



Dave Yost • Auditor of State

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2013.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis - June 30, 2013.....	15
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2013	16
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis	
Governmental Funds - June 30, 2013	17
Statement of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis	
Governmental Funds – For the Fiscal Year Ended June 30, 2013	18
Statement of Receipts, Disbursements, and Changes in Cash Basis	
Fund Balance – Budget and Actual (Budget Basis)	
General Fund – For the Fiscal Year Ended June 30, 2013	19
Statement of Receipts, Disbursements, and Changes in Cash Basis	
Fund Balance – Budget and Actual (Budget Basis)	
Food Service Fund – For the Fiscal Year Ended June 30, 2013.....	20
Statement of Fiduciary Net Position – Cash Basis	
Fiduciary Funds – June 30, 2013.....	21
Statement of Changes in Fiduciary Net Position – Cash Basis	
Private Purpose Trust Fund - For the Fiscal Year Ended June 30, 2013.....	22
Notes to the Basic Financial Statements - For the Fiscal Year Ended June 30, 2013.....	23
Schedule of Federal Awards Receipts and Disbursements.....	49
Notes to the Schedule of Federal Awards Receipts and Disbursements	50
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	53
Schedule of Findings.....	55
Schedule of Prior Audit Findings.....	57
Independent Accountants' Report on Applying Agreed-Upon Procedure	59

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2013, and the respective changes in cash financial position and the respective budgetary comparison for the General and Food Service Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and outstanding debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Disbursements also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

November 15, 2013

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**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(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, 2013. 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 2013 are as follows:

- In total, net position increased \$2,916,255, mostly due to a conscious effort to reduce disbursements.
- Outstanding debt decreased from \$19,273,992 to \$18,459,469 through principal payments made during the current year.

Using this Annual Report

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

The *Statement of Net Position* 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 2013, the General fund, Bond Retirement fund and Food Service funds are the School District's most significant funds.

Basis of Accounting

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Reporting the School District as a Whole

Statement of Net Position 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 2013?" The Statement of Net Position and the Statement of Activities answer this question.

These two statements report the School District's *net position* and *changes in those assets*. This change in net position 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 Position 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 17. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the General, Bond Retirement and Food Service funds.

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

Reporting the School District's Fiduciary Responsibilities

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to 2012.

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

	Governmental Activities	
	2013	2012
Assets:		
Equity in Pooled Cash and Investments	\$16,990,840	\$14,074,585
Total Assets	<u>16,990,840</u>	<u>14,074,585</u>
Net Position:		
Restricted for:		
Capital Outlay	21,431	18,112
Debt Service	4,453,617	3,986,259
Other Purposes	1,019,210	856,021
Unrestricted	11,496,582	9,214,193
Total Net Position	<u>\$16,990,840</u>	<u>\$14,074,585</u>

Net position of the governmental activities increased \$2,916,255, which represents a 20.72 percent increase from fiscal year 2012. The increase is the result of a conscious effort to reduce disbursements. The School District saw a significant decrease in payroll and benefits due to retirements and concessions in negotiations.

A portion of the School District's net position, \$5,494,258 or 32.34 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$11,496,582 may be used to meet the School District's ongoing obligations.

Table 2 shows the changes in net position for fiscal year 2013 as compared to fiscal year 2012.

**(Table 2)
Change in Net Position – Cash Basis**

	Governmental Activities	
	2013	2012
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 1,742,647	\$ 1,625,041
Operating Grants, Contributions and Interest	3,980,182	4,567,001
Total Program Receipts	<u>5,722,829</u>	<u>6,192,042</u>
General Receipts:		
Property Taxes	14,053,845	14,265,608
Grants and Entitlements not Restricted to Specific Programs	18,844,915	19,056,830
Payments in Lieu of Taxes	44,077	46,402
Proceeds from Sale of Capital Assets	4,875	24,544
Proceeds of Loans	169,908	
Proceeds of Notes Issued	1,157,000	1,299,000
Premium on Notes Issued	11,573	9,952
Investment Earnings	17,718	11,917
Miscellaneous	328,928	111,471
Total General Receipts	<u>34,632,839</u>	<u>34,825,724</u>
Total Receipts	<u>40,355,668</u>	<u>41,017,766</u>

(Continued)

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

**(Table 2)
Change in Net Position – Cash Basis
(Continued)**

	Governmental Activities	
	2013	2012
Program Disbursements:		
Instruction:		
Regular	16,077,327	16,212,919
Special	4,084,940	4,275,601
Vocational	100,704	109,401
Student Intervention Services	135,932	162,226
Support Services:		
Pupils	1,684,054	1,781,858
Instructional Staff	1,960,544	1,848,341
Board of Education	228,381	242,164
Administration	2,335,879	2,405,121
Fiscal	864,136	783,846
Business	140,644	139,612
Operation and maintenance of Plant	2,653,729	2,969,615
Pupil Transportation	846,719	961,760
Central	551,619	621,000
Operation of Non-Instructional Services:		
Food Service Operations	1,442,319	1,452,303
Community Services	475,306	510,139
Extracurricular Activities	596,258	591,869
Capital Outlay	301,832	175,837
Debt Service:		
Principal Retirement	2,141,431	2,170,264
Interest and Fiscal Charges	817,659	860,275
Total Program Disbursements	<u>37,439,413</u>	<u>38,274,151</u>
Changes in Net Position	2,916,255	2,743,615
Net Position Beginning of Year	<u>14,074,585</u>	<u>11,330,970</u>
Net Position End of Year	<u>\$16,990,840</u>	<u>\$14,074,585</u>

