



Dave Yost • Auditor of State

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, as of June 30, 2010, and the respective changes in cash financial position, thereof and the respective budgetary comparisons for the General Fund and Food Service special revenue fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during the year ended June 30, 2010, the School District adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The schedule of federal awards receipts and disbursements provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards receipts and disbursements is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 30, 2011

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED**

The discussion and analysis of Sidney City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010, within the limitations of the cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

The School District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the whole 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 as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For Sidney City School District, the General Fund, the Food Service special revenue fund, and the Bond Retirement debt service fund are the most significant funds.

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 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

In the statement of net assets and the statement of activities, all of the School District's activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities, capital outlay, and debt service disbursements.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund, the Food Service special revenue fund, and the Bond Retirement debt service fund.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis accounting. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2010 and fiscal year 2009:

Table 1			
Net Assets			
	Governmental Activities		
	2010	2009	Change
Assets:			
Cash and Cash Equivalents	\$7,216,108	\$5,075,721	\$2,140,387
Net Assets:			
Restricted	3,557,404	3,221,746	335,658
Unrestricted	3,658,704	1,853,975	1,804,729
Total Net Assets	\$7,216,108	\$5,075,721	\$2,140,387

There was a significant increase in cash and cash equivalents which can be attributed to several sources. The School District received additional grant resources through the American Recovery and Reinvestment Act, additional resources from State Fiscal Stabilization funds (also stimulus monies), and additional tax revenues from the new 9.9 mill emergency levy.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2010 and fiscal year 2009.

**Table 2
Changes in Net Assets**

	Governmental Activities		
	2010	2009	Change
Receipts:			
Program Receipts:			
Charges for Services	\$1,637,283	\$1,694,539	(\$ 56,256)
Operating Grants, Contributions, and Interest	5,955,564	5,323,146	632,418
Capital Grants and Contributions		36,582	(36,582)
Total Program Receipts	<u>7,592,847</u>	<u>7,054,267</u>	<u>538,580</u>
General Receipts:			
Property Taxes Levied for General Purposes	12,712,119	11,755,136	956,983
Property Taxes Levied for Debt Service	1,510,627	1,627,805	(117,178)
Property Taxes Levied for Permanent Improvements	97,761	233,255	(138,494)
Payment in Lieu of Taxes	89,922	205,320	(115,398)
Grants and Entitlements	18,545,450	17,150,808	1,394,642
Interest	10,428	88,507	(78,079)
Gifts and Donations	1,119	5,992	(4,873)
Miscellaneous	271,518	474,381	(202,863)
Bond Anticipation Notes Issued	2,183,000	2,525,000	(342,000)
Loans Issued		149,500	(149,500)
Total General Receipts	<u>35,418,944</u>	<u>34,215,704</u>	<u>1,203,240</u>
Total Receipts	<u>43,011,791</u>	<u>41,269,971</u>	<u>1,741,820</u>
Disbursements:			
Instruction:			
Regular	17,058,175	17,875,690	817,515
Special	4,708,280	4,518,081	(190,199)
Vocational	91,629	85,207	(6,422)
Support Services:			
Pupils	1,888,026	2,012,068	124,042
Instructional Staff	2,047,178	2,203,423	156,245
Board of Education	14,471	19,896	5,425
Administration	2,804,781	2,776,030	(28,751)
Fiscal	785,282	798,084	12,802
Business	149,900	118,176	(32,724)
Operation and Maintenance of Plant	2,889,608	3,140,656	251,048
Pupil Transportation	911,444	1,303,751	392,307
Central	832,298	775,517	(56,781)
Non-instructional Services	1,955,731	2,060,131	104,400
Extracurricular Activities	584,071	695,031	(111,960)
Capital Outlay	91,661	324,925	233,264
Debt Service:			
Principal Retirement	3,076,141	3,369,425	293,284
Interest and Fiscal Charges	982,728	1,008,618	25,890
Total Disbursements	<u>40,871,404</u>	<u>43,084,709</u>	<u>2,213,305</u>
Change in Net Assets	<u>2,140,387</u>	<u>(1,814,738)</u>	<u>3,955,125</u>
Net Assets at Beginning of Year	<u>5,075,721</u>	<u>6,890,459</u>	<u>(1,814,738)</u>
Net Assets at End of Year	<u>\$7,216,108</u>	<u>\$5,075,721</u>	<u>\$2,140,387</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

There was an increase in program receipts of almost 8 percent from the prior fiscal year and is generally due to additional grant resources obtained through the American Recovery and Reinvestment Act.

In total, there was also an increase in general receipts from the prior fiscal year. The increase in general property taxes reflects the new 9.9 mill emergency levy and the increase in unrestricted grants and entitlements is due, in part, to State Fiscal Stabilization resources (also stimulus monies). However, note there were a number of decreases in receipt sources as well. The decrease in property taxes related to permanent improvements is due to the expiration of a levy and the decrease in the payment in lieu of taxes receipts reflects the expiration of several of those agreements. Given there was a lesser amount of debt issued in fiscal year 2010, there was a reduction in the proceeds from bond anticipation notes and loans.

There was a 5 percent decrease in disbursements from the prior fiscal year, although there were modest increases and decreases reflected in many programs.

