boiler and Machinery (\$1,000 deductible)	18,441,200
Hardware and Software (\$250 deductible)	1,163,908
Automobile Liability	2,000,000
Uninsured Motorists	500,000
General School District Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

The School District participates in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (the Trust), a public entity shared risk pool consisting of seventy school districts. The School District pays monthly premiums to the Trust for employee medical and dental insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2001, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The intent of the Plan 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 Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan 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 Plan.

A participant will then either receive money from or be required to contribute to the "Group Saving Fund". This "group saving" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. Each participant must apply annually. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the Plan.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

13. CONTRACTUAL COMMITMENTS

As of June 30, 2001, the School District had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining</u>
Kleen All of America	Asbestos Removal	\$91,700
Inron Laboratories	Asbestos Removal	18,600
Tackett Environmental Services	Asbestos Removal	16,562
Triad Insulation	Asbestos Removal	26,220
Wagner Paving	Northwood Elementary Paving	22,311
Sidney Electric	Cafeteria Electric	167,025
Slagle Mechanical Construction	Cafeteria Plumbing and HVAC	207,664
C & T Design and Equipment	Cafeteria Equipment	165,950
Ferguson Construction	Cafeteria General Contractor	567,900
NCS Pearson	Upgrade to Classroom Software	93,360

14. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$1,101,848, \$675,882, and \$632,142, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$191,610, is recorded as a liability.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

14. DEFINED BENEFIT PENSION PLANS (Continued)

Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$135,627, \$168,173, and \$215,137, respectively; 50 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$69,973, is recorded as a liability.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2001, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

15. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$521,928.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

15. POSTEMPLOYMENT BENEFITS (Continued)

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$354,454 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

16. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators, except for the Superintendent and Treasurer, do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Teachers may accumulate sick leave up to a maximum of two hundred forty days through twenty-seven years of service, a maximum of two hundred fifty days for twenty-eight through thirty years of service, and two hundred sixty days for thirty-one or more years of service. Administrators may accumulate unlimited sick leave days. Classified employees may accumulate sick leave up to two hundred forty days.

Upon retirement, payment is made for 25 percent of the first one hundred twenty days of accrued, but unused sick leave and 15 percent of any remaining accrued, but unused sick leave to a maximum of forty-eight days.

B. Health Care Benefits

The School District provides medical and dental insurance benefits to most employees through the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust. The Board pays the entire monthly premium, except for part-time employees who pay a pro-rated portion for their benefits. The premium varies with employee depending on the terms of the union contract.

The School District also provides life insurance to active, full-time employees through the Hartford Life and Accident Insurance Company.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

16. EMPLOYEE BENEFITS (Continued)

C. Special Termination Benefits

The School District offers a special termination benefit to teachers who have submitted a letter of retirement to the superintendent between September 1 and May 1 in any year of eligibility. The incentive is based on the number of teachers who submit letters. If a teacher does not finish the school year, they will be part of the retirement count, but will not receive the monetary incentive.

Number of Retirees	Incentive
1 - 3 Teachers	\$3,000
4 - 7 Teachers	5,000
8 - 11 Teachers	7,000
12 or more Teachers	9,000

The School District also offers a special termination benefit to classified employees based on years of service with the School District.

Years of Service	Incentive
10 - 14 Years	\$500
15 - 19 Years	750
20 or more Years	1,000

All special termination benefits are paid at the same time the employee severance payment is made.

17. NOTE PAYABLE

On December 20, 2000, the School District issued bond anticipation notes, in the amount of \$10,000,000, for the construction of an addition to the high school and a new middle school. The notes have an interest rate of 4.79 percent and matured on August 7, 2001.

On February 21, 2001, the School District issued bond anticipation notes, in the amount of \$10,000,000, for the construction of an addition to the high school and a new middle school. The notes have an interest rate of 3.92 percent and matured on August 7, 2001.