Several receipt sources fund the School District's governmental activities with the school foundation being the largest contributor. Grants and entitlements, including school foundation, provided \$18.8 million in fiscal year 2013 which was a slight decrease from fiscal year 2012. Property tax levies and payments in lieu of taxes generated \$14.1 million in fiscal year 2013 which was a decrease of approximately \$0.2 million. This decrease is mainly due to a decrease in property valuation and the phase out of the remaining tangible personal property tax.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Governmental Activities

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

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

	Total Costs of Services		Net Costs of Services	
	2013	2012	2013	2012
Program Disbursements:				
Instruction:				
Regular	\$16,077,327	\$16,212,919	\$15,064,257	\$15,275,813
Special	4,084,940	4,275,601	2,516,033	2,714,233
Vocational	100,704	109,401	79,788	109,401
Student Intervention Services	135,932	162,226	134,117	162,226
Support Services:				
Pupils	1,684,054	1,781,858	1,598,422	1,617,636
Instructional Staff	1,960,544	1,848,341	1,273,958	1,184,974
Board of Education	228,381	242,164	228,381	242,164
Administration	2,335,879	2,405,121	2,277,852	1,796,550
Fiscal	864,136	783,846	864,136	783,846
Business	140,644	139,612	140,644	139,612
Operation and Maintenance of Plant	2,653,729	2,969,615	2,653,729	2,939,776
Pupil Transportation	846,719	961,760	804,877	939,171
Central	551,619	621,000	538,801	549,277
Operation of Non-Instructional Services:				
Food Service Operations	1,442,319	1,452,303	(141,265)	(100,854)
Community Services	475,306	510,139	1,232	82,857
Extracurricular Activities	596,258	591,869	420,700	439,051
Capital Outlay	301,832	175,837	301,832	175,837
Debt Service:				
Principal Retirement	2,141,431	2,170,264	2,141,431	2,170,264
Interest and Fiscal Charges	817,659	860,275	817,659	860,275
Total	\$37,439,413	\$38,274,151	\$31,716,584	\$32,082,109

Instruction and student support services comprise 64.22 percent of governmental program expenses in fiscal year 2013. Board of Education, Administration, Fiscal and Business charges were 9.53 percent in 2013. 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 9.35 percent in 2013.

Net costs for special instruction and administrative disbursements reflect changes in fiscal year 2013 as the program receipts more closely reflect the manner in which the School District allocated its program receipts to its spending. These costs have been reclassified in fiscal year 2012 to provide a more accurate comparison. Net costs also reflect the expiration of Federal stimulus funding to the School District.

In total, the spending of the School District decreased by \$834,738 from fiscal year 2012. The most significant decrease occurred in instruction and operation and maintenance of plant due to the School District making a conscious effort to reduce disbursements. The School District saw a significant decrease in payroll and benefits due to retirements and concessions in negotiations.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 15.29 percent of all governmental expenses. The community is the largest area of support for the School District students.

The School District's Funds

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

The School District's governmental funds reported a combined fund balance of \$16,990,840, which is greater than the prior year balance of \$14,074,585.

The general fund had total cash receipts and other financing sources of \$32,422,325. The cash disbursements and other financing uses of the general fund totaled \$30,122,166. The general fund's fund balance increased \$2,300,159 in 2013. The increase in fund balance can be attributed to reduction of expenditures, as well as an increase in intergovernmental receipts.

The bond retirement fund had total cash receipts and other financing sources of \$3,350,694 and total cash disbursements and other financing uses of \$2,883,336, for an increase in fund balance of \$467,358 in 2013. The increase in fund balance is primarily due to proceeds of energy conservation notes.

The food service fund had total cash receipts of \$1,592,125 and total cash disbursements of \$1,437,867, for an increase in fund balance of \$154,258 in 2013. The increase in fund balance is primarily due to an increase in intergovernmental receipts.

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 2013, the School District amended its general fund budget several times. For the general fund, final budget basis receipts (excluding other financing sources) were \$32,192,750, representing an increase of \$1,250,000 from the original estimate of \$30,942,750. Actual receipts of \$32,104,366 were \$88,384 less than the final budget. Of this decrease, most was attributable to a decrease in property and other local taxes, due to less taxes being collected.

For fiscal year 2013, the general fund final budget basis disbursements (excluding other financing uses) were \$30,255,871, which is more than the original budgeted disbursements of \$30,505,871. Actual disbursements of \$29,832,718 were \$423,153 lower than the final budget. Instructional staff, operation and maintenance of plant, pupil transportation and central support services were significantly under budgeted expectations. This was due to the School District budgeting for the many administrators and other faculty members that retired during fiscal year 2013.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Debt Administration

The School District had the following debt obligations outstanding at June 30, 2013 and 2012.