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 receipts and unrestricted state entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction:				
Regular	\$17,058,175	\$17,875,690	\$16,028,428	\$16,804,583
Special	4,708,280	4,518,081	624,657	1,008,842
Vocational	91,629	85,207	69,966	63,498
Support Services:				
Pupils	1,888,026	2,012,068	1,872,562	1,999,253
Instructional Staff	2,047,178	2,203,423	2,047,178	2,203,423
Board of Education	14,471	19,896	14,471	19,896
Administration	2,804,781	2,776,030	2,804,781	2,776,030
Fiscal	785,282	798,084	785,282	798,084
Business	149,900	118,176	149,900	118,176
Operation and Maintenance of Plant	2,889,608	3,140,656	2,889,608	3,140,656
Pupil Transportation	911,444	1,303,751	759,386	1,128,527
Central	832,298	775,517	809,664	764,284
Non-instructional Services	1,955,731	2,060,131	(41,272)	18,212
Extracurricular Activities	584,071	695,031	313,416	487,370
Capital Outlay	91,661	324,925	91,661	324,925
Debt Service:				
Principal Retirement	3,076,141	3,369,425	3,076,141	3,369,425
Interest and Fiscal Charges	982,728	1,008,618	982,728	1,008,618
Total Disbursements	\$40,871,404	\$43,084,709	\$33,278,557	\$36,033,802

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

As can be seen above, the dependence on general receipts for most programs is significant with 81 percent of program costs being paid from general receipts. Several of the School District's programs receive a notable amount of program receipts to offset program costs. The special instruction program provided for 87 percent of its costs through program receipts from operating grants restricted for special instruction purposes. The amount provided through program receipts was greater in fiscal year 2010 due to additional American Recovery and Reinvestment Act grant resources. Non-instructional services costs (primarily food services) as well as costs associated with the parochial school were fully covered by program receipts for fiscal year 2010. The primary program receipts are cafeteria sales and state and federal subsidies and donated commodities for food service as well as operating grants for the parochial school. For fiscal year 2010, 46 percent of extracurricular activities expenses were covered by program receipts. The majority of the program receipts consist of music and athletic fees, ticket sales, and gate receipts and will fluctuate based on the number of games played at home and how well the athletic teams are playing.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. Fund balance in the General Fund increased substantially due to an increase in property tax receipts (new emergency levy) and intergovernmental receipts (stimulus monies), and from a decrease in disbursements.

For the Food Service special revenue fund, receipts remained fairly similar to the prior fiscal year; however, there was a 5 percent decrease in disbursements. As a result, there was an increase in fund balance.

Property tax receipts and proceeds from new notes issued in fiscal year 2010 were sufficient to cover current debt service requirements.

General Fund Budgeting Highlights

The School District prepares an annual budget of receipts and disbursements 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 2010, the School District amended its General Fund budget as needed.

For receipts, there was no change from the original budget to the final budget. Changes from the final budget to actual receipts are primarily reflected for property taxes (new levy) and intergovernmental receipts (generally grant and entitlement resources received from the State). Changes from the original budget to the final budget as well as from the final budget to actual disbursements were not significant.

Current Issues

For fiscal years 2010 and 2011, both union organizations, the Sidney Education Association (SEA) and the Ohio Association of Public School Employees (OAPSE), agreed to no increase in the base wage rate for both fiscal years. The no increase to the base wage rate was then also applied to all nonunion employees in the School District.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)**

The School District discontinued operations at the Lowell Elementary School at the end of the 2008-2009 school year. The building was rented in fiscal year 2010 by the Council on Rural Service Programs (CORSP) for the operation of their preschool program. The CORSP will again be renting the Lowell building for fiscal year 2011. At the end of the 2006-2007 school year, Parkwood Elementary School was closed and the building was only used for storage. Beginning fiscal year 2010, the Shelby County Educational Service Center moved its Cooperative Learning Center and Alternative School Program to the Parkwood Elementary building. The School District is collecting \$30,000 per year from the Educational Service Center for use of this building.

The School District passed a 9.9 mill property tax levy for general operations in November 2009. The property tax will generate approximately \$4,500,000 annually. Collection began in January 2010.

Based on the passage of the property tax levy in November 2009, the School District restored four bus routes and drivers that were eliminated in fiscal year 2009. The bus routes included all students living outside of a 1.3 mile radius of their instructional building. In addition, the pay to participate fee was reduced from \$450 to \$35 per student per sport starting with the spring 2010 sport season.

In November of 2010, the School District placed a 4.73 mill emergency operating levy on the ballot for renewal. This same issue had already failed at the August 2010 election by a margin of 2,689 for, and 3,829 Against. Once again the issue failed but a slightly wider margin of 3,929 For, and 5,047 Against. With the failure of this levy in November 2010, the School District will lose \$2.5 million in tax revenue beginning with the first collection of calendar year 2011.

With the loss of the revenue mentioned above, the School District's administrative team has started in-depth discussions and planning to reduce School District expenditures by \$2.2 million for the 2011-2012 school year. The negotiations with the SEA and OAPSE, which will begin in the second half of fiscal year 2011, have the potential to contribute a great impact on the expenditure reduction plans. A significant factor in the success of the reductions is the impact of Governor Kasich's biennial budget on the funding for school districts. Any significant changes in school funding will dramatically impair the School District's ability to function properly without a new local revenue source.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Michael T. Watkins, Chief Financial Officer, Sidney City School District, 750 South Fourth Street, Sidney, Ohio 45365.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2010**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$7,216,108</u></u>
Net Assets:	
Restricted for:	
Capital Projects	\$130,293
Debt Service	2,890,733
Other Purposes	536,378
Unrestricted	<u>3,658,704</u>
Total Net Assets	<u><u>\$7,216,108</u></u>

