



**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, (the School District), as of and for the year ended June 30, 2005, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, as of June 30, 2005, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2006, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 6, 2006

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of Sidney City School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Highlights for fiscal year 2005 are as follows:

The School District completed its third year of a preschool program. The program was totally funded by a donation to the School District. The purpose of the program is to prepare students for entering kindergarten. This program is for students who do not qualify for Head Start and are financially unable to pay for private preschool. Student enrollment is limited to fifty-two students due to limited space and available funding. The program had sixty students complete their second preschool year in fiscal year 2005. Students are provided busing to and from school.

Construction of a new administration building began in fiscal year 2004 and was completed in November 2004. The School District had issued certificate of participation notes, in the amount of \$1,700,000, for this construction.

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 Sidney City School District's financial position.

The statement of net assets and the statement of activities provide information about the activities of the School District as a whole, presenting both an aggregate and a longer-term view of the School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the School District's most significant funds individually and the School District's non-major funds in a single column. The School District's major funds are the General Fund, Bond Retirement debt service fund, and Building capital projects fund.

Reporting The School District As A Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These 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 whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors can include changes in the School District's property tax base and the condition of the School District's capital assets. These factors must be considered when assessing the overall health of the School District.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

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

Governmental Activities - Most of the School District's programs and services are reported here, including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

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

Reporting The Shool District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. The School District's major governmental funds are the General Fund, Bond Retirement debt service fund, and Building capital projects fund. While the School District uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The School District's governmental funds are used to account for the same programs reported as governmental activities on the government-wide financial statements. The School District's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at fiscal year end. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the School District's operations.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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(Continued)**

Government-Wide Financial Analysis

Table 1 provides a summary of the School District's net assets for fiscal year 2005 and fiscal year 2004.

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activity		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current and Other Assets	\$29,110,674	\$33,470,665	\$101,616	\$117,282	\$29,212,290	\$33,587,947
Capital Assets, Net	30,203,818	29,517,218	2,225,913	2,277,086	32,429,731	31,794,304
Total Assets	<u>59,314,492</u>	<u>62,987,883</u>	<u>2,327,529</u>	<u>2,394,368</u>	<u>61,642,021</u>	<u>65,382,251</u>
Liabilities						
Current and Other Liabilities	24,678,221	26,239,481	199,184	178,685	24,877,405	26,418,166
Long-Term Liabilities	23,816,536	24,440,573	33,388	3,262	23,849,924	24,443,835
Total Liabilities	<u>48,494,757</u>	<u>50,680,054</u>	<u>232,572</u>	<u>181,947</u>	<u>48,727,329</u>	<u>50,862,001</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	6,544,211	5,490,224	2,225,913	2,277,086	8,770,124	7,767,310
Restricted	1,405,329	2,859,416	-	-	1,405,329	2,859,416
Unrestricted (Deficit)	2,870,195	3,958,189	(130,956)	(64,665)	2,739,239	3,893,524
Total Net Assets	<u>\$10,819,735</u>	<u>\$12,307,829</u>	<u>\$2,094,957</u>	<u>\$2,212,421</u>	<u>\$12,914,692</u>	<u>\$14,520,250</u>

Total assets decreased somewhat significantly, in the amount of \$3,740,230, or 6 percent. The majority of the decrease is reported as current and other assets and is due to monies spent for increased cost for salaries and benefits and the completion of the new administration building. A portion of the decrease is offset by an increase in net capital assets from the construction of the new administration building.

The change in current and other liabilities was from the reduction of contracts and retainage payable as a result of the completion of the new administration building, along with a reduction in notes payable, in the amount of \$1,540,761.

Long-term liabilities continue to decrease from the repayment of principal due on general obligation bonds issued to construct the new middle school and additions to the high school.

The change in invested in capital assets, net of related debt for governmental activities, in the amount of \$1,053,987, was from the repayment of debt related to capital assets. Restricted net assets decreased from the completion of the construction of the new administration building, along with the spending of available cash for the principal and interest payments made during fiscal year 2005. Total unrestricted net assets decreased by \$1,087,994 from the increase in salaries and benefits as approved through union negotiations.

For business-type activities, the deficit in unrestricted net assets increased by \$66,291. Almost one-half of the increase can be associated with an increase in the liability for compensated absences. The remaining increase in the deficit was generated from increases in salaries and benefits as approved through union negotiations.

**SIDNEY CITY SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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(Continued)**

Table 2 reflects the change in net assets for fiscal year 2005 and fiscal year 2004. The activity of the Sidney City School Foundation, Inc., a blended component unit, for fiscal year 2004 was not removed from the governmental activities in the following table.

	Governmental Activities		Business-Type Activity		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues						
Charges for Services	\$1,299,255	\$959,096	\$763,055	\$720,662	\$2,062,310	\$1,679,758
Operating Grants, Contributions, and Interest	3,880,520	3,357,719	699,126	649,467	4,579,646	4,007,186
Capital Grants, Contributions, and Interest	111,868	97,965	-	-	111,868	97,965
Total Program Revenues	<u>5,291,643</u>	<u>4,414,780</u>	<u>1,462,181</u>	<u>1,370,129</u>	<u>6,753,824</u>	<u>5,784,909</u>
General Revenues						
Property Taxes	16,410,864	16,156,531	-	-	16,410,864	16,156,531
Payment in Lieu of Taxes	280,802	224,728	-	-	280,802	224,728
Grants and Entitlements not Restricted to Specific Programs	11,022,045	10,860,534	-	-	11,022,045	10,860,534
Interest	270,579	175,354	-	-	270,579	175,354
Miscellaneous	181,581	280,541	-	-	181,581	280,541
Total General Revenues	<u>28,165,871</u>	<u>27,697,688</u>	<u>-</u>	<u>-</u>	<u>28,165,871</u>	<u>27,697,688</u>
Total Revenues	33,457,514	32,112,468	1,462,181	1,370,129	34,919,695	33,482,597
Transfers	(4,426)	(885,122)	4,426	885,122	-	-
Total Revenues and Transfers	<u>33,453,088</u>	<u>31,227,346</u>	<u>1,466,607</u>	<u>2,255,251</u>	<u>34,919,695</u>	<u>33,482,597</u>
Expenses:						
Instruction:						
Regular	15,795,419	15,219,531	-	-	15,795,419	15,219,531
Special	3,743,363	3,464,260	-	-	3,743,363	3,464,260
Vocational	57,572	70,673	-	-	57,572	70,673
Support Services:						
Pupils	1,773,968	1,752,852	-	-	1,773,968	1,752,852
Instructional Staff	2,211,067	1,999,267	-	-	2,211,067	1,999,267
Board of Education	11,807	9,467	-	-	11,807	9,467
Administration	2,826,287	2,461,442	-	-	2,826,287	2,461,442
Fiscal	745,187	738,677	-	-	745,187	738,677
Business	127,620	126,579	-	-	127,620	126,579
Operation and Maintenance						
Of Plant	3,123,931	2,889,693	-	-	3,123,931	2,889,693
Pupil Transportation	1,337,532	1,435,597	-	-	1,337,532	1,435,597
Central	625,220	486,993	-	-	625,220	486,993
Noninstructional Services	565,327	570,981	-	-	565,327	570,981
Extracurricular Activities	731,694	625,718	-	-	731,694	625,718
Intergovernmental	8,318	10,104	-	-	8,318	10,104
Interest and Fiscal Charges	1,256,870	1,196,595	-	-	1,256,870	1,196,595
Food Service	-	-	1,584,071	1,460,373	1,584,071	1,460,373
Total Expenses	<u>34,941,182</u>	<u>33,058,429</u>	<u>1,584,071</u>	<u>1,460,373</u>	<u>36,525,253</u>	<u>34,518,802</u>
Increase(Decrease) in Net Assets	<u>(\$1,488,094)</u>	<u>(\$1,831,083)</u>	<u>(\$117,464)</u>	<u>\$794,878</u>	<u>(\$1,605,558)</u>	<u>(\$1,036,205)</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

For governmental activities, program revenues increased by 20 percent and were only 16 percent of total revenues in fiscal year 2005. Increases continued to occur in charges for services and were primarily due to tuition and fees received from students and special education agreements with other school districts. Operating grants, contributions, and interest also increased from additional donations received for the preschool program and IDEA B grants. For general revenues, grants and entitlements not restricted to specific programs increased because of additional Foundation revenues received during fiscal year 2005. Interest increased as interest rates continued to climb.

