



Dave Yost • Auditor of State

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, Ohio, as of June 30, 2011, and the respective changes in cash financial position, thereof and the budgetary comparison for the General and Food Service major funds thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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



Dave Yost
Auditor of State

March 6, 2012

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The discussion and analysis of the Sidney City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- General Receipts accounted for \$37,932,466 in receipts, or 85 percent of all receipts.
- Total program disbursements were \$40,341,240.
- In total, net assets increased \$4,114,862, mostly due to an increase in property taxes and intergovernmental receipts.

Using this Annual Report

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2011, the General, Bond Retirement and Food Service Funds are the School District's major funds.

Basis of Accounting

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The statement of net assets and the statement of activities answer this question.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the General, Bond Retirement and Food Service Funds.

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed 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. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs. These funds also use the cash basis of accounting.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and trust programs. This activity is presented as a private purpose trust. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The School District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 17 and 18. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

District as a Whole

This year's financial statements were prepared on the cash basis utilizing the Governmental Accounting Standards Board ("GASB") 34 format. Table 1 provides a summary of the School District's cash basis net assets for fiscal years 2011 and 2010.

**(Table 1)
Net Assets – Cash Basis**

	Governmental Activities	
	2011	2010
Assets:		
Equity in Pooled Cash & Cash Equivalents	\$11,330,970	\$7,216,108
Total Assets	<u>11,330,970</u>	<u>7,216,108</u>
Net Assets:		
Restricted:		
Capital Projects	46,252	130,293
Debt Service	2,939,768	2,890,733
Other Purposes	783,494	536,378
Unrestricted	<u>7,561,456</u>	<u>3,658,704</u>
Total Net Assets	<u>\$11,330,970</u>	<u>\$7,216,108</u>

Net assets of the governmental activities increased \$4,114,862, which represents a 57 percent increase from fiscal year 2010. The increase is the result of an increase in property taxes, due to increased collections from a new levy in fiscal year 2010, and increased intergovernmental receipts.

A portion of the School District's net assets, \$3,769,514, represents resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$7,561,456 may be used to meet the School District's ongoing obligations.

Table 2 shows the changes in net assets for fiscal year 2011 as compared to fiscal year 2010.

**(Table 2)
Governmental Activities – Cash Basis**

	Governmental Activities	
	2011	2010
Program Receipts:		
Charges for Services	\$1,788,205	\$1,637,283
Operating Grants	4,735,431	5,955,564
General Receipts:		
Property Taxes	15,716,513	14,320,507
Grants and Entitlements	20,470,467	18,545,450
Other	<u>1,745,486</u>	<u>2,552,987</u>
Total Receipts	44,456,102	43,011,791
Program Disbursements:		
Instruction	21,407,605	21,858,084
Support Services	12,586,526	12,322,988
Non-Instructional	1,946,232	1,955,731
Extracurricular	621,690	584,071
Capital Outlay	77,606	91,661
Debt Service	<u>3,701,581</u>	<u>4,058,869</u>
Total Disbursements	<u>40,341,240</u>	<u>40,871,404</u>
Increase in Net Assets	<u>\$4,114,862</u>	<u>\$2,140,387</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Governmental Activities

Several receipt sources fund the School District's governmental activities with the school foundation program being the largest contributor. Grants and entitlements, including school foundation, provided \$20.5 million in fiscal year 2011. Property tax levies and payments in lieu of taxes generated \$15.7 million in fiscal year 2011. With the combination of taxes and school foundation funding of 81 percent of disbursements in governmental activities, the School District monitors both of these receipt sources very closely for fluctuations.

The majority of program disbursements for governmental activities are for instruction, which accounts for 53 percent of all governmental disbursements. Other programs which support the instruction process account for 31 percent of total governmental disbursements. The remaining 16 percent of the School District's disbursements are related to the primary functions of delivering education and providing facilities.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2011 and 2010.

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

	2011		2010	
	Total Cost of Service	Net (Receipts) Cost of Service	Total Cost of Service	Net (Receipts) Cost of Service
Instruction	\$21,407,605	\$17,376,092	\$21,858,084	\$16,723,051
Support Services:	3,894,824			
Pupil and Instructional Staff		3,724,359	3,935,204	3,919,740
Board of Education, Business, Administration and Fiscal	4,074,694	4,074,694	3,754,434	3,754,434
Operation and Maintenance of Plant	2,818,877	2,808,861	2,889,608	2,889,608
Pupil Transportation	1,072,834	1,032,660	911,444	759,386
Central	725,297	704,372	832,298	809,664
Operation of Non-Instructional Extracurricular Activities	1,946,232	(86,501)	1,955,731	(41,272)
Capital Outlay	621,690	403,880	584,071	313,416
Repayment of Debt	77,606	77,606	91,661	91,661
Repayment of Debt	3,701,581	3,701,581	4,058,869	4,058,869
Total	\$40,341,240	\$33,817,604	\$40,871,404	\$33,278,557

Instruction and student support services comprise 63 percent of governmental program expenses in fiscal year 2011. Board of Education, Business, Administration and Fiscal charges were 10 percent in 2011. Fiscal expenses include payments to the County Auditors for administrative fees and other administrative services provided by the School District. Pupil transportation and the operation and maintenance of facilities accounted for 9.6 percent in 2011.

