



Dave Yost • Auditor of State

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

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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, 2014, 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 modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified 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 modified 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, 2014, and the respective changes in modified 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.

Emphasis of Matter

As described in Note 2R, the School District restated the net position of the Private Purpose Trust Fund as of July 1, 2013. 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, change 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 Expenditures 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 January 9, 2015, 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

January 9, 2015

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Sidney City School District
Shelby County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(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, 2014. 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 2014 are as follows:

- In total, net position increased \$2,922,162, mostly due to an increase in the state foundation funding.
- Outstanding debt decreased from \$18,459,469 to \$17,928,141 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 2014, 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 modified cash basis of accounting. This modified cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The modified 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 modified cash basis of accounting.

Sidney City School District
Shelby County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(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 2014?" 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 net position*. 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 10. 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 modified 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, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)
(Continued)

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to 2013.

(Table 1)
Net Position – Modified Cash basis

	Governmental Activities	
	2014	2013
Assets		
Equity in Pooled Cash and Investments	\$ 19,913,002	\$ 16,990,840
<i>Total Assets</i>	19,913,002	16,990,840
Net Position		
Restricted for:		
Capital Outlay	61,625	21,431
Debt Service	4,849,864	4,453,617
Other Purposes	1,016,087	1,019,210
Unrestricted	13,985,426	11,496,582
<i>Total Net Position</i>	\$ 19,913,002	\$ 16,990,840

Net position of the governmental activities increased \$2,922,162, which represents a 17.20 percent increase from fiscal year 2013. The increase is mainly attributable to the increase in state foundation funding. The School District was able to minimize any significant increases in the expenditures.

A portion of the School District's net position, \$5,927,576 or 29.77 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net position of \$13,985,426 may be used to meet the School District's ongoing obligations.

Sidney City School District
Shelby County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)
(Continued)

Table 2 shows the changes in net position for fiscal year 2014 as compared to fiscal year 2013.

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

	Governmental Activities	
	2014	2013
Receipts		
Program Receipts		
Charges for Services and Sales	\$ 1,529,441	\$ 1,742,647
Operating Grants, Contributions and Interest	3,704,984	3,980,182
<i>Total Program Receipts</i>	<u>5,234,425</u>	<u>5,722,829</u>
General Receipts		
Property Taxes	14,337,484	14,053,845
Grants and Entitlements not Restricted to Specific Programs	20,177,131	18,844,915
Payments in Lieu of Taxes	17,951	44,077
Proceeds from Sale of Capital Assets	3,712	4,875
Proceeds of Loans	0	169,908
Proceeds of Notes Issued	1,015,000	1,157,000
Premium on Notes Issued	11,099	11,573
Investment Earnings	26,579	17,718
Miscellaneous	199,304	328,928
<i>Total General Receipts</i>	<u>35,788,260</u>	<u>34,632,839</u>
<i>Total Receipts</i>	<u>41,022,685</u>	<u>40,355,668</u>
Program Disbursements		
Instruction:		
Regular	16,830,453	16,077,327
Special	5,298,312	4,084,940
Vocational	112,194	100,704
Student Intervention Services	132,629	135,932
Support Services:		
Pupils	1,758,284	1,684,054
Instructional Staff	539,134	1,960,544
Board of Education	79,113	228,381
Administration	2,527,635	2,335,879
Fiscal	777,818	864,136
Business	144,514	140,644
Operation and Maintenance of Plant	2,890,939	2,653,729
Pupil Transportation	1,013,074	846,719
Central	657,640	551,619
Operation of Non-Instructional Services:		
Food Service Operations	1,429,536	1,442,319
Community Services	442,948	475,306
Extracurricular Activities	612,351	596,258
Capital Outlay	84,544	301,832
Debt Service:		
Principal Retirement	1,546,328	2,141,431
Interest and Fiscal Charges	1,223,077	817,659
<i>Total Program Disbursements</i>	<u>38,100,523</u>	<u>37,439,413</u>
<i>Change in Net Position</i>	2,922,162	2,916,255
<i>Net Position Beginning of Year</i>	<u>16,990,840</u>	<u>14,074,585</u>
<i>Net Position End of Year</i>	<u>\$ 19,913,002</u>	<u>\$ 16,990,840</u>

Sidney City School District
Shelby County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)
(Continued)

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 \$20.2 million in fiscal year 2014 which was over a \$1.3 million increase from fiscal year 2013. Property tax levies and payments in lieu of taxes generated \$14.3 million in fiscal year 2014 which was an increase of approximately \$0.3 million. This increase is mainly due to the timing of when the property taxes were paid.