Total expenses for the governmental activities increased by 6 percent due principally from salaries and benefits increases required by the union agreements. The major program expenses for regular instruction continued to account for 45 percent of all governmental expenses. Regular instruction also increased because of salaries and benefits increases and open enrollment.

For business-type activities, program revenues increased by 7 percent; total expenses increased by 8 percent in fiscal year 2005. The decrease in net assets resulted from increased costs in salaries and benefits over the amount of revenues generated from providing food service.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

	Table 3			
	Governmental Activities		Net Cost of	
	Total Cost of		Services	
	2005	2004	2005	2004
Instruction:				
Regular	\$15,795,419	\$15,219,531	\$14,440,090	\$14,124,691
Special	3,743,363	3,464,260	863,426	1,098,273
Vocational	57,572	70,673	39,345	49,862
Support Services:				
Pupils	1,773,968	1,752,852	1,575,125	1,702,987
Instructional Staff	2,211,067	1,999,267	2,211,067	1,999,267
Board of Education	11,807	9,467	11,807	9,467
Administration	2,826,287	2,461,442	2,818,441	2,461,442
Fiscal	745,187	738,677	745,187	738,677
Business	127,620	126,579	127,620	126,579
Operation and Maintenance of Plant	3,123,931	2,889,693	3,123,931	2,889,693
Pupil Transportation	1,337,532	1,435,597	1,216,418	1,266,523
Central	625,220	486,993	592,730	459,993
Non-instructional Services	565,327	570,981	77,573	66,253
Extracurricular Activities	731,694	625,718	541,591	443,243
Intergovernmental	8,318	10,104	8,318	10,104
Interest and Fiscal Charges	1,256,870	1,196,595	1,256,870	1,196,595
Total Expenses	\$34,941,182	\$33,058,429	\$29,649,539	\$28,643,649

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Total costs of services increased, in the amount of \$1,882,753, compared to the increase in net cost of services, in the amount of \$1,005,890. Program revenues increased for special instruction based on the amount of services provided to students that are reimbursed from other school districts. Noninstructional expenses associated with parochial schools are almost fully funded with operating grants. All other functions stayed relatively the same when comparing total cost of services against what was received as revenues for those programs.

Governmental Funds Financial Analysis

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's major governmental funds are the General Fund, Bond Retirement debt service fund, and Building capital projects fund.

Foundation revenues increased in the General Fund. Expenditures increased within the General Fund from union negotiated increases in salaries and related fringe benefits. General Fund revenues continue to only increase slightly; whereas, expenditures increased by 4 percent. The net change in fund balance for fiscal year 2004 was (\$1,559,988) compared to (\$1,809,406) for fiscal year 2005. During fiscal year 2005, the School District decreased the amount of transfers to other governmental funds for payment of severance, retirement incentives, and debt service requirements not funded by property taxes.

The Bond Retirement debt service fund received additional property tax revenues to cover the increase in payments for debt and related expenditures.

Costs in the Building capital projects fund are associated with the purchase of equipment for the new middle school and high school labs. Construction costs associated with these projects were finalized in the prior fiscal year.

Business-Type Activities Financial Analysis

The only business-type activity of the School District is the food service operation. This operation had revenues and capital contributions from governmental activities of \$1,466,607 and expenses of \$1,584,071 for fiscal year 2005. The School District had increased lunch charges but the additional revenue was not sufficient to cover the costs of providing a larger menu selection. Food costs, along with increased staffing levels, are the reasons for the continued deficit spending of the operation.

Budgetary Highlights

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute. The School District's most significant budgeted fund is the General Fund. During fiscal year 2005, the School District amended its General Fund budget as needed. The School District uses a modified form of site-based budgeting. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

For the General Fund, final budgeted revenues did not change from the School District's original estimates. The change from the final budget to actual revenues was not significant.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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The final appropriations increased slightly from the original budget, although total expenditures of \$29,079,077 remained below the total original appropriations. The major difference between final appropriations and actual expenditures is from conservative spending patterns as compared to budgeted amounts at the site level.

The significant variance between final appropriations and actual expenditures was from using capital project funds rather than the General Fund for equipment purchases. Expenditures for special instruction that is purchased services through the Educational Service Center for special education were lower than appropriated. The School District had increased appropriations for operation and maintenance of plant support services to prepare for the additional costs of the middle school facility being operated for a complete year which included additional staff, equipment, and utility costs. An appropriation was held as a reserve for medical insurance premiums in central support services in case of unanticipated premium increases as of January 1, 2005.

Capital Assets And Debt Administration

Capital Assets - The primary increase in capital assets for governmental activities is the result of construction at the new administration building. For further information regarding the School District's capital assets, refer to Note 10 the basic financial statements.

Debt - The voters of the School District approved, at an election held on November 7, 2000, the issuance of bonds and a 3.70 mill levy to pay the principal and interest thereon. The School District has two outstanding general obligation bond issues, in the amount of \$18,590,543 and \$3,825,000, respectively. These bond issues were for the construction of a new middle school and renovations at the high school. The School District also has two outstanding bond anticipation notes, in the amount of \$794,000 and \$1,500,000, respectively. The \$794,000 issue was for energy conservation projects in four of the School District's instructional buildings. The \$1,500,000 issue was for the renovations at the high school. The School District also had outstanding certificate of participation notes, in the amount of \$1,530,000, for the construction of an administration building near the middle and high school buildings.

The School District has an asbestos removal loan with the U. S. Environmental Protection Agency, in the amount of \$21,179. The annual loan payments are \$14,120, and the loan will be fully paid in fiscal year 2007.

In addition to the debt outlined above, the School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 18 the basic financial statements.

Current Issues

Increases in the budget for fiscal year 2006 were necessary to prepare for the additional costs of the administration building being operated for a complete year and the continued increasing cost of salaries and benefits given to the School District's employees through union negotiations.

The State reduced its support for fiscal year 2005 by \$229,716 when compared to fiscal year 2004, and the State Legislature has accelerated the implementation of property tax cuts for tangible personal property for business inventory as well as machinery, equipment, and furniture and fixtures. When fully implemented, the tax reduction for the business taxes will reduce the tax base for the School District by \$117,887,232, which is an approximate 20 percent decrease.

**SIDNEY CITY SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Negotiations were finalized with both bargaining groups, as well as the nonbargaining groups. The negotiations were for fiscal year 2006 and 2007. Salaries increased by 3.5 percent for fiscal year 2006 and were made retroactive to the beginning of the school year. For fiscal year 2007, salaries will increase an additional 3 percent. In order to maintain health care costs, the employees agreed to large copays for doctor visits and higher out-of-pocket expenses for prescription drugs.

The State completed its biennial budget for fiscal year 2006 and 2007. The School District will receive less than a 1 percent increase in State aid due to the revised formula in the calculation. The reduction of personal tangible tax values and the implementation of the commercial activities tax on business income that is to be used to replace lost local revenue will require close scrutiny on the part of the School District. The State's commitment to replace local revenue is based on its ability to generate additional revenue at the State level.