See Accompanying Notes to Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Program Cash Receipts</u>			<u>Net (Disbursement) Receipt and Change in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$17,058,175	\$680,181	\$349,566	(\$16,028,428)
Special	4,708,280	52,903	4,030,720	(624,657)
Vocational	91,629		21,663	(69,966)
Support Services:				
Pupils	1,888,026		15,464	(1,872,562)
Instructional Staff	2,047,178			(2,047,178)
Board of Education	14,471			(14,471)
Administration	2,804,781			(2,804,781)
Fiscal	785,282			(785,282)
Business	149,900			(149,900)
Operation and Maintenance of Plant	2,889,608			(2,889,608)
Pupil Transportation	911,444	45,601	106,457	(759,386)
Central	832,298		22,634	(809,664)
Non-instructional Services	1,955,731	588,943	1,408,060	41,272
Extracurricular Activities	584,071	269,655	1,000	(313,416)
Capital Outlay	91,661			(91,661)
Debt Service:				
Principal Retirement	3,076,141			(3,076,141)
Interest and Fiscal Charges	982,728			(982,728)
Total Governmental Activities	<u>\$40,871,404</u>	<u>\$1,637,283</u>	<u>\$5,955,564</u>	<u>(33,278,557)</u>

General Receipts:

Property Taxes Levied for:

General Purposes	12,712,119
Debt Service	1,510,627
Permanent Improvements	94,761
Payment in Lieu of Taxes	89,922
Grants and Entitlements not Restricted to Specific Programs	18,545,450
Interest	10,428
Gifts and Donations	1,119
Miscellaneous	271,518
Proceeds of Notes	2,183,000
Total General Receipts	<u>35,418,944</u>

Change in Net Assets	2,140,387
Net Assets at Beginning of Year - Restated (Note 3)	<u>5,075,721</u>
Net Assets at End of Year	<u>\$7,216,108</u>

See Accompanying Notes to Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General</u>	<u>Food Service</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$3,675,727	\$223,698	\$2,890,733	\$424,152	\$7,214,310
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	1,798				1,798
Total Assets	<u>3,677,525</u>	<u>223,698</u>	<u>2,890,733</u>	<u>424,152</u>	<u>7,216,108</u>
Fund Balances:					
Restricted	1,798	223,698	2,890,733	441,175	3,557,404
Committed	108,029				108,029
Assigned	374,011				374,011
Unassigned	3,193,687			(17,023)	3,176,664
Total Fund Balances	<u>\$3,677,525</u>	<u>\$223,698</u>	<u>\$2,890,733</u>	<u>\$424,152</u>	<u>\$7,216,108</u>

See Accompanying Notes to Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Food Service</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Receipts:					
Property Taxes	\$12,712,119		\$1,510,627	\$94,761	\$14,317,507
Payment in Lieu of Taxes	89,922				89,922
Intergovernmental	18,861,757	\$988,582	548,737	4,067,474	24,466,550
Interest	10,421	86		76	10,583
Tuition and Fees	775,713				775,713
Extracurricular Activities				150,100	150,100
Charges for Services		588,943			588,943
Gifts and Donations	1,119			6,500	7,619
Miscellaneous	378,831		15,214	27,809	421,854
Total Receipts	<u>32,829,882</u>	<u>1,577,611</u>	<u>2,074,578</u>	<u>4,346,720</u>	<u>40,828,791</u>
Disbursements:					
Current:					
Instruction:					
Regular	16,766,978			291,197	17,058,175
Special	3,264,671			1,443,609	4,708,280
Vocational	91,629				91,629
Support Services:					
Pupils	1,828,118			59,908	1,888,026
Instructional Staff	1,231,794			815,384	2,047,178
Board of Education	14,471				14,471
Administration	2,205,395			599,386	2,804,781
Fiscal	725,910		55,905	3,467	785,282
Business	149,900				149,900
Operation and Maintenance of Plant	2,729,733			159,875	2,889,608
Pupil Transportation	856,650			54,794	911,444
Central	705,415			126,883	832,298
Non-instructional Services		1,459,123		496,608	1,955,731
Extracurricular Activities	426,907			157,164	584,071
Capital Outlay				91,661	91,661
Debt Service:					
Principal Retirement	21,652		3,040,000	14,489	3,076,141
Interest and Fiscal Charges	2,864		977,945	1,919	982,728
Total Disbursements	<u>31,022,087</u>	<u>1,459,123</u>	<u>4,073,850</u>	<u>4,316,344</u>	<u>40,871,404</u>
Excess of Receipts Over (Under) Disbursements	<u>1,807,795</u>	<u>118,488</u>	<u>(1,999,272)</u>	<u>30,376</u>	<u>(42,613)</u>
Other Financing Sources (Uses):					
Bond Anticipation Notes Issued			2,183,000		2,183,000
Transfers In	10,130		214,625	17,004	241,759
Transfers Out	(133,000)			(108,759)	(241,759)
Total Other Financing Sources (Uses)	<u>(122,870)</u>		<u>2,397,625</u>	<u>(91,755)</u>	<u>2,183,000</u>
Changes in Fund Balances	1,684,925	118,488	398,353	(61,379)	2,140,387
Fund Balances at Beginning of Year - Restated (Note 3)	<u>1,992,600</u>	<u>105,210</u>	<u>2,492,380</u>	<u>485,531</u>	<u>5,075,721</u>
Fund Balances at End of Year	<u>\$3,677,525</u>	<u>\$223,698</u>	<u>\$2,890,733</u>	<u>\$424,152</u>	<u>\$7,216,108</u>