At June 30, 2001, the total amount of bond anticipation notes outstanding was \$20,000,000, of which \$250,215 has been expended for construction.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

18. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds					
2001 School Improvement					
Serial Bonds 3.4 - 5%	\$0	\$4,565,000	\$0	\$4,565,000	\$555,000
Term Bonds 5.1 - 5.25%	0	15,345,000	0	15,345,000	0
Capital Appreciation Bonds 15.92 - 29.35%	0	92,732	0	92,732	31,246
Face Value of General Obligation Bonds	0	20,002,732	0	20,002,732	586,246
Capital Appreciation Bonds Premium	0	461,098	0	461,098	0
Serial and Term Bond Discount	0	(254,775)	0	(254,775)	(6,733)
Total General Obligation Bonds	0	20,209,055	0	20,209,055	579,513
1987 Asbestos Removal Loan 0%	91,775	0	14,120	77,655	14,120
Total General Long-Term Obligations	91,775	20,209,055	14,120	20,286,710	593,633
Compensated Absences Payable	1,121,208	152,154	61,157	1,212,205	129,771
Total Governmental Activities Long-Term Liabilities	<u>\$1,212,983</u>	<u>\$20,361,209</u>	<u>\$75,277</u>	<u>\$21,498,915</u>	<u>\$723,404</u>
Business-Type Activity					
Compensated Absences	<u>\$34,257</u>	<u>\$9,316</u>	<u>\$11,666</u>	<u>\$31,907</u>	<u>\$1,994</u>

School Improvement General Obligation Bonds - On May 8, 2001, the School District issued \$19,999,992 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$4,565,000, \$15,345,000, and \$89,992, respectively. The bonds are being retired from the Bond Retirement debt service fund. The serial and term general obligation bonds were sold at a discount of \$254,775 and will be amortized over the term of the bonds. Issuance costs associated with the bond issue were \$200,686 and will be amortized over the term of the bonds.

A. Series A Term Bonds

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2015 through 2018 (with the balance of \$445,000 to be paid at stated maturity on December 1, 2019) at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2015	\$315,000
2016	345,000
2017	375,000
2018	410,000

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

The term bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2020 through 2022 (with the balance of \$605,000 to be paid at stated maturity on December 1, 2023) at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2020	\$470,000
2021	515,000
2022	555,000

The term bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2024 through 2027 (with the balance of \$545,000 to be paid at stated maturity on December 1, 2028) at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2024	\$660,000
2025	720,000
2026	785,000
2027	850,000

B. Series B Term Bonds

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2015 through 2018 (with the balance of \$430,000 to be paid at stated maturity on December 1, 2019) at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2015	\$305,000
2016	335,000
2017	360,000
2018	395,000

The term bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2020 through 2022 (with the balance of \$590,000 to be paid at stated maturity on December 1, 2023) at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

<u>Year</u>	<u>Amount</u>
2020	\$455,000
2021	500,000
2022	535,000

The term bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, in each of the years 2024 through 2027 (with the balance of \$900,000 to be paid at stated maturity on December 1, 2028) at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2024	\$645,000
2025	705,000
2026	765,000
2027	830,000

The serial bonds maturing on December 1, 2012, and thereafter, are subject to optional redemption, in whole or in part, on any date in order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2011, at the redemption prices (expressed as percentages of the principal amount to be redeemed) plus accrued interest to the redemption date:

<u>Redemption Dates</u> <u>(Dates Inclusive)</u>	<u>Redemption</u> <u>Prices</u>
December 1, 2011 through November 30, 2012	101%
December 1, 2007 and thereafter	100

The capital appreciation bonds were sold at a premium of \$461,098. The capital appreciation bonds will mature in fiscal years 2014 and 2015. The maturity amount of the bonds is \$1,090,000. For fiscal year 2001, \$2,740 was accreted for a total bond value of \$553,830.

Asbestos Removal Loan - In 1987, the School District obtained an interest free loan, in the amount of \$254,153, for asbestos removal. The loan was obtained for a ten year period, with final maturity in 2007. The loan is being repaid from the Bond Retirement debt service fund.

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund and the Food Service enterprise fund.