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

	Governmental Activities	
	2013	2012
Notes:		
Energy Conservations Notes	\$ 257,000	\$ 324,000
Certificates of Participation Notes	900,000	975,000
Total Notes	<u>1,157,000</u>	<u>1,299,000</u>
General Obligation Bonds:		
2001 School Improvement Serial Bonds		430,000
2001 Original Issue of Capital Appreciations Bonds	89,992	89,992
2002 School Improvement Serial Bonds		120,000
2007 School Improvement Serial Bonds	17,060,000	17,225,000
2007 Original Issue of Capital Appreciation Bonds	110,000	110,000
Total General Obligation Bonds	<u>17,259,992</u>	<u>17,974,992</u>
Loan Payable	42,477	
Total Debt Obligations	<u>\$18,459,469</u>	<u>\$19,273,992</u>

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

Current Issues

Sidney City School District sustained its strong financial position in fiscal year 2013 by adding over \$1.75 million dollars to its unencumbered carry over balance in the General fund ending June 30, 2013 at \$10,932,865. The financial success of the School District can be attributed to both sides of the financial statement. The School District continued the strong stewardship of the public's funds by reducing or maintaining expenditure levels in salaries/benefits, purchased services, supplies and materials, capital outlay and other objects. The only expenditures in which the district recognized an increase was in other uses. The increase in this area was due to the significant number of retirements experienced by the district in fiscal year 2013. The severance payments related to the retirements are an expenditure of other uses. The overall expenditures for fiscal year 2013 were 2.18 percent less than in fiscal year 2012.

In fiscal year 2013 Sidney City Schools had anticipated a significant decline in revenues compared to the prior year due to the projected loss of \$500,000 in tangible personal property hold harmless payments and loss of \$750,000 with the expiration of the Education Jobs Fund. The School District was informed in November that because the new 9.9 mill emergency levy was passed prior to the expiration of the existing 4.73 mill emergency levy the new emergency levy would be considered a replacement and the hold harmless payments associated with the expiring levy would be maintained. While the Education Jobs funding was lost there were several revenue items that offset the impact of the loss. In October 2012, the School District received \$139,719 refund from the County Auditor's office for an accumulated excess in the county's real estate assessment fund. In January 2013, the School District received just over \$76,000 from the State of Ohio from a distribution of casino tax. Additionally, the School District's foundation payments for fiscal year 2013 were nearly \$350,000 more than in fiscal year 2012. At the end of the day instead of receiving \$1.2 million less in revenue for fiscal year 2013 the School District ended the year at \$294,000 less than in fiscal year 2012 or .9 percent.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

Another contributing factor to the School District's financial turn around and success that cannot be forgotten is the contracts with the Sidney Education Association (SEA) and the Ohio Association of Public School Employees (OAPSE) that were ratified in fiscal year 2012. The School District is only in the second year of a four year contract that achieved the most significant concessions anywhere in the state. Both unions agreed to significant concessions with the management of the School District. Both bargaining units agreed to 4 year contracts which included a 2.75 percent pay reduction in year one and total freeze of the salary schedules, both step and column movement, for the 4 years of the contract. Additionally, both bargaining units agreed to a restructuring of the employee/employer shares of the health and dental premiums. The employees will now be responsible for 20 percent of the premium cost which is an increase of 11 percent from the previous 9 percent share. The teachers union also accepted 2 furlough days for the term of the contract. The 2.75 percent reduction and insurance concessions were also shared by the nonunion employees who include administrators, secretaries, food service, maintenance and aides.

One area that does continue to be of concern to the School District's administration is the number of resident students open enrolling to neighboring school districts. A concerted effort was developed in fiscal year 2012 to combat this trend but the numbers of students open enrolling elsewhere increased by an additional 50 students for the 2012-2013 school year. In fiscal year 2013, the School District lost \$3.1 million to neighboring school districts in open enrollment payments. The School District is a net loser in the open enrollment game by more than \$2.6 million. Sidney City Schools Board of Education and Administration will continue to make this situation one of its top priorities to address in fiscal year 2014.

There are number of other noteworthy items that have or will be occurring in the School District. Over the past year to eighteen months the School District has experienced a significant increase in requests for the reduction in property valuation. What used to be an infrequent occurrence has become common since the general market decline in property values occurred several years ago. The requests and appeals are not isolated to any one taxpayer group but have come from the entire spectrum, from single family homes to large corporate entities.

Two areas of the School District that have been addressed impact both academics and finances. First, Sidney City Schools has partnered with VLN Partners to offer an online program to attract students currently enrolled in electronic schools. The student can then graduate with a diploma from Sidney City Schools and the cost of the license for each student is less than the amount deducted from the School District's foundation payment. Also, the School District decided early in the 2012-2013 school year to not partner with the Shelby County Educational Service Center for their Alternative School and Emotionally Disturbed programs. The School District's administrative team believes that the academic needs of the students are better served in and the costs of the ESC's programs have escalated to the point the School District will recognize savings from the shift to in house programs.

Recent changes in the State Teachers Retirement System have helped to contribute to the School District's salary and benefit stabilization. Sidney City Schools have seen more retirements in the last couple years than it has historically experienced. The increase in these retirements has allowed the School District to shift payroll costs from more expensive tenured staff to new lower cost employees. It is anticipated that this trend will continue until the retirement system changes are fully implemented.