See Accompanying Notes to Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Receipts:				
Property Taxes	\$11,768,671	\$11,768,671	\$12,712,119	\$943,448
Payment in Lieu of Taxes	55,000	55,000	89,922	34,922
Intergovernmental	18,540,000	18,540,000	18,835,987	295,987
Interest	12,000	12,000	10,421	(1,579)
Tuition and Fees	745,000	745,000	775,713	30,713
Gifts and Donations	2,500	2,500	1,119	(1,381)
Miscellaneous	432,125	432,125	378,831	(53,294)
Total Receipts	<u>31,555,296</u>	<u>31,555,296</u>	<u>32,804,112</u>	<u>1,248,816</u>
Disbursements:				
Current:				
Instruction:				
Regular	14,369,282	13,870,903	14,030,767	(159,864)
Special	3,128,594	3,214,678	3,272,750	(58,072)
Vocational	80,047	80,048	101,944	(21,896)
Other	3,085,889	3,055,889	2,993,635	62,254
Support Services:				
Pupils	1,947,552	1,950,855	1,836,656	114,199
Instructional Staff	1,383,157	1,382,820	1,233,334	149,486
Board of Education	21,056	21,056	14,471	6,585
Administration	2,741,014	2,740,696	2,248,150	492,546
Fiscal	720,626	759,546	742,060	17,486
Business	143,942	143,942	149,900	(5,958)
Operation and Maintenance of Plant	3,148,335	3,139,080	2,813,444	325,636
Pupil Transportation	968,332	998,333	885,868	112,465
Central	727,966	757,966	638,736	119,230
Extracurricular Activities	187,676	187,676	427,183	(239,507)
Debt Service:				
Principal Retirement			21,652	(21,652)
Interest and Fiscal Charges			2,864	(2,864)
Total Disbursements	<u>32,653,468</u>	<u>32,303,488</u>	<u>31,413,414</u>	<u>890,074</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,098,172)</u>	<u>(748,192)</u>	<u>1,390,698</u>	<u>2,138,890</u>
Other Financing Sources (Uses):				
Transfers In	160,250	160,250	10,130	(150,120)
Transfers Out	(210,000)	(275,000)	(133,000)	142,000
Total Other Financing Sources (Uses)	<u>(49,750)</u>	<u>(114,750)</u>	<u>(122,870)</u>	<u>(8,120)</u>
Changes in Fund Balance	(1,147,922)	(862,942)	1,267,828	2,130,770
Fund Balance at Beginning of Year	1,781,426	1,781,426	1,781,426	
Prior Year Encumbrances Appropriated	211,174	211,174	211,174	
Fund Balance at End of Year	<u>\$844,678</u>	<u>\$1,129,658</u>	<u>\$3,260,428</u>	<u>\$2,130,770</u>

See Accompanying Notes to Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
FOOD SERVICE SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Intergovernmental	\$890,000	\$890,000	\$988,582	\$98,582
Interest	0	0	86	86
Charges for Services	705,000	705,000	588,943	(116,057)
Total Receipts	1,595,000	1,595,000	1,577,611	(17,389)
<u>Disbursements:</u>				
Current:				
Support Services:				
Non-Instructional Services	1,576,082	1,576,082	1,459,123	116,959
Changes in Fund Balance	18,918	18,918	118,488	99,570
Fund Balance at Beginning of Year	104,128	104,128	104,128	0
Prior Year Encumbrances Appropriated	1,082	1,082	1,082	0
Fund Balance at End of Year	\$124,128	\$124,128	\$223,698	\$99,570

See Accompanying Notes to Basic Financial Statements

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUTNY**

**STATEMENT OF CASH BASIS FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$118,363	\$164,983
Cash and Cash Equivalents with Fiscal Agent	26,853	
Investments with Fiscal Agent	185,237	
Total Assets	330,453	164,983
Net Assets:		
Endowments	111,600	
Held in Trust for Scholarships	218,853	
Held for Student Activities		91,588
Undistributed Assets		73,395
Total Net Assets	\$330,453	\$164,983

See Accompanying Notes to Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH BASIS CHANGE IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Additions:	
Interest	\$10,743
Contributions	2,500
Total Additions	<u>13,243</u>
 Deductions:	
Non-Instructional Services	<u>13,750</u>
Change in Net Assets	(507)
Net Assets at Beginning of Year	<u>330,960</u>
Net Assets at End of Year	<u><u>\$330,453</u></u>

See Accompanying Notes to Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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 112th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by one hundred sixty-nine classified employees, two hundred forty-one certified teaching personnel, and twenty-one administrative employees who provide services to three thousand eight hundred sixty-five 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. The Christian Academy is operated through the Association of Christian Schools International. Current State legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the School District, as directed by the parochial schools. This activity is included as a non-major governmental fund for financial reporting purposes.

The School District participates in three jointly governed organizations and two insurance pools, and is associated with a related organization. These organizations are the Western Ohio Computer Organization, Upper Valley Joint Vocational School, 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 20, 21, and 22 to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

2. Fund Financial Statements

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNT 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 divided into two categories, governmental and fiduciary.

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major funds are the General Fund, the Food Service special revenue fund, and the Bond Retirement debt service fund.

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.

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

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 notes and general obligation bonds.