In total, the spending of the School District decreased by \$530,164 from fiscal year 2010. The most significant decrease occurred in instruction disbursements, as it decreased over \$450,000 from prior year. The School District elected not to replace all vacated employee positions as a cost-saving measure.

The dependence upon general receipts for the above governmental activities is apparent.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The School District has three major governmental funds: the General, Bond Retirement and Food Service Funds. Receipts and other financing sources of the General Fund comprise \$34,017,540 (76 percent) of the total \$44,683,493 governmental funds' receipts and other financing sources and \$30,128,704 (74 percent) of the total \$40,568,631 of governmental funds' disbursements and other financing uses. Receipts and other financing sources of the Bond Retirement Fund generated \$3,761,651 (8 percent) of the total governmental receipts and other financing sources and utilized \$3,712,616 (9 percent) of the total governmental disbursements other financing uses. Receipts and other financing sources of the Food Service Fund generated \$1,594,119 (4 percent) of the total governmental receipts and other financing sources and utilized \$1,490,402 (4 percent) of the total governmental disbursements other financing uses.

General Fund – The General Fund cash balance at June 30, 2011 was \$7,566,361, which represents 67 percent of total governmental funds' cash balances for fiscal year 2011. General fund receipts were more than disbursements by \$3,888,836 mostly due to increased collections of taxes from a new levy in fiscal year 2010, as well as increased intergovernmental receipts.

Bond Retirement Fund – The Bond Retirement Fund cash balance at June 30, 2011 was \$2,939,768, which represents 26 percent of total governmental funds' cash balances for fiscal year 2011. Bond Retirement Fund receipts were more than disbursements by \$49,035.

Food Service Fund – The Food Service Fund cash balance at June 30, 2011 was \$327,415, which represents 3 percent of total governmental funds' cash balances for fiscal year 2011. Food Service Fund receipts were more than disbursements by \$103,717 primarily due to an increase in intergovernmental receipts from prior year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the School District did amend its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, budget basis actual receipts were \$33,661,268 compared to the final budget estimates of \$34,238,000. Of this \$576,732 decrease, most was attributable to a decrease in property tax and intergovernmental receipts due to the timing of actual receipts.

General fund budget basis actual disbursements were \$29,999,361, which was under the final budgeted disbursements of \$31,690,000 for fiscal year 2011. Actual instruction, operation and maintenance of plant, and support service disbursements were significantly under budgeted expectations. These disbursements had been budgeted at a level to ensure possible increases in costs which did not occur.

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 and intergovernmental receipts (generally grant and entitlement resources received from the State). Changes from the original budget to the final budget reflect the School District's control over spending.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Current Issues

The early part of fiscal year 2011 saw changes in the administrative staff with Pat O'Donnell, Superintendent, resigning to take a superintendent's position at another school district and Dr. Norm Burkhardt, Assistant Superintendent, retiring. Steve Miller, a previous Sidney City Schools superintendent who is now retired, was hired as interim superintendent. As part of the many cost saving measures Dr. Burkhardt's position was not filled. In addition to these changes a number of staff positions which were vacated during the summer due to retirements and resignations were not filled as part of the expenditure reduction plan. The School District recognized a savings of approximately \$700,000 from this strategy.

In November 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 collections of calendar year 2011.

With the loss of the revenue mentioned above, the School District's administrative team began in depth discussions and planning to reduce School District expenditures for the 2011-2012 school year. In addition to the reductions noted above staffing reductions were planned that would carve an additional \$750,000 from the School District's budget. The key to the School District's ability to significantly reduce expenditures were the negotiations with both unions, the Sidney Education Association (SEA) and Ohio Association of Public School Employees (OAPSE – Custodians/Bus Drivers). Any concessions successfully negotiate with the unions would be applied to all other employee groups across the School District. Negotiations with the SEA were completed in June 2011 and with OAPSE in July 2011. Both unions agreed to significant concessions with the management of the School District. Both bargaining units agreed four year contracts which included a 2.75% pay reduction in year one and total freeze of the salary schedules, both step and column movement, for the four years of the contract. Additionally both bargaining units agreed to a restructuring of the employee/employer shares of the health and dental premiums. The employees will now be responsible for 20% of the premium cost which is an increase of 11% from the previous 9% share. The teachers union also accepted two furlough days for the term of the contract. The 2.75% reduction and insurance concessions were also shared by the nonunion employees who include administrators, secretaries, food service, maintenance and aides.

The School District experienced an unusually high number of retirements in fiscal year 2011 with 31 staff retiring which equated to approximately \$1.6 million in salaries. Some of the retirements were filled by staff which had been RIFed, others were not replaced. Severance for these retirements was approximately \$450,000 but the School District will recognize significant savings from the restructuring afforded by the retirements.

Because of the staffing reductions, retirements and the significant concessions obtained through negotiations the School District's Five Year Forecast is able to maintain a positive carryover balance through the entire forecast projections.