Request For Information

This financial report is designed to provide a general overview of the School District's finances for all those interested in our School District's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Gary Benesh, Chief Financial Officer, Sidney City School District, 232 North Miami Avenue, Sidney, Ohio 45365.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$10,952,068	\$18,541	\$10,970,609
Accounts Receivable	85,547	293	85,840
Internal Balance	(155)	155	
Intergovernmental Receivable	732,920		732,920
Prepaid Items	249,083	18,816	267,899
Inventory Held for Resale		59,850	59,850
Materials and Supplies Inventory	42,956	3,961	46,917
Property Taxes Receivable	16,863,863		16,863,863
Unamortized Issuance Costs	184,392		184,392
Nondepreciable Capital Assets	207,305		207,305
Depreciable Capital Assets, Net	29,996,513	2,225,913	32,222,426
Total Assets	<u>59,314,492</u>	<u>2,327,529</u>	<u>61,642,021</u>
Liabilities:			
Accounts Payable	104,632		104,632
Accrued Wages and Benefits Payable	3,528,213	136,715	3,664,928
Intergovernmental Payable	866,052	62,469	928,521
Special Termination Benefits Payable	37,000		37,000
Accrued Interest Payable	151,387		151,387
Notes Payable	3,824,000		3,824,000
Deferred Revenue	16,166,937		16,166,937
Long-Term Liabilities:			
Due Within One Year	730,619	2,548	733,167
Due in More Than One Year	23,085,917	30,840	23,116,757
Total Liabilities	<u>48,494,757</u>	<u>232,572</u>	<u>48,727,329</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	6,544,211	2,225,913	8,770,124
Restricted For:			
Debt Service	212,092		212,092
Capital Projects	789,463		789,463
Other Purposes	315,498		315,498
Setasides	88,276		88,276
Unrestricted (Deficit)	2,870,195	(130,956)	2,739,239
Total Net Assets	<u>\$10,819,735</u>	<u>\$2,094,957</u>	<u>\$12,914,692</u>

See Accompanying Notes to Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants, Contributions, and Interest</u>
Governmental Activities:				
Instruction:				
Regular	\$15,795,419	\$694,683	\$598,574	\$62,072
Special	3,743,363	267,772	2,612,165	
Vocational	57,572		18,227	
Support Services:				
Pupils	1,773,968	150,174	48,669	
Instructional Staff	2,211,067			
Board of Education	11,807			
Administration	2,826,287			7,846
Fiscal	745,187			
Business	127,620			
Operation and Maintenance of Plant	3,123,931			
Pupil Transportation	1,337,532		106,164	14,950
Central	625,220		5,490	27,000
Noninstructional Services	565,327		487,754	
Extracurricular Activities	731,694	186,626	3,477	
Intergovernmental	8,318			
Interest and Fiscal Charges	1,256,870			
Total Governmental Activities	<u>34,941,182</u>	<u>1,299,255</u>	<u>3,880,520</u>	<u>111,868</u>
Business-Type Activity				
Food Service	1,584,071	763,055	699,126	
Totals	<u><u>\$36,525,253</u></u>	<u><u>\$2,062,310</u></u>	<u><u>\$4,579,646</u></u>	<u><u>\$111,868</u></u>

General Revenues:

Property Taxes Levied for:

 General Purposes

 Debt Service

 Permanent Improvements

Payment in Lieu of Taxes

Grants and Entitlements not Restricted
to Specific Programs

Interest

Miscellaneous

Total General Revenues

Transfers (Capital Contributions)

Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year-Restated (Note 3)

Net Assets at End of Year

See Accompanying Notes to the Basic Financial Statements.

**Net (Expense) Revenue
and Change in Net Assets**

Governmental Activities	Business-Type Activity	Total
(\$14,440,090)		(\$14,440,090)
(863,426)		(863,426)
(39,345)		(39,345)
(1,575,125)		(1,575,125)
(2,211,067)		(2,211,067)
(11,807)		(11,807)
(2,818,441)		(2,818,441)
(745,187)		(745,187)
(127,620)		(127,620)
(3,123,931)		(3,123,931)
(1,216,418)		(1,216,418)
(592,730)		(592,730)
(77,573)		(77,573)
(541,591)		(541,591)
(8,318)		(8,318)
(1,256,870)		(1,256,870)
<u>(29,649,539)</u>		<u>(29,649,539)</u>
	(\$121,890)	(121,890)
<u>(29,649,539)</u>	<u>(121,890)</u>	<u>(29,771,429)</u>
14,346,163		14,346,163
1,770,740		1,770,740
293,961		293,961
280,802		280,802
11,022,045		11,022,045
270,579		270,579
181,581		181,581
<u>28,165,871</u>		<u>28,165,871</u>
(4,426)	4,426	
<u>28,161,445</u>	<u>4,426</u>	<u>28,165,871</u>
(1,488,094)	(117,464)	(1,605,558)
12,307,829	2,212,421	14,520,250
<u>\$10,819,735</u>	<u>\$2,094,957</u>	<u>\$12,914,692</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General	Bond Retirement	Building	Other Governmental	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$8,700,107	\$672,848	\$453,108	\$1,037,729	\$10,863,792
Accounts Receivable	79,335			6,212	85,547
Interfund Receivable	3,000			850	3,850
Intergovernmental Receivable	381,853	337		350,730	732,920
Prepaid Items	218,914			30,169	249,083
Materials and Supplies Inventory	42,677			279	42,956
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	88,276				88,276
Property Taxes Receivable	14,739,610	1,821,222		303,031	16,863,863
Total Assets	24,253,772	2,494,407	453,108	1,729,000	28,930,287
Liabilities and Fund Balances:					
Liabilities					
Accounts Payable	55,505			49,127	104,632
Accrued Wages and Benefits Payable	3,137,341			390,872	3,528,213
Interfund Payable	850			3,155	4,005
Intergovernmental Payable	770,678			95,374	866,052
Deferred Revenue	14,715,629	1,756,991		439,323	16,911,943
Total Liabilities	18,680,003	1,756,991		977,851	21,414,845
Fund Balances:					
Reserved for Property Taxes	449,454	64,231		9,043	522,728
Reserved for Encumbrances	292,202		210,908	106,544	609,654
Reserved for Capital Improvements	88,276				88,276
Unreserved, Designated for Termination Benefits				253,441	253,441
Unreserved, Reported in:					
General Fund	4,743,837				4,743,837
Special Revenue Funds				85,360	85,360
Debt Service Fund		673,185			673,185
Capital Projects Funds			242,200	296,761	538,961
Total Fund Balances	5,573,769	737,416	453,108	751,149	7,515,442
Total Liabilities and Fund Balances	\$24,253,772	\$2,494,407	\$453,108	\$1,729,000	\$28,930,287

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005**

Total Governmental Fund Balances	\$7,515,442
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	30,203,818
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	\$81,077	
Intergovernmental Receivable	489,731	
Property Taxes Receivable	174,198	
		745,006

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.	184,392
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Special Termination Benefits Payable	(37,000)	
Accrued Interest Payable	(151,387)	
Notes Payable	(3,824,000)	
General Obligation Bonds Payable	(22,415,543)	
Asbestos Removal Loan Payable	(21,179)	
Compensated Absences Payable	(1,379,814)	
		(27,828,923)