The School District's overall debt margin was \$23,449,888 with an unvoted debt margin of \$475,997 at June 30, 2001.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2001, were as follows:

Fiscal Year Ending	General Obligation Bonds			Asbestos Removal	Total
	Principal	Interest	Total		
2002	\$555,000	\$1,056,027	\$1,611,027	\$14,120	\$1,625,147
2003	330,000	958,859	1,288,859	14,120	1,302,979
2004	390,000	945,869	1,335,869	14,120	1,349,989
2005	430,000	929,748	1,359,748	14,120	1,373,868
2006	500,000	910,844	1,410,844	14,120	1,424,964
2007 - 2011	1,520,000	4,327,173	5,847,173	7,055	5,854,228
2012 - 2016	2,550,000	4,002,829	6,552,829	0	6,552,829
2017 - 2021	4,020,000	3,338,974	7,358,974	0	7,358,974
2022 - 2026	6,030,000	2,061,484	8,091,484	0	8,091,484
2027 - 2029	4,675,000	361,129	5,036,129	0	5,036,129
Totals	\$21,000,000	\$18,892,936	\$39,892,936	\$77,655	\$39,970,591

19. SET ASIDES

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2000	(\$372,107)	\$0	\$383,282
Current Year Set Aside Requirement	532,692	532,692	0
Legislative Reduction	0	0	(173,228)
Current Year Offsets	0	(277,732)	0
Qualifying Expenditures	(565,673)	(254,960)	0
Balance June 30, 2001	(\$405,088)	\$0	\$210,054
Amount Carried Forward to Fiscal Year 2002	\$0	\$0	\$210,054

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

19. SET ASIDES (Continued)

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement of future fiscal years. The total reserve balance for the set asides at the end of the fiscal year was \$210,054.

20. INTERFUND TRANSFERS

During fiscal year 2001, the General Fund made a transfer to other governmental funds, in the amount of \$14,120, to move receipts to the Bond Retirement debt service fund as debt payments became due. The General Fund also made transfers, in the amount of \$50,000, to the Food Service enterprise fund which were used to support the operation of food service activities.

21. JOINTLY GOVERNED ORGANIZATIONS

A. Upper Valley Joint Vocational School

The Upper Valley Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the fourteen participating school districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Upper Valley Joint Vocational School, William Stump, Treasurer, 8811 Career Drive, Piqua, Ohio 45356-9254.

B. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent of the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Sidney, Ohio 43326-2385.

C. Southwestern Ohio Educational Purchasing Cooperative (SOEPC)

The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) was established in 1986 to foster cooperation among educational entities located in southwestern Ohio. The SOEPC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. The SOEPC is governed by an elected Board consisting of ten representatives of the educational entities and the superintendent from the Montgomery County Educational Service Center. The Board, except for the superintendent from the Montgomery County Educational Service Center, is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

22. INSURANCE POOLS

A. Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (the Trust) is a public entity shared risk pool consisting of seventy school districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members.

Each participant decides which plans offered by the Trustee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trustee and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

B. Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (the Plan) was established as an insurance purchasing pool. The Plan's business and affairs are conducted by the Southwestern Ohio Educational Purchasing Cooperative and the participating members of the Plan. The Benefits Administrator of the SOEPC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

23. RELATED ORGANIZATION

The Amos Memorial Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Sidney Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Amos Memorial Public Library, Scott Parsons, Clerk/Treasurer, 230 East North Street, Sidney, Ohio 45865.

24. CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

25. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution was not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order. In general, it is expected that the decision will result in an increase in State funding for most Ohio school districts. However, as of April 22, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Supreme Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

26. SUBSEQUENT EVENTS

On August 7, 2001, the School District retired \$10,000,000 in bond anticipation notes that had been issued for constructing improvements, renovations, and additions to school facilities. The notes had an interest rate of 4.79 percent. In addition, on August 7, 2001, the School District retired \$10,000,000 in bond anticipation notes that had been issued for constructing improvements, renovations, and additions to school facilities. The notes had an interest rate of 3.92 percent.

On July 18, 2001, the School District issued bond anticipation notes, in the amount of \$995,000, for the purchase and installation of energy conservation measures for reducing energy consumption. The notes have an interest rate of 3.15 percent and mature on July 18, 2002.

On January 7, 2002, the School District issued bond anticipation notes, in the amount of \$5,999,350, for constructing improvements, renovations, and additions to school facilities. The notes have an interest rate of 2.04 percent and have a final maturity on July 18, 2002.