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

2. 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. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

D. 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 is at the object level for the General Fund and the fund level for all other funds. Budgetary allocations at the function level in the General Fund and at the function and object level within all other funds are made by the School District Treasurer.

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 represent the final appropriation amounts passed by the Board during the fiscal year.

The appropriations 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 appropriations 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.

E. Cash and Investments

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

During fiscal year 2010, the School District's investments consisted of STAR Ohio. 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, 2010.

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 2010, was \$10,421, which includes \$4,909 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.

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

F. Restricted Assets

Assets are reported as restricted 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. Restricted assets represent unclaimed monies that have a legal restriction on their use.

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

J. Net Assets

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

K. Fund Balance

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

Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

L. Interfund Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

3. RESTATEMENT OF FUND BALANCE/NET ASSETS

For fiscal year 2010, the School District modified its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned. The restatement due to the implementation of GASB Statement No. 54 had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported.

	General	Food Service	Bond Retirement	Other Governmental	Total Governmental Funds
Fund Balance at June 30, 2009	\$1,861,889	\$105,210	\$2,492,380	\$617,796	\$5,077,275
Change in Fund Structure	130,711			(132,265)	(1,554)
Adjusted Fund Balance at June 30, 2009	<u>\$1,992,600</u>	<u>\$105,210</u>	<u>\$2,492,380</u>	<u>\$485,531</u>	<u>\$5,075,721</u>

The restatement had the following effect on net assets.

	Governmental Activities
Net Assets at June 30, 2009	\$5,077,275
Change in Fund Structure	(1,554)
Restated Net Assets at June 30, 2009	<u>\$5,075,721</u>

4. ACCOUNTABILITY

At June 30, 2010, the Other Grants and Title I special revenue funds had deficit fund balances, in the amount of \$76 and \$16,947, respectively, resulting from disbursements in excess of receipts. There were outstanding Project Cash Requests that would cover these negative balances; therefore no comment is being issued.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

5. 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;
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);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

A. Investments

At June 30, 2010, the School District had \$102,097 invested in STAR Ohio. STAR Ohio had an average maturity of 56 days and carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with interest rate or 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.

6. 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 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, 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 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2009 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. 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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

6. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$326,239,620	70.93%	\$328,983,390	70.73%
Industrial/Commercial	120,850,320	26.27	123,724,140	26.60
Public Utility	12,887,490	2.80	12,438,270	2.67
Total Assessed Value	<u>\$459,977,430</u>	<u>100.00%</u>	<u>\$465,145,800</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.13		\$52.23	

During fiscal year 2010, the voters of the School District approved a five year emergency levy, in the amount of 9.9 mills. Additionally, a permanent improvement levy, for .8 mills expired.

7. PAYMENT IN LIEU OF TAXES

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

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/10</u>
Governmental Activities:				
Non-depreciable Capital Assets				
Land	\$ 182,740			\$ 182,740
Depreciable Capital Assets				
Land Improvements	1,684,529			1,684,529
Buildings and Building Improvements	31,243,772			31,243,772
Furniture, Fixtures, and Equipment	2,461,653	\$102,846	(\$24,431)	2,540,068
Vehicles	2,043,646			2,043,646
Total Depreciable Capital Assets	<u>37,433,600</u>	<u>102,846</u>	<u>(24,431)</u>	<u>37,512,015</u>
Total Governmental Activities Capital Assets	<u>\$37,616,340</u>	<u>\$102,846</u>	<u>(\$24,431)</u>	<u>\$37,694,755</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

9. 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 2010, the School District contracted for the following insurance coverage:

Netherlands Insurance Company	
General School District Liability	
Per Occurrence	\$1,000,000
General Aggregate	2,000,000
Buildings and Contents - replacement cost	74,273,292
Computer Equipment	2,500,000
Consolidated Insurance Company	
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Midwestern Indemnity Company	
Commercial Umbrella	
General Aggregate	5,000,000

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

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

For fiscal year 2010, 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 Plan is divided into numerous tiers based on participant experience. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in that tier. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the Plan.

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the 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. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the 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.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008, was \$2,001,489, \$2,193,130, and \$2,146,756, respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DCP and CP for fiscal year 2010 were \$70,954 made by the School District and \$50,681 made by the plan members.

B. School Employees Retirement System

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008, was \$570,289, \$438,099, and \$424,539, respectively; 23 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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, 2010, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008, was \$159,419, \$169,277, and \$165,610, respectively; 84 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (800)878-5853. It is also posted on the SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2010, the surcharge amount was \$67,388.

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

The School District's contribution for health care for the fiscal years ended June 30, 2010, 2009, and 2008, was \$20,527, \$200,494, and \$193,731, respectively; 23 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008, was \$33,914, \$36,147, and \$30,589, respectively; 23 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

12. OTHER EMPLOYEE BENEFITS (Continued)

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 fifty days 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 fifty 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, except the superintendent, 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. For the superintendent with ten years of service and qualified for retirement, payment is made for 25 percent of the first one hundred twenty days of accrued but unused sick leave plus 10 percent of any remaining accrued but unused sick leave up to the maximum granted to other certified employees of the School District. 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 Fort Dearborn Life Insurance Company.

