



**Auditor of State
Betty Montgomery**

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Sidney City School District
Shelby County
232 North Miami Street
Sidney, Ohio 45365

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, (the School District), as of and for the year ended June 30, 2003, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Betty Montgomery
Auditor of State

January 26, 2004

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

The discussion and analysis of Sidney City School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

Key highlights for fiscal year 2003 are as follows:

Fiscal year 2003 was the School District's first year for a preschool program. The program was totally funded by a donation to the School District. The program is to better prepare students when they enter into kindergarten. This program is for students who do not qualify for Head Start and are financially unable to pay for private preschool. Student enrollment is limited to sixty students due to limited space and available funding. The program had fifty-nine students complete their first preschool year in fiscal year 2003. Students are provided busing to and from school. For fiscal year 2004, there are currently sixty students enrolled in the program.

This was also the first year for the English Language Proficiency program to be partially funded with federal grants. This program had been offered in the School District for over ten years with funding coming from the General Fund. The purpose of this program is to assist students that need help in learning English as a second language. Most of the students in the program are Japanese.

Construction of the middle school is continuing and it is expected to be available for occupancy in January 2004. The building will house approximately nine hundred fifty students. Renovations are also continuing at the high school. The new Science wing construction began in fiscal year 2003 and is also expected to be completed in January 2004.

Even though the lunchroom continues to run at a loss, the Board of Education has increased the lunch prices for fiscal year 2004 to help offset the costs of the lunch program rather than reduce the meal alternatives provided to the students and faculty. Further study of the lunchroom operation is expected to continue in fiscal year 2004.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Sidney City School District's financial position.

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

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2003. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED
(Continued)**

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

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

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

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

REPORTING THE SHOOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the School District's net assets for fiscal year 2003 compared to fiscal year 2002.

**Table 1
Net Assets
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$42,661,009	\$57,090,505	\$116,516	\$65,483	\$42,777,525	\$57,155,988
Capital Assets, Net	21,966,957	8,029,408	1,606,026	1,617,365	23,572,983	9,646,773
Total Assets	<u>64,627,966</u>	<u>65,119,913</u>	<u>1,722,542</u>	<u>1,682,848</u>	<u>66,350,508</u>	<u>66,802,761</u>
Liabilities						
Current and Other Liabilities	24,723,260	26,691,801	192,254	152,324	24,915,713	26,844,125
Long-Term Liabilities	24,897,642	24,994,561	1,071	32,218	24,898,713	25,026,779
Total Liabilities	<u>49,620,902</u>	<u>51,686,362</u>	<u>193,325</u>	<u>184,542</u>	<u>49,814,227</u>	<u>51,870,904</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	5,432,685	4,973,494	1,606,026	1,617,365	7,038,711	6,590,859
Restricted	3,149,061	2,460,600	0	0	3,149,061	2,460,600
Unrestricted (Deficit)	6,425,318	5,999,457	(76,809)	(119,059)	6,348,509	5,880,398
Total Net Assets	<u>\$15,007,064</u>	<u>\$13,433,551</u>	<u>\$1,529,217</u>	<u>\$1,498,306</u>	<u>\$16,536,281</u>	<u>\$14,931,857</u>

Total assets decreased by \$452,253 which is less than one percent.

The material changes in current and other liabilities was from the retirement of notes payable, in the amount of \$4,000,000, and increases in contracts and retainage payable related to the construction project at the new middle school and renovation of the high school. Overall, total liabilities decreased by 4 percent.

For governmental activities, invested in capital assets, net of related debt increased as a result of bond principal retirement. The majority of the increase in restricted net assets is from the transfer of unrestricted net assets which were set aside for the future payment of termination benefits and capital improvements. Total unrestricted net assets increased by \$468,111 from an increase in Foundation monies and property tax revenues during fiscal year 2003 without a matching increase in the cost of operations.

For business-type activities, the deficit in unrestricted net assets decreased by \$42,250. The Board of Education passed a resolution to eliminate the repayment of a \$100,000 internal balance to governmental activities. All severance payments relating to sick leave and termination benefits will be paid from governmental activities.