In other business of the School District, Steve Miller, interim Superintendent, resigned for health reasons in early 2011. He was replaced by another interim, Jerry Harmon. The Board conducted formal superintendent interviews in the spring of 2011 and hired John Scheu as the permanent superintendent in June. Mr. Scheu comes from the Hardin-Houston Local School District where he had been superintendent for 6 years. Mr. Scheu had been a superintendent at Riverside Local Schools for 5 years and at the Logan County ESC for 1 year. Mr. Scheu had been a principal for 13 years in the Sidney City School District.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

The School District's Board of Education also experience change during the fiscal year. In September 2010, Dan Ernst, the board's president, resigned after 6 years of service. Melanie Cook was then elected as president and Darrell Spangler was elected Vice President. At the October 4, 2010 board meeting, Tom Shaffer, was appointed to the board to fill the vacancy left by Mr. Ernst. At the May 2, 2011 board meeting the resignation of board member Tom Shaffer was accepted. Mr. Shaffer had accepted new employment and was moving out of the School District. At the June 6, 2011 board meeting Steve Smith was appointed to fill the vacancy left by Mr. Shaffer and complete the unexpired term originally created by the resignation of Mr. Ernst. At the November 2011 General Election the Sidney City School District will have 4 board seats on the ballot, three for the four-year term and one for the remainder of the two-year unexpired term.

Even with all of the unusual changes in the School District in addition to the designed restructuring of staff and union contracts the School District feels poised to stabilize the School District and move forward in a positive and well positioned direction. The strides made financially will pay significant dividends going forward and the new administrative team has made commitments to the long term stability of the School District.

Contacting the School District's Financial Management

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

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**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2011**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$11,330,970
Total Assets	<u>11,330,970</u>
Net Assets:	
Restricted for:	
Capital Projects	46,252
Debt Service	2,939,768
Other Purposes	783,494
Unrestricted	<u>7,561,456</u>
Total Net Assets	<u>\$11,330,970</u>

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$16,680,865	\$718,621	\$308,689	(\$15,653,555)
Special	4,631,067	30,000	2,974,203	(1,626,864)
Vocational Education	95,673			(95,673)
Support Services:				
Pupil	1,955,651	80,076	84,577	(1,790,998)
Instructional Staff	1,939,173		5,812	(1,933,361)
Board of Education	299,335			(299,335)
Administration	2,809,282			(2,809,282)
Fiscal	824,839			(824,839)
Business	141,238			(141,238)
Operation and Maintenance of Plant	2,818,877		10,016	(2,808,861)
Pupil Transportation	1,072,834	40,174		(1,032,660)
Central	725,297		20,925	(704,372)
Operation of Non-Instruction Services	1,946,232	701,524	1,331,209	86,501
Extracurricular Activities	621,690	217,810		(403,880)
Capital Outlay	77,606			(77,606)
Debt Service:				
Principal Retirement	2,795,670			(2,795,670)
Interest and Fiscal Charges	905,911			(905,911)
Total Governmental Activities	<u>\$40,341,240</u>	<u>\$1,788,205</u>	<u>\$4,735,431</u>	<u>(33,817,604)</u>
General Receipts:				
Property Taxes Levied for:				
General Purposes				14,092,106
Debt Service				1,565,305
Payments in Lieu of Taxes				59,102
Grants and Entitlements not Restricted to Specific Programs				20,470,467
Interest				15,985
Proceeds from Notes Issued				1,441,000
Premium on Debt Issues				9,777
Proceeds from Sale of Capital Assets				3,600
Miscellaneous				275,124
Total General Receipts				<u>37,932,466</u>
Change in Net Assets				4,114,862
Net Assets Beginning of Year				<u>7,216,108</u>
Net Assets End of Year				<u>\$11,330,970</u>

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>General Fund</u>	<u>Retirement Fund</u>	<u>Food Service Fund</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$7,564,563	\$2,939,768	\$327,415	\$497,426	\$11,329,172
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	1,798				1,798
Total Assets	<u>7,566,361</u>	<u>2,939,768</u>	<u>327,415</u>	<u>497,426</u>	<u>11,330,970</u>
Fund Balances:					
Non-spendable	1,798				1,798
Restricted		2,939,768	327,415	497,426	3,764,609
Committed	258,361				258,361
Assigned	561,612				561,612
Unassigned	6,744,590				6,744,590
Total Fund Balances	<u>\$7,566,361</u>	<u>\$2,939,768</u>	<u>\$327,415</u>	<u>\$497,426</u>	<u>\$11,330,970</u>