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 – Modified Cash basis

	Total Costs of Services		Net Costs of Services	
	2014	2013	2014	2013
<i>Program Disbursements</i>				
<i>Instruction:</i>				
Regular	\$ 16,830,453	\$ 16,077,327	\$ 15,890,269	\$ 15,064,257
Special	5,298,312	4,084,940	3,430,632	2,516,033
Vocational	112,194	100,704	91,591	79,788
Student Intervention Services	132,629	135,932	132,629	134,117
<i>Support Services:</i>				
Pupils	1,758,284	1,684,054	1,659,128	1,598,422
Instructional Staff	539,134	1,960,544	487,705	1,273,958
Board of Education	79,113	228,381	79,113	228,381
Administration	2,527,635	2,335,879	2,485,081	2,277,852
Fiscal	777,818	864,136	777,818	864,136
Business	144,514	140,644	144,514	140,644
Operation and Maintenance of Plant	2,890,939	2,653,729	2,890,939	2,653,729
Pupil Transportation	1,013,074	846,719	992,755	804,877
Central	657,640	551,619	638,357	538,801
<i>Operation of Non-Instructional Services:</i>				
Food Service Operations	1,429,536	1,442,319	(31,450)	(141,265)
Community Services	442,948	475,306	(52,316)	1,232
Extracurricular Activities	612,351	596,258	395,384	420,700
Capital Outlay	84,544	301,832	84,544	301,832
<i>Debt Service:</i>				
Principal Retirement	1,546,328	2,141,431	1,546,328	2,141,431
Interest and Fiscal Charges	1,223,077	817,659	1,223,077	817,659
<i>Total</i>	<u>\$ 38,100,523</u>	<u>\$ 37,439,413</u>	<u>\$ 32,866,098</u>	<u>\$ 31,716,584</u>

Sidney City School District
Shelby County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)
(Continued)

Instruction and student support services comprise 64.75 percent of governmental program expenses in fiscal year 2014. Board of Education, Administration, Fiscal and Business charges were 9.26 percent in 2014. Fiscal expenses include payments to the County Auditors for administrative fees and other administrative services provided by the School District. Pupil transportation and the operation and maintenance of facilities accounted for 10.25 percent in 2014.

Net costs for special instruction and instructional staff reflect changes in fiscal year 2014 as the program receipts more closely reflect the manner in which the School District allocated its program receipts to its spending.

In total, the spending of the School District increased by \$661,110 from fiscal year 2013. The most significant increase occurred in special instruction due to certain disbursements being reclassified from instructional staff to special instruction. The School District noted that payroll and benefits did increase due to retirements and the opening of the new alternative school. Additionally, the School District implemented security services within each building which is causing an increase as well.

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 13.73 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 modified cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$19,913,002, which is greater than the prior year balance of \$16,990,840.

The general fund had total cash receipts of \$33,713,229. The cash disbursements of the general fund totaled \$30,933,746. The general fund's fund balance increased \$2,321,341 in 2014. The increase in fund balance can be attributed to an increase in state foundation funding and a greater awareness to manage spending.

The bond retirement fund had total cash receipts (including other financing sources) of \$3,215,485 and total cash disbursements of \$2,819,238, for an increase in fund balance of \$396,247 in 2014. The increase in fund balance is primarily due to the timing of tax receipts and transfers in versus debt payments.

The food service fund had total cash receipts of \$1,471,750 and total cash disbursements of \$1,429,536, for an increase in fund balance of \$42,214 in 2014.

Sidney City School District
Shelby County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)
(Continued)

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 2014, the School District amended its general fund budget several times. For the general fund, final budget basis receipts were \$32,224,952, representing no change from the original estimate. Actual receipts of \$33,467,422 were \$1,242,470 higher than the final budget. Of this increase, most was attributable to an increase in foundation receipts from the state.

For fiscal year 2014, the general fund final budget basis disbursements were \$30,700,864, which is over the original budgeted disbursements of \$29,872,480. This was due to increased open enrollment out of the School District, implementation of security services in each building and additional special education costs associated with the preschool. Actual disbursements of \$30,717,595 were \$16,731 higher than the final budget.

Debt Administration

The School District had the following debt obligations outstanding at June 30, 2014 and 2013.

(Table 4)
Outstanding Debt, at June 30

	Governmental Activities	
	2014	2013
Notes		
Energy Conservations Notes	\$ 190,000	\$ 257,000
Certificates of Participation Notes	825,000	900,000
Total Notes	1,015,000	1,157,000
General Obligation Bonds		
2001 Original Issue of Capital Appreciations Bonds	43,141	89,992
2007 School Improvement Serial Bonds	16,760,000	17,060,000
2007 Original Issue of Capital Appreciation Bonds	110,000	110,000
Total General Obligation Bonds	16,913,141	17,259,992
Loan Payable	0	42,477
<i>Total Debt Obligations</i>	<u>\$ 17,928,141</u>	<u>\$ 18,459,469</u>

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

Sidney City School District
Shelby County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)
(Continued)

Current Issues

Sidney City School District sustained its strong financial position in fiscal year 2014 by adding over \$2.09 million dollars to its General Fund unencumbered carry over balance ending June 30, 2014 at \$13,528,628. The financial success of the School District can be attributed to both sides of the financial statement.