In total, total net assets increased 10.7 percent.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2003.

Table 2 Change in Net Assets (In Thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues						
Program Revenues						
Charges for Services	\$577,957	\$554,061	\$712,746	\$701,962	\$1,290,703	\$1,256,023
Operating Grants, Contributions, and Interest	4,001,307	3,464,391	535,878	506,629	4,537,185	3,971,020
Capital Grants and Contributions	230,373	138,250	0	0	230,373	138,250
Total Program Revenues	4,809,637	4,156,702	1,248,624	1,208,591	6,058,261	5,365,293
General Revenues						
Property Taxes	15,912,025	15,518,168	0	0	15,912,025	15,518,168
Payment in Lieu of Taxes	163,538	153,304	0	0	163,538	153,304
Grants and Entitlements Not Restricted to Specific Programs	10,170,802	9,916,290	0	0	10,170,802	9,916,290
Interest	760,740	1,066,132	0	0	760,740	1,066,132
Miscellaneous	180,711	81,177	0	0	180,711	81,177
Total General Revenues	27,187,816	26,735,071	0	0	27,187,816	26,735,071
Total Revenues	31,997,453	30,891,773	1,248,624	1,208,591	33,246,077	32,100,364
Transfers	(119,925)	(1,407,793)	119,925	1,407,793	0	0
Total Revenues and Transfers	31,877,528	29,483,980	1,368,549	2,616,384	33,246,077	32,100,364
Expenses						
Instruction	17,174,621	15,340,658	0	0	17,174,621	15,340,658
Support Services:						
Pupils	1,575,328	1,357,996	0	0	1,575,328	1,357,996
Instructional Staff	1,760,663	1,547,144	0	0	1,760,663	1,547,144
Board of Education	12,994	14,276	0	0	12,994	14,276
Administration	2,206,971	2,063,215	0	0	2,206,971	2,063,215
Fiscal	653,629	568,383	0	0	653,629	568,383
Business Operation and Maintenance of Plant	108,886	113,510	0	0	108,886	113,510
Pupil Transportation	2,554,070	2,576,907	0	0	2,554,070	2,576,907
Central	1,141,813	1,009,240	0	0	1,141,813	1,009,240
Noninstructional Services	523,041	373,832	0	0	523,041	373,832
Extracurricular Activities	670,890	477,897	0	0	670,890	477,897
Intergovernmental	601,402	550,995	0	0	601,402	550,995
Interest and Fiscal Charges	45,367	11,841	0	0	45,367	11,841
Food Service	1,274,340	1,249,986	0	0	1,274,340	1,249,986
Total Expenses	30,304,015	27,255,880	1,337,638	1,295,972	31,641,653	28,551,852
Increase in Net Assets	\$1,573,513	\$2,228,100	\$30,911	\$1,320,412	\$1,604,424	3,548,512

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED
(Continued)**

For governmental activities, program revenues increased by 16 percent but were only 15 percent of total revenues in fiscal year 2003. Operating grants, contributions, and interest increased significantly from revenues received from an anonymous donor for the Helping One Student to Succeed (HOSTS) and Preschool programs. Additional capital grants and contributions were received in the fiscal year for the purchase of special needs buses. Grants and entitlements not restricted to specific programs increased resulting from additional Foundation revenues received during fiscal year 2003. Interest continued to decline from the low interest rates along with a decrease in available cash to invest.

Total expenses for governmental activities increased due to wage and benefit increases required by the new union agreements. The major program expenses are for instruction, which accounted for 56 percent of all governmental expenses in fiscal year 2002 and 57 percent in fiscal year 2003. Regular instruction increased from the HOSTS and Preschool programs that were funded by an anonymous donor. Special instruction increased from recording the open enrollment as gross revenues and expenses rather than as a net expense as had been done in the past. Expenses for support services dropped slightly from the prior fiscal year.