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General Fund	Bond Retirement Fund	Food Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property Taxes	\$14,092,106	\$1,565,305			\$15,657,411
Payments in Lieu of Taxes	59,102				59,102
Intergovernmental	18,680,729	551,775	\$1,029,244	\$5,047,517	25,309,265
Interest	15,985		199	198	16,382
Tuition and Fees	713,516				713,516
Rent	75,279				75,279
Extracurricular Activities	80,076			182,488	262,564
Gifts and Donations	853			5,500	6,353
Charges for Services			564,676		564,676
Miscellaneous	68,713			17,990	86,703
Total Receipts	33,786,359	2,117,080	1,594,119	5,253,693	42,751,251
Disbursements:					
Current:					
Instruction:					
Regular	16,388,374			292,491	16,680,865
Special	2,653,374			1,977,693	4,631,067
Vocational	95,673				95,673
Support Services:					
Pupils	1,816,647			139,004	1,955,651
Instructional Staff	1,110,354			828,819	1,939,173
Board of Education	299,335				299,335
Administration	2,211,084			598,198	2,809,282
Fiscal	772,376	51,960		503	824,839
Business	141,238				141,238
Operation and Maintenance of Plant	2,417,013			401,864	2,818,877
Pupil Transportation	1,006,837			65,997	1,072,834
Central	575,307			149,990	725,297
Operation of Non-Instructional Services	4,914		1,490,402	450,916	1,946,232
Extracurricular Activities	445,622			176,068	621,690
Capital Outlay				77,606	77,606
Debt Service:					
Principal Retirement	37,670	2,758,000			2,795,670
Interest and Fiscal Charges	3,255	902,656			905,911
Total Disbursements	29,979,073	3,712,616	1,490,402	5,159,149	40,341,240
Excess of Receipts Over (Under) Disbursements	3,807,286	(1,595,536)	103,717	94,544	2,410,011
Other Financing Sources (Uses):					
Transfers In		182,348		24,943	207,291
Advances In				20,000	20,000
Proceeds from Notes Issued		1,441,000			1,441,000
Premium on Debt Issues		9,777			9,777
Proceeds from Sale of Capital Assets	3,600				3,600
Refund of Prior Year Expenditures	227,581	11,446		11,547	250,574
Transfers Out	(129,531)			(77,760)	(207,291)
Advances out	(20,000)				(20,000)
Refund of Prior Year Receipts	(100)				(100)
Total Other Financing Sources (Uses)	81,550	1,644,571		(21,270)	1,704,851
Net Change in Fund Balances	3,888,836	49,035	103,717	73,274	4,114,862
Fund Balance at Beginning of Year	3,677,525	2,890,733	223,698	424,152	7,216,108
Fund Balance at End of Year	<u>\$7,566,361</u>	<u>\$2,939,768</u>	<u>\$327,415</u>	<u>\$497,426</u>	<u>\$11,330,970</u>

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$14,462,898	\$14,462,898	\$14,092,106	(\$370,792)
Payments in Lieu of Taxes	59,102	59,102	59,102	
Intergovernmental	18,850,000	18,850,000	18,680,729	(169,271)
Interest	5,000	5,000	15,966	10,966
Tuition and Fees	765,150	765,150	713,516	(51,634)
Rent	64,400	64,400	75,279	10,879
Gifts and Donations	1,000	1,000	114	(886)
Miscellaneous	30,450	30,450	24,456	(5,994)
Total Receipts	<u>34,238,000</u>	<u>34,238,000</u>	<u>33,661,268</u>	<u>(576,732)</u>
Disbursements:				
Current:				
Instruction:				
Regular	17,846,905	16,641,905	16,281,188	360,717
Special	2,932,439	2,932,439	2,839,019	93,420
Vocational	81,090	81,090	113,887	(32,797)
Support Services:				
Pupils	1,864,636	1,864,637	1,731,155	133,482
Instructional Staff	1,308,892	1,308,892	1,103,203	205,689
Board of Education	377,903	377,903	299,335	78,568
Administration	2,309,551	2,309,551	2,138,110	171,441
Fiscal	734,207	734,207	783,302	(49,095)
Business	129,521	129,521	145,286	(15,765)
Operation and Maintenance of Plant	3,140,997	3,140,997	2,466,634	674,363
Pupil Transportation	939,774	984,773	1,059,681	(74,908)
Central	731,727	731,727	592,627	139,100
Extracurricular Activities	452,358	452,358	445,934	6,424
Total Disbursements	<u>32,850,000</u>	<u>31,690,000</u>	<u>29,999,361</u>	<u>1,690,639</u>
Excess of Receipts Over (Under) Disbursements	<u>1,388,000</u>	<u>2,548,000</u>	<u>3,661,907</u>	<u>1,113,907</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets			3,600	3,600
Refund of Prior Year Expenditures			227,581	227,581
Transfers Out	(450,000)	(600,000)	(554,531)	45,469
Advances Out			(20,000)	(20,000)
Refund of Prior Year Receipts			(100)	(100)
Total Other Financing Sources (Uses)	<u>(450,000)</u>	<u>(600,000)</u>	<u>(343,450)</u>	<u>256,550</u>
Net Change in Fund Balances	938,000	1,948,000	3,318,457	1,370,457
Fund Balance at Beginning of Year - Restated (Note 15)	3,127,706	3,127,706	3,127,706	
Prior Year Encumbrances Appropriated	<u>300,213</u>	<u>300,213</u>	<u>300,213</u>	
Fund Balance at End of Year	<u>\$4,365,919</u>	<u>\$5,375,919</u>	<u>\$6,746,376</u>	<u>\$1,370,457</u>

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
FOOD SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>
Receipts:				
Intergovernmental	\$994,900	\$994,900	\$1,029,244	\$34,344
Interest	100	100	199	99
Charges for Services	600,000	600,000	564,676	(35,324)
Total Receipts	<u>1,595,000</u>	<u>1,595,000</u>	<u>1,594,119</u>	<u>(881)</u>
Disbursements:				
Current:				
Support Services:				
Non-Instructional Services	<u>1,575,002</u>	<u>1,575,002</u>	<u>1,490,402</u>	<u>84,600</u>
Change in Fund Balances	19,998	19,998	103,717	83,719
Fund Balance at Beginning of Year	223,698	223,698	223,698	
Prior Year Encumbrances Appropriated				
Fund Balance at End of Year	<u>\$243,696</u>	<u>\$243,696</u>	<u>\$327,415</u>	<u>\$83,719</u>

