



Dave Yost • Auditor of State



**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Sidney City School District  
Shelby County  
750 South Fourth Street  
Sidney, Ohio 45365

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, Ohio (the School District), as of and for the year ended June 30, 2012 which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General and Food Service major funds thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2013, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The Schedule of Federal Awards Receipts and Disbursements (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

January 8, 2013

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)**

The discussion and analysis of the Sidney City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets increased \$2,743,615, mostly due to a conscious effort to reduce disbursements.
- Outstanding debt decreased from \$20,145,256 to \$19,273,992 through principal payments made during the current year.

**Using this Annual Report**

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District. 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 non-major funds presented in total in one column. For fiscal year 2012, the general fund bond retirement fund and food service funds are the School District's most significant funds.

**Basis of Accounting**

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and investments and changes in cash and investments resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net assets will be cash and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and investments. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

**Reporting the School District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The statement of net assets and the statement of activities answer this question.

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

In the statement of net assets and the statement of activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

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

***Fund Financial Statements***

The analysis of the School District's major funds begins on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the General, Bond Retirement and Food Service Funds.

**Governmental Funds** – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. 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.

***Reporting the School District's Fiduciary Responsibilities***

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used for proprietary funds.



**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to 2011.

**(Table 1)**  
**Net Assets – Cash Basis**

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
<b>Assets:</b>		
Equity in Pooled Cash and Investments	\$14,074,585	\$11,330,970
Total Assets	<u>14,074,585</u>	<u>11,330,970</u>
<b>Net Assets:</b>		
<b>Restricted for:</b>		
Capital Outlay	18,112	46,252
Debt Service	3,986,259	2,939,768
Other Purposes	856,021	783,494
Unrestricted	<u>9,214,193</u>	<u>7,561,456</u>
Total Net Assets	<u>\$14,074,585</u>	<u>\$11,330,970</u>

Net assets of the governmental activities increased \$2,743,615, which represents a 24.21 percent increase from fiscal year 2011. The increase is the result of a conscious effort to reduce disbursements. The School District saw a significant decrease in payroll and benefits due to retirements and concessions in negotiations.

A portion of the School District's net assets, \$4,860,392 or 34.53 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$9,214,193 may be used to meet the School District's ongoing obligations.

Table 2 shows the changes in net assets for fiscal year 2012 as compared to fiscal year 2011.

**(Table 2)**

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	\$ 1,625,041	\$ 1,788,205
Operating Grants, Contributions and Interest	<u>4,567,001</u>	<u>4,735,431</u>
Total Program Receipts	<u>6,192,042</u>	<u>6,523,636</u>
<b>General Receipts:</b>		
Property Taxes	14,265,608	15,657,411
Grants and Entitlements not Restricted to Specific Programs	19,056,830	20,470,467
Payments in Lieu of Taxes	46,402	59,102
Proceeds from Sale of Capital Assets	24,544	3,600
Proceeds of Notes Issued	1,299,000	1,441,000
Premium on Notes Issued	9,952	9,777
Investment Earnings	11,917	15,985
Miscellaneous	<u>111,471</u>	<u>275,124</u>
Total General Receipts	<u>34,825,724</u>	<u>37,932,466</u>
Total Receipts	<u>41,017,766</u>	<u>44,456,102</u>

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

(Table 2)  
(Continued)

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
<b>Program Disbursements:</b>		
<b>Instruction:</b>		
Regular	16,212,919	16,468,658
Special	4,275,601	4,631,067
Vocational	109,401	95,673
Student Intervention Services	162,226	212,207
<b>Support Services:</b>		
Pupils	1,781,858	1,955,651
Instructional Staff	1,848,341	1,939,173
Board of Education	242,164	299,335
Administration	2,405,121	2,809,282
Fiscal	783,846	824,839
Business	139,612	141,238
Operation and Maintenance of Plant	2,969,615	2,818,877
Pupil Transportation	961,760	1,072,834
Central	621,000	725,297
<b>Operation of Non-Instructional Services:</b>		
Food Service Operations	1,452,303	1,495,313
Community Services	510,139	450,919
Extracurricular Activities	592,869	621,690
Capital Outlay	175,837	77,606
<b>Debt Service:</b>		
Principal Retirement	2,170,264	2,795,670
Interest and Fiscal Charges	860,275	905,911
<b>Total Program Disbursements</b>	<b>38,274,151</b>	<b>40,341,240</b>
Change in Net Assets	2,743,615	4,114,862
Net Assets Beginning of Year	11,330,970	7,216,108
<b>Net Assets End of Year</b>	<b>\$14,074,585</b>	<b>\$11,330,970</b>

Several receipt sources fund the School District's governmental activities with the school foundation being the largest contributor. Grants and entitlements, including school foundation, provided \$19.1 million in fiscal year 2012 which was a slight decrease over fiscal year 2011. Property tax levies and payments in lieu of taxes generated \$14.3 million in fiscal year 2012 which was a decrease of approximately \$1.4 million. This decrease is mainly due to a decrease in property valuation and the phase out of the remaining tangible personal property tax.

**Governmental Activities**

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

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

**(Table 3)  
Governmental Activities – Cash Basis**

	Total Costs of Services		Net Costs of Services	
	2012	2011	2012	2011
<b>Program Disbursements:</b>				
<b>Instruction:</b>				
Regular	\$16,212,919	\$16,468,658	\$15,059,210	\$15,441,348
Special	4,275,601	4,631,067	2,930,836	1,626,864
Vocational	109,401	95,673	109,401	95,673
Student Intervention Services	162,226	212,207	162,226	212,207
<b>Support Services:</b>				
Pupils	1,781,858	1,955,651	1,617,636	1,790,998
Instructional Staff	1,848,341	1,939,173	1,184,974	1,933,361
Board of Education	242,164	299,335	242,164	299,335
Administration	2,405,121	2,809,282	1,796,550	2,809,282
Fiscal	783,846	824,839	783,846	824,839
Business	139,612	141,238	139,612	141,238
Operation and Maintenance of Plant	2,969,615	2,818,877	2,939,776	2,808,861
Pupil Transportation	961,760	1,072,834	939,171	1,032,660
Central	621,000	725,297	549,277	704,372
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	1,452,303	1,495,313	(100,854)	(537,420)
Community Services				
Extracurricular Activities	591,869	621,690	439,051	403,880
Capital Outlay	175,837	77,606	175,837	77,606
<b>Debt Service:</b>				
Principal Retirement	2,170,264	2,795,670	2,170,264	2,795,670
Interest and Fiscal Charges	860,275	905,911	860,275	905,911
<b>Total</b>	<b>\$38,274,151</b>	<b>\$40,341,240</b>	<b>\$32,082,109</b>	<b>\$33,817,604</b>

Instruction and student support services comprise 63.72 percent of governmental program expenses in fiscal year 2012. Board of Education, Administration, Fiscal and Business charges were 9.33 percent in 2012. Fiscal expenses include payments to the County Auditors for administrative fees and other administrative services provided by the School District. Pupil transportation and the operation and maintenance of facilities accounted for 10.27 percent in 2012.