Net Assets of Governmental Activities	<u><u>\$ 10,819,735</u></u>
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See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Revenues:					
Property Taxes	\$14,294,274	\$1,763,928		\$292,526	\$16,350,728
Payment in Lieu of Taxes	280,802				280,802
Intergovernmental	11,851,867	176,354		2,669,633	14,697,854
Interest	270,579		\$30,047	12,013	312,639
Tuition and Fees	819,579				819,579
Extracurricular Activities				247,416	247,416
Gifts and Donations				227,869	227,869
Miscellaneous	153,054	32,173		100,289	285,516
Total Revenues	<u>27,670,155</u>	<u>1,972,455</u>	<u>30,047</u>	<u>3,549,746</u>	<u>33,222,403</u>
Expenditures:					
Current:					
Instruction:					
Regular	14,787,133		37,683	410,755	15,235,571
Special	2,622,313			1,115,159	3,737,472
Vocational	55,074				55,074
Support Services:					
Pupils	1,625,653			165,422	1,791,075
Instructional Staff	1,482,364			794,124	2,276,488
Board of Education	11,807				11,807
Administration	2,606,250			137,816	2,744,066
Fiscal	681,705	71,382	1,142	7,108	761,337
Business	124,012				124,012
Operation and Maintenance of Plant	2,804,392		108,949	10,962	2,924,303
Pupil Transportation	1,263,560			4,022	1,267,582
Central	510,794			104,365	615,159
Noninstructional Services				602,852	602,852
Extracurricular Activities	423,041			179,724	602,765
Capital Outlay			312,519	1,707,514	2,020,033
Intergovernmental				8,318	8,318
Debt Service:					
Principal Retirement		9,636,820			9,636,820
Interest and Fiscal Charges		1,234,014			1,234,014
Total Expenditures	<u>28,998,098</u>	<u>10,942,216</u>	<u>460,293</u>	<u>5,248,141</u>	<u>45,648,748</u>
Excess of Revenues					
Under Expenditures	<u>(1,327,943)</u>	<u>(8,969,761)</u>	<u>(430,246)</u>	<u>(1,698,395)</u>	<u>(12,426,345)</u>
Other Financing Sources (Uses):					
Bond Anticipation Notes Issued		5,154,350			5,154,350
Certificate of Participation Notes Issued		3,145,000			3,145,000
Transfers In		193,613		287,850	481,463
Transfers Out	(481,463)				(481,463)
Total Other Financing Sources (Uses)	<u>(481,463)</u>	<u>8,492,963</u>		<u>287,850</u>	<u>8,299,350</u>
Changes in Fund Balances	(1,809,406)	(476,798)	(430,246)	(1,410,545)	(4,126,995)
Fund Balances at Beginning of Year - Restated (Note 3)	7,383,175	1,214,214	883,354	2,161,694	11,642,437
Fund Balances at End of Year	<u>\$5,573,769</u>	<u>\$737,416</u>	<u>\$453,108</u>	<u>\$751,149</u>	<u>\$7,515,442</u>

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Changes in Fund Balances - Total Governmental Funds (\$4,126,995)

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

Governmental funds report capital outlays as expenditures.

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

Capital Outlay	\$1,525,458	
Depreciation	<u>(837,753)</u>	
		687,705

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (1,105)

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

Property Taxes	60,136	
Intergovernmental	46,650	
Tuition and Fees	142,876	
Extracurricular Activities	(50)	
Miscellaneous	<u>(30,146)</u>	
		219,466

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 9,636,820

Note proceeds are other financing sources in the governmental funds, but the issuance increases long-term liabilities on the statement of net assets. (8,299,350)

Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities. Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets.

Annual Accretion	(31,310)	
Amortization of Discount	(5,217)	
Amortization of Premium	11,496	
Accrued Interest Payable	<u>6,284</u>	
		(18,747)

Issuance costs are reported as an expenditure when paid in the governmental funds but is accrued on outstanding debt on the statement of net assets. (4,109)

Amortization of Issuance Costs

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

Intergovernmental Payable	340,273	
Special Termination Benefits Payable	(37,000)	
Compensated Absences Payable	<u>114,948</u>	
		418,221

Change in Net Assets of Governmental Activities \$ (1,488,094)

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$14,024,906	\$14,024,906	\$14,343,492	\$318,586
Payment in Lieu of Taxes	224,000	224,000	280,802	56,802
Intergovernmental	11,686,266	11,686,266	11,854,726	168,460
Interest	145,039	145,039	270,579	125,540
Tuition and Fees	647,000	647,000	877,515	230,515
Miscellaneous	81,989	81,989	157,824	75,835
Total Revenues	<u>26,809,200</u>	<u>26,809,200</u>	<u>27,784,938</u>	<u>975,738</u>
Expenditures:				
Current:				
Instruction:				
Regular	13,712,968	13,701,289	12,845,356	855,933
Special	3,165,371	3,173,889	2,853,286	320,603
Vocational	52,291	55,091	60,508	(5,417)
Other	1,932,984	1,932,984	1,959,627	(26,643)
Support Services:				
Pupils	1,708,042	1,708,442	1,634,719	73,723
Instructional Staff	1,469,868	1,467,417	1,439,700	27,717
Board of Education	12,470	12,470	12,048	422
Administration	2,657,856	2,656,656	2,509,549	147,107
Fiscal	739,609	740,672	673,482	67,190
Business	154,389	158,389	146,920	11,469
Operation and Maintenance of Plant	3,272,652	3,267,202	2,857,945	409,257
Pupil Transportation	1,308,386	1,308,686	1,227,596	81,090
Central	704,137	708,136	436,210	271,926
Extracurricular Activities	450,603	450,903	422,131	28,772
Capital Outlay				
Total Expenditures	<u>31,341,626</u>	<u>31,342,226</u>	<u>29,079,077</u>	<u>2,263,149</u>
Excess of Revenues Under Expenditures	<u>(4,532,426)</u>	<u>(4,533,026)</u>	<u>(1,294,139)</u>	<u>3,238,887</u>
Other Financing Sources (Uses):				
Advances In			29,700	29,700
Advances Out			(3,000)	(3,000)
Transfers Out	(200,000)	(483,000)	(481,463)	1,537
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(483,000)</u>	<u>(454,763)</u>	<u>28,237</u>
Changes in Fund Balance	(4,732,426)	(5,016,026)	(1,748,902)	3,267,124
Fund Balance at Beginning of Year	9,643,469	9,643,469	9,643,469	
Prior Year Encumbrances Appropriated	538,673	538,673	538,673	
Fund Balance at End of Year	<u>\$5,449,716</u>	<u>\$5,166,116</u>	<u>\$8,433,240</u>	<u>\$3,267,124</u>

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FUND NET ASSETS
ENTERPRISE FUND
JUNE 30, 2005**

	Food Service
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$18,541
Accounts Receivable	293
Interfund Receivable	155
Prepaid Items	18,816
Inventory Held for Resale	59,850
Materials and Supplies Inventory	3,961
Total Current Assets	101,616
Non-Current Assets:	
Depreciable Capital Assets, Net	2,225,913
Total Assets	2,327,529
Liabilities:	
Current Liabilities:	
Accrued Wages and Benefits Payable	136,715
Compensated Absences Payable	2,548
Intergovernmental Payable	62,469
Total Current Liabilities	201,732
Long-Term Liabilities:	
Compensated Absences Payable	30,840
Total Liabilities	232,572
Net Assets:	
Invested in Capital Assets	2,225,913
Unrestricted (Deficit)	(130,956)
Total Net Assets	\$2,094,957

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Food Service</u>
Operating Revenues:	
Sales	<u>\$763,055</u>
Operating Expenses:	
Salaries	558,163
Fringe Benefits	329,594
Purchased Services	18,274
Materials and Supplies	39,166
Cost of Sales	579,475
Depreciation	59,399
Total Operating Expenses	<u>1,584,071</u>
Operating Loss	<u>(821,016)</u>
Non-Operating Revenues (Expenses):	
Federal Donated Commodities	88,876
Operating Grants	610,248
Interest Revenue	2
Total Non-Operating Revenues (Expenses)	<u>699,126</u>
Loss Before Contributions	(121,890)
Capital Contributions	<u>4,426</u>
Change in Net Assets	(117,464)
Net Assets at Beginning of Year - Restated (Note 3)	<u>2,212,421</u>
Net Assets at End of Year	<u><u>\$2,094,957</u></u>