On March 25, 2002, the School District awarded the following contracts for the construction of the new middle school:

Ferguson Construction	General Construction	\$ 8,481,389
Bushong Restaurant	Food Service Equipment	323,881
Central Fire Protection	Fire Protection	210,845
Slagle Contractors	Plumbing and HVAC	2,248,480
Saturn Electric	Electrical	1,230,019
Farnham Equipment	Casework	<u>928,500</u>
Total Contract		<u>\$13,423,114</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
(Passed through State Dept. of Education)						
<i>Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550		\$57,936		\$56,150
National School Breakfast Program	044784-05-PU-99 044784-05-PU-00 044784-05-PU-01	10.553	\$129 2,436 27,778		\$129 2,436 27,778	
Total National School Breakfast Program			30,343		30,343	
National School Lunch Program	044784-LL-P1-00 044784-LL-P4-00 044784-LL-P1-01 044784-LL-P4-01	10.555	30,065 8,630 200,477 57,687		30,065 8,630 200,477 57,687	
Total National School Lunch Program			296,859		296,859	
Total U.S. Department of Agriculture-Nutrition Cluster			327,202	57,936	327,202	56,150
U.S. Department of Health and Human Services						
(Passed through the Ohio Department of Mental Retardation and Developmental Disabilities)						
Medical Assistance Program (CAFS)		93.778	41,311		41,311	
U.S. Department of Education						
(Passed through State Dept. of Education)						
<i>Special Education Cluster:</i>						
Title VI-B	044784-6B-SF-00P 044784-6B-SF-01P	84.027	38,290 254,565		57,814 223,609	
Total Title VI-B			292,855		281,423	
Preschool Grants	044784-PG-S1-00P 044784-PG-S1-01P	84.173	11,556		2,796 9,379	
Total Preschool Grants			11,556		12,175	
<i>Total Special Education Cluster</i>			304,411		293,598	
Title I	044784-C1-S1-00 044784-C1-S1-01	84.010	23,180 354,876		92,382 322,907	
Total Title I			378,056		415,289	
Drug Free Education	044784-DR-S1-99C 044784-DR-S1-01	84.186	16,523		3,600 16,523	
Total Drug Free Education			16,523		20,123	
Goals 2000 Continuous Improvement	044784-G2-S2-00 044784-G2-S2-01	84.276	27,000 18,000		23,897 497	
Total Goals 2000 Continuous Improvement			45,000		24,394	
Eisenhower Tech Asst Admin Eisenhower Math and Science	044784-MS-A3-01 044784-MS-S1-01	84.281	216 14,407		216	
Total Eisenhower Prof Dev State Grant			14,623		216	
Innovative Education Program	044784-C2-S1-99C 044784-C2-S1-00 044784-C2-S1-01	84.298	(5,445) 5,423 16,553		5,436 15,913	
Total Innovative Education Program			16,531		21,349	
Reading Excellence Reform Subsidy	044784-RN-S1-00	84.338	115,363		129,543	
Comprehensive School Reform	044784-RF-S1-99C 044784-RF-S1-00 044784-RF-S1-00	84.332			30,496 17,658 41,159	
Total Comprehensive School Reform					89,313	
Class Size Reduction	044784-CR-S1-00 044784-CR-S1-01	84.340	20,916 82,675		17,750 58,433	
Total Class Size Reduction			103,591		76,183	
Total U.S. Department of Education			994,098		1,070,008	
Total Federal Financial Assistance			<u>\$1,362,611</u>	<u>\$57,936</u>	<u>\$1,438,521</u>	<u>\$56,150</u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE A- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B- NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had \$12,761 in donated food commodity inventory.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require that the District contribute non-federal funds (matching funds) to support the federally-funded programs. The expenditure of non-federal funds is not included on the Schedule.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Sidney City School District
Shelby County
232 North Main Street
Sidney, Ohio 45365

To the Members of the Board:

We have audited the financial statements of Sidney City School District, Shelby County, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated April 22, 2002, in which we noted the District adopted Governmental Accounting Standards Board Statements 33, 34, 36, 37 and Interpretation 6, and changed the asset capitalization threshold. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated April 22, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated April 22, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

April 22, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

Sidney City School District
Shelby County
232 North Miami Street
Sidney, Ohio 45365

To the Members of the Board:

Compliance

We have audited the compliance of Sidney City School District, Shelby County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

April 22, 2002

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster CFDA # 10.550, 10.553, 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

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SIDNEY CITY SCHOOL DISTRICT

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2002**