Net costs for special instruction and administrative disbursements reflect changes in fiscal year 2012 as the program receipts more closely reflect the manner in which the School District allocated its program receipts to its spending. Net costs also reflect the expiration of Federal stimulus funding to the School District.

In total, the spending of the School District decreased by \$2,067,089 from fiscal year 2011. The most significant decrease occurred in instruction and administration due to the School District making a conscious effort to reduce disbursements. The School District saw a significant decrease in payroll and benefits due to retirements and concessions in negotiations.

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 16.18 percent of all governmental expenses. The community is the largest area of support for the School District students.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

**The School District's Funds**

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$14,074,585, which is greater than the prior year balance of \$11,330,970.

The general fund had total cash receipts and other financing sources of \$31,956,932. The cash disbursements and other financing uses of the general fund totaled \$30,156,671. The general fund's fund balance increased \$1,800,261 in 2012. The increase in fund balance can be attributed to reduction of expenditures.

The bond retirement fund had total cash receipts and other financing sources of \$4,046,474 and total cash disbursements and other financing uses of \$2,999,983, for an increase in fund balance of \$1,046,491 in 2012. The increase in fund balance is primarily due to proceeds of energy conservation notes and certificates of participation.

The food service fund had total cash receipts of \$1,553,157 and total cash disbursements of \$1,441,612, for an increase in fund balance of \$111,545 in 2012. The increase in fund balance is primarily due to reducing disbursements in the food service operations.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2012, the School District amended its general fund budget several times. For the general fund, final budget basis receipts (excluding other financing sources) were \$32,421,200, representing no increase from the original estimate. Actual receipts of \$31,769,292 were \$651,908 less than the final budget. Of this decrease, most was attributable to a decrease in intergovernmental receipts, due to the expiration of budget stabilization funds.

For fiscal year 2012, the general fund final budget basis disbursements (excluding other financing uses) were \$30,595,642, which is under the original budgeted disbursements of \$30,650,642. Actual disbursements of \$29,444,922 were \$1,150,720 lower than the final budget. Actual special instruction, pupils, instructional, administration and fiscal support services were significantly under budgeted expectations. This was due to the School District budgeting for the many administrators and other faculty members that retired during fiscal year 2012.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

**Debt Administration**

The School District had the following debt obligations outstanding at June 30, 2012 and 2011.

**(Table 4)  
Outstanding Debt, at June 30,**

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
<b>Notes:</b>		
Energy Conservations Notes	\$324,000	\$391,000
Certificates of Participation Notes	975,000	1,050,000
Total Notes	1,299,000	1,441,000
<b>General Obligation Bonds:</b>		
2001 School Improvement Serial Bonds	430,000	840,000
2001 original Issue of Capital Appreciations Bonds	89,992	89,992
2002 School Improvement Serial Bonds	120,000	235,000
2007 School Improvement Serial Bonds	17,225,000	17,390,000
2007 Original Issue of Capital Appreciation Bonds	110,000	110,000
Total General Obligation Bonds	17,974,992	18,664,992
Loan Payable		39,264
Total Debt Obligations	\$19,273,992	\$20,145,256

For further information regarding the School District's debt, refer to Note 9 of the basic financial statements.

**Current Issues**

Fiscal Year 2012 recognized continued improved stability both financially and staffing. The year began with stability in the most visible district position as John Scheu began his first full fiscal year as Superintendent. John replaced Jerry Harmon, Interim Superintendent, in mid June 2011. John came to Sidney City Schools from a local Shelby County school Hardin-Houston Local School District. Jerry Harmon was then transferred by the Board of Education to the position of Personnel and Manager of Business Operation in order to assist in the completion of district projects and the smooth transition of the superintendent's position. Jerry was authorized to assume that position until December 31, 2011 at which time his contract would expire and the position would be eliminated. The duties of that position would then be assumed by other administrators of the School District.

In July the School District's Board of Education ratified new contracts with both the Sidney Education Association (SEA) and the Ohio Association of Public School Employees (OAPSE). The key to the School District's ability to significantly reduce expenditures were the negotiations with both unions. The concessions successfully negotiated with the unions would be applied to all other employee groups across the School District. Negotiations with the SEA were completed in June 2011 and with OAPSE in July 2011. Both unions agreed to significant concessions with the management of the School District. Both bargaining units agreed to 4 year contracts which included a 2.75% pay reduction in year one and total freeze of the salary schedules, both step and column movement, for the 4 years of the contract. Additionally both bargaining units agreed to a restructuring of the employee/employer shares of the health and dental premiums. The employees will now be responsible for 20% of the premium cost which is an increase of 11% from the previous 9% share. The teachers union also accepted 2 furlough days for the term of the contract. The 2.75% reduction and insurance concessions were also shared by the nonunion employees which include administrators, secretaries, food service, maintenance and aides. The impact of these financial gains would begin to be seen in the Fall when the new contract years takes effect.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

Several notable events occurred in the first half of fiscal year 2012. In September, as school began the number of students open enrolling to other school districts was confirmed and 100 additional students were added to the rolls of the students leaving the School District. The number of School District students attending adjacent schools had already been a significant challenge but with the news of the increase the Board of Education and Administration elevated this challenge to the top of the list. The School District superintendent was charged with the goal to turn this trend. At the current levels, the School District loses \$2.9 million dollars in revenue to the various districts accepting Sidney resident students to their School District. In an effort to begin the enrollment turn around the School District has reinstated all day/every day kindergarten with the hope to slow the number of students leaving as they begin their school career.

In October the School District recognized the change in the revenue generated from the remaining tangible personal property. As part of the current biennial budget telecommunications personal property which was previously taxable was reclassified and met the qualifications to be exempt beginning this year. While the collections equated to only 2% of last year's property tax revenue any lost revenue is significant in the School District's tight budget. While on the subject of property taxes, in December the School District received the first report from the Shelby County Auditor regarding the revaluation of the School District real property. While the agricultural property valuation in the School District increased \$6,627,160, the residential property valuation decreased by \$26,153,530 for a net reduced property valuation of \$19,526,370. The impact of this decrease will be related to the inside millage, the millage that is un-voted. The loss of revenue from the inside mills because of the reduced valuation will be about \$80,000. For all of the other voted mills the School District should not be impacted. Just as millage is reduced because of inflationary increases in valuation that same millage can and will be increased because of deflationary decreases in valuation. The voted millage can actually be increased until it reaches the originally voted millage.