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Food Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$767,035
Cash Payments for Salaries	(522,054)
Cash Payments for Fringe Benefits	(318,869)
Cash Payments for Goods and Services	(565,020)
Net Cash Used for Operating Activities	(638,908)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	681,846
Cash Payments for Advances Out	(21,000)
Net Cash Provided by Noncapital Financing Activities	660,846
Cash Flows from Capital and Related Financing Activities:	
Cash Payments for Capital Assets	(3,800)
Cash Flows from Investing Activities:	
Cash Received from Interest	2
Net Increase in Cash and Cash Equivalents	18,140
Cash and Cash Equivalents at Beginning of Year	401
Cash and Cash Equivalents at End of Year	18,541
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(821,016)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	59,399
Donated Commodities Received During Year	88,876
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(293)
Decrease in Interfund Receivable	347
Decrease in Intergovernmental Receivable	3,926
Increase in Prepaid Items	(4,376)
Increase in Inventory Held for Resale	(16,103)
Increase in Materials and Supplies Inventory	(293)
Decrease in Accounts Payable	(585)
Increase in Accrued Wages and Benefits Payable	15,500
Increase in Compensated Absences Payable	30,126
Increase in Intergovernmental Payable	5,584
Net Cash Used for Operating Activities	(\$638,908)

Non-Cash Transactions

During fiscal year 2005, the School District's governmental funds purchased equipment, in the amount of \$4,426, and donated it to the Food Service enterprise fund.

During fiscal year 2005, the Food Service enterprise fund received donated commodities, in the amount of \$88,876.

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$121,128	\$69,817
Cash and Cash Equivalents with Fiscal Agent	15,524	
Investments with Fiscal Agent	172,165	
Accounts Receivable		1,020
Total Assets	308,817	70,837
Liabilities:		
Accounts Payable		433
Undistributed Assets		37,039
Due to Students		33,365
Total Liabilities		\$70,837
Net Assets:		
Endowments	111,600	
Held in Trust for Scholarships	197,217	
Total Net Assets	\$308,817	

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$16,742
Gifts and Donations	1,000
Total Additions	<u>17,742</u>
Deductions:	
Noninstructional Services	<u>6,267</u>
Change in Net Assets	11,475
Net Assets at Beginning of Year - Restated (Note 3)	<u>297,342</u>
Net Assets at End of Year	<u><u>\$308,817</u></u>

See Accompanying Notes to the Basic Financial Statements.

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**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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 111th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by two hundred eight classified employees, two hundred sixty-two certified teaching personnel, and twenty-five administrative employees who provide services to 3,941 students and other community members. The School District currently operates eleven instructional/support buildings.

A. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The 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. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is included as a nonmajor governmental fund for financial reporting purposes.

The School District participates in three jointly governed organizations and two insurance pools, and is associated with a related organization. These organizations are the Upper Valley Joint Vocational School, West Central Ohio Special Education Regional Resource Center, Southwestern Ohio Educational Purchasing Cooperative, Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust, Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan, and the Amos Memorial Public Library. These organizations are presented in Notes 22, 23, and 24 to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Sidney City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. The School District has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activity and enterprise fund. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide 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. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and business-type activity. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the School District.

2. Fund Financial Statements

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds

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

Bond Retirement Fund - The Bond Retirement debt service 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 energy conservation notes, school improvement bonds, and asbestos removal loan.

Building Fund - The Building capital projects fund is used to account for debt proceeds and interest for construction of the cafeteria addition at the high school, a new middle school, and the renovation of a portion of the high school for Physics labs and a lecture hall.

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

2. Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds

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

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

2. Fund Financial Statements

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

1. Revenues - Exchange and Nonexchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

2. Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Expenses/Expenditures

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

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board.

The legal level of budgetary control selected by the Board is at the fund and object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function level in the General Fund and the function and object within all other funds are made by the Treasurer.

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

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

F. Cash and Investments

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

During fiscal year 2005, the School District's investments included nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005, was \$270,579, which includes \$42,050 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 cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is stated at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies in the governmental funds and donated and purchased food in the enterprise fund.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

J. Unamortized Issuance Costs, Premiums, and Discounts

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

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

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets by the enterprise fund is also capitalized.

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

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

L. Interfund Assets/Liabilities

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal Balances".

M. Compensated Absences

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

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

The School District records a liability for accumulated unused sick leave for all employees after twenty years of service.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and long-term loans are recognized as liabilities on the fund financial statements when due.

O. Net Assets

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

Net assets restricted for other purposes include resources restricted for music and athletic programs and federal and state grants restricted to expenditure for specified purposes. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2005, the amount of net assets restricted by enabling legislation was \$1,405,329.

P. Fund Balance Reserves and Designations

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

Fund balance reserves have been established for property taxes, encumbrances, and capital improvements. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation for termination benefits represents monies set aside by the Board of Education for the future payment of those benefits.

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund. Revenues and expenses not meeting this definition are reported as nonoperating.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Capital Contributions

Contributions of capital on the enterprise fund financial statements are from contributions of assets from other funds.

S. Interfund Transactions

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

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these transaction types occurred during the fiscal year ended June 30, 2005.

U. Estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE/NET ASSETS

A. Change in Accounting Principles

For fiscal year 2005, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "*Deposit and Investment Risk Disclosure*", GASB Statement No. 46, "*Net Assets Restricted by Enabling Legislation*", and GASB Technical Bulletin 2004-2, "*Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*".

GASB Statement No. 40 establishes and modifies the disclosure requirements related to investment risks. The implementation of this statement did not result in any change to the School District's financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE/NET ASSETS (Continued)

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Technical Bulletin 2004-2 clarifies the application of accounting for employers' contractually required contributions to cost-sharing multiple employer pension and other postemployment benefit (OPEB) plans. The implementation of this bulletin did not result in any change to the School District's financial statements.

B. Restatement of Fund Balance/Net Assets

On December 23, 2004, the Sidney City School Foundation, Inc., a blended component unit, merged with the Sidney Community Foundation. The restatement due to the elimination of the blended component unit had the following effect on fund balance of the major and nonmajor funds of the School District as previously reported.

	General	Bond Retirement	Building	Other Governmental	Total Governmental Funds
Fund Balance June 30, 2004	\$7,383,175	\$1,214,214	\$883,354	\$2,170,734	\$11,651,477
Change in Reporting Entity	0	0	0	(9,040)	(9,040)
Adjusted Fund Balance	<u>\$7,383,175</u>	<u>\$1,214,214</u>	<u>\$883,354</u>	<u>\$2,161,694</u>	<u>\$11,642,437</u>

The restatement of the private purpose trust activities:

	Private Purpose Trust
Net Assets June 30, 2004	\$449,374
Change in Reporting Entity	(152,032)
Adjusted Net Assets June 30, 2004	<u>\$297,342</u>

In addition, in fiscal year 2005, the School District increased the threshold amount for capitalizing assets. The threshold amount was increased from \$1,000 to \$2,500.