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2011**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$115,083	\$158,662
Cash and Cash Equivalents with Fiscal Agent	24,120	
Investments with Fiscal Agent	211,455	
Total Assets	350,658	158,662
 Net Assets:		
Endowment	111,600	
Held in Trust for:		
Scholarships	239,058	
Students		158,662
Total Net Assets	\$350,658	\$158,662

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Private Purpose Trust</u>
Additions	
Gifts and Contributions	\$29,180
Interest	5,975
Total Additions	<u>35,155</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>14,950</u>
Total Deductions	<u>14,950</u>
Change in Net Assets	20,205
Net Assets - Beginning of Year	<u>330,453</u>
Net Assets - End of Year	<u><u>\$350,658</u></u>

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 115th 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 thirty-five certified teaching personnel, and twenty administrative employees who provide services to three thousand seven hundred sixty students and other community members. The School District currently operates eight instructional/support buildings.

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For 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 Career Center, Southwestern Ohio Educational Purchasing Cooperative, Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust, Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan, and the Amos Memorial Public Library. These organizations are presented in Notes 11, 12, and 13 to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

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

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

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

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

B. Basis of Presentation

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

1. Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Fund Financial Statements

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

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

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

C. Fund Accounting

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

1. Governmental Funds:

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

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

2. Fiduciary Funds

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organization, or other governmental units and are not available to support the School District's own programs. The School District's fiduciary funds include private purpose trust and agency funds. The School District's private purpose trust funds account for endowments and programs that provide college scholarships for students after graduation. Agency funds are custodial in nature (cash equals net assets) and do not involve measurement of results of operations. The School District's agency funds account for the employee's Section 125 plan and various student-managed activities.

D. Budgetary Process

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

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

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

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

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

2. Estimated Resources

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

3. Appropriations

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

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

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

The School District is a participant in an external investment pool maintained by the Shelby County Educational Service Center which is reported as "Cash and Cash Equivalents with Fiscal 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.

During fiscal year 2011, the School District's investments consisted of STAROhio. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2011 were \$15,985, which includes \$5,243 interest assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and cash equivalents". Investments with an initial maturity of more than three months that were not purchased from the cash management pool are reported as investments.

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

F. Restricted Assets

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

G. Capital Assets

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Debt

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

J. Intergovernmental Receipts

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

K. Inventory

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

L. Employer Contributions to Cost-Sharing Pension Plans

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

M. Net Assets

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

N. Fund Balance

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

O. Interfund Activity

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Receipts and Disbursements

1. Program Receipts

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

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

2. Disbursements

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

Q. Implementation of New Accounting Policy

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

3. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

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

At fiscal year end, the School District had \$24,120 in cash and cash equivalents with fiscal agent to accumulate proceeds to benefit the Hathaway Scholarship Fund.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end, the carrying amount of the School District's deposits was \$11,501,163 and the bank balance was \$11,985,763. Of the School District's bank balance, \$1,979,978 was covered by federal depository insurance, leaving \$10,005,785 exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent not in the School District's name.

As of June 30, 2011, the School District has \$1,344 in un-deposited cash on hand. This amount is included in equity in pooled cash and investments.

B. Investments

As of June 30, 2011, the School District had \$102,208 invested in STAROhio. STAROhio has a maturity of less than one year and carries a rating of AAAm by Standard and Poor's.

At fiscal year end, the School District had \$211,455 in investments with fiscal agent to accumulate proceeds to benefit the Hathaway Scholarship Fund.

1. Interest Rate Risk

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

2. Custodial Credit Risk

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

3. Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. 100 percent of the School District's investment is in STAROhio.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. PROPERTY TAXES

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 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 2008 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 2011 were levied after October 1, 2010, on the value as of December 31, 2010. 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated in calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006 – 2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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.

The School District receives property taxes from Logan and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$328,983,390	70.73%	\$330,268,100	70.96%
Industrial/Commercial	123,724,140	26.60%	122,681,940	26.36%
Public Utility	12,438,270	2.67%	12,546,930	2.68%
Total	\$465,145,800	100.00%	\$465,496,970	100.00%
Tax rate per \$1,000 of assessed valuation	\$52.23		\$51.51	

5. PAYMENTS IN LIEU OF TAXES

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, 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	74,243,301
Computer Equipment	2,500,000
Consolidated Insurance Company	
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Midwestern Indemnity Company	
Commercial Umbrella	
General Aggregate	5,000,000

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

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

For fiscal year 2011, 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.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing SERS, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853, or on their 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, 2011
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The School District's contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$502,010, \$570,289, and \$438,099, respectively; which equaled the required contributions each year.

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more year of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65 whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DV Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

The School District's contributions for pension obligations for the fiscal years ended June 30, 2011, 2010 and 2009 were \$2,042,808, \$2,001,489, and \$2,193,130, respectively; 84 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$66,703 made by the School District and \$47,645 made by the plan members.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2010 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2 percent of wages paid. As of June 30, 2011, four of the Board of Education members have elected social security

8. POST EMPLOYMENT BENEFITS

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

A. State Teachers Retirement System

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the fiscal years ended June 30, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio Law. The School District's contributions for post-employment health care for fiscal years ended June 30, 2011, 2010 and 2009 were \$157,139, \$159,419, and \$169,277, respectively; 84 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan SERS administers two postemployment benefit plans.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. POST EMPLOYMENT BENEFITS (Continued)

Medicare Part B Plan – The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76 percent. The School District's contributions for the fiscal years ended June 30, 2011, 2010 and 2009 were \$32,305, \$33,914, and \$36,147, respectively, which equaled the required contributions each year.