In fiscal year 2014, Sidney City School's property tax revenue remained stable. The School District, twice in fiscal year 2014, placed an income tax issue on the ballot to replace the emergency operation levy that expired on December 31, 2013 and would have its last year of collection in calendar year 2014. Twice the issue failed. In Spring 2014 the School District placed an emergency levy renewal on the ballot that was passed. The School District anticipates property tax revenue to remain stable during the five year term of the emergency levy. All other operating levies are traditional and are permanent. Fiscal year 2014 was the first year of the State of Ohio's biennium budget in which the state legislature rolled out a new school funding formula. The new funding formula was favorable for Sidney and the School District recognized an 8.40 percent increase in the state unrestricted and restricted funding. The second year of the states biennium budget would appear to be as favorable for Sidney City Schools as the School District anticipates an additional 10.5 percent increase in state funding based on the new funding formula. All other funding sources appear to remain stable.

The School District continued the strong stewardship of the public's funds by closely managing expenditure levels in salaries/benefits, purchased services, supplies and materials, capital outlay and other objects. The School District experienced an increase in salary and benefits expenditures for the year. The primary explanation for this increase is that the School District established its own alternative school. The students in this program had previously been educated by the Shelby County Educational Service Center. The School District determined that a savings could be recognized by bringing this program in house. The establishment of this program in the School District increased the salary and benefits but this increase was less than the amount being paid to the Educational Service Center. The School District's purchased services increased over the prior year primarily because of two expenditures. The first is the cost of students open enrolling to other local school districts. This continues to be of great concern to the School District. 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 35 students for the 2013-2014 school year. In fiscal year 2014, the School District lost \$3.27 million to neighboring school districts in open enrollment payments. An increase of nearly \$200,000. Sidney City Schools Board of Education and Administration will continue to make this situation one of its top priorities to address in fiscal year 2015. The second expenditure was for school security. In fiscal year 2014 Sidney City Schools placed a reserve security officer in every educational building, the high school, the middle school and the four elementaries. The reserve officers consist of retired deputy sheriffs and city police officers and are in the buildings from the beginning of the day until the students leave for home. The additional cost to the School District for the security officer program is approximately \$120,000. The other noteworthy expenditure increase was in the supplies and materials. The School District has made a concerted effort to once again establish an annual textbook adoption. In fiscal year 2014, the School District spent just over \$200,000 on a new math series. Each year of the School District's five year forecast includes \$200,000 in supplies for textbook adoptions.

Sidney City School District
Shelby County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)
(Continued)

A continuing contributing factor to the School District's financial 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 in fiscal year 2014 was in the third 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.

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.

The only other noteworthy event in the School District occurred in December 2013. Melanie Cook, Board President resigned due to personal reasons. The School District then had an open board seat at the end of 2013 because Steve Smith did not rerun for his board position and no new candidate was on the November ballot. At the School District's annual reorganizational meeting in January 2014 Robert Smith was appointed to complete Melanie Cook's mid-term resignation and Paul Heins was appointed to commence the open term beginning January 1, 2014.

In closing, with the renewal of the School District's emergency operating levy in May of 2014, the favorable state funding formula and the continued fiscally prudent expenditure approach 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, Ohio
Statement of Net Position - Modified Cash Basis
June 30, 2014

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 19,913,002
<i>Total Assets</i>	<i>\$ 19,913,002</i>
Net Position	
Restricted for:	
Capital Outlay	\$ 61,625
Debt Service	4,849,864
Other Purposes	1,016,087
Unrestricted	13,985,426
<i>Total Net Position</i>	<i>\$ 19,913,002</i>

See accompanying notes to the Basic Financial Statements.

Sidney City School District
Shelby County, Ohio
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2014

	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	\$ 16,830,453	\$ 707,030	\$ 233,154	\$ (15,890,269)
Special	5,298,312	140,968	1,726,712	(3,430,632)
Vocational	112,194	0	20,603	(91,591)
Student Intervention Services	132,629	0	0	(132,629)
Support Services:				
Pupils	1,758,284	91,656	7,500	(1,659,128)
Instructional Staff	539,134	0	51,429	(487,705)
Board of Education	79,113	0	0	(79,113)
Administration	2,527,635	0	42,554	(2,485,081)
Fiscal	777,818	0	0	(777,818)
Business	144,514	0	0	(144,514)
Operation and Maintenance of Plant	2,890,939	0	0	(2,890,939)
Pupil Transportation	1,013,074	20,319	0	(992,755)
Central	657,640	0	19,283	(638,357)
Operation of Non-Instructional Services:				
Food Service Operations	1,429,536	378,244	1,082,742	31,450
Community Services	442,948	0	495,264	52,316
Extracurricular Activities	612,351	191,224	25,743	(395,384)
Capital Outlay	84,544	0	0	(84,544)
Debt Service:				
Principal Retirement	1,546,328	0	0	(1,546,328)
Interest and Fiscal Charges	1,223,077	0	0	(1,223,077)
Totals	\$ 38,100,523	\$ 1,529,441	\$ 3,704,984	(32,866,098)

General Receipts

Property Taxes Levied for:	
General Purposes	12,861,532
Debt Service	1,475,952
Grants and Entitlements not Restricted to Specific Programs	20,177,131
Payments in Lieu of Taxes	17,951
Proceeds from Sale of Capital Assets	3,712
Proceeds of Notes Issued	1,015,000
Premium on Notes Issued	11,099
Investment Earnings	26,579
Miscellaneous	199,304
<i>Total General Receipts</i>	<u>35,788,260</u>
<i>Change in Net Position</i>	2,922,162
<i>Net Position Beginning of Year</i>	<u>16,990,840</u>
<i>Net Position End of Year</i>	<u>\$ 19,913,002</u>

See accompanying notes to the Basic Financial Statements.