November 2012 was an election cycle for School District board members. Three of the five board members, Kelly Rees, Melanie Cook and Darrell Spangler, were up for election and all three were returned to office. This year a fourth board member, Steve Smith, was on the ballot because he was completing the term of Tom Shaffer who resigned as a board member because he moved from the School District because of a change in employment. The stability of an experienced board is important as the School District continues to stabilize its finances and staff.

The second half of the fiscal year revealed a number of changes once again in the staff, most notably in the administrative ranks. In March the board of education accepted the resignation of the high school principal, Gene Gooding, as he left to pursue other employment. Jerry Harmon once again joined the Sidney staff as the interim high school principal while a search was conducted. Also occurring in the administrative staff was the retirement of the Emerson Elementary principal and the elimination of the assistant principal position at Northwood Elementary. The high school principal position was filled by an internal candidate while the principal vacancy at the Emerson building was filled from the outside. In other staff changes, 2012 was again another year of high retirement levels. 16 certified/classified employees, for combined salaries of over \$810,000, retired at some point after the first of the year. With so many retirements, the elimination of the assistant principal position and vacating the position held by Jerry Harmon earlier in the year the district was able to fund the all-day/every day kindergarten program with no additional cost to the School District which was a key factor in the board agreeing to approve the additional staff needed to support that program.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(UNAUDITED)  
(Continued)**

Other items to note during fiscal year 2012 are the sale of Central Elementary, Education Jobs funds and continued phase out of the hold harmless payments. In April the Board of Education approved the sale of the Central Elementary school building on June 2 at the public auction to be held for the sale of other district assets. The building and property were purchased by a local interest for \$16,671.62. During fiscal year 2012 the School District received over \$750,000 from the Federal Program Education Jobs Fund. The funds from this program were used to cover the salary and benefits of various administrative employees. The Education Jobs Fund program expired at the end of June and the expenditures covered by this program will need to be assumed by the general fund in fiscal year 2013. And as mentioned in previous articles the hold harmless payments being received because of the elimination of tax revenue from tangible personal property continue to be phased out. This phase out will result in a loss of over \$600,000 in general fund revenue in fiscal year 2013. It is important however to note that this loss of revenue has been anticipated and is fully accounted for in the district's Five Year Forecast.

In summary, because of the School District's conscious effort to control expenses, the staff's significant concessions in negotiations and turn over in staff due to retirements reducing payroll and benefits the district's revenue exceeded expenditures for the third year in a row. It appears that property tax revenue is stabilized but the course of the state foundation program is still a big question because of the lack of a foundation formula. The School District is projecting flat funding in the foundation payments for the entire forecast period. The salary expense will be stable through at least fiscal year 2015 as the base, steps and columns are frozen. Health insurance rates are the big question for the future. While the district experienced a .5% decrease in premiums for fiscal year 2013 that has not been a common occurrence for the past renewals. Double digit increases have been the norm so 11% increases have been budgeted going forward. Purchase Services reflect slight increases for the next several years as the School District does not anticipate significant increases in students open enrolling to adjacent school districts or special education expenditures. The School District hopes that recent efforts will turn the trend for open enrolled students and that more resident students will be retained by the School District. Very little change from current levels is expected for expenditures in supplies, capital items, other objects or fund transfers. Should there not be any significant event to alter the above assumptions the School District's Five Year forecast shows a positive carry over balance of the forecast.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Michael Watkins, Chief Financial Officer of Sidney City School District, 750 South Fourth Street, Sidney, Ohio 45365.

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**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2012**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$14,074,585
Total Assets	<u>14,074,585</u>
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Capital Outlay	18,112
Debt Service	3,986,259
Other Purposes	856,021
Unrestricted	9,214,193
Total Net Assets	<u>\$14,074,585</u>

*See accompanying notes to the Basic Financial Statements.*

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Program Cash Receipts</u>			<b>Net (Disbursements) Receipts and Changes in Net Assets</b>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$16,212,919	\$792,920	\$360,789	(\$15,059,210)
Special	4,275,601	30,000	1,314,765	(2,930,836)
Vocational	109,401			(109,401)
Student Intervention Services	162,226			(162,226)
<b>Support Services:</b>				
Pupils	1,781,858	140,894	23,328	(1,617,636)
Instructional Staff	1,848,341		663,367	(1,184,974)
Board of Education	242,164			(242,164)
Administration	2,405,121		608,571	(1,796,550)
Fiscal	783,846			(783,846)
Business	139,612			(139,612)
Operation and Maintenance of Plant	2,969,615		29,839	(2,939,776)
Pupil Transportation	961,760	22,589		(939,171)
Central	621,000		71,723	(549,277)
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	1,452,303	485,825	1,067,332	100,854
Community Services	510,139		427,282	(82,857)
Extracurricular Activities	591,869	152,813	5	(439,051)
Capital Outlay	175,837			(175,837)
<b>Debt Service:</b>				
Principal Retirement	2,170,264			(2,170,264)
Interest and Fiscal Charges	860,275			(860,275)
Totals	<u>\$38,274,151</u>	<u>\$1,625,041</u>	<u>\$4,567,001</u>	<u>(32,082,109)</u>
<b>General Receipts:</b>				
<b>Property Taxes Levied for:</b>				
General Purposes				12,765,095
Debt Service				1,500,513
Grants and Entitlements not Restricted to Specific Programs				19,056,830
Payments in Lieu of Taxes				46,402
Proceeds from Sale of Capital Assets				24,544
Proceeds of Notes Issued				1,299,000
Premium on Notes Issued				9,952
Investment Earnings				11,917
Miscellaneous				111,471
Total General Receipts				<u>34,825,724</u>
Change in Net Assets				2,743,615
Net Assets Beginning of Year				<u>11,330,970</u>
Net Assets End of Year				<u>\$14,074,585</u>

See accompanying notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Food Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in Pooled Cash and Investments	\$9,364,291	\$3,986,259	\$438,960	\$282,744	\$14,072,254
Restricted Cash and Cash Equivalents	2,331				2,331
<b>Total Assets</b>	<u>9,366,622</u>	<u>3,986,259</u>	<u>438,960</u>	<u>282,744</u>	<u>14,074,585</u>
<b>Fund Balances:</b>					
Non-spendable	2,331				2,331
Restricted		3,986,259	438,960	282,893	4,708,112
Committed	3,821				3,821
Assigned	306,299				306,299
Unassigned	9,054,171			(149)	9,054,022
<b>Total Fund Balances</b>	<u>9,366,622</u>	<u>3,986,259</u>	<u>438,960</u>	<u>282,744</u>	<u>14,074,585</u>