For business-type activities, program revenues and total expenses increased by 3 percent each in fiscal year 2003. Therefore, the increase in net assets resulted from transfers, including a \$100,000 operating transfer, and a \$19,925 contribution of capital assets from governmental activities in fiscal year 2003.

Governmental Activities

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

	Total Cost of Services		Net Cost of Services	
	2003	2002	2003	2002
Instruction	\$17,174,621	\$15,340,658	\$14,120,068	\$13,242,050
Support Services:				
Pupils	1,575,328	1,357,996	1,428,644	1,232,899
Instructional Staff	1,760,663	1,547,144	1,760,663	1,115,961
Board of Education	12,994	14,276	12,994	14,276
Administration	2,206,971	2,063,215	2,206,971	1,984,660
Fiscal	653,629	568,383	653,629	568,383
Business	108,886	113,510	108,886	113,510
Operation and Maintenance of Plant	2,554,070	2,576,907	2,554,070	2,576,907
Pupil Transportation	1,141,813	1,009,240	221,407	285,356
Central	523,041	373,832	491,541	359,242
Noninstructional Services	670,890	477,897	166,758	(52,880)
Extracurricular Activities	601,402	550,995	449,040	396,987
Intergovernmental	45,367	11,841	45,367	11,841
Interest and Fiscal Charges	1,274,340	1,249,986	1,274,340	1,249,986
Total Expenses	\$30,304,015	\$27,255,880	\$25,494,378	\$23,099,178

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED
(Continued)**

It should be noted that for all governmental activities, over 84 percent of the revenues to provide these services are derived from the School District's general revenues; that being primarily property taxes and State shared revenues. This percentage is consistent with the prior fiscal year. The remaining amounts come from tuition and fees, specific grants, and donations.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's major governmental funds are the General Fund, Bond Retirement debt service fund, and Building capital projects fund. Governmental fund revenues increased from additional property tax revenues received in the Bond Retirement debt service fund and Foundation revenues received in the General Fund. Governmental fund expenditures increased from the continuing construction and improvements to buildings and the payment of debt and related expenditures. The remaining increase in governmental fund expenditures is attributed to increases in salaries and related fringe benefits.

General Fund revenues only increased by 4.5 percent from fiscal year 2002; whereas, expenditures increased by 10 percent. The net change in fund balances for fiscal year 2002 was \$1,819,883 compared to \$726,875 for fiscal year 2003. There is a clear indication that the revenues in the General Fund will not be able to cover the School District's future operating costs.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The only business-type activity of the School District is the food service operation. This program had revenues and transfers of \$1,368,549 and expenses of \$1,337,638 for fiscal year 2003. Sales increased in fiscal year 2003 from providing a greater selection of food for lunch; however, the costs of providing this selection are greater than the revenues generated. Capital contributions were received in fiscal year 2003 from governmental activities for improvements and equipment for the high school cafeteria.

BUDGETARY HIGHLIGHTS

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. During the course of fiscal year 2003, the School District amended its General Fund budget as needed. The School District uses a modified form of site-based budgeting. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

For the General Fund, final budgeted revenues did not change from the School District's original estimates.

The original appropriations were increased from fiscal year 2002 based on salary increases according to union negotiations, medical insurance premiums, and open enrollment costs.

The final appropriations increased slightly from the original budget, although total expenditures of \$25,754,487 remained below the total original appropriations. The major difference comes from conservative spending patterns as compared to budgeted amounts at the site level.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED
(Continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The primary increase in capital assets for governmental activities is the result of construction at the new middle school. The decrease in capital assets for the business-type activity was due to depreciation being greater than new purchases of equipment. Note 10 provides additional details regarding capital assets.

Debt

The voters of the School District approved, at an election held on November 7, 2000, the issuance of bonds and a 3.70 mill levy to pay the principal and interest thereon. The School District has two outstanding general obligation bond issues, in the amount of \$19,397,342 and \$4,000,000, respectively. These bond issues were for the construction of a new middle school and renovations at the high school. The School District also has two outstanding notes payable, in the amount of \$995,000 and \$1,999,350, respectively. The \$995,000 issue was for energy conservation projects in four of the School District's instructional buildings. The \$1,999,350 issue was for the renovations at the high school.