Sidney City School District
Shelby County, Ohio
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2014

	General	Food Service Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	\$ 13,985,426	\$ 635,432	\$ 4,849,864	\$ 439,584	\$ 19,910,306
Restricted Cash and Cash Equivalents	2,696	0	0	0	2,696
<i>Total Assets</i>	<u>\$ 13,988,122</u>	<u>\$ 635,432</u>	<u>\$ 4,849,864</u>	<u>\$ 439,584</u>	<u>\$ 19,913,002</u>
Fund Balances					
Nonspendable	\$ 2,696	\$ 0	\$ 0	\$ 0	\$ 2,696
Restricted	0	635,432	4,849,864	439,584	5,924,880
Committed	12,767	0	0	0	12,767
Assigned	447,085	0	0	0	447,085
Unassigned	13,525,574	0	0	0	13,525,574
<i>Total Fund Balances</i>	<u>\$ 13,988,122</u>	<u>\$ 635,432</u>	<u>\$ 4,849,864</u>	<u>\$ 439,584</u>	<u>\$ 19,913,002</u>

See accompanying notes to the Basic Financial Statements.

Sidney City School District
Shelby County, Ohio
Statement of Receipts, Disbursements and Changes
in Fund Balances - Modified Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Food Service Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 12,861,532	\$ 0	\$ 1,475,952	\$ 0	\$ 14,337,484
Intergovernmental	19,651,062	1,082,493	546,550	2,562,414	23,842,519
Investment Income	26,578	249	0	67	26,894
Tuition and Fees	846,106	0	0	0	846,106
Extracurricular Activities	91,656	0	0	191,225	282,881
Gifts and Donations	7,622	0	0	31,657	39,279
Charges for Services	0	378,244	0	0	378,244
Payments in Lieu of Taxes	17,951	0	0	0	17,951
Rent	22,211	0	0	0	22,211
Miscellaneous	188,511	10,764	30	0	199,305
<i>Total Receipts</i>	<u>33,713,229</u>	<u>1,471,750</u>	<u>2,022,532</u>	<u>2,785,363</u>	<u>39,992,874</u>
Disbursements					
Current:					
Instruction:					
Regular	16,598,215	0	0	232,238	16,830,453
Special	3,619,572	0	0	1,678,740	5,298,312
Vocational	112,194	0	0	0	112,194
Student Intervention Services	132,629	0	0	0	132,629
Support Services:					
Pupils	1,758,284	0	0	0	1,758,284
Instructional Staff	475,360	0	0	63,774	539,134
Board of Education	79,113	0	0	0	79,113
Administration	2,490,663	0	0	36,972	2,527,635
Fiscal	727,985	0	49,833	0	777,818
Business	144,514	0	0	0	144,514
Operation and Maintenance of Plant	2,883,814	0	0	7,125	2,890,939
Pupil Transportation	869,623	0	0	143,451	1,013,074
Central	623,443	0	0	34,197	657,640
Extracurricular Activities	410,123	0	0	202,228	612,351
Operation of Non-Instructional Services:					
Food Service Operations	0	1,429,536	0	0	1,429,536
Community Services	7,900	0	0	435,048	442,948
Capital Outlay	314	0	0	84,230	84,544
Debt Service:					
Principal Retirement	0	0	1,546,328	0	1,546,328
Interest and Fiscal Charges	0	0	1,223,077	0	1,223,077
<i>Total Disbursements</i>	<u>30,933,746</u>	<u>1,429,536</u>	<u>2,819,238</u>	<u>2,918,003</u>	<u>38,100,523</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,779,483</u>	<u>42,214</u>	<u>(796,706)</u>	<u>(132,640)</u>	<u>1,892,351</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	3,712	0	0	0	3,712
Proceeds of Notes Issued	0	0	1,015,000	0	1,015,000
Premium on Notes Issued	0	0	11,099	0	11,099
Transfers In	0	0	166,854	295,000	461,854
Transfers Out	(461,854)	0	0	0	(461,854)
<i>Total Other Financing Sources (Uses)</i>	<u>(458,142)</u>	<u>0</u>	<u>1,192,953</u>	<u>295,000</u>	<u>1,029,811</u>
<i>Net Change in Fund Balances</i>	2,321,341	42,214	396,247	162,360	2,922,162
<i>Fund Balances Beginning of Year</i>	<u>11,666,781</u>	<u>593,218</u>	<u>4,453,617</u>	<u>277,224</u>	<u>16,990,840</u>
<i>Fund Balances End of Year</i>	<u>\$ 13,988,122</u>	<u>\$ 635,432</u>	<u>\$ 4,849,864</u>	<u>\$ 439,584</u>	<u>\$ 19,913,002</u>

See accompanying notes to the Basic Financial Statements.