*See accompanying notes to the Basic Financial Statements.*

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>General</b>	<b>Bond Retirement Fund</b>	<b>Food Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts:</b>					
Property and Other Local Taxes	\$12,765,095	\$1,500,513			\$14,265,608
Intergovernmental	18,065,546	1,057,671	\$1,067,078	\$3,505,618	23,695,913
Investment Income	11,917		254	95	12,266
Tuition and Fees	777,814				777,814
Extracurricular Activities	95,341			152,816	248,157
Gifts and Donations	1,252				1,252
Charges for Services			485,825		485,825
Payments in Lieu of Taxes	46,402				46,402
Rent	67,695				67,695
Miscellaneous	81,326			2,104	83,430
<b>Total Receipts</b>	<b>31,912,388</b>	<b>2,558,184</b>	<b>1,553,157</b>	<b>3,660,633</b>	<b>39,684,362</b>
<b>Disbursements:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	15,881,336			331,583	16,212,919
Special	2,978,258			1,297,343	4,275,601
Vocational	109,401				109,401
Student Intervention Services	150,558			11,668	162,226
<b>Support Services:</b>					
Pupils	1,765,524			16,334	1,781,858
Instructional Staff	1,105,156			743,185	1,848,341
Board of Education	242,164				242,164
Administration	1,783,192			621,929	2,405,121
Fiscal	731,877	51,969			783,846
Business	139,612				139,612
Operation and Maintenance of Plant	2,937,476			32,139	2,969,615
Pupil Transportation	948,994			12,766	961,760
Central	519,414			101,586	621,000
Extracurricular Activities	416,063			175,806	591,869
<b>Operation of Non-Instructional Services:</b>					
Food Service Operations	10,691		1,441,612		1,452,303
Community Services				510,139	510,139
Capital Outlay				175,837	175,837
<b>Debt Service:</b>					
Principal Retirement	39,264	2,131,000			2,170,264
Interest and Fiscal Charges	43,261	817,014			860,275
<b>Total Disbursements</b>	<b>29,802,241</b>	<b>2,999,983</b>	<b>1,441,612</b>	<b>4,030,315</b>	<b>38,274,151</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>2,110,147</b>	<b>(441,799)</b>	<b>111,545</b>	<b>(369,682)</b>	<b>1,410,211</b>
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Capital Assets	24,544				24,544
Proceeds of Notes Issued		1,299,000			1,299,000
Premium on Notes Issued		9,952			9,952
Refund of Prior Year Receipts	(92)				(92)
Advances In	20,000				20,000
Advances Out				(20,000)	(20,000)
Transfers In		179,338		175,000	354,338
Transfers Out	(354,338)				(354,338)
<b>Total Other Financing Sources (Uses)</b>	<b>(309,886)</b>	<b>1,488,290</b>		<b>155,000</b>	<b>1,333,404</b>
<b>Net Change in Fund Balances</b>	<b>1,800,261</b>	<b>1,046,491</b>	<b>111,545</b>	<b>(214,682)</b>	<b>2,743,615</b>
<b>Fund Balances Beginning of Year</b>	<b>7,566,361</b>	<b>2,939,768</b>	<b>327,415</b>	<b>497,426</b>	<b>11,330,970</b>
<b>Fund Balances End of Year</b>	<b>\$9,366,622</b>	<b>\$3,986,259</b>	<b>\$438,960</b>	<b>\$282,744</b>	<b>\$14,074,585</b>

See accompanying notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$12,700,000	\$12,700,000	\$12,765,095	\$65,095
Intergovernmental	18,900,000	18,900,000	17,991,011	(908,989)
Investment Income	15,000	15,000	11,901	(3,099)
Tuition and Fees	722,700	722,700	777,814	55,114
Gifts and Donations			1,112	1,112
Payments in Lieu of Taxes	46,402	46,402	46,402	
Rent	18,848	18,848	21,293	2,445
Miscellaneous	18,250	18,250	154,664	136,414
<b>Total Receipts</b>	<u>32,421,200</u>	<u>32,421,200</u>	<u>31,769,292</u>	<u>(651,908)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	11,366,305	11,304,656	11,592,375	(287,719)
Special	3,186,392	3,186,392	2,985,124	201,268
Vocational	110,135	110,135	126,246	(16,111)
Student Intervention Services			150,558	(150,558)
Other	3,997,166	3,997,165	4,037,398	(40,233)
<b>Support Services:</b>				
Pupils	1,796,480	1,796,480	1,626,454	170,026
Instructional Staff	1,348,000	1,349,949	1,096,235	253,714
Board of Education	247,398	247,398	242,164	5,234
Administration	2,616,966	2,621,666	1,779,220	842,446
Fiscal	900,641	900,641	732,136	168,505
Business	149,524	149,524	146,284	3,240
Operation and Maintenance of Plant	2,938,356	2,938,357	2,985,517	(47,160)
Pupil Transportation	1,024,345	1,024,345	967,550	56,795
Central	574,004	574,004	519,998	54,006
Extracurricular Activities	394,930	394,930	416,063	(21,133)
<b>Debt Service:</b>				
Interest and Fiscal Charges			41,600	(41,600)
<b>Total Disbursements</b>	<u>30,650,642</u>	<u>30,595,642</u>	<u>29,444,922</u>	<u>1,150,720</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	<u>1,770,558</u>	<u>1,825,558</u>	<u>2,324,370</u>	<u>498,812</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets			24,544	24,544
Refund of Prior Year Receipts			(92)	(92)
Advances In			20,000	20,000
Transfers In				
Transfers Out	(450,000)	(505,000)	(459,338)	45,662
<b>Total Other Financing Sources (Uses)</b>	<u>(450,000)</u>	<u>(505,000)</u>	<u>(414,886)</u>	<u>90,114</u>
<b>Net Change in Fund Balance</b>	1,320,558	1,320,558	1,909,484	588,926
<b>Fund Balance Beginning of Year</b>	6,746,376	6,746,376	6,746,376	
<b>Prior Year Encumbrances Appropriated</b>	<u>400,642</u>	<u>400,642</u>	<u>400,642</u>	
<b>Fund Balance End of Year</b>	<u>\$8,467,576</u>	<u>\$8,467,576</u>	<u>\$9,056,502</u>	<u>\$588,926</u>