The School District has an asbestos removal loan with the U. S. Environmental Protection Agency, in the amount of \$49,415. The annual loan payments are \$14,120, and the loan will be fully paid in fiscal year 2007.

In addition to the debt outlined above, the School District's long-term debt also includes compensated absences. Note 18 provides additional details regarding debt.

CURRENT ISSUES

The Sidney City School District is financially stable for the time being. However, future finances are not without challenges as our community changes and State funding is revised. Some of those challenges are in the future of State funding for schools in light of the eleven year old DeRolph court case and the long-term effects of public utility deregulation, as well as the reduction of personal property for business inventory.

For fiscal year 2004, the School District is renovating the multi-handicapped rooms with an expected completion date of June 2004.

On October 21, 2003, the School District issued \$1,700,000 in certificates of participation to construct a Board of Education facility on land that has been leased to The Community Foundation of Sidney and Shelby County. The facility will be leased to the School District over a thirty-year period and is renewable on an annual basis. The facility is expected to be completed by July 2004. It will house all central administrative staff, as well as contain meeting facilities for the Board of Education, and will provide centralized data and communications facilities for the whole School District.

Increases in the budget for fiscal year 2004 were necessary to prepare for the additional costs of opening the Sidney Middle School facility in January 2004. Additional staff, equipment, and operating costs were the main factors in budgeting additional funds. Other factors such as staff salary raises, increased costs for health insurance, and utility costs are also factors in the budget increase. The budget increase is a little over \$2.7 million.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED
(Continued)**

Revenue cuts in fiscal year 2004 and fiscal year 2005 made by the State Legislature will have a considerable effect on the School District in future planning. The State has reduced its support for the current biennium over the previous biennium and the State Legislature has accelerated the implementation of property tax cuts for tangible personal property for business inventory. When fully implemented, this tax reduction for business inventory will reduce the tax base for the School District by \$52.5 million.

REQUEST FOR INFORMATION

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2003**

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$17,714,617	\$16,162	\$17,730,779
Cash and Cash Equivalents:			
In Segregated Accounts	304		304
With Escrow Agent	253,891		253,891
Investments	6,731,189		6,731,189
Investments in Segregated Accounts	7,945		7,945
Accounts Receivable	294,307	1,640	295,947
Accrued Interest Receivable	74,268		74,268
Internal Balances	20,000	(20,000)	
Intergovernmental Receivable	575,149	63,959	639,108
Prepaid Items	166,489	11,347	177,836
Inventory Held for Resale		19,546	19,546
Materials and Supplies Inventory	44,938	3,862	48,800
Property Taxes Receivable	16,585,684		16,585,684
Unamortized Issuance Costs	192,228		192,228
Nondepreciable Capital Assets	16,823,581		16,823,581
Depreciable Capital Assets, Net	5,143,376	1,606,026	6,749,402
Total Assets	<u>64,627,966</u>	<u>1,702,542</u>	<u>66,330,508</u>
Liabilities:			
Accounts Payable	138,495	346	138,841
Contracts Payable	1,565,067		1,565,067
Accrued Wages and Benefits Payable	2,963,071	114,021	3,077,092
Intergovernmental Payable	814,139	55,814	869,953
Retainage Payable	312,991		312,991
Accrued Interest Payable	155,490		155,490
Notes Payable	2,994,350		2,994,350
Deferred Revenue	15,779,657		15,779,657
Long-Term Liabilities:			
Due Within One Year	743,684	2,073	745,757
Due in More Than One Year	24,153,958	1,071	24,155,029
Total Liabilities	<u>49,620,902</u>	<u>173,325</u>	<u>49,794,227</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	5,432,685	1,606,026	7,038,711
Restricted For:			
Debt Service	756,099		756,099
Capital Projects	1,783,810		1,783,810
Other Purposes	609,152		609,152
Unrestricted (Deficit)	6,425,318	(76,809)	6,348,509
Total Net Assets	<u>\$15,007,064</u>	<u>\$1,529,217</u>	<u>\$16,536,281</u>