Sidney City School District
Shelby County, Ohio
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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 12,125,000	\$ 12,125,000	\$ 12,861,532	\$ 736,532
Intergovernmental	19,081,000	19,081,000	19,584,361	503,361
Investment Income	15,000	15,000	26,567	11,567
Tuition and Fees	882,650	882,650	846,106	(36,544)
Gifts and Donations	500	500	122	(378)
Rent	40,000	40,000	22,211	(17,789)
Miscellaneous	80,802	80,802	126,523	45,721
<i>Total Receipts</i>	<u>32,224,952</u>	<u>32,224,952</u>	<u>33,467,422</u>	<u>1,242,470</u>
Disbursements				
Current:				
Instruction:				
Regular	11,519,826	11,839,279	11,848,526	(9,247)
Special	3,593,046	3,692,684	3,694,149	(1,465)
Vocational	110,093	113,146	113,191	(45)
Student Intervention Services	128,999	132,576	132,629	(53)
Other	4,376,980	4,498,356	4,500,141	(1,785)
Support Services:				
Pupils	1,606,049	1,650,586	1,651,241	(655)
Instructional Staff	463,796	476,658	476,847	(189)
Board of Education	76,948	79,082	79,113	(31)
Administration	2,379,468	2,445,452	2,446,422	(970)
Fiscal	708,061	727,696	727,985	(289)
Business	158,473	162,867	162,932	(65)
Operation and Maintenance of Plant	2,891,001	2,971,170	2,972,349	(1,179)
Pupil Transportation	846,285	869,753	870,098	(345)
Central	614,251	631,285	631,535	(250)
Extracurricular Activities	398,899	409,960	410,123	(163)
Capital Outlay	305	314	314	0
<i>Total Disbursements</i>	<u>29,872,480</u>	<u>30,700,864</u>	<u>30,717,595</u>	<u>(16,731)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,352,472</u>	<u>1,524,088</u>	<u>2,749,827</u>	<u>1,225,739</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	3,712	3,712
Refund of Prior Year Expenditures	86,000	86,000	97,910	11,910
Transfers Out	(779,520)	(801,136)	(801,454)	(318)
Insurance Recoveries	0	0	33,327	33,327
<i>Total Other Financing Sources (Uses)</i>	<u>(693,520)</u>	<u>(715,136)</u>	<u>(666,505)</u>	<u>48,631</u>
<i>Net Change in Fund Balance</i>	1,658,952	808,952	2,083,322	1,274,370
<i>Fund Balance Beginning of Year</i>	10,932,865	10,932,865	10,932,865	0
Prior Year Encumbrances Appropriated	512,081	512,081	512,081	0
<i>Fund Balance End of Year</i>	<u>\$ 13,103,898</u>	<u>\$ 12,253,898</u>	<u>\$ 13,528,268</u>	<u>\$ 1,274,370</u>

See accompanying notes to the Basic Financial Statements.

Sidney City School District
Shelby County, Ohio
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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Intergovernmental	\$ 1,175,000	\$ 1,175,000	\$ 1,082,493	\$ (92,507)
Investment Income	250	250	249	(1)
Charges for Services	427,500	427,500	378,244	(49,256)
<i>Total Receipts</i>	<u>1,602,750</u>	<u>1,602,750</u>	<u>1,460,986</u>	<u>(141,764)</u>
Disbursements				
Current:				
Operation of Non-Instructional Services:				
Food Service Operations	1,600,000	1,602,000	1,429,536	172,464
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,750</u>	<u>750</u>	<u>31,450</u>	<u>30,700</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	0	0	10,764	10,764
<i>Net Change in Fund Balance</i>	2,750	750	42,214	41,464
<i>Fund Balance Beginning of Year</i>	591,218	591,218	591,218	0
Prior Year Encumbrances Appropriated	2,000	2,000	2,000	0
<i>Fund Balance End of Year</i>	<u>\$ 595,968</u>	<u>\$ 593,968</u>	<u>\$ 635,432</u>	<u>\$ 41,464</u>

See accompanying notes to the Basic Financial Statements.

Sidney City School District
Shelby County, Ohio
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 115,840	\$ 141,824
Cash and Cash Equivalents with Fiscal Agents	24,024	0
Investments with Fiscal Agents	15,452	0
<i>Total Assets</i>	\$ 155,316	\$ 141,824
 Net Position		
Held in Trust for Scholarships	\$ 43,716	\$ 0
Held for Student Activities	0	141,824
Endowment	111,600	0
<i>Total Net Position</i>	\$ 155,316	\$ 141,824

See accompanying notes to the Basic Financial Statements.

Sidney City School District
Shelby County, Ohio
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

	Scholarship
Additions	
Gifts and Contributions	\$ 3,500
Interest	8,570
<i>Total Additions</i>	12,070
Deductions	
Payments in Accordance with Trust Agreements	13,252
<i>Change in Net Position</i>	(1,182)
<i>Net Position Beginning of Year (Restated - See Note 2R)</i>	156,498
<i>Net Position End of Year</i>	\$ 155,316

See accompanying notes to the Basic Financial Statements.