See accompanying notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
FOOD SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Intergovernmental	\$942,000	\$942,000	\$1,067,078	\$125,078
Investment Income			254	254
Charges for Services	558,000	558,000	485,825	(72,175)
Total Receipts	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,553,157</u>	<u>53,157</u>
<b>Disbursements:</b>				
Food Service Operations	1,575,390	1,575,390	1,442,208	133,182
Total Disbursements	<u>1,575,390</u>	<u>1,575,390</u>	<u>1,442,208</u>	<u>133,182</u>
Excess of Receipts Over (Under) Disbursements	<u>(75,390)</u>	<u>(75,390)</u>	<u>110,949</u>	<u>186,339</u>
Net Change in Fund Balance	(75,390)	(75,390)	110,949	186,339
Fund Balance Beginning of Year	327,415	327,415	327,415	
Prior Year Encumbrances Appropriated				
Fund Balance End of Year	<u>\$252,025</u>	<u>\$252,025</u>	<u>\$438,364</u>	<u>\$186,339</u>

*See accompanying notes to the Basic Financial Statements.*

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2012**

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$115,210	\$152,718
Cash and Cash Equivalents with Fiscal Agents	21,937	
Investments with Fiscal Agents	219,783	
Total Assets	356,930	152,718
<b>Net Assets:</b>		
Held in Trust for Scholarships	245,330	
Held for Student Activities		152,718
Endowment	111,600	
Total Net Assets	\$356,930	\$152,718

*See accompanying notes to the Basic Financial Statements.*

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Scholarship</u>
<b>Additions:</b>	
Gifts and Contributions	\$10,370
Interest	7,402
Total Additions	<u>17,772</u>
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	11,500
Total Deductions	<u>11,500</u>
Change in Net Assets	6,272
Net Assets Beginning of Year	<u>350,658</u>
Net Assets End of Year	<u>\$356,930</u>

*See accompanying notes to the Basic Financial Statements.*



**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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 132<sup>nd</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by one hundred fifty nine classified employees and two hundred twenty-nine certified teaching personnel who provide services to three thousand six hundred three students and other community members. The School District currently operates eight instructional/support buildings.

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 the School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

Within the School District's boundaries, Holy Angels Elementary and Lehman High School are operated through the Cincinnati Catholic Diocese. The Christian Academy is operated through the Association of Christian Schools International. 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 non-major 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 Western Ohio Computer Organization, Upper Valley Career Center, Southwestern Ohio Educational Purchasing Cooperative, Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust, Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Retrospective Rating Plan, and the Amos Memorial Public Library. These organizations are presented in Notes 10, 11, and 12 to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.A., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the School District's accounting policies.

**A. Basis of Accounting**

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The School District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

The School District also reports investments as assets, valued at cost basis.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the government-wide and fund financial statements versus budgetary disbursements result from encumbrances outstanding at the beginning and end of the fiscal year.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraphs.

**B. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial 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.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the School District's general receipts.

**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 fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

1. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**C. Fund Accounting**

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

**1. Governmental Funds:**

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's 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.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Bond Retirement Fund** – The Bond Retirement Fund is used to account for property tax revenues and transfers from the General Fund to pay principal and interest on the School District's notes and general obligation bonds.

**Food Service Fund** – The Food Service special revenue fund is used to account for the food service operations of the School District.

The other governmental funds of the School District account for grants and other to which the School District is bound to observe constraints imposed upon the use of the resources.

**2. Fiduciary Funds**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organization, or other governmental units and are not available to support the School District's own programs. The School District's fiduciary funds include private purpose trust and agency funds. The School District's private purpose trust funds account for endowments and programs that provide college scholarships for students after graduation. Agency funds are custodial in nature (cash equals net assets) 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.

**D. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level for the General Fund and the fund level for all other funds. Budgetary allocations at the function level in the General Fund and at the function and object level within all other funds are made by the School District Treasurer.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as an assigned fund balance (cash basis).

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected receipt of each fund. Prior to June 30, the School District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipts are identified by the School District's Treasurer.

**2. Appropriations**

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying a new certificate is not necessary, the annual Appropriation Resolution Report must be legally enacted by the Board of Education at the object level for the general fund and for the other funds at the fund level of disbursements, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary disbursements of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

**3. Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as a restricted or assigned fund balance for subsequent-year disbursements for governmental funds.

**4. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. 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. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

The School District is a participant in an external investment pool maintained by the Shelby County Educational Service Center which is reported as "Cash and Cash Equivalents with Fiscal Agents" and "Investments with Fiscal Agents". Investments are governed by the trust agreement and are limited to conservative growth common stock and nonnegotiable certificates of deposit. The external investment pool's underlying trust agreement does not allow for the sale of the donated common stock. The fair value of investments is determined annually based on quoted market price and is reported in the statement of fiduciary net assets. The investment pool is not registered with the SEC as an investment company. 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.

During fiscal year 2012, the School District's investments consisted of STAROhio, Federal Farm Credit Bank, Federal National Mortgage Association and Federal Home Loan Bank. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2012.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2012 were \$11,917, which includes \$3,986 interest assigned from other School District funds.

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 "equity in pooled cash and investments". Investments with an initial maturity of more than three months that were not purchased from the cash management pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

**F. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets include the amount required by State statute to be restricted for unclaimed monies.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets. Depreciation is not recorded on these capital assets.

**H. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

**I. Debt Obligations**

Cash basis financial statements do not report liabilities for bonds and other debt obligations. Proceeds of debt are reported as other financing sources when cash is received and principal and interest payments are reported as disbursements when paid.

**J. Intergovernmental Receipts**

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets are recorded as receipts when the grant is received.

**K. Inventory**

The School District reports disbursements for inventory when paid. These items are not reflected as assets in the accompanying financial statements.

**L. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athlete programs, and federal and state grants. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Fund Balance**

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

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- a. **Non-spendable** – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.
- b. **Restricted** – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. **Committed** – The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. **Assigned** – Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.
- e. **Unassigned** – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

**O. Interfund Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

- 1. Transfers of resources from one fund to another fund through which resources to be expended are recorded as transfers.
- 2. Reimbursements from one fund to another are treated as disbursements/expenses in the reimbursing fund and a reduction in disbursements/expense in the reimbursed fund.



**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Receipts and Disbursements**

**1. Program Receipts**

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

**2. Disbursements**

Governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

**3. DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

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

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

Interim 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.

Interim monies held by the School District can be deposited or invested in the following securities:

1. 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;
2. 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;

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

3. Written repurchase agreements in the securities listed above; provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. 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 securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured by Federal Deposit Insurance Corporation or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all uninsured public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year end, the School District had \$21,937 in cash and cash equivalents with fiscal agent to accumulate proceeds to benefit the Hathaway Scholarship Fund.