See Accompanying Notes to Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
Instruction:				
Regular	\$13,819,464	\$161,065	\$594,127	\$55,410
Special	3,302,432	165,312	2,049,959	
Vocational	52,725	5,720	22,960	
Support Services:				
Pupils	1,575,328	95,143	51,541	
Instructional Staff	1,760,663			
Board of Education	12,994			
Administration	2,206,971			
Fiscal	653,629			
Business	108,886			
Operation and Maintenance of Plant	2,554,070			
Pupil Transportation	1,141,813		776,943	143,463
Central	523,041			31,500
Noninstructional Services	670,890		504,132	
Extracurricular Activities	601,402	150,717	1,645	
Intergovernmental	45,367			
Interest and Fiscal Charges	1,274,340			
Total Governmental Activities	<u>30,304,015</u>	<u>577,957</u>	<u>4,001,307</u>	<u>230,373</u>
Business-Type Activity				
Food Service	1,337,638	712,746	535,878	
Totals	<u>31,641,653</u>	<u>1,290,703</u>	<u>4,537,185</u>	<u>230,373</u>

General Revenues:

Property Taxes Levied for:

General Purposes

Debt Service

Permanent Improvements

Payment in Lieu of Taxes

Grants and Entitlements not

Restricted to Specific Programs

Interest

Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements.

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

Governmental Activities	Business-Type Activity	Total
(\$13,008,862)		(\$13,008,862)
(1,087,161)		(1,087,161)
(24,045)		(24,045)
(1,428,644)		(1,428,644)
(1,760,663)		(1,760,663)
(12,994)		(12,994)
(2,206,971)		(2,206,971)
(653,629)		(653,629)
(108,886)		(108,886)
(2,554,070)		(2,554,070)
(221,407)		(221,407)
(491,541)		(491,541)
(166,758)		(166,758)
(449,040)		(449,040)
(45,367)		(45,367)
(1,274,340)		(1,274,340)
(25,494,378)		(25,494,378)
	(89,014)	(89,014)
(25,494,378)	(89,014)	(25,583,392)
13,917,473		13,917,473
1,707,816		1,707,816
286,736		286,736
163,538		163,538
10,170,802		10,170,802
760,740		760,740
180,711		180,711
27,187,816		27,187,816
(119,925)	119,925	
27,067,891	119,925	27,187,816
1,573,513	30,911	1,604,424
13,433,551	1,498,306	14,931,857
<u>\$15,007,064</u>	<u>\$1,529,217</u>	<u>\$16,536,281</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003**

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$11,371,210	\$812,243	\$4,419,775	\$1,111,389	\$17,714,617
Cash and Cash Equivalents in Segregated Accounts				304	304
Investments			6,731,189		6,731,189
Investments in Segregated Accounts				7,945	7,945
Accounts Receivable	73,912			220,395	294,307
Accrued Interest Receivable			74,116	152	74,268
Interfund Receivable	20,000				20,000
Intergovernmental Receivable	230,520			344,629	575,149
Prepaid Items	153,691			12,798	166,489
Materials and Supplies Inventory	44,938				44,938
Restricted Assets:					
Cash and Cash Equivalents with Escrow Agent			253,891		253,891
Property Taxes Receivable	14,512,730	1,775,969		296,985	16,585,684
Total Assets	<u>26,407,001</u>	<u>2,588,212</u>	<u>11,478,971</u>	<u>1,994,597</u>	<u>42,468,781</u>
Liabilities and Fund Balances:					
Liabilities					
Accounts Payable	118,627			19,868	138,495
Contracts Payable			1,565,067		1,565,067
Accrued Wages and Benefits Payable	2,705,663			257,408	2,963,071
Intergovernmental Payable	486,883			39,314	526,197
Retainage Payable			59,100		59,100
Liabilities Payable from Restricted Assets:					
Retainage Payable			253,891		253,891
Deferred Revenue	14,152,665	1,688,655	6,616	636,976	16,484,912
Total Liabilities	<u>17,463,838</u>	<u>1,688,655</u>	<u>1,884,674</u>	<u>953,566</u>	<u>21,990,733</u>
Fund Balances:					
Reserved for Property Taxes	607,991	87,314		11,949	707,254
Reserved for Encumbrances	404,203		6,140,564	130,424	6,675,191
Unreserved, Designated for Termination Benefits				331,000	331,000
Unreserved, Reported in:					
General Fund	7,930,969				7,930,969
Special Revenue Funds				195,031	195,031
Debt Service Fund		812,243			812,243
Capital Projects Funds			3,453,733	372,627	3,826,360
Total Fund Balances	<u>8,943,163</u>	<u>899,557</u>	<u>9,594,297</u>	<u>1,041,031</u>	<u>20,478,048</u>
Total Liabilities and Fund Balances	<u>\$26,407,001</u>	<u>\$2,588,212</u>	<u>\$11,478,971</u>	<u>\$1,994,597</u>	<u>\$42,468,781</u>