Health Care Plan – ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$83,672, \$20,527, and \$200,494, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. SHORT-TERM OBLIGATIONS

The School District's note activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Interest Rate</u>	<u>Balance 6/30/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2011</u>
Governmental Activities:					
Energy Conservation Notes					
November 12, 2009	2.375%	\$67,000	\$ 0	\$67,000	\$ 0
November 26, 2010	2.50%		67,000		67,000
School Improvement Note					
November 12, 2009	2.25%	600,000		600,000	0
Certificates of Participation Notes					
November 10, 2009	2.625%	75,000	0	75,000	
November 26, 2010	2.625%		75,000		75,000
Total Governmental Activities		<u>\$742,000</u>	<u>\$142,000</u>	<u>\$742,000</u>	<u>\$142,000</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 Energy Conservation notes will be paid from the Bond Retirement debt service fund. The School Improvement note was repaid during fiscal year 2011.

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Interest Rate	Balance 6/30/2010	Additions	Reductions	Balance 6/30/2011	Due Within One Year
Governmental Activities:						
Energy Conservation Notes						
November 12, 2009	2.375%	\$ 391,000		\$ 391,000		
November 26, 2010	2.50%		\$ 324,000		\$324,000	
Certificates of Participation Notes						
November 10, 2009	2.625%	1,050,000		1,050,000		
November 26, 2010	2.625%		975,000		975,000	
Total Long-Term Notes		<u>1,441,000</u>	<u>1,299,000</u>	<u>1,441,000</u>	<u>1,299,000</u>	
General Obligation Bonds						
2001 School Improvement						
Serial Bonds	3.4 – 5%	1,155,000		315,000	840,000	\$410,000
2001 Original Issue of Capital						
Appreciation Bonds	15.92 – 29.35%	89,992			89,992	
2002 School Improvement						
Serial Bonds	2.5 – 5%	345,000		110,000	235,000	115,000
2007 School Improvement						
Refunding Serial Bonds	3 – 5%	17,540,000		150,000	17,390,000	165,000
2007 Original Issue of Capital						
Appreciation Bonds	33 - 33.291%	110,000			110,000	
Total General Obligation Bonds		<u>19,239,992</u>		<u>575,000</u>	<u>18,664,992</u>	<u>690,000</u>
Loan Payable	4.23%	76,934		37,670	39,264	39,264
Total Long-Term Obligations		<u>\$20,757,926</u>	<u>\$1,299,000</u>	<u>\$2,053,670</u>	<u>\$20,003,256</u>	<u>\$729,264</u>

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

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

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code additionally states that un-voted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011 are a voted debt margin of \$21,999,803 and an un-voted debt margin of \$435,614.

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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

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

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

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

At June 30, 2011, \$17,500,000 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 entirely from the general fund.

Principal and interest requirements to retire the general long-term obligation outstanding at June 30, 2011, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Serial</u>	<u>Capital Appreciation</u>	<u>Loan Payable</u>	<u>Interest/ Accretion</u>	<u>Total</u>
2012	\$ 690,000		\$39,264	\$ 822,937	\$1,522,201
2013	715,000			789,805	1,504,805
2014	300,000	\$ 46,851		1,240,699	1,587,550
2015	305,000	43,141		1,280,784	1,628,925
2016	940,000			722,800	1,662,800
2017-2021	3,440,000	110,000		5,197,281	8,747,281
2022-2026	7,590,000			1,857,434	9,447,434
2027-2029	4,485,000			241,109	4,726,109
Total	<u>\$18,465,000</u>	<u>\$199,992</u>	<u>\$39,264</u>	<u>\$12,152,849</u>	<u>\$30,857,105</u>

11. 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 2011, the School District paid \$98,091 to WOCO for various services. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Upper Valley Career Center

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

C. Southwestern Ohio Educational Purchasing Cooperative

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

12. INSURANCE POOLS

A. Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. INSURANCE POOLS (Continued)

The Plan's business and affairs are conducted by the Southwestern Ohio Educational Purchasing Cooperative and the participating members of the Plan. The Benefits Administrator of the SOEPC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

13. 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.

14. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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, 2011.

B. Litigation

The School District is party in legal proceedings. The School district is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

15. BUDGETARY BASIS OF ACCOUNTING

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

15. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance	
	General Fund
Cash basis	\$3,888,836
Funds budgeted elsewhere**	(169,737)
Adjustment for encumbrances	(400,642)
Budget basis	\$3,318,457

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

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. Pursuant to GASB 54, only the legally budgeted general fund should be reported in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

Budgetary Basis	
	General Fund
Balance at June 30, 2010	\$3,260,428
Funds budgeted elsewhere**	(132,722)
Budget basis at July 1, 2010	\$3,127,706

16. CONTRACTUAL COMMITMENTS

At June 30, 2011, the School District had the following outstanding contractual commitments:

Contractor/Vendor	Contracted Amount	Amount Remaining
Shelby County ESC	\$1,053,028	\$121,594
ILIAC	249,143	249,143
Customer Payment Center	148,939	32,405
Jackson Center Local School	72,000	72,000
Hi-Grade Oil, Co., Inc.	31,600	12,135
SMS proTECH	18,037	18,037
Cotterman & Co., Inc.	16,475	16,475

17. 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, 2011
(Continued)**

17. FUND BALANCE (Continued)

	<u>General</u>	<u>Bond Retirement</u>	<u>Food Service</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Non-spendable for:					
Unclaimed monies	\$ 1,798				\$ 1,798
Restricted for:					
Capital Improvements				\$ 46,252	46,252
Repayment of Debt		\$2,939,768			2,939,768
Extracurricular Activities				37,939	37,939
Food Service Operations			\$327,415		327,415
Race to the Top				6,504	6,504
SFSF				34,081	34,081
Special Instruction				139,291	139,291
Drug Free Education				6,772	6,772
Auxiliary Services				150,052	150,052
Management Information Systems				5,868	5,868
Improving Teacher Quality				33,112	33,112
Other Grants				22,912	22,912
Trust Fund Activity				14,643	14,643
Total Restricted		<u>2,939,768</u>	<u>327,415</u>	<u>497,426</u>	<u>3,764,609</u>
Committed for:					
Termination Benefits	256,173				256,173
Student Loans	2,188				2,188
Total Committed	<u>258,361</u>				<u>258,361</u>
Assigned for:					
Student Activities	160,970				160,970
Encumbrances	400,642				400,642
Total Assigned	<u>561,612</u>				<u>561,612</u>
Unassigned	6,744,590				6,744,590
Total Fund Balances	<u>\$7,566,361</u>	<u>\$2,939,768</u>	<u>\$327,415</u>	<u>\$497,426</u>	<u>\$11,330,970</u>

18. STATUTORY RESERVES

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 fiscal years. Effective July 1, 2011, the textbook set aside laws have been repealed.

The following cash basis information describes the changes in the fiscal year set aside amounts for textbooks and capital acquisition. State statute requires disclosing this information. For fiscal year ended June 30, 2011, the restricted activity was as follows:

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

18. STATUTORY RESERVES (Continued)

	Textbook Reserve	Capital Improvements
Set Aside Restricted Balance June 30, 2010	(\$2,495,945)	
Current Year Set Aside Requirement	527,838	\$527,838
Current Year Qualifying Disbursements	(414,952)	(508,023)
Excess Qualified Disbursements from Prior Year		
Current Year Offsets		(19,815)
Prior Year Offsets from Bond Proceeds		
Total	(\$2,383,059)	\$ 0
Balance Carried Forward to Fiscal Year 2012	\$ 0	\$ 0
Set Aside Restricted Balance June 30, 2011	\$ 0	\$ 0

Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law. This balance is therefore not presented as being carried forward to future fiscal years. Although the School District had qualifying offsets during the fiscal year that reduced the set-aside amount below zero for the capital improvements set aside, this amount may not be used to reduce the set aside requirements of future years. This negative balance is therefore not presented as being carried forward to future fiscal years.

19. INTERFUND TRANSACTIONS

During fiscal year 2011, a short term advance of \$20,000 was made from the General Fund to the Race to the Top Fund to cover operating disbursements in anticipation of grant proceeds.

During fiscal year 2011, the General Fund transferred \$104,588 to the debt service fund to be used for debt service payments, and also transferred \$24,943 to Other Governmental Funds to subsidize the activities of those funds. Also during fiscal year 2011, the Permanent Improvement Fund transferred \$77,760 to the Bond Retirement Fund to be used for debt service payments.

20. LEASE ACTIVITY

The School District has entered into capitalized leases for equipment. The leases meet the criteria of a capital lease. Principal payments in fiscal year 2011 were \$175,957. As of June 30, 2011, the capital lease was terminated and the School District is no longer obligated.

The School District will be obligated under an operating lease with Xerox for office equipment beginning July 15, 2011 or fiscal year 2012. Future lease payments are as follows:

	Amount
2012	\$92,066
2013	92,066
2014	92,066
2015	92,066
2016	92,066
	\$460,330

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

21. ACCOUNTABILITY AND COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2011, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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		\$87,684		\$87,684
Cash Assistance:						
School Breakfast Program	N/A	10.553	\$225,963		\$225,963	
National School Lunch Program	N/A	10.555	779,573		779,573	
Total Cash-Assistance			<u>1,005,536</u>		<u>1,005,536</u>	
Total Nutrition Cluster			<u>1,005,536</u>	<u>87,684</u>	<u>1,005,536</u>	<u>87,684</u>
Total U.S. Department of Agriculture			1,005,536	87,684	1,005,536	87,684
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-S1-10	84.010	158,955		150,812	
	044784-C1-S1-11		879,827		844,597	
Total Title I Grants to Local Educational Agencies			<u>1,038,782</u>		<u>995,409</u>	
ARRA - Title I Grants to Local Educational Agencies	2010	84.389	59,141		48,748	
	2011		250,098		251,599	
ARRA - Total Title I Grants to Local Education Agencies			<u>309,239</u>		<u>300,347</u>	
Total Title I Grants to Local Educational Agencies Cluster			1,348,021		1,295,756	
Special Education Grants to States Cluster:						
Special Education Grants to States	044784-6B-SF-10	84.027	58,029		106,448	
	044784-6B-SF-11		854,401		797,376	
Total Special Education Grants to States			<u>912,430</u>		<u>903,824</u>	
ARRA - Special Education Grants to States	2010	84.391	103,000		123,729	
	2011		580,093		537,006	
ARRA - Total Special Education Grants to States			<u>683,093</u>		<u>660,735</u>	
Special Education Preschool Grants	044784-PG-S1-11	84.173	10,136		10,319	
ARRA - Special Education Preschool Grants	2011 ARRA	84.392	33,744		33,743	
Total Special Education Cluster			<u>1,639,403</u>		<u>1,608,621</u>	
Safe & Drug Free School and Communities - State Grants	044784-DR-S1-11	84.186	5,197		3,532	
Education Technology State Grants	044784-TJS1-11	84.318	312		1,469	
English Language Acquisition Grants	044784-T3S1-10	84.365			3,436	
	044784-T3S1-11		30,220		29,327	
Total English Language Acquisition Grants			<u>30,220</u>		<u>32,763</u>	
Improving Teacher Quality State Grants	044784-TRS1-10	84.367			69,424	
	044784-TRS1-11		174,688		144,826	
Total Improving Teacher Quality State Grants			<u>174,688</u>		<u>214,250</u>	
ARRA - State Fiscal Stabilization Funds	2010	84.394			13,899	
	2011		1,237,843		1,215,309	
ARRA - Total State Fiscal Stabilization Funds			<u>1,237,843</u>		<u>1,229,208</u>	
ARRA - Race to the Top	2011	84.395	35,205		48,701	
Total U.S. Department of Education			<u>4,470,889</u>		<u>4,434,300</u>	
Total Federal Assistance			<u>\$5,476,425</u>	<u>\$87,684</u>	<u>\$5,439,836</u>	<u>\$87,684</u>

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the 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 programs that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sidney City School District, Shelby County, Ohio (School District) as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 6, 2012, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 6, 2012.

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

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



Dave Yost
Auditor of State

March 6, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Sidney City School District, Shelby County, (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

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

In our opinion, the Sidney City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated March 6, 2012.

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



Dave Yost
Auditor of State

March 6, 2012

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<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)?	Yes
<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)?	Yes
<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)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<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 CFDA#84.392: Special Education Preschool Grants, 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**

FINDING NUMBER 2011-01

Failure to File GAAP Report

NONCOMPLIANCE

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. At the time the report is filed with the auditor of state, the chief fiscal officer, except as otherwise provided in section of the Revised Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer. The District did not file the notification that the statements were ready for review. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Adm. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal year 2011 in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should prepare its annual financial statements in accordance with generally accepted accounting principles to include assets, liabilities and the disclosures required to accurately present the School District's financial condition. The District should also ensure that the annual notification to residents that the statements are available for review is published in the newspaper.

Official's Response:

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

FINDING NUMBER 2011-02

Financial Statement Reporting

MATERIAL WEAKNESS

The cash basis financial statements prepared and filed with the Auditor of State's office should be a complete and accurate reporting of the School District's financial activity during the fiscal year. The following errors were noted in the fiscal year 2011 cash basis report filed with the Auditor of State:

**FINDING NUMBER 2011-02
(Continued)**

- The Statement of Cash Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis General Fund was incorrectly prepared. The Beginning Fund Balance was understated \$164,477 in the Original Budget, Final Budget, and Actual Columns. The actual Transfers Out were understated \$425,000.
- The Budgetary Basis of Accounting Financial Statement Note Disclosure was presented with incorrect amounts. The Net Change in Fund Balance schedule did not agree to the Cash Basis financial statements or to the Budget Basis Statements. The Budgetary Basis fund balance reconciliation for GASB54 perspective differences was also incorrectly prepared and did not agree to the amounts on the financial statements.
- The School District incorrectly reported Net Assets for the Private Purpose Trust fund on the Statement of Fiduciary Net Assets. Endowment Net Asset was overstated \$127,458 and Held in Trust for Scholarships was understated \$127,458.
- Errors were also noted in the presentation of Private Purpose Trust fund Cash and Investments with Fiscal Agent. The amount reported as Cash and Cash Equivalents with Fiscal Agent was understated \$5,890 and the amount reported as Investments with Fiscal Agent was overstated \$5,890.

In addition to the items noted above, there were also numerous errors noted throughout the Notes to the Basic Financial Statements. Thirteen of the twenty one notes required correction in order to agree to the basic financial statements. Failure to present cash and equity and budgetary statements accurately resulted in a material misstatement on the financial statements. The School District made the financial statement adjustments and the corrections to the financial statement notes in order to accurately present financial activity for the fiscal year.

The School District should implement controls and develop procedures over the reporting process to review the accuracy of the cash basis financial report prepared on behalf of the School District.

Official's Response:

Regarding the financial statement reporting the district understands the critical nature of the accuracy of the financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	OMB Circular A-133 Subpart C .320(a) & (b) - Failure to File Data Collection Form	Yes	
2010-02	Section 14003(a) of the American Recovery and Reinvestment Act of 2009 – Unallowable Grant Charges	Yes	



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on February 22, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

March 6, 2012

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Dave Yost • Auditor of State

SIDNEY CITY SCHOOL DISTRICT

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 3, 2012**