At fiscal year end, the carrying amount of the School District's deposits was \$13,239,104 and the bank balance was \$14,164,852. Of the School District's bank balance, \$3,030,508 was covered by federal depository insurance, leaving \$11,134,344 exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent not in the School District's name.

As of June 30, 2012, the School District has \$1,344 in un-deposited cash on hand. This amount is included in equity in pooled cash and investments.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments**

As of June 30, 2012, the School District had the following investments which are rated by Moody's:

	<u>Cost</u>	<u>% of Investment</u>		<u>1 – 5 Years</u>	<u>Credit Rating</u>
		<u>Total</u>	<u>0 – 1 Year</u>		
Federal Farm Credit Banks	\$ 250,000	22.68%		\$250,000	Aaa
Federal National Mortgage Association	599,999	45.37%		500,000	Aaa
Federal Home Loan Banks	249,813	22.67%		249,813	Aaa
STAR Ohio	102,252	9.28%	\$102,252		AAAm
	<u>\$1,102,065</u>	<u>100.00%</u>	<u>\$102,252</u>	<u>\$999,813</u>	

At fiscal year end, the School District had \$219,783 in investments with fiscal agent to accumulate proceeds to benefit the Hathaway Scholarship Fund.

**C. Interest Rate Risk**

The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2012, is 53 days and carries a rating of AAAm by Standard and Poor's.

**D. Custodial Credit Risk**

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

**E. Concentration of Credit Risk**

The School District places no limit on the amount the School District may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**4. PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Logan and Shelby 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 County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	<b>2011 Second-Half Collections</b>		<b>2012 First-Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$330,268,100	70.96%	\$310,710,250	71.61%
Commercial/Industrial Public Utility	122,681,940	26.36%	122,679,070	28.28%
Public Utility	12,546,930	2.68%	461,070	0.11%
<b>Total</b>	<b>\$465,496,970</b>	<b>100.00%</b>	<b>\$433,850,390</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$51.51		\$47.80	

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**5. PAYMENTS IN LIEU OF TAXES**

According to State law, the City of Sidney has entered into agreements with a number of property owners under which the City has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the City which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements require a portion of these payments to be made to the School District. The property owners' contractually promise to make these payments in lieu of taxes until the agreements expire.

**6. 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 2012, the School District contracted for the following insurance coverage:

Netherlands Insurance Company	
General School District Liability	
Per Occurrence	\$1,000,000
General Aggregate	2,000,000
Building and Contents – replacement cost	74,243,301
Computer Equipment	2,500,000
Consolidated Insurance Company	
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Midwestern Indemnity Company	
Commercial Umbrella	
General Aggregate	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 (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 2012, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Retrospective Rating Plan (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 Plan is divided into numerous tiers based on participant experience. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in that tier. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the Plan.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** – The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District’s contributions to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$496,155, \$502,010, and \$570,289, respectively; 40 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System**

**Plan Description** – The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

**SIDNEY CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

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

**Funding Policy** – For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's contributions for pension obligations for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,825,800, \$2,042,808, and \$2,001,489, respectively; 85 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$73,689 made by the School District and \$52,635 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2 percent of wages paid. As of June 30, 2012, four of the Board of Education members have elected social security

**8. POST EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**8. POST EMPLOYMENT BENEFITS (Continued)**

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105©. For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions assigned to health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$40,990, \$83,672, and \$20,527, respectively.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is .75 percent. The School District's contributions for the fiscal years ended June 30, 2012, 2011 and 2010 were \$29,416, \$32,305 and \$33,914, respectively, which equaled the required contributions each year.

**B. State Teachers Retirement System**

**Plan Description** – The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$140,446, \$157,139, and \$159,419, respectively; 85 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.



**SIDNEY CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**9. DEBT OBLIGATIONS**

Changes in the School District's debt obligations during fiscal year 2012 were as follows:

	<b>Interest Rate</b>	<b>Balance 6/30/11</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 6/30/12</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>						
<b>Energy Conservation Notes</b>						
November 26, 2010	2.50%	\$391,000		\$391,000		
November 10, 2011	2.25%		\$324,000		\$324,000	\$324,000
<b>Certificates of Participation Notes:</b>						
November 26, 2010	2.625%	1,050,000		1,050,000		
November 10, 2011	2.125%		975,000		975,000	975,000
Total Notes		<u>1,441,000</u>	<u>1,299,000</u>	<u>1,441,000</u>	<u>1,299,000</u>	<u>1,299,000</u>
<b>General Obligation Bonds:</b>						
2001 School Improvement Serial Bonds	3.4 - 5%	840,000		410,000	430,000	430,000
2001 Original Issue of Capital Appreciation Bonds	15.92 - 29.35%	89,992			89,992	
2002 School Improvement Serial Bonds	2.5 - 5%	235,000		115,000	120,000	120,000
2007 School Improvement Refunding Serial Bonds	4 - 5%	17,390,000		165,000	17,225,000	165,000
2007 Original Issue of Capital Appreciation Bonds	33 - 33.291%	110,000			110,000	
Total General Obligation Bonds		<u>18,664,992</u>		<u>690,000</u>	<u>17,974,992</u>	<u>715,000</u>
Loan Payable	4.23%	39,264		39,264		
Total Debt Obligations		<u>\$20,145,256</u>	<u>\$1,299,000</u>	<u>\$2,170,264</u>	<u>\$19,273,992</u>	<u>\$2,014,000</u>

The energy conservation and school improvement notes are backed by the full faith and credit of the School District and have a maturity of one year. The notes will be paid from the Bond Retirement debt service fund.

On October 21, 2003, the School District entered into a lease agreement with the Sidney Community Foundation for constructing, equipping, and furnishing a new administration building. The Sidney Community Foundation entered into an agreement with a trustee through which it assigned and transferred its rights, title, and interest under the lease to Fifth Third Bank as Trustee. The Trustee issued Certificates of Participation notes in the lease agreement enabling holders of the Certificates to receive a portion of the semiannual lease payments. Proceeds from the issuance of the Certificates were used to construct the new building.

The obligation of the School District under the lease and any subsequent lease renewal is subject to the annual appropriation of the rental payments. Legal title to the facilities remains with the trustee until all payments required under the lease have been made. At that time, title will be transferred to the School District. In the event the School District defaults on the lease, after thirty days the lessor may lease the campus to a new tenant. Under terms of the lease agreement, the School District may not lease, acquire, or allocate funds to acquire functionally similar facilities for thirty days after default. The lease obligation will be paid from the Bond Retirement debt service fund.