13. SHORT-TERM OBLIGATIONS

The School District's note activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Interest Rate</u>	<u>Balance at 6/30/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2010</u>
Governmental Activities:					
Energy Conservation Notes					
November 18, 2008	4.50%	\$ 67,000		\$ 67,000	
November 12, 2009	2.375		\$ 67,000		\$ 67,000
School Improvement Notes					
November 18, 2008	4.25	200,000		200,000	
November 12, 2009	2.25		600,000		600,000
Certificates of Participation Notes					
November 18, 2008	4.00	75,000		75,000	
November 10, 2009	2.625		75,000		75,000
Total Governmental Activities		<u>\$342,000</u>	<u>\$742,000</u>	<u>\$342,000</u>	<u>\$742,000</u>

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

13. SHORT-TERM OBLIGATIONS (Continued)

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

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

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

14. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/10</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Energy Conservation Notes					
November 18, 2008	\$ 458,000		\$ 458,000		
November 12, 2009		\$ 391,000		\$391,000	
School Improvement Notes					
November 18, 2008	600,000		600,000		
Certificates of Participation Notes					
November 18, 2008	1,125,000		1,125,000		
November 10, 2009		1,050,000		1,050,000	
Total Long-Term Notes	<u>2,183,000</u>	<u>1,441,000</u>	<u>2,183,000</u>	<u>1,441,000</u>	
General Obligation Bonds					
2001 School Improvement					
Serial Bonds 3.4 - 5%	1,415,000		260,000	1,155,000	\$315,000
Original Issue of Capital					
Appreciation Bonds					
15.92 - 29.35%	89,992			89,992	
Total 2001 School Improvement	<u>1,504,992</u>		<u>260,000</u>	<u>1,244,992</u>	<u>315,000</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

	<u>Balance at 6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/10</u>	<u>Amounts Due Within One Year</u>
2002 School Improvement Serial Bonds 2.5 - 5%	450,000		105,000	345,000	110,000
2007 School Improvement Refunding Serial Bonds 4 - 5%	17,690,000		150,000	17,540,000	150,000
Original Issue of Capital Appreciation Bonds 33 - 33.291%	110,000			110,000	
Total 2007 School Improvement Refunding	17,800,000		150,000	17,650,000	150,000
Total General Obligation Bonds	19,754,992		515,000	19,239,992	575,000
Loans Payable	113,075		36,141	76,934	37,670
Total Governmental Activities Long-Term Liabilities	<u>\$22,051,067</u>	<u>\$1,441,000</u>	<u>\$2,734,141</u>	<u>\$20,757,926</u>	<u>\$612,670</u>

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

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

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

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

2001 School Improvement General Obligation Bonds - On May 8, 2001, the School District issued \$19,999,992 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$4,565,000, \$15,345,000, and \$89,992, respectively. During fiscal year 2008, the term bonds were refunded. The bonds are being retired from the Bond Retirement debt service fund, with a portion of the proceeds of a 3.7 mill voted property tax levy.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

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:

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

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

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

The serial bonds maturing on December 1, 2013, and thereafter, are subject to optional redemption, in whole or in part, on any date in order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2012, at par, which is 100 percent of the face value of the bonds.

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

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

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

At June 30, 2010, \$17,650,000 of the refunded debt was still outstanding.

Loans Payable - On October 29, 2008, the School District obtained a loan for the purchase of two buses, in the amount of \$149,500. The loan is due to mature on October 29, 2011, and has an interest rate of 4.23 percent. The debt is paid two thirds from the Permanent Improvement fund and one third from the General Fund.

The School District's overall debt margin was \$23,794,419 with an unvoted debt margin of \$452,708 at June 30, 2010.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the general long-term obligation outstanding at June 30, 2010, were as follows:

<u>General Obligation Bonds</u>				
	<u>Serial</u>	<u>Capital Appreciation</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 575,000		\$ 848,882	\$ 1,423,882
2012	690,000		821,276	1,511,276
2013	715,000		789,805	1,504,805
2014	300,000	\$ 46,851	1,240,699	1,587,550
2015	305,000	43,141	1,290,784	1,638,925
2016-2020	3,165,000	110,000	5,360,875	8,635,875
2021-2025	7,060,000		2,181,476	9,241,476
2026-2029	6,230,000		476,262	6,706,262
	<u>\$19,040,000</u>	<u>\$199,992</u>	<u>\$13,010,059</u>	<u>\$32,250,051</u>

	<u>Loans</u>		
	<u>Payable</u>	<u>Interest</u>	<u>Total</u>
2011	<u>\$37,670</u>	<u>\$3,255</u>	<u>\$40,925</u>
2012	<u>39,264</u>	<u>1,661</u>	<u>40,925</u>
	<u>\$76,934</u>	<u>\$4,916</u>	<u>\$81,850</u>

15. CAPITALIZED LEASES - LESSEE DISCLOSURE

The School District has entered into capitalized leases for equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Principal payments in fiscal year 2010 were \$52,549.