	Governmental Activities	Business-Type Activity
Net Assets June 30, 2004	\$13,175,981	\$2,324,095
Change in Reporting Entity	(9,040)	0
Capital Assets	(1,992,527)	(165,273)
Accumulated Depreciation	1,133,415	53,599
Adjusted Net Assets	<u>\$12,307,829</u>	<u>\$2,212,421</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE

At June 30, 2005, the Disadvantaged Pupil Impact Act, School Net Professional Development, Ohio Reads, Summer Intervention, Title VI B, English Proficiency, Title I, and Miscellaneous Federal special revenue funds had deficit fund balances of \$3,503, \$6, \$1,370, \$245, \$62,733, \$599, \$3,715, and \$6,486, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

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

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

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

Changes in Fund Balance	
GAAP Basis	(\$1,809,406)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2004, Received in Cash FY 2005	626,520
Accrued FY 2005, Not Yet Received in Cash	(484,319)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(3,670,076)
Accrued FY 2005, Not Yet Paid in Cash	3,963,524
Prepaid Items	(44,262)
Materials and Supplies Inventory	(\$2,440)
Advances In	29,700
Advances Out	(3,000)
Encumbrances Outstanding at Fiscal Year End	(355,143)
Budget Basis	<u>(\$1,748,902)</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim 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 may 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;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
9. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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.

At June 30, 2005, the School District had \$1,900 in cash on hand.

Deposits – At fiscal year-end, the carrying amount of the School District's deposits was \$10,671,754 and the bank balance was \$11,493,793. 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. As of June 30, 2005, \$300,050 of the School District's deposits was insured by Federal depository insurance. However, based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, the School District's remaining bank balance of \$11,193,743 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or 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 public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments - At June 30, 2005, the School District had \$487,900 invested in STAR Ohio. STAR Ohio had an average of maturity of 30.4 days and carried a rating of AAA by Standard and Poor's. The School District has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District is a participant in an external investment pool with investments in common stock. The external investment pool's underlying trust agreement does not allow for the sale of the donated common stock. The external investment pool is reported at fair value in the amount of \$187,689 in the statement of fiduciary net assets.

7. RECEIVABLES

Receivables at June 30, 2005, consisted of accounts (rent and student fees), interfund, intergovernmental, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the non-payment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. RECEIVABLES (Continued)

Governmental Activities	Amount
General Fund	
Tuition and Fees	\$62,208
Excess Costs	274,078
Substitute Reimbursement	9,493
Shelby County Juvenile Court	670
Medicare	29,365
Fuel Tax Refund	1,341
Transportation Reimbursement	1,501
Homestead	3,197
Total General Fund	<u>381,853</u>
 Bond Retirement Fund	
Homestead	<u>337</u>
Other Governmental Funds	
Summer Intervention	3,278
IDEA B	173,054
English Proficiency	3,629
Title I	124,860
Title V	7,272
Handicap Preschool	5,728
Title II A	23,784
Miscellaneous Federal	9,061
Permanent Improvement	64
Total Other Governmental Funds	<u>350,730</u>
Total Intergovernmental Receivable	<u><u>\$732,920</u></u>

8. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year. Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District.

Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

8. PROPERTY TAXES (Continued)

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30

The School District receives property taxes from 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 counties by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2005, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005, was \$449,454 in the General Fund, \$64,231 in the Bond Retirement debt service fund, and \$9,043 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2004, was \$498,672 in the General Fund, \$71,597 in the Bond Retirement debt service fund, and \$9,898 in the Permanent Improvement capital projects fund.

The assessed values upon which fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$268,697,070	52.18%	\$268,694,530	51.94%
Industrial/Commercial	106,376,730	20.66	106,376,730	20.57
Public Utility	17,251,920	3.35	17,335,300	3.35
Tangible Personal	122,632,041	23.81	124,876,722	24.14
Total Assessed Value	<u>\$514,957,761</u>	<u>100.00%</u>	<u>\$517,283,282</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.70		\$43.70	

9. PAYMENT IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. PAYMENT IN LIEU OF TAXES (Continued)

The payment is received annually either as an agreed upon flat amount per year or based on a percentage of income tax revenue received by the City of Sidney for additional employees employed from the expansion. Most of the agreements are for a ten year period. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

10. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05
Governmental Activities				
Non depreciable Capital Assets				
Land	\$207,305	\$-	\$-	\$207,305
Construction in Progress	840,210	1,208,802	(2,049,012)	-
Total Non depreciable Capital Assets	<u>1,047,515</u>	<u>1,208,802</u>	<u>(2,049,012)</u>	<u>207,305</u>
Depreciable Capital Assets				
Land Improvements	224,413	41,462	-	265,875
Buildings and Building Improvements	28,347,049	2,262,738	-	30,609,787
Furniture, Fixtures, and Equipment	1,217,159	61,468	(34,460)	1,244,167
Vehicles	1,891,788	-	-	1,891,788
Total Depreciable Capital Assets	<u>31,680,409</u>	<u>2,365,668</u>	<u>(34,460)</u>	<u>34,011,617</u>
Less Accumulated Depreciation				
Land Improvements	(93,949)	(13,804)	-	(107,753)
Buildings and Building Improvements	(1,800,430)	(623,006)	-	(2,423,436)
Furniture, Fixtures, and Equipment	(632,669)	(79,599)	33,355	(678,913)
Vehicles	(683,658)	(121,344)	-	(805,002)
Total Accumulated Depreciation	<u>(3,210,706)</u>	<u>(837,753)</u>	<u>33,355</u>	<u>(4,015,104)</u>
Depreciable Capital Assets, Net	<u>28,469,703</u>	<u>1,527,915</u>	<u>(1,105)</u>	<u>29,996,513</u>
Governmental Activities Capital Assets, Net	<u>\$29,517,218</u>	<u>\$2,736,717</u>	<u>(\$2,050,117)</u>	<u>\$30,203,818</u>
Business-Type Activity				
Depreciable Capital Assets				
Buildings and Building Improvements	\$1,926,250	\$-	\$-	\$1,926,250
Furniture, Fixtures, and Equipment	654,181	8,226	-	662,407
Vehicles	15,004	-	-	15,004
Total Depreciable Capital Assets	<u>2,595,435</u>	<u>8,226</u>	<u>-</u>	<u>2,603,661</u>
Less Accumulated Depreciation				
Buildings and Building Improvements	(146,024)	(29,726)	-	(175,750)
Furniture, Fixtures, and Equipment	(163,776)	(28,677)	-	(192,453)
Vehicles	(8,549)	(996)	-	(9,545)
Total Accumulated Depreciation	<u>(318,349)</u>	<u>(59,399)</u>	<u>-</u>	<u>(377,748)</u>
Business-Type Activity Capital Assets, Net	<u>\$2,277,086</u>	<u>(\$51,173)</u>	<u>\$-</u>	<u>\$2,225,913</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

10. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$494,795
Special	26,880
Vocational	2,800
Support Services:	
Pupils	13,729
Instructional Staff	15,229
Administration	15,823
Fiscal	7,367
Business	3,608
Operation and Maintenance of Plant	13,908
Pupil Transportation	105,713
Central	25,240
Noninstructional Services	28,998
Extracurricular Activities	83,663
Total Depreciation Expense	<u>\$837,753</u>

11. INTERFUND ASSETS/LIABILITIES

At June 30, 2005, the General Fund had an interfund receivable, in the amount of \$3,000, from other governmental funds for providing cash flow resources until the receipt of grant monies. Other governmental funds had an interfund receivable, in the amount of \$850, from the General Fund for a short-term loan. The Food Service enterprise fund had an interfund receivable, in the amount of \$155, from other governmental funds for services provided. All of the interfund receivables will be repaid within one year.

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District contracted for the following insurance coverage:

Midwestern Indemnity Company	
General School District Liability	
Per Occurrence	\$1,000,000
General Aggregate	2,000,000
Buildings and Contents - replacement cost	69,354,848
Earthquake	10,000,000
Computer Equipment	1,570,900
Netherlands Insurance Company	
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Mid-American Fire and Casualty 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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

12. RISK MANAGEMENT (Continued)

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 2005, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group 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 workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Group Saving Fund". This "group saving" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. Each participant must apply annually. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the Plan.