The Certificates of Participation notes are not a general obligation of the School District and are payable only from appropriations by the School District for annual lease payments.

**SIDNEY CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**9. DEBT OBLIGATIONS**

**2001 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 original amount of \$4,565,000, \$15,345,000, and \$89,992, respectively. During fiscal year 2008, the term bonds were refunded. The bonds are being retired from the Bond Retirement debt service fund, with a portion of the proceeds of a 3.7 mill voted property tax levy.

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code additionally states that un-voted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012 are a voted debt margin of \$23,717,307 and an un-voted debt margin of \$433,389.

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

The capital appreciation bonds will mature in fiscal years 2014 and 2015.

**2002 School Improvement General Obligation Bonds** – On April 1, 2002, the School District issued \$4,000,000 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial and term bonds, in the original amount of \$1,540,000 and \$2,460,000, respectively. During fiscal year 2008, a portion of the serial bonds and the entire amount of term bonds were refunded. The bonds are being retired from the Bond Retirement debt service fund, with a portion of the proceeds of a 3.7 mill voted property tax levy.

The serial bonds maturing on December 1, 2013, 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, 2012, at par, which is 100 percent of the face value of the bonds.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**9. DEBT OBLIGATIONS (Continued)**

**2007 School Improvement Refunding General Obligation Bonds** – On October 31, 2007, the School District issued bonds, in the amount of \$18,340,000, to partially refund bonds previously issued in fiscal years 2001 and 2002 for constructing, improving, and making additions to school buildings and related site development. The refunding bond issue included serial and capital appreciation bonds, in the original amount of \$18,230,000, and \$110,000, respectively. The bonds were issued at a premium of \$1,450,217. The bonds were issued for a twenty-one year period, with final maturity during fiscal year 2029. The bonds will be retired through the Bond Retirement debt service fund.

The serial bonds are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2017, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2016, and 2017, in the amount of \$1,025,000 and \$1,035,000, respectively.

At June 30, 2012, \$17,225,000 of the refunded debt was still outstanding.

**Loans Payable** – On October 29, 2008, the School District obtained a loan for the purchase of two buses, in the amount of \$149,500. The loan matured on October 29, 2011, and had an interest rate of 4.23 percent. The debt was paid entirely from the general fund.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2012, were as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Serial</b>	<b>Capital Appreciation</b>	<b>Interest/ Accretion</b>	<b>Total</b>
2013	\$ 715,000		\$ 789,805	\$ 1,504,805
2014	300,000	\$ 46,851	1,240,699	1,587,550
2015	305,000	43,141	1,280,784	1,628,925
2016	940,000		722,800	1,662,800
2017		62,459	1,661,841	1,724,300
2018-2022	4,755,000	47,541	4,034,547	8,837,088
2023-2027	8,145,000		1,514,408	9,659,408
2028-2029	2,615,000		85,032	2,700,032
	<u>\$17,775,000</u>	<u>\$199,992</u>	<u>\$11,329,916</u>	<u>\$29,304,908</u>

**10. JOINTLY GOVERNED ORGANIZATIONS**

**A. Western Ohio Computer Organization**

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2012, the School District paid \$94,085 to WOCO for various services. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

**SIDNEY CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**10. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**B. Upper Valley Career Center**

The Upper Valley Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from each of the seven participating districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following school districts: Bradford Exempted Village School District, Covington Exempted Village School District, and Miami County Educational Service Center. Two members are appointed from the following city and/or local school districts: Piqua, Sidney, Troy and Shelby County Educational Service Center. To obtain financial information write to the Upper Valley Career Center, Amy Twarek, who serves as Treasurer, at 8811 Career Drive, Piqua, Ohio 45356-9254.

**C. Southwestern Ohio Educational Purchasing Cooperative**

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) was established in 1986 among educational entities located in southwestern Ohio to purchase instructional and operational supplies and materials. 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.

**11. INSURANCE POOLS**

**A. Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust**

The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (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©(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 Trust that will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust 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 Retrospective 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 Retrospective Rating Plan (Plan) was established as an insurance purchasing pool.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**11. INSURANCE POOLS (Continued)**

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.

**12. 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, 230 East North Street, Sidney, Ohio 45865.

**13. CONTINGENCIES**

**A. Review of Statewide Attendance Data**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

**B. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**C. Litigation**

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

**14. BUDGETARY BASIS OF ACCOUNTING**

The statement of receipts, disbursements and changes in fund balance – budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

**SIDNEY CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**14. BUDGETARY BASIS OF ACCOUNTING (Continued)**

- a. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- b. Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

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

<b>Net Change in Fund Balance</b>	
Cash Basis	\$1,800,261
Funds budgeted elsewhere**	263,093
Adjustment for encumbrances	(153,870)
Budget Basis	\$1,909,484

\*\* As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on the cash basis. This includes the public school support fund.

**15. FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Food Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Non-spendable for:</b>					
Unclaimed monies	\$2,331				\$ 2,331
<b>Restricted for:</b>					
Capital Projects				\$18,112	18,112
Repayment of Debt		\$3,986,259			3,986,259
Extracurricular Activities				28,042	28,042
Food Service Operations			\$438,960		438,960
Race to the Top				15,284	15,284
Special Education				85,364	85,364
Drug Free Education				4,729	4,729
Auxiliary Services				86,964	86,964
Management Information System				5,198	5,198
Improving Teacher Quality				29,331	29,331
Other Grants				462	462
Trust Fund Activity				9,407	9,407
<b>Total Restricted for</b>		3,986,259	438,960	282,893	4,708,112

(Continued)

**SIDNEY CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**15. FUND BALANCE (Continued)**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Food Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Committed for:</b>					
Termination Benefits	1,130				1,130
Scholarship Loan	2,691				2,691
Total Committed For	<u>3,821</u>				<u>3,821</u>
<b>Assigned for:</b>					
Student Activities	152,429				152,429
Student Instruction	52,148				52,148
Pupil Support Services	13,989				13,989
Operation and Plant Maintenance	87,733				87,733
Total Assigned for	<u>306,299</u>				<u>306,299</u>
Unassigned	9,054,171			(149)	9,054,022
Total Fund Balance	<u>\$9,366,622</u>	<u>\$3,986,259</u>	<u>\$438,960</u>	<u>\$282,744</u>	<u>\$14,074,585</u>

**16. STATUTORY RESERVES**

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into a reserve. During the fiscal year ended June 30, 2012, the reserve activity was as follows:

	<b>Capital Acquisition</b>
Set Aside Reserve Balance June 30, 2011	
Current Year Set Aside Requirement	\$644,174
Current Year Qualifying Disbursements	(443,480)
Excess Qualified Disbursements from Prior Year	
Current Year Offsets	(200,694)
Prior Year Offsets from Bond Proceeds	
Total	<u>0</u>
Balance Carried Forward to Fiscal Year 2013	<u>\$ 0</u>

**17. INTERFUND TRANSACTIONS**

During fiscal year 2012, a short term advance of \$20,000 was repaid to the General Fund from the Race to the Top Fund.