Sidney City School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 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 126th largest in the State of Ohio (among 611 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 seven instructional/support buildings.

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

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

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

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

Sidney City School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the modified 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 modified 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.

Sidney City School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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.

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:

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

C. Fund Accounting

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

Sidney City School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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.

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 employees' 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.

Sidney City School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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

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.

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.

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.

Sidney City School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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.

During fiscal year 2014, 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, 2014.

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 2014 were \$26,578, which includes \$7,901 interest assigned from other School District funds.

Sidney City School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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 modified cash basis of accounting used by the School District.

I. Debt Obligations

Modified 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 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.

Sidney City School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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 positions 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.
- 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.

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(Continued)

- 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.

P. Receipts and Disbursements

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.

Sidney City School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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, 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

R. Restatement of Net Position

In prior fiscal years, the School District’s Hathaway Scholarship Fund investments were reported at fair market value. In accordance with the modified cash basis of accounting, the School District should be reporting these investments at cost basis. This correction had the following effect on the net position as previously reported:

	Private Purpose Trust Fund
Previously Reported Net Position	\$ 397,838
Adjustment of Investments to Cost Basis	(241,340)
Restated Net Position, July 1, 2013	\$ 156,498

NOTE 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.

Sidney City School District
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Notes to the Basic Financial Statements
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(Continued)

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, Ohio
Notes to the Basic Financial Statements
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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.

Deposits

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

At fiscal year end, the School District had \$24,024 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 \$15,322,567. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosures," as of June 30, 2014, \$12,675,589 of the School District's bank balance of \$15,801,491 was exposed to custodial risk as discussed below, while \$3,125,902 was covered by Federal Deposit Insurance Corporation (FDIC), which includes \$2,508,372 held in a STAR Plus account.

As of June 30, 2014, the School District has \$1,324 in undeposited cash on hand. This amount is included in equity in pooled cash and investments.

Investments

As of June 30, 2014, 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	\$ 999,250	20.61%	\$ 0	\$ 999,250	Aaa
Federal National Mortgage Association	996,625	20.56%	0	996,625	Aaa
Federal Home Loan Banks	1,748,750	36.09%	0	1,748,750	Aaa
Federal Home Loan Mortgage Corporation	999,750	20.63%	0	999,750	Aaa
STAROhio	102,400	2.11%	102,400	0	AAAm
	<u>\$ 4,846,775</u>	<u>100.00%</u>	<u>\$ 102,400</u>	<u>\$ 4,744,375</u>	

At fiscal year end, the School District had \$15,452 in investments with fiscal agent to accumulate proceeds to benefit the Hathaway Scholarship Fund.

Sidney City School District
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For the Fiscal Year Ended June 30, 2014
(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, 2014, is 51 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.

NOTE 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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 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.

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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, 2014, are available to finance fiscal year 2014 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 2014 taxes were collected are:

	2013 Second-Half Collections		2014 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 310,744,270	69.50%	\$ 311,012,650	69.71%
Commercial/Industrial Public Utility	120,150,480	26.88%	119,811,380	26.85%
Public Utility	16,173,710	3.62%	15,359,820	3.44%
Total	\$ 447,068,460	100.00%	\$ 446,183,850	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 47.80		\$ 47.80	

NOTE 5 – PAYMENTS IN LIEU OF TAXES

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

Sidney City School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 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 2014, the School District contracted for the following insurance coverage:

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

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

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

For fiscal year 2014, 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.

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Shelby County, Ohio
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NOTE 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.

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. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. 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 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. 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 for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$553,833, \$514,296 and \$496,155, respectively; 71 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012.

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.

Sidney City School District
Shelby County, Ohio
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For the Fiscal Year Ended June 30, 2014
(Continued)

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. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan. 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's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. 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.

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 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 11 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 to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,701,111, \$1,763,624 and \$1,825,800, respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$97,977 made by the School District and \$76,982 made by the plan members.

Sidney City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
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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. As of June 30, 2014, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 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 2014 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.

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 fiscal year 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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 for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$65,919, \$25,724, and \$40,990, respectively; 71 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$32,131, \$29,163, and \$29,416, respectively; 71 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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 fiscal year 2014, 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, 2014, 2013, and 2012 were \$130,855, \$135,663, and \$140,446, respectively; 83 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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NOTE 9 – DEBT OBLIGATIONS

Changes in the School District’s debt obligations during fiscal year 2014 were as follows:

	<u>Interest Rate</u>	<u>Balance 6/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/14</u>	<u>Due Within One Year</u>
Governmental Activities:						
Energy Conservation Notes						
November 7, 2012	2.25%	\$ 257,000	\$ 0	\$ 257,000	\$ 0	\$ 0
November 7, 2013	2.875%	0	190,000	0	190,000	190,000
Certificates of Participation Notes						
November 8, 2012	2.125%	900,000	0	900,000	0	0
November 7, 2013	2.125%	0	825,000	0	825,000	825,000
Total Notes		<u>1,157,000</u>	<u>1,015,000</u>	<u>1,157,000</u>	<u>1,015,000</u>	<u>1,015,000</u>
General Obligation Bonds						
2001 Original Issue of Capital Appreciation Bonds	15.92 - 29.35%	89,992	0	46,851	43,141	43,141
2007 School Improvement Refunding Serial Bonds	4 - 5%	17,060,000	0	300,000	16,760,000	305,000
2007 Original Issue of Capital Appreciation Bonds	33 - 33.291%	<u>110,000</u>	<u>0</u>	<u>0</u>	<u>110,000</u>	<u>0</u>
Total General Obligation Bonds		<u>17,259,992</u>	<u>0</u>	<u>346,851</u>	<u>16,913,141</u>	<u>348,141</u>
Loan Payable	2.75%	42,477	0	42,477	0	0
Total Debt Obligations		<u>\$ 18,459,469</u>	<u>\$ 1,015,000</u>	<u>\$ 1,546,328</u>	<u>\$ 17,928,141</u>	<u>\$ 1,363,141</u>

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

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

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

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

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

Sidney City School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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 unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code additionally states that unvoted 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.

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

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

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

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

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, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(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, 2014, \$16,760,000 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 matured on October 18, 2013, and had an interest rate of 2.75 percent. The debt was paid entirely from the permanent improvement fund.

Principal and interest requirements to retire the debt obligations outstanding at June 30, 2014, were as follows:

Fiscal Year Ending June 30,	Serial Bonds	Capital Appreciation Bonds	Notes	Interest/ Accretion	Total
2015	\$ 305,000	\$ 43,141	\$ 1,015,000	\$ 1,303,778	\$ 2,666,919
2016	940,000	0	0	722,800	1,662,800
2017	0	62,459	0	1,661,841	1,724,300
2018	0	47,541	0	1,686,771	1,734,312
2019	1,070,000	0	0	672,550	1,742,550
2020-2024	6,595,000	0	0	2,489,640	9,084,640
2025-2029	7,850,000	0	0	785,026	8,635,026
	<u>\$ 16,760,000</u>	<u>\$ 153,141</u>	<u>\$ 1,015,000</u>	<u>\$ 9,322,406</u>	<u>\$ 27,250,547</u>

NOTE 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 2014, the School District paid \$153,896 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, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(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 possess 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 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.

NOTE 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.

Sidney City School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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.

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.

NOTE 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.

NOTE 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, 2014, 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.

Sidney City School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

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:

Fund	Amount
General Fund	\$ 267,740
All Other Governmental:	
Permanent Improvement	26,721
Miscellaneous Grants	434
Auxiliary Services	15,472
Race to the Top	26,990
Limited English Proficiency	700
Title I	1,266
Total Governmental Funds	\$ 339,323

NOTE 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 and food service fund are 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 modified 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 (modified 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 modified cash basis for the general fund is as follows:

	Net Change in Fund Balance	
	General	Food Service
Modified Cash basis	\$ 2,321,341	\$ 42,214
Funds budgeted elsewhere**	29,721	0
Adjustment for encumbrances	(267,740)	0
Budget Basis	\$ 2,083,322	\$ 42,214

** 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 modified cash basis. This includes the public school support, Board of Education scholarship fund and termination benefits funds.

Sidney City School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 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:

	General Fund	Food Service Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable for:					
Unclaimed monies	\$ 2,696	\$ 0	\$ 0	\$ 0	\$ 2,696
Restricted for:					
Capital Projects	0	0	0	61,625	61,625
Repayment of Debt	0	0	4,849,864	0	4,849,864
Extracurricular Activities	0	0	0	36,521	36,521
Pupil Support Services	0	0	0	8,264	8,264
Food Service Operations	0	635,432	0	0	635,432
Special Education	0	0	0	160,510	160,510
Auxiliary Services	0	0	0	144,050	144,050
Race to the Top	0	0	0	6,711	6,711
Management Information System:	0	0	0	3,890	3,890
Other Grants	0	0	0	2,453	2,453
Trust Fund Activity	0	0	0	15,560	15,560
Total Restricted for:	<u>0</u>	<u>635,432</u>	<u>4,849,864</u>	<u>439,584</u>	<u>5,924,880</u>
Committed for:					
Termination Benefits	9,998	0	0	0	9,998
Scholarship Loan	2,769	0	0	0	2,769
Total Committed for:	<u>12,767</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,767</u>
Assigned for:					
Student Activities	179,345	0	0	0	179,345
Student Instruction	130,074	0	0	0	130,074
Pupil Support Services	137,666	0	0	0	137,666
Total Assigned for:	<u>447,085</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>447,085</u>
Unassigned	<u>13,525,574</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,525,574</u>
Total Fund Balance	<u>\$ 13,988,122</u>	<u>\$ 635,432</u>	<u>\$ 4,849,864</u>	<u>\$ 439,584</u>	<u>\$ 19,913,002</u>

Sidney City School District
Shelby County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014
(Continued)

NOTE 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, 2014, the reserve activity was as follows:

	Capital Acquisition
Set Aside Reserve Balance June 30, 2013	\$ 0
Current Year Set Aside Requirement	603,420
Current Year Qualifying Disbursements	(542,032)
Current Year Offsets	(61,388)
Total	\$ 0
Balance Carried Forward to Fiscal Year 2015	\$ 0
Set Aside Reserve Balance June 30, 2014	\$ 0

NOTE 17 – INTERFUND TRANSACTIONS

During fiscal year 2014, the General Fund transferred \$166,854 to the bond retirement fund to be used for debt service payments, and also transferred \$295,000 to other governmental funds to subsidize the activities of those funds.