Future long-term minimum lease payments required under the capital lease are as follows:

	<u>Principal</u>	<u>Interest</u>
2011	\$ 58,823	\$22,059
2012	56,356	14,490
2013	59,206	8,805
2014	42,865	2,480
	<u>\$217,250</u>	<u>\$47,834</u>

16. FUND BALANCE

Fund balance is classified as non-spendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

16. FUND BALANCE (Continued)

<u>Fund Balance</u>	<u>General</u>	<u>Food Service</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:					
Unclaimed Monies	\$ 1,798				\$ 1,798
Food Service Operations		\$223,698			223,698
Athletics				\$31,579	31,579
Non-Public Schools				74,247	74,247
Educational Management					
Information Systems				1,720	1,720
Network Connectivity				11,269	11,269
Regular Instruction				111,663	111,663
Special Instruction				69,148	69,148
English Proficiency				5,291	5,291
Drug Education and Prevention				5,107	5,107
Preschool				858	858
Debt Retirement			\$2,890,733		2,890,733
Permanent Improvements				130,293	130,293
Total Restricted	<u>1,798</u>	<u>223,698</u>	<u>2,890,733</u>	<u>441,175</u>	<u>3,557,404</u>
Committed to:					
Future Severance Payments	105,845				105,845
Student Loans	2,184				2,184
Total Committed	<u>108,029</u>				<u>108,029</u>
Assigned for:					
Unpaid Obligations	232,438				232,438
Educational Activities	141,573				141,573
Total Assigned	<u>374,011</u>				<u>374,011</u>
Unassigned	3,193,687			(17,023)	3,176,664
Total Fund Balance	<u>\$3,677,525</u>	<u>\$223,698</u>	<u>\$2,890,733</u>	<u>\$424,152</u>	<u>\$7,216,108</u>

17. 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 2010.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Balance June 30, 2009	(\$2,657,090)	
Current Year Set Aside Requirement	629,019	\$629,019
Qualifying Expenditures	(467,874)	(430,643)
Current Year Offsets		(198,376)
Amount Carried Forward to Fiscal Year 2011	<u>(\$2,495,945)</u>	<u>\$ 0</u>

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 in future fiscal years.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

18. INTERFUND TRANSFERS

During fiscal year 2010, the General Fund made transfers to the Bond Retirement debt service fund, in the amount of \$123,000, as debt payments became due and to other governmental funds, in the amount of \$10,000, to subsidize activities of other funds.

Other governmental funds made transfers to the General Fund, in the amount of \$10,130, to close out a fund, to the Bond Retirement debt service fund, in the amount of \$91,625, as debt payments became due, and to other governmental funds, in the amount of \$7,004, to reimburse fund for prior disbursements.

19. 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 \$218,853 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.

20. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2010, the School District paid \$142,967 to WOCO for various services. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

B. 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, 2010
(Continued)**

20. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

21. 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.

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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

22. 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.

23. 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, 2010.

B. Litigation

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

24. SUBSEQUENT EVENTS

On November 10, 2010, the School District issued bond anticipation notes, in the amount of \$391,000, to retire notes previously issued for energy conservation projects. The notes have an interest rate of 2.5 percent and mature on November 10, 2011.

On November 10, 2010, the School District issued \$1,050,000 in certificates of participation notes to retire notes previously issued for the constructing, equipping, and furnishing of a new administration building. The notes have an interest rate of 2.625 percent and mature on November 10, 2011.

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**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

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						
<i>(Passed through the Ohio Department of Education)</i>						
Child Nutrition Cluster:						
Non Cash Assistance:						
National School Lunch Program	N/A	10.555		\$110,809		\$110,809
Cash Assistance:						
School Breakfast Program	N/A	10.553	\$214,054		\$214,054	
National School Lunch Program	N/A	10.555	748,740		748,740	
Total Cash-Assistance			<u>962,794</u>	<u>0</u>	<u>962,794</u>	<u>0</u>
Total Nutrition Cluster			<u>962,794</u>	<u>110,809</u>	<u>962,794</u>	<u>110,809</u>
Total U.S. Department of Agriculture			962,794	110,809	962,794	110,809
U.S. DEPARTMENT OF EDUCATION						
<i>(Passed through the Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies Cluster:						
Title I Grants to Local Educational Agencies	044784-C1-S1-09	84.010	85,039		162,837	
	044784-C1-S1-10	84.010	738,590		746,646	
Total Title I Grants to Local Educational Agencies			<u>823,629</u>		<u>909,483</u>	
ARRA - Title I Grants to Local Educational Agencies	2010	84.389	194,710		203,600	
Total Title I Grants to Local Educational Agencies Cluster			1,018,339	-	1,113,083	-
Special Education Grants to States Cluster:						
Special Education Grants to States						
	044784-6B-SF-09	84.027	32,894		76,046	
	044784-6B-SF-10	84.027	840,216		791,797	
ARRA - Special Education Grants to States	2010	84.391	256,811		236,046	
Total Special Education Grants to States			<u>1,129,921</u>		<u>1,103,889</u>	
Speical Education Preschool Grants						
	044784-PG-S1-09	84.173	11,785		19,252	
	044784-PG-S1-10	84.173	12,553		11,695	
			<u>24,338</u>		<u>30,947</u>	
Total Special Education Grants to States Cluster			1,154,259		1,134,836	
Safe & Drug Free School and Community - State Grants						
	044784-DR-S1-09	84.186	(5,795)			
	044784-DR-S1-10	84.186	21,260		9,149	
Total Safe & Drug Free School and Community - State Grants			<u>15,465</u>	-	<u>9,149</u>	-
Education Technology State Grants						
	044784-TJS1-09	84.318	1,959		2,065	
	044784-TJS1-10	84.318	17,943		16,786	
Total Education Technology State Grants			<u>19,902</u>	-	<u>18,851</u>	-
ARRA - State Fiscal Stabilization Funds	2010	84.394	994,534		980,635	
Improving Teacher Quality State Grants						
	044784-TRS1-09	84.367	11,608		39,071	
	044784-TRS1-10	84.367	254,253		181,579	
Total Improving Teacher Quality State Grants			<u>265,861</u>		<u>220,650</u>	
English Language Acquisition Grants						
	044784-T3S1-09	84.365	1,006		3,753	
	044784-T3S2-09	84.365	173		14,525	
	044784-T3S1-10	84.365	19,815		1,173	
Total English Language Acquisition Grants			<u>20,994</u>	-	<u>19,451</u>	-
Total U.S. Department of Education			<u>3,489,354</u>		<u>3,496,655</u>	
Total Federal Assistance			<u>\$ 4,452,148</u>	<u>\$ 110,809</u>	<u>\$ 4,459,449</u>	<u>\$ 110,809</u>

See Accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amount from 2009 to 2010 programs:

Program Title	CFDA Number	Amount Transferred from 2009 to 2010
Safe and Drug-Free Schools and Communities	84.186	\$5,795



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 30, 2011, wherein we noted the District adopted the provisions of Government Accounting Standards Board Statements No. 54, *Fund Balance Reporting and Governmental fund Type Definitions*. We also noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the 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 matter we must report under *Government Auditing Standards*.

We noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 30, 2011.

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

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

Dave Yost
Auditor of State

March 30, 2011



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Sidney City School District, Shelby County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Sidney City School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the District's major federal programs. The 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 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the 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 District's compliance with those requirements.

In our opinion, the Sidney City School District, Shelby County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as Findings 2010-01 and 2010-02.

Internal Control Over Compliance

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

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

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

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

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 30, 2011.

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



Dave Yost
Auditor of State

March 30, 2011

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	<p>Child Nutrition Cluster: CFDA #10.553 & 10.555</p> <p>Title I Grants to Local Educational Agencies Cluster: CFDA #84.010: Title I Grants to Local Educational Agencies CFDA #84.389: Title I Grants to Local Educational Agencies, Recovery Act</p> <p>Special Education Cluster: CFDA #84.027: Special Education Grants to States CFDA # 84.173: Special Education Preschool Grants CFDA #84.391: Special Education Grants to States, Recovery Act</p> <p>CFDA #84.394: State Fiscal Stabilization Funds, Recovery Act</p>
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Failure to File Data Collection Form

Finding Number	2010-01
CFDA Title and Number	All Federal Programs
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Agriculture and U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance

OMB Circular A-133 Subpart C .320(a) & (b) requires the District to submit the Federal Single Audit data collection form described in Section .320(b) and the reporting package described in Section .320(c) within the earlier of 30 days after receipt of the auditor’s report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The District did not submit the June 30, 2009 data collection form or the reporting package within either of the two prescribed time limits. The Federal Clearing House did not receive the required form or report.

Failure to complete and submit the Federal Single Audit data collection form described in Section .320(b) and the reporting package described in Section .320(c) will result in the District’s designation as a high risk auditee requiring additional testing of federal programs and the possible loss of federal funding. The District should implement controls to assist in timely submissions and to determine whether it met the Single Audit requirements.

Officials Response:

The Sidney City School District understands the importance of timely submission of the Federal Single Audit data submission and will take the actions necessary to insure timely submission. The June 30, 2009 Data Collection Form contained an incorrect email address for notification of the Treasurer that all data was ready for submission. The incorrect email was not discovered until the end of the reporting period had passed. Once the discovered submission was immediately completed. The District accepts full responsibility for verification of the accuracy of the information and will endeavor to not repeat this finding.

Unallowable Grant Charges

Finding Number	2010-02
CFDA Title and Number	State Fiscal Stabilization Funds CFDA #84.394
Federal Award Number / Year	2010
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Questioned Cost

Section 14003(a) of the American Recovery and Reinvestment Act of 2009 states that a local education agency that receives funds under this title may use the funds for any activity authorized by the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.) ("SEA"), the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.) ("IDEA"), the Adult and Family Literacy Act (20 U.S.C. 1400 et seq.), or the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2301 et seq.) ("the Perkins Act") or for modernization, renovation, or repair of public school facilities, including modernization, renovation, and repairs that are consistent with a recognized green building rating system.

Section 14003(b) of the American Recovery and Reinvestment Act of 2009 states that a local educational agency may not use funds received under this title for—

- (1) payment of maintenance costs;
- (2) stadiums or other facilities primarily used for athletic contests or exhibitions or other events for which admission is charged to the general public;
- (3) purchase or upgrade of vehicles; or
- (4) improvement of stand-alone facilities whose purpose is not the education of children, including central office administration or operations or logistical support facilities.

The School District charged electric and gas services for April 2010 through June 2010 to the State Fiscal Stabilization Grant Fund which included utility services for the Stadium/Soccer Complex and the Service Center which is in direct violation of the above section. The amount of funding that was unallowable under the above guidelines totaled \$11,547. As a result, the costs of these services charged to the State Fiscal Stabilization Fund are considered to be questioned costs.

Officials Response:

The Sidney City School District recognized that not all district expenditures are eligible to be paid with funds available through American Recovery and Reinvestment Act Funds (ARRA). District electric and gas services charged to State Fiscal Stabilization Grant Funds (SFSF) inadvertently included utility services for district facilities not allowable under ARRA. Should the District choose to charge utility services to SFSF Grant funds it will more closely review those invoices so as not to inadvertently include those areas that are not allowable per the ARRA.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-01	See Officials Response on page 48	6/30/11	Mike Watkins, Treasurer
2010-02	See Officials Response on page 49	6/30/11	Mike Watkins, Treasurer



Dave Yost • Auditor of State

SIDNEY CITY SCHOOL DISTRICT

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 10, 2011**