13. CONTRACTUAL COMMITMENTS

As of June 30, 2005, the School District had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining On Contract</u>
Freytag and Associates	Restroom Renovation Engineering	\$ 25,000
Freytag and Associates	Middle School Architectural	17,255
Sidney Electric	Middle School Technology Contract	28,948
Star-Ex, Inc.	Middle School Demolition	40,000
Oral T. Carter	High School Lockers	48,750
Freytag & Associates	Middle School Building	9,299
Ferguson Construction	Final Settlement of Middle School	24,000
Total Commitments		<u>\$ 193,252</u>

14. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

14. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of 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 fifty and termination of employment.

The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2005, 2004, and 2003 was \$1,916,875, \$1,791,933 and \$1,705,303, respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003. Contributions for the DCP and CP for the fiscal year ended June 30, 2005, were \$12,728 made by the School District and \$41,092 made by plan members.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

14. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2005 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 was \$458,956, \$371,912 and \$300,989, respectively; 48 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2005, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

15. POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$148,431.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

15. POSTEMPLOYMENT BENEFITS (Continued)

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$214,979 for fiscal year 2005.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005, were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants currently receiving health care benefits.

16. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Certain administrators receive twenty days of vacation per year and may accumulate a total of sixty days. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and other administrative staff do not earn vacation time.

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

Upon retirement, payment is made for 25 percent of the first one hundred twenty days of accrued, but unused sick leave plus 15 percent of any remaining accrued, but unused sick leave for teachers and certain administrators with less than thirty years of service up to a maximum of forty-eight days. For teachers and administrators with more than thirty years of service, payment is made for 25 percent of the first one hundred twenty days of accrued, but unused sick leave plus 20 percent of any remaining accrued, but unused sick leave up to a maximum of fifty-eight days. Upon retirement, payment is made for 25 percent of the first one hundred twenty days of accrued, but unused sick leave plus 15 percent of any remaining accrued, but unused sick leave to a maximum of forty-eight days for classified employees.

B. Health Care Benefits

The School District provides medical and dental insurance benefits to most employees through the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust. The Board pays the entire monthly premium, except for part-time employees who pay a pro-rated portion for their benefits. The School District also provides life insurance to active, full-time employees through the Hartford Life and Accident Insurance Company.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

16. OTHER EMPLOYEE BENEFITS (Continued)

C. Special Termination Benefits

For fiscal year 2005, the School District offered a special termination benefit, in the amount of \$12,000, to any teacher with thirty or more years of experience who submitted a letter of retirement to the superintendent between September 1 and April 1 and completed the school year. This offer expired August 1, 2005. The School District also offered a special termination benefit to classified employees based on years of service with the School District. This offer expired June 30, 2005.

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

At June 30, 2005, the School District had a liability for special termination benefits, in the amount of \$37,000.

17. NOTES PAYABLE

The School District's note activity for the fiscal year ended June 30, 2005, was as follows:

Governmental Activities	Interest Rate	Balance at 6/30/2004	Additions	Reductions	Balance at 6/30/2005
Energy Conservation Notes					
July 17, 2003	1.56%	\$928,000	\$0	\$928,000	\$0
July 15, 2004	2.52	0	861,000	861,000	0
December 15, 2004	2.82	0	794,000	0	794,000
School Improvement Notes					
July 17, 2003	1.42	1,999,350	0	1,999,350	0
July 15, 2004	2.15	0	1,999,350	1,999,350	0
December 15, 2004	2.67	0	1,500,000	0	1,500,000
Certificates of Participation Notes					
October 21, 2003	1.83	1,700,000	0	1,700,000	0
July 8, 2004	2.56	0	1,615,000	1,615,000	0
December 15, 2004	2.93	0	1,530,000	0	1,530,000
Total Governmental Activities		\$4,627,350	\$8,299,350	\$9,102,700	\$3,824,000

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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

17. NOTES PAYABLE (Continued)

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.

18. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2005 were as follows:

Governmental Activities	Balance at 6/30/04	Additions	Reductions	Balance at 6/30/05	Amounts Due Within One Year
General Obligation Bonds					
2001 School Improvement					
Serial Bonds 3.4 - 5%	\$3,290,000	\$0	\$430,000	\$2,860,000	\$500,000
Term Bonds 5.1 - 5.25%	15,345,000	0	0	15,345,000	0
Original Issue of Capital					
Appreciation Bonds					
15.92 - 29.35%	89,992	0	0	89,992	0
Accretion on Capital					
Appreciation Bonds	67,060	31,310	0	98,370	0
Serial and Term Bond Discount	(239,306)	5,217	0	(234,089)	0
Capital Appreciation Premium	442,766	0	11,496	431,270	0
Total 2001 School Improvement	<u>18,995,512</u>	<u>36,527</u>	<u>441,496</u>	<u>18,590,543</u>	<u>500,000</u>
2002 School Improvement					
Serial Bonds 2.5 - 5%	1,455,000	0	90,000	1,365,000	90,000
Term Bonds 5.125 - 5.625%	2,460,000	0	0	2,460,000	0
Total 2002 School Improvement	<u>3,915,000</u>	<u>0</u>	<u>90,000</u>	<u>3,825,000</u>	<u>90,000</u>
Total General Obligation Bonds	<u>22,910,512</u>	<u>36,527</u>	<u>531,496</u>	<u>22,415,543</u>	<u>590,000</u>
1987 Asbestos Removal Loan 0%	35,299	0	14,120	21,179	14,120
Compensated Absences Payable	1,494,762	62,661	177,609	1,379,814	126,499
Total Governmental Activities Long-Term Liabilities	<u>\$24,440,573</u>	<u>\$99,188</u>	<u>\$723,225</u>	<u>\$23,816,536</u>	<u>\$730,619</u>
Business-Type Activity					
Compensated Absences	<u>\$3,262</u>	<u>\$34,100</u>	<u>\$3,974</u>	<u>\$33,388</u>	<u>\$2,548</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

School Improvement General Obligation Bonds 2001 - On May 8, 2001, the School District issued \$19,999,992 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$4,565,000, \$15,345,000, and \$89,992, respectively. The bonds are being retired from the Bond Retirement debt service fund, with a portion of the proceeds of a 3.70 mill voted property tax levy.

A. Series A Term Bonds

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

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

The term bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District.

The mandatory redemption is to occur on December 1 in each of the years 2020 through 2022 (with the balance of \$605,000 to be paid at stated maturity on December 1, 2023), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

B. Series B Term Bonds

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

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

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

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

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

The capital appreciation bonds were sold at a premium of \$461,098. The capital appreciation bonds will mature in fiscal years 2014 and 2015. The maturity amount of the bonds is \$1,090,000. For fiscal year 2005, \$31,310 was accreted for a total bond value of \$188,362.

School Improvement General Obligation Bonds 2002 - 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 amount of \$1,540,000 and \$2,460,000, respectively. The bonds are being retired from the Bond Retirement debt service fund, with a portion of the proceeds of a 3.70 mill voted property tax levy.

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District.

The mandatory redemption is to occur on December 1 in each of the years 2017 through 2021 (with the balance of \$195,000 to be paid at stated maturity on December 1, 2022), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2017	\$150,000
2018	160,000
2019	170,000
2020	175,000
2021	185,000

The term bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2023 through 2027 (with the balance of \$270,000 to be paid at stated maturity on December 1, 2028), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2023	\$210,000
2024	220,000
2025	230,000
2026	240,000
2027	255,000

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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

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

Compensated absences will be paid from the General Fund, Termination Benefits special revenue fund, and the Food Service enterprise fund.