NOTE 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 2014 were \$143,873. Future lease payments are as follows:

	Amount
2015	\$ 92,066
2016	92,066
	\$ 184,132

NOTE 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 2014, 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 modified cash basis, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
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		\$117,923		\$115,165
Cash Assistance:						
School Breakfast Program		10.553	\$221,102		\$221,102	
National School Lunch Program		10.555	837,670		837,670	
Total Nutrition Cluster			<u>1,058,772</u>	<u>117,923</u>	<u>1,058,772</u>	<u>115,165</u>
Total U.S. Department of Agriculture			1,058,772	117,923	1,058,772	115,165
U.S. DEPARTMENT OF EDUCATION						
<i>(Passed through the Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	2013	84.010	126,837		186,099	
	2014		859,240		765,351	
Total Title I Grants to Local Educational Agencies			<u>986,077</u>		<u>951,450</u>	
Special Education Grants to States Cluster:						
Special Education Grants to States						
	2013	84.027	103,468		150,328	
	2014		744,863		685,919	
Total Special Education Grants to States			<u>848,331</u>		<u>836,247</u>	
Special Education Preschool Grants						
	2013	84.173	11,451		12,721	
	2014		11,172		11,172	
Total Special Education_Preschool Grants			<u>22,623</u>		<u>23,893</u>	
Total Special Education Cluster			870,954		860,140	
Rural Education						
	2013	84.358	21,136		18,986	
English Language Acquisition State Grants						
	2013	84.365			466	
	2014		20,323		12,642	
Total English Language Acquisition Grants			<u>20,323</u>		<u>13,108</u>	
Improving Teacher Quality State Grants						
	2013	84.367	24,428		36,769	
	2014		131,121		131,121	
Total Improving Teacher Quality State Grants			<u>155,549</u>		<u>167,890</u>	
Race to the Top - Recovery Act						
	2013	84.395	39,101		42,317	
Total U.S. Department of Education			<u>2,093,140</u>		<u>2,053,891</u>	
Total Federal Assistance			<u>\$3,151,912</u>	<u>\$117,923</u>	<u>\$3,112,663</u>	<u>\$115,165</u>

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Sidney City School District's (the School District's) federal award programs' receipts and expenditures. 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, 2014, 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 January 9, 2015, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. Also as disclosed in Note 2R, the School District restated the net position for the Private Purpose Trust Fund as of July 1, 2013.

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 opinions 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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. We consider finding 2014-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 2014-001.

Entity's Response to Findings

The School District's response to the findings 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

January 9, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH OF THE MAJOR FEDERAL PROGRAMS 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 the 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 School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's 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 program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the 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, 2014.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

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

January 9, 2015

SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014

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)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education_Grants to States Cluster: CFDA#84.027: Special Education_Grants to States CFDA#84.173: Special Education_Preschool Grants
<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?	Yes

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

FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code §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 §117-2-03(B) further clarifies the requirements of Ohio Rev. Code §117.38.

Ohio Adm. Code §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 2014 following the modified 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 §117.38, the 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.

FINDING NUMBER 2014-002

Reporting Investments at Fair Market Value - Material Weakness

AICPA Practice Aid – Applying OCBOA in State and Local Governmental Financial Statements, Chapter 2, Table 2-1, provides that the recording of long-term investments in marketable securities acquired with cash assets **at cost** would meet the requirements for a “modified cash” basis presentation. However, recording investments in marketable securities at the **current fair value** does not meet the criteria for a modified cash basis and would not be appropriate.

The *Statement of Fiduciary Net Position - Modified Cash Basis* presented a line item for Investments with Fiscal Agents. The School District reported these investments at current fair market value. Reporting the Investments with Fiscal Agents at the current fair market value is not appropriate since the School District reported on the modified cash basis of accounting. The School District's Fiduciary statements have been adjusted to properly reflect the investments reported at cost when the School District received these investments.

Failure to report the Investments with Fiscal Agents at cost could result in material misstatements to the School District's future financial statements.

The School District should implement procedures to provide that all investments are reported at cost to comply with the requirements of the modified cash basis of accounting and not recognize the gain or lost until the investments are sold.

FINDING NUMBER 2014-002
(Continued)

Official's Response: Officials did not respond to this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code 117.38 and Ohio Admin. Code 117-2-03(B) – Failure to File GAAP	No	Not Corrected. Reissued as Findings 2014-001



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
JANUARY 27, 2015**