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003**

Total Governmental Fund Balances	\$20,478,048
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,966,957
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	208,483	
Accrued Interest Receivable	6,616	
Intergovernmental Receivable	391,383	
Property Taxes Receivable	98,773	
		705,255

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.	192,228
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Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds.	(287,942)
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(155,490)	
Asbestos Removal Loan Payable	(49,415)	
Notes Payable	(2,994,350)	
General Obligation Bonds Payable	(23,397,342)	
Compensated Absences Payable	(1,450,885)	
		(28,047,482)

Net Assets of Governmental Activities	<u><u>\$15,007,064</u></u>
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See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Revenues:					
Property Taxes	\$13,904,271	\$1,705,992		\$286,480	\$15,896,743
Payment in Lieu of Taxes	163,538				163,538
Intergovernmental	11,799,267	166,754		1,964,972	13,930,993
Interest	501,966		\$299,413	1,970	803,349
Tuition and Fees	292,312				292,312
Extracurricular Activities				155,508	155,508
Gifts and Donations	6,830			267,550	274,380
Miscellaneous	178,951	17,385		90,676	287,012
Total Revenues	<u>26,847,135</u>	<u>1,890,131</u>	<u>299,413</u>	<u>2,767,156</u>	<u>31,803,835</u>
Expenditures:					
Current:					
Instruction:					
Regular	12,966,387			353,902	13,320,289
Special	2,631,195			638,704	3,269,899
Vocational	51,441				51,441
Support Services:					
Pupils	1,389,908			124,576	1,514,484
Instructional Staff	1,241,938			493,348	1,735,286
Board of Education	12,994				12,994
Administration	2,037,090			167,156	2,204,246
Fiscal	604,527	34,457	1,414	6,415	646,813
Business	108,886				108,886
Operation and Maintenance of Plant	2,253,508		98,350	189,852	2,541,710
Pupil Transportation	1,261,643			451	1,262,094
Central	473,500			29,605	503,105
Noninstructional Services					
Extracurricular Activities	421,781			577,629	577,629
Capital Outlay			14,112,150	209,458	14,321,608
Intergovernmental				45,367	45,367
Debt Service:					
Principal Retirement		3,338,470			3,338,470
Interest and Fiscal Charges		1,254,183			1,254,183
Total Expenditures	<u>25,454,798</u>	<u>4,627,110</u>	<u>14,211,914</u>	<u>2,995,022</u>	<u>47,288,844</u>
Excess of Revenues Over (Under) Expenditures	1,392,337	(2,736,979)	(13,912,501)	(227,866)	(15,485,009)
Other Financing Sources (Uses):					
Bond Anticipation Notes Issued		2,994,350			2,994,350
Transfers In		134,462		431,000	565,462
Transfers Out	(665,462)				(665,462)
Total Other Financing Sources (Uses)	<u>(665,462)</u>	<u>3,128,812</u>		<u>431,000</u>	<u>2,894,350</u>
Net Change in Fund Balances	726,875	391,833	(13,912,501)	203,134	(12,590,659)
Fund Balances at Beginning of Year	8,216,288	507,724	23,506,798	837,897	33,068,707
Fund Balances at End of Year	<u>\$8,943,163</u>	<u>\$899,557</u>	<u>\$9,594,297</u>	<u>\$1,041,031</u>	<u>\$20,478,048</u>

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Net Change in Fund Balances - Total Governmental Funds (\$12,590,659)

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

Governmental funds report capital outlays as expenditures.