One final item to note is that, the School District's 9.9 mill emergency levy expires on December 31, 2013 and collection will cease at the end of calendar year 2014. The Board of Education has decided to pursue a 1 percent traditional income tax to replace this expiring emergency levy. The first attempt for passage will occur on August 6, 2013. Should the issue not pass in August the School District will place the income tax on the ballot again in November.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)
(Continued)**

In closing, recently the State of Ohio's latest biennial budget was signed by Governor Kasich. Early analysis of the budget appears to be very favorable for Sidney City Schools. The new foundation formula in the budget provides for more than a 6 percent increase to the School District's funding in both years. With this positive outlook for state funding, the School District's management of expenditures and should the income tax issue pass in August the School District's finances are forecast to be strong for a number of years to come.

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 POSITION - CASH BASIS
JUNE 30, 2013**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$16,990,840
Total Assets	<u>16,990,840</u>
Net Position:	
Restricted for:	
Capital Outlay	21,431
Debt Service	4,453,617
Other Purposes	1,019,210
Unrestricted	11,496,582
Total Net Position	<u>\$16,990,840</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, 2013**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$16,077,327	\$654,080	\$358,990	(\$15,064,257)
Special	4,084,940	361,312	1,207,595	(2,516,033)
Vocational	100,704		20,916	(79,788)
Student Intervention Services	135,932		1,815	(134,117)
Support Services:				
Pupils	1,684,054	83,187	2,445	(1,598,422)
Instructional Staff	1,960,544		686,586	(1,273,958)
Board of Education	228,381			(228,381)
Administration	2,335,879		58,027	(2,277,852)
Fiscal	864,136			(864,136)
Business	140,644			(140,644)
Operation and Maintenance of Plant	2,653,729			(2,653,729)
Pupil Transportation	846,719	41,842		(804,877)
Central	551,619		12,818	(538,801)
Operation of Non-Instructional Services:				
Food Service Operations	1,442,319	426,671	1,156,913	141,265
Community Services	475,306		474,074	(1,232)
Extracurricular Activities	596,258	175,555	3	(420,700)
Capital Outlay	301,832			(301,832)
Debt Service:				
Principal Retirement	2,141,431			(2,141,431)
Interest and Fiscal Charges	817,659			(817,659)
Totals	<u>\$37,439,413</u>	<u>\$1,742,647</u>	<u>\$3,980,182</u>	<u>(31,716,584)</u>

General Receipts:

Property Taxes Levied for:

General Purposes	12,598,840
Debt Service	1,455,005
Grants and Entitlements not Restricted to Specific Programs	18,844,915
Payments in Lieu of Taxes	44,077
Proceeds from Sale of Capital Assets	4,875
Proceeds of Loans	169,908
Proceeds of Notes Issued	1,157,000
Premium on Notes Issued	11,573
Investment Earnings	17,718
Miscellaneous	328,928
Total General Receipts	<u>34,632,839</u>
Change in Net Position	2,916,255
Net Position Beginning of Year	<u>14,074,585</u>
Net Position End of Year	<u>\$16,990,840</u>

See accompanying notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Food Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Investments	\$11,664,450	\$4,453,617	\$593,218	\$277,224	\$16,988,509
Restricted Cash and Cash Equivalents	2,331				2,331
Total Assets	<u>11,666,781</u>	<u>4,453,617</u>	<u>593,218</u>	<u>277,224</u>	<u>16,990,840</u>
Fund Balances:					
Nonspendable	2,331				2,331
Restricted		4,453,617	593,218	277,224	5,324,059
Committed	51,636				51,636
Assigned	682,280				682,280
Unassigned	10,930,534				10,930,534
Total Fund Balances	<u>\$11,666,781</u>	<u>\$4,453,617</u>	<u>\$593,218</u>	<u>\$277,224</u>	<u>\$16,990,840</u>

See accompanying notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General	Bond Retirement Fund	Food Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts:					
Property and Other Local Taxes	\$12,598,840	\$1,455,005			\$14,053,845
Intergovernmental	18,319,450	545,515	\$1,156,663	\$2,791,168	22,812,796
Investment Income	17,718		250	72	18,040
Tuition and Fees	986,811				986,811
Extracurricular Activities	83,185			175,555	258,740
Gifts and Donations	980			11,000	11,980
Charges for Services			426,671		426,671
Payments in Lieu of Taxes	44,077				44,077
Rent	70,423				70,423
Miscellaneous	295,966	11,748	8,541	12,674	328,929
Total Receipts	32,417,450	2,012,268	1,592,125	2,990,469	39,012,312
Disbursements:					
Current:					
Instruction:					
Regular	15,703,280			374,047	16,077,327
Special	2,946,968			1,137,972	4,084,940
Vocational	100,704				100,704
Student Intervention Services	133,741			2,191	135,932
Support Services:					
Pupils	1,681,175			2,879	1,684,054
Instructional Staff	1,211,940			748,604	1,960,544
Board of Education	228,381				228,381
Administration	2,289,497			44,647	2,334,144
Fiscal	814,194	51,677			865,871
Business	140,644				140,644
Operation and Maintenance of Plant	2,646,822			6,907	2,653,729
Pupil Transportation	844,643			2,076	846,719
Central	508,339			43,280	551,619
Extracurricular Activities	427,533			168,725	596,258
Operation of Non-Instructional Services:					
Food Service Operations	4,452		1,437,867		1,442,319
Community Services				475,306	475,306
Capital Outlay				301,832	301,832
Debt Service:					
Principal Retirement		2,014,000		127,431	2,141,431
Interest and Fiscal Charges		817,659			817,659
Total Disbursements	29,682,313	2,883,336	1,437,867	3,435,897	37,439,413
Excess of Receipts Over (Under) Disbursements	2,735,137	(871,068)	154,258	(445,428)	1,572,899
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	4,875				4,875
Proceeds of Loans				169,908	169,908
Proceeds of Notes Issued		1,157,000			1,157,000
Premium on Notes Issued		11,573			11,573
Transfers In		169,853		270,000	439,853
Transfers Out	(439,853)				(439,853)
Total Other Financing Sources (Uses)	(434,978)	1,338,426		439,908	1,343,356
Net Change in Fund Balances	2,300,159	467,358	154,258	(5,520)	2,916,255
Fund Balances Beginning of Year	9,366,622	3,986,259	438,960	282,744	14,074,585
Fund Balances End of Year	\$11,666,781	\$4,453,617	\$593,218	\$277,224	\$16,990,840

See accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property and Other Local Taxes	\$12,750,000	\$13,000,000	\$12,598,840	(\$401,160)
Intergovernmental	17,290,000	18,240,000	18,270,741	30,741
Investment Income	10,000	10,000	17,705	7,705
Tuition and Fees	778,050	778,050	986,811	208,761
Gifts and Donations	500	500	865	365
Payments in Lieu of Taxes	44,077	44,077	44,077	
Rent	67,000	67,000	70,423	3,423
Miscellaneous	3,123	53,123	114,904	61,781
Total Receipts	<u>30,942,750</u>	<u>32,192,750</u>	<u>32,104,366</u>	<u>(88,384)</u>
Disbursements:				
Current:				
Instruction:				
Regular	15,869,718	15,469,719	15,652,609	(182,890)
Special	3,029,419	3,029,419	3,148,067	(118,648)
Vocational	101,258	101,257	113,737	(12,480)
Support Services:				
Pupils	1,584,583	1,584,583	1,574,465	10,118
Instructional Staff	1,469,150	1,469,150	1,210,269	258,881
Board of Education	258,000	258,000	228,381	29,619
Administration	2,330,581	2,330,581	2,273,226	57,355
Fiscal	765,651	765,651	827,963	(62,312)
Business	151,672	151,672	150,941	731
Operation and Maintenance of Plant	3,005,892	3,005,892	2,806,584	199,308
Pupil Transportation	989,319	989,319	883,143	106,176
Central	486,169	636,169	535,800	100,369
Extracurricular Activities	464,459	464,459	427,533	36,926
Total Disbursements	<u>30,505,871</u>	<u>30,255,871</u>	<u>29,832,718</u>	<u>423,153</u>
Excess of Receipts Over (Under) Disbursements	<u>436,879</u>	<u>1,936,879</u>	<u>2,271,648</u>	<u>334,769</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets			4,875	4,875
Refund of Prior Year Expenditures		150,000	183,804	33,804
Insurance Recoveries			2,019	2,019
Transfers Out	(546,000)	(746,000)	(739,853)	6,147
Total Other Financing Sources (Uses)	<u>(546,000)</u>	<u>(596,000)</u>	<u>(549,155)</u>	<u>46,845</u>
Net Change in Fund Balance	(109,121)	1,340,879	1,722,493	381,614
Fund Balance Beginning of Year	9,056,502	9,056,502	9,056,502	
Prior Year Encumbrances Appropriated	<u>153,870</u>	<u>153,870</u>	<u>153,870</u>	
Fund Balance End of Year	<u>\$9,101,251</u>	<u>\$10,551,251</u>	<u>\$10,932,865</u>	<u>\$381,614</u>

See accompanying notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BASIS FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
FOOD SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Intergovernmental	\$1,063,000	\$1,138,000	\$1,156,663	\$18,663
Investment Income	175	175	250	75
Charges for Services	468,825	468,825	426,671	(42,154)
Total Receipts	<u>1,532,000</u>	<u>1,607,000</u>	<u>1,583,584</u>	<u>(23,416)</u>
Disbursements:				
Food Service Operations	<u>1,575,595</u>	<u>1,575,595</u>	<u>1,439,866</u>	<u>135,729</u>
Excess of Receipts Over (Under) Disbursements	<u>(43,595)</u>	<u>31,405</u>	<u>143,718</u>	<u>112,313</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures			<u>8,541</u>	<u>8,541</u>
Net Change in Fund Balance	(43,595)	31,405	152,259	120,854
Fund Balance Beginning of Year	438,364	438,364	438,364	
Prior Year Encumbrances Appropriated	<u>595</u>	<u>595</u>	<u>595</u>	
Fund Balance End of Year	<u>\$395,364</u>	<u>\$470,364</u>	<u>\$591,218</u>	<u>\$120,854</u>

See accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2013**

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in Pooled Cash and Investments	\$113,784	\$154,941
Cash and Cash Equivalents with Fiscal Agents	27,262	
Investments with Fiscal Agents	256,792	
Total Assets	397,838	154,941
Net Position:		
Held in Trust for Scholarships	286,238	
Held for Student Activities		154,941
Endowment	111,600	
Total Net Position	\$397,838	\$154,941

See accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Scholarship</u>
Additions:	
Gifts and Contributions	\$6,249
Interest	<u>44,659</u>
Total Additions	<u>50,908</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>10,000</u>
Change in Net Position	40,908
Net Position Beginning of Year	<u>356,930</u>
Net Position End of Year	<u><u>\$397,838</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, 2013**

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 124th largest in the State of Ohio (among 609 school districts) in terms of enrollment. It is staffed by classified employees, certified teaching personnel and administrative employees who provide services to students and other community members. The School District currently operates eight instructional/support buildings.

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

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

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

The School District participates in three jointly governed organizations and two insurance pools, and is associated with a related organization. These organizations are the Western Ohio Computer Organization, Upper Valley Career Center, Southwestern Ohio Educational Purchasing Cooperative, Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust, Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Retrospective Rating Plan, and the Amos Memorial Public Library. These organizations are presented in Notes 10, 11, and 12 to the basic financial statements.

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. Following are the more significant of the School District's accounting policies.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Statement of Net Position 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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Nonmajor 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:

- a. 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
- b. 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.

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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 position) 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 Certificate of Estimated Resources and the Appropriation Resolution, 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. 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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Appropriations

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

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

3. Encumbrances

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

4. Lapsing of Appropriations

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

E. Cash and Investments

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2013, the School District's investments consisted of STAROhio, Federal Farm Credit Bank, Federal National Mortgage Association and Federal Home Loan Bank. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2013.

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

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 2013 were \$17,718, which includes \$5,935 interest assigned from other School District funds.

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

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

F. Restricted Assets

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

G. Capital Assets

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

H. Compensated Absences

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Debt Obligations

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

J. Intergovernmental Receipts

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

K. Inventory

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

L. Employer Contributions to Cost-Sharing Pension Plans

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

M. Net Position

Net position is 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 position 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 position 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.
- 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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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. The Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- 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, 2013
(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 Policies

For the fiscal year ended June 30, 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34," GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements," and GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School District.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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 and STAR Plus);
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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. 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 \$27,262 in cash and cash equivalents with fiscal agent to accumulate proceeds to benefit the Hathaway Scholarship Fund.

At fiscal year end, the carrying amount of the School District's deposits was \$15,407,406. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$12,389,764 of the School District's bank balance of \$15,504,742 was exposed to custodial risk as discussed below, while \$3,114,978 was covered by Federal Deposit Insurance Corporation (FDIC), which includes \$2,503,366 held in a STAR Plus account.

As of June 30, 2013, 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, 2013, the School District had the following investments which are rated by Moody's:

	Cost	% of Investment Total	0-1 Year	1-5 Years	Credit Rating
Federal Farm Credit Banks	\$ 499,250	26.97%		\$ 499,250	Aaa
Federal National Mortgage Association	499,375	26.98%		499,375	Aaa
Federal Home Loan Banks	749,813	40.52%		749,813	Aaa
STAROhio	102,377	5.53%	\$102,377		AAAm
	\$1,850,815	100.00%	\$102,377	\$1,748,438	

At fiscal year end, the School District had \$256,792 in investments 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, 2013
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

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

STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2013, is 58 days and carries a rating of AAAM by Standard and Poor's.

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.

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.

4. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

4. PROPERTY TAXES (Continued)

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

The School District receives property taxes from Logan and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 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 2013 taxes were collected are:

	<u>2012 Second-Half Collections</u>		<u>2013 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$310,710,250	71.61%	\$310,744,270	69.50%
Commercial/Industrial Public Utility	122,679,070	28.28%	120,150,480	26.88%
Public Utility	461,070	0.11%	16,173,710	3.62%
Total	<u>\$433,850,390</u>	<u>100.00%</u>	<u>\$447,068,460</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$47.80		\$47.80	

5. PAYMENTS IN LIEU OF TAXES

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

6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, the School District contracted for the following insurance coverage:

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

6. RISK MANAGEMENT (Continued)

Netherlands Insurance Company	
General School District Liability	
Per Occurrence	\$1,000,000
General Aggregate	2,000,000
Building and Contents – replacement cost	74,243,301
Computer Equipment	2,500,000
Consolidated Insurance Company	
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Midwestern Indemnity Company	
Commercial Umbrella	
General Aggregate	5,000,000

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

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

For fiscal year 2013, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Retrospective Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The Plan is divided into numerous tiers based on participant experience. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in that tier. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the Plan.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$514,296, \$496,155, and \$502,010, respectively; 39 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,763,624, \$1,825,800, and \$2,042,808, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2012 (latest information available) were \$73,689 made by the School District and \$52,635 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2 percent of wages paid. As of June 30, 2013, four of the Board of Education members have elected social security.