The School District's overall debt margin was \$23,672,919 with an unvoted debt margin of \$517,283 at June 30, 2005.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2005, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2006	\$590,000	\$173,763	\$0	\$926,829
2007	685,000	148,220	0	926,828
2008	225,000	129,737	0	926,829
2009	325,000	118,261	0	926,828
2010	365,000	103,320	0	926,829
2011-2015	1,755,000	231,039	0	4,634,144
2016-2020	280,000	14,250	4,195,000	4,153,491
2021-2025	0	0	6,515,000	2,753,365
2026-2029	0	0	7,095,000	748,150
Totals	<u>\$4,225,000</u>	<u>\$918,590</u>	<u>\$17,805,000</u>	<u>\$16,923,293</u>

Fiscal Year Ending	General Obligation Bonds		Asbestos Removal Loan
	Capital Appreciation		Principal
	Principal	Interest	
2006	\$0	\$0	\$14,120
2007	0	0	7,059
2008	0	0	0
2009	0	0	0
2010	0	0	0
2011-2015	89,992	1,000,008	0
Totals	<u>\$89,992</u>	<u>\$1,000,008</u>	<u>\$21,179</u>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

19. INTERFUND TRANSFERS

During fiscal year 2005, the General Fund made transfers to the Bond Retirement debt service fund, in the amount of \$193,613, as debt payments became due and to other governmental funds, in the amount of \$287,850 to set aside resources for future severance payments and to subsidize activities of other funds.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

20. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of, \$111,600, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$197,217 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year.

21. SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2005.

	Textbooks	Capital Improvements
Balance June 30, 2004	(\$1,543,108)	\$0
Current Year Set Aside Requirement	530,985	530,985
Qualifying Expenditures	(1,067,675)	(149,328)
Current Year Offsets	0	(293,381)
Amount Carried Forward to Fiscal Year 2006	(\$2,079,798)	\$88,276
Set Aside Reserve Balance June 30, 2005	\$0	\$88,276

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement of future fiscal years.

22. JOINTLY GOVERNED ORGANIZATIONS

A. Upper Valley Joint Vocational School

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

22. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent of the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Hardin County Educational Service Center, 1211 West Lima Street, Suite A, Kenton, Ohio 43326-2385.

C. Southwestern Ohio Educational Purchasing Cooperative

The 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. During fiscal year 2005, the School District paid \$1,928 to the SOEPC for various services. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

23. 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(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members.

Each participant decides which plans offered by the 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 Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (Plan) was established as an insurance purchasing pool.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

23. 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.

24. 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.

25. CONTINGENCIES

A. 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

26. SUBSEQUENT EVENTS

On December 14, 2005, the School District issued bond anticipation notes, in the amount of \$727,000, to retire notes previously issued for energy conservation projects. The notes have an interest rate of 4 percent and mature on December 6, 2006.

On December 14, 2005, the School District issued bond anticipation notes, in the amount of \$1,400,000, to retire notes previously issued for constructing, improving, and making additions to school buildings. The notes have an interest rate of 4 percent and mature on December 6, 2006.

On December 7, 2005, the School District issued \$1,445,000 in certificates of participation notes to retire notes previously issued for the construction of a new administration building. The notes have an interest rate of 4.05 percent and mature on December 6, 2006.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
(Passed through State Dept. of Education)						
<i>Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550		\$88,876		\$84,203
National School Breakfast Program	044784-05-PU-04 044784-05-PU-05	10.553	\$30,898 102,139		\$30,898 102,139	
Total National School Breakfast Program			133,037		133,037	
National School Lunch Program	044784-LL-N4-04 044784-LL-P4-05	10.555	124,672 393,312		124,672 393,312	
Total National School Lunch Program			517,984		517,984	
Total U.S. Department of Agriculture-Nutrition Cluster			651,021	88,876	651,021	84,203
U.S. Department of Health and Human Services						
(Passed through the Ohio Department of Mental Retardation and Developmental Disabilities)						
Medical Assistance Program (CAFS)		93.778	71,263		71,263	
State Children's Insurance Program		93.767	5,257		5,257	
Total U.S. Department of Health and Human Services			76,520		76,520	
U.S. Department of Education						
(Passed through State Dept. of Education)						
<i>Special Education Cluster:</i>						
Title VI-B	044784-6B-SF-04 044784-6B-SF-05	84.027	115,092 756,530		149,221 742,667	
Total Title VI-B			871,622		891,888	
Preschool Grants	044784-PG-S1-04 044784-PG-S1-05	84.173	1,586 16,102		2,407 15,625	
Total Preschool Grants			17,688		18,032	
Total Special Education Cluster			889,310		909,920	
Title I	044784-C1-S1-04 044784-C1-S1-05	84.010	74,133 653,597		110,285 612,300	
Total Title I			727,730		722,585	
Drug Free Education	044784-DR-S1-04 044784-DR-S1-05	84.186	(1,307) 21,147		20,496	
Total Drug Free Education			19,840		20,496	
Advanced Placement Program	AVTF-2005	84.330	364		364	
Innovative Education Program	044784-C2-S1-04 044784-C2-S1-05	84.298	2,451 31,265		4,875 33,896	
Total Innovative Education Program			33,716		38,771	
Title II-D Technology	044784-TJS1-04 044784-TJS1-05	84.318	3,795 17,882		3,573 15,952	
Total Title II-D Technology			21,677		19,525	
English Language Acquisition Grants	044784-T3S1-04 044784-T3S2-04 044784-T3S1-05	84.365	407 2,711 18,076		2,807 2,711 16,996	
Total English Language Acquisition Grants			21,194		22,514	
Improving Teacher Quality State Grants	044784-TRS1-04 044784-TRS1-05	84.367	30,664 199,097		22,551 187,110	
Total Improving Teacher Quality State Grants			229,761		209,661	
Total U.S. Department of Education			1,943,592		1,943,836	
Total Federal Financial Assistance			<u>\$2,671,133</u>	<u>\$88,876</u>	<u>\$2,671,377</u>	<u>\$84,203</u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

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

NOTE D - NEGATIVE RECEIPTS

The negative receipt in the Drug Free Education, for fiscal year 2004, represents the elimination of this grant. This receipt was transferred into the fiscal year 2005 grant special cost center.

NOTE E - TRANSFER OF FUNDS BETWEEN SPECIAL COST CENTERS

The following transfers between fund cost centers were approved by the Ohio Department of Education.

Grant, CFDA #, Fund, and Cost Center	Transfer out	Transfer in
Title 1, Part A, ESEA - # 84.010		
572-2004	\$(14,790)	
572-2005		\$14,790
Title VI-B - #84.027		
516-2004	\$(10,721)	
516-2005		\$10,721
Drug Free Education - #84.186		
584-2004	\$(1,307)	
584-2005		\$1,307
Innovative Education Program Strategies - # 84.298		
573-2004	\$(2,448)	
573-2005		\$2,448
Title II-D Technology Grant - #84.318		
599-2094	\$(1,328)	
599-2095		\$1,328
English Language Acquisition Grant - #84.365		
551-2004	\$(3,498)	
551-2005		3,498
Improving Teacher Quality - #84.367		
590-2084	\$(5,983)	
590-2085		5,983

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Auditor of State Betty Montgomery

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 Members of the Board:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 6, 2006. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated March 6, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the School District's management dated March 6, 2006, we reported other matters related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of management, Members of the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 6, 2006



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Members of the Board:

Compliance

We have audited the compliance of 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 apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. 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 express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those 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 those requirements.

In our opinion, the Sidney City School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the 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 expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the 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 March 6, 2006.

We intend this report solely for the information and use of the management, Members of the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

March 6, 2006

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: CFDA #84.027, 84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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SIDNEY CITY SCHOOL DISTRICT

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 30, 2006**