During fiscal year 2012, the General Fund transferred \$179,338 to the bond retirement fund to be used for debt service payments, and also transferred \$175,000 to Other Governmental Funds to subsidize the activities of those funds.

**SIDNEY CITY SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Continued)**

**18. LEASE ACTIVITY**

The School District is obligated under an operating lease with Xerox for office equipment which commenced July 15, 2011. Lease payments during fiscal year 2012 were \$76,740. Future lease payments are as follows:

	<u>Amount</u>
2013	\$92,066
2014	92,066
2015	92,066
2016	92,066
	<u>\$368,264</u>

**19. ACCOUNTABILITY AND COMPLIANCE**

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2012, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.



SIDNEY CITY SCHOOL DISTRICT  
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SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>(Passed through the Ohio Department of Education)</i>						
<b>Child Nutrition Cluster:</b>						
Non Cash Assistance:						
National School Lunch Program	N/A	10.555		\$98,929		\$98,929
Cash Assistance:						
School Breakfast Program	N/A	10.553	\$233,699		\$233,699	
National School Lunch Program	N/A	10.555	809,716		809,716	
Total Cash-Assistance			<u>1,043,415</u>		<u>1,043,415</u>	
Total Nutrition Cluster			<u>1,043,415</u>	<u>98,929</u>	<u>1,043,415</u>	<u>98,929</u>
Total U.S. Department of Agriculture			1,043,415	98,929	1,043,415	98,929
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>(Passed through the Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	044784-C1-S1-11 044784-C1-S1-12	84.010	169,050 <u>886,362</u>		204,808 <u>832,741</u>	
Total Title I Grants to Local Educational Agencies			<u>1,055,412</u>		<u>1,037,549</u>	
<b>Special Education Grants to States Cluster:</b>						
Special Education Grants to States	044784-6B-SF-11 044784-6B-SF-12	84.027	32,692 <u>728,351</u>		89,718 <u>699,987</u>	
Total Special Education Grants to States			<u>761,043</u>		<u>789,705</u>	
Special Education Grants to States - Recovery Act	2011	84.391	91,717		134,803	
Special Education Preschool Grants	044784-PG-S1-11 044784-PG-S1-12	84.173	2,416 <u>11,960</u>		3,092 <u>10,603</u>	
Total Special Education Preschool Grants			<u>14,376</u>		<u>13,695</u>	
Total Special Education Cluster			<u>867,136</u>		<u>938,203</u>	
Safe & Drug Free School and Communities - State Grants	044784-DR-S1-11	84.186			2,041	
Education Technology State Grants	044784-TJS1-11 044784-TJS1-12	84.318	2,730 <u>7,249</u>		2,730 <u>7,249</u>	
Total Education Technology State Grants			<u>9,979</u>		<u>9,979</u>	
English Language Acquisition Grants	044784-T3S1-11 044784-T3S1-12	84.365	5,818 <u>8,728</u>		8,566 <u>6,706</u>	
Total English Language Acquisition Grants			<u>14,546</u>		<u>15,272</u>	
Improving Teacher Quality State Grants	044784-TRS1-11 044784-TRS1-12	84.367	<u>152,560</u>		24,080 <u>143,486</u>	
Total Improving Teacher Quality State Grants			<u>152,560</u>		<u>167,566</u>	
State Fiscal Stabilization Funds - Recovery Act	2011	84.394			34,081	
Race to the Top - Recovery Act	2011	84.395	174,229		145,448	
Education Jobs Grant	2012	84.410	<u>771,429</u>		<u>760,207</u>	
Total U.S. Department of Education			<u>3,045,291</u>		<u>3,110,346</u>	
Total Federal Assistance			<u>\$4,088,706</u>	<u>\$98,929</u>	<u>\$4,153,761</u>	<u>\$98,929</u>

See Accompanying Notes to the Schedule of Federal Awards Receipts and Disbursements

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Sidney City School District  
Shelby County  
750 South Fourth Street  
Sidney, Ohio 45365

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sidney City School District, Shelby County, (School District) as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 8, 2013, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

### Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as 2012-001.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 8, 2013.

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

We intend this report solely for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

January 8, 2013



# Dave Yost • Auditor of State

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

Sidney City School District  
Shelby County  
750 South Fourth Street  
Sidney, Ohio 45365

To the Board of Education:

### Compliance

We have audited the compliance of the Sidney City School District, Shelby County (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with these requirements.

In our opinion, the Sidney City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

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

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**Internal Control Over Compliance  
(Continued)**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a certain matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated January 8, 2013.

We intend this report solely for the information and use of the audit committee, management, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 8, 2013

**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	<p><b>Nutrition Cluster</b> CFDA#10.553: School Breakfast Program CFDA#10.555: Natinal School Lunch Program</p> <p><b>Special Education Cluster:</b> CFDA#84.027: Special Education Grants to States CFDA # 84.173: Special Education Preschool Grants CFDA #84.391: Special Education Grants to States, Recovery Act <b>CFDA #84.395 Race to the Top – Recovery Act</b> <b>CFDA #84.410 – Education Jobs Grant</b></p>
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

**Failure to File GAAP Report**

**FINDING NUMBER 2012-001**

**NONCOMPLIANCE**

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Adm. Code Section 117-2-03 (B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal year 2012 following the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare its annual financial statements in accordance with generally accepted accounting principles to include assets, liabilities, and the disclosures to provide a complete presentation of financial status.

**Official's Response:** While the district understands the Auditor's position on GAAP reporting and importance the district does not recognize the value of such reporting in the current environment to warrant the additional costs to be incurred for the preparation of the formal GAAP report. The district believes that the lack of external interest for such reporting and the ongoing financial analysis which occurs in the district deems the cost of preparation of a formal GAAP report unnecessary.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



**SIDNEY CITY SCHOOL DISTRICT  
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	Ohio Rev Code 117.38 and Ohio Admin Code 117-2-03(B) – Failure to File GAAP	No	Reissued as Finding 2012-001
2011-02	Financial Statement Reporting	Yes	Corrected.

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# Dave Yost • Auditor of State

**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  
FEBRUARY 12, 2013**