8. POST EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

8. POST EMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, .16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

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

The School District's contributions assigned to health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$25,724, \$40,990, and \$83,672, respectively.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74 percent. The School District's contributions for the fiscal years ended June 30, 2013, 2012 and 2011 were \$29,163, \$29,416 and \$32,305, respectively, 39 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$135,663, \$140,446, and \$157,139, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. DEBT OBLIGATIONS

Changes in the School District's debt obligations during fiscal year 2013 were as follows:

	<u>Interest Rate</u>	<u>Balance 6/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/13</u>	<u>Due Within One Year</u>
Governmental Activities:						
Energy Conservation Notes						
November 10, 2011	2.25%	\$ 324,000		\$ 324,000		
November 7, 2012	2.25%		\$ 257,000		\$ 257,000	\$ 257,000
Certificates of Participation Notes						
November 10, 2011	2.125%	975,000		975,000		
November 8, 2012	2.125%		900,000		900,000	900,000
Total Notes		<u>1,299,000</u>	<u>1,157,000</u>	<u>1,299,000</u>	<u>1,157,000</u>	<u>1,157,000</u>
General Obligation Bonds						
2001 School Improvement Serial Bonds	3.4-5%	430,000		430,000		
2001 Original Issue of Capital Appreciation Bonds	15.92-29.35%	89,992			89,992	46,851
2002 School Improvement Serial Bonds	2.5 – 5%	120,000		120,000		
2007 School Improvement Refunding	4 – 5%	17,225,000		165,000	17,060,000	300,000
2007 Original Issue of Capital Appreciation Bonds	33 – 33.291%	110,000			110,000	
Total General Obligation Bonds		<u>17,974,992</u>		<u>715,000</u>	<u>17,259,992</u>	<u>346,851</u>
Loan Payable	2.75%		169,908	127,431	42,477	42,477
Total Debt Obligations		<u>\$19,273,992</u>	<u>\$1,326,908</u>	<u>\$2,141,431</u>	<u>\$18,459,469</u>	<u>\$1,546,328</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, 2013
(Continued)**

9. DEBT 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 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 par which is 100 percent of the face value of the bonds.

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, 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 par, which is 100 percent of the face value of the bonds.

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

9. DEBT OBLIGATIONS (Continued)

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, 2013, \$17,060,000 of the refunded debt was still outstanding.

Loan Payable - On October 18, 2012, the School District obtained a loan for the purchase of two buses, in the amount of \$169,908. The loan will mature on October 18, 2013, and has an interest rate of 2.75 percent. The debt will be paid entirely from the permanent improvement fund.

Principal and interest requirements to retire the debt obligations outstanding at June 30, 2013, were as follows:

Fiscal Year Ending June 30,	Serial Bonds	Capital Appreciation Bonds	Notes	Loan Payable	Interest/ Accretion	Total
2014	\$ 300,000	\$ 46,851	\$1,157,000	\$42,477	\$ 1,241,867	\$ 2,788,195
2015	305,000	43,141			1,280,784	1,628,925
2016	940,000				722,800	1,662,800
2017		62,459			1,661,841	1,724,300
2018		47,541			1,686,771	1,734,312
2019-2023	6,155,000				2,785,902	8,940,902
2024-2028	8,750,000				1,147,590	9,897,590
2029	610,000				13,724	623,724
	<u>\$17,060,000</u>	<u>\$199,992</u>	<u>\$1,157,000</u>	<u>\$42,277</u>	<u>\$10,541,279</u>	<u>\$29,000,748</u>

10. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus a representative from the fiscal agent school district. During fiscal year 2013, the School District paid \$142,273 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, 2013
(Continued)**

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Upper Valley Career Center

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

C. Southwestern Ohio Educational Purchasing Cooperative

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

11. INSURANCE POOLS

A. Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool consisting of seventy school districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(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 Retrospective Rating Plan

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

11. INSURANCE POOLS (Continued)

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

12. RELATED ORGANIZATION

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

13. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

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

C. Significant Encumbrances

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

13. CONTINGENCIES (Continued)

Fund	Amount
General Fund	\$556,358
Food Service Fund	2,000
All Other Governmental:	
Permanent Improvement	4,679
Miscellaneous Grants	401
Extracurricular	62
Auxiliary Services	75,517
Race to the Top	2,187
Title III	604
Title I	8,630
IDEA	12,721
Title II-A	7,133
Total Governmental Funds	\$670,292

14. BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	
Cash basis	\$2,300,159
Funds budgeted elsewhere**	(65,585)
Adjustment for encumbrances	(512,081)
Budget Basis	\$1,722,493

** 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 and termination benefits funds.

15. FUND BALANCE

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

15. FUND BALANCE (Continued)

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Food Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Non-spendable for:					
Unclaimed monies	\$ 2,331				\$ 2,331
Restricted for:					
Capital Projects				\$ 21,431	21,431
Repayment of Debt		\$4,453,617			4,453,617
Extracurricular Activities				21,781	21,781
Pupil Support Services				6,115	6,115
Food Service Operations			\$593,218		593,218
Race to the Top				5,374	5,374
Special Education				108,741	108,741
Auxiliary Services				85,211	85,211
Improving Teacher Quality				12,342	12,342
Other Grants				669	669
Trust Fund Activity				15,560	15,560
Total Restricted For		4,453,617	593,218	277,224	5,324,059
Committed for:					
Termination Benefits	47,118				47,118
Scholarship Loan	4,518				4,518
Total Committed For	51,636				51,636
Assigned for:					
Student Activities	27,461				27,461
Student Instruction	252,416				252,416
Pupil Support Services	402,403				402,403
Total Assigned For	682,280				682,280
Unassigned	10,930,534				10,930,534
Total Fund Balance	<u>\$11,666,781</u>	<u>\$4,453,617</u>	<u>\$593,218</u>	<u>\$277,224</u>	<u>\$16,990,840</u>

16. STATUTORY RESERVES

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into a reserve. During the fiscal year ended June 30, 2013, the reserve activity was as follows:

	<u>Capital Acquisition</u>
Set Aside Reserve Balance June 30, 2012	
Current Year Set Aside Requirement	\$610,471
Current Year Qualifying Disbursements	(513,386)
Current Year Offsets	(97,085)
Total	<u>\$ 0</u>
Balance Carried Forward to Fiscal Year 2014	<u>\$ 0</u>
Set Aside Reserve Balance June 30, 2013	<u>\$ 0</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

17. INTERFUND TRANSACTIONS

During fiscal year 2013, the General Fund transferred \$169,853 to the bond retirement fund to be used for debt service payments, and also transferred \$270,000 to Other Governmental Funds to subsidize the activities of those funds.

18. LEASE ACTIVITY

The School District is obligated under an operating lease with Xerox for office equipment which commenced July 15, 2011. Lease payments during fiscal year 2013 were \$138,048. Future lease payments are as follows:

	<u>Amount</u>
2014	\$92,066
2015	92,066
2016	92,066
	<u>\$276,198</u>

19. ACCOUNTABILITY AND COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2013, 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.

20. SUBSEQUENT EVENTS

The School District authorized the issuance of \$190,000 of School Energy Conservation Bond Anticipation Notes at their September 16, 2013.

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**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

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		10.555		\$65,054		\$65,054
Cash Assistance:						
School Breakfast Program		10.553	\$248,787		\$248,787	
National School Lunch Program		10.555	884,287		884,287	
Total Cash-Assistance			<u>1,133,074</u>		<u>1,133,074</u>	
Total Nutrition Cluster			<u>1,133,074</u>	<u>65,054</u>	<u>1,133,074</u>	<u>65,054</u>
Total U.S. Department of Agriculture			<u>1,133,074</u>	<u>65,054</u>	<u>1,133,074</u>	<u>65,054</u>
U.S. DEPARTMENT OF EDUCATION						
<i>(Passed through the Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	2012	84.010	123,038		176,658	
	2013		873,315		814,053	
Total Title I Grants to Local Educational Agencies			<u>996,353</u>		<u>990,711</u>	
Special Education Grants to States Cluster:						
Special Education Grants to States	2012	84.027	129,159		157,523	
	2013		740,663		693,802	
Total Special Education Grants to States			<u>869,822</u>		<u>851,325</u>	
Special Education Preschool Grants	2012	84.173	1,060		2,417	
	2013		1,270			
Total Special Education Preschool Grants			<u>2,330</u>		<u>2,417</u>	
Total Special Education Cluster			<u>872,152</u>		<u>853,742</u>	
Safe & Drug Free School and Communities - State Grants	2011	84.186			4,730	
Twenty-First Century Community Learning Centers	2011	84.287			3,975	
	2012				9,119	
Total Twenty-First Century Community Learning Centers					<u>13,094</u>	
Rural and Low Income Education	2013	84.358	33,707		27,593	
English Language Acquisition Grants	2012	84.365			123	
	2013		1,944		2,491	
Total English Language Acquisition Grants			<u>1,944</u>		<u>2,614</u>	
Improving Teacher Quality State Grants	2012	84.367	11,598		29,704	
	2013		165,827		153,486	
Total Improving Teacher Quality State Grants			<u>177,425</u>		<u>183,190</u>	
Race to the Top - Recovery Act	2013	84.395	255,616		265,523	
Education Jobs Grant	2012	84.410	5,421		16,642	
Total U.S. Department of Education			<u>2,342,618</u>		<u>2,357,839</u>	
Total Federal Assistance			<u>\$3,475,692</u>	<u>\$65,054</u>	<u>\$3,490,913</u>	<u>\$65,054</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, 2013**

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 AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, (the School District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated November 15, 2013, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 2013-001.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 15, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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:

Report on Compliance for Each Major Federal Program

We have audited the Sidney City School District's (the School District) compliance with the applicable 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 Sidney City School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sidney City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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.

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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 15, 2013

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	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	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster CFDA#10.553: School Breakfast Program CFDA#10.555: National School Lunch Program CFDA #84.010 – Title I Grants to Local Educational Agencies CFDA #84.395 – Race to the Top – Recovery Act
<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 2013-001

Noncompliance

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

Ohio Adm. Code Section 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements for fiscal year 2013 following the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare its annual financial statements in accordance with generally accepted accounting principles to include assets, liabilities, and the disclosures required to accurately present the School District's financial condition and to provide the user with more meaningful and useful financial statements.

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code 117.38 and Ohio Admin. Code 117-2-03(B) – Failure to File GAAP	No	Not Corrected. Reissued as Finding 2013-001.

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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 School 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 December 17, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

November 15, 2013

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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
DECEMBER 19, 2013**