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

Capital Outlay - Depreciable Capital Assets	463,254	
Capital Outlay - Construction in Progress Related to Debt	13,981,887	
Depreciation	<u>(411,643)</u>	
		14,033,498

The cost of capital assets removed from the capital asset account on the statement of net assets results in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets	(95,949)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	15,282	
Intergovernmental	191,817	
Interest	(40,639)	
Tuition and Fees	39,785	
Extracurricular Activities	(256)	
Gifts and Donations	3,322	
Miscellaneous	<u>4,164</u>	
		213,475

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

3,338,470

Note proceeds are other financing sources in the governmental funds, but the issuance increases long-term liabilities on the statement of net assets:

Notes Payable	(2,994,350)
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Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of net assets. Premiums and discounts are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

Annual Accretion	(31,304)	
Amortization of Discount	(4,004)	
Accrued Interest Payable	<u>18,305</u>	
		(17,003)

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

Amortization of Issuance Costs	(3,154)
--------------------------------	---------

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

Intergovernmental Payable	(121,422)	
Compensated Absences Payable	(211,893)	
Special Termination Benefits Payable	<u>22,500</u>	
		(310,815)

Change in Net Assets of Governmental Activities	<u><u>\$1,573,513</u></u>
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See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$13,536,629	\$13,536,629	\$13,781,589	\$244,960
Payment in Lieu of Taxes			163,538	163,538
Intergovernmental	10,700,371	10,700,371	11,840,415	1,140,044
Interest	512,825	512,825	511,205	(1,620)
Tuition and Fees	223,000	223,000	282,181	59,181
Gifts and Donations			6,830	6,830
Miscellaneous	28,000	28,000	140,876	112,876
Total Revenues	<u>25,000,825</u>	<u>25,000,825</u>	<u>26,726,634</u>	<u>1,725,809</u>
Expenditures:				
Current:				
Instruction:				
Regular	12,317,567	12,232,237	11,669,608	562,629
Special	2,931,297	2,946,596	2,567,529	379,067
Vocational	89,009	89,009	59,482	29,527
Other	1,467,039	1,537,660	1,489,546	48,114
Support Services:				
Pupils	1,468,359	1,476,834	1,400,894	75,940
Instructional Staff	1,158,005	1,180,005	1,213,476	(33,471)
Board of Education	15,604	15,604	13,016	2,588
Administration	2,215,381	2,217,581	2,054,053	163,528
Fiscal	678,005	673,384	603,149	70,235
Business	129,740	132,240	118,547	13,693
Operation and Maintenance of Plant	2,620,322	2,620,322	2,395,171	225,151
Pupil Transportation	1,271,389	1,289,389	1,264,533	24,856
Central	682,526	673,526	489,211	184,315
Extracurricular Activities	443,182	433,181	413,272	19,909
Capital Outlay	5,000	5,000	3,000	2,000
Total Expenditures	<u>27,492,425</u>	<u>27,522,568</u>	<u>25,754,487</u>	<u>1,768,081</u>
Excess of Revenues Over (Under) Expenditures	(2,491,600)	(2,521,743)	972,147	3,493,890
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures			20,346	20,346
Refund of Prior Year Receipts	(42)	(42)		42
Advances In			100,000	100,000
Advances Out			(20,000)	(20,000)
Transfers Out	(250,000)	(670,000)	(665,462)	4,538
Total Other Financing Sources (Uses)	<u>(250,042)</u>	<u>(670,042)</u>	<u>(565,116)</u>	<u>104,926</u>
Net Change in Fund Balance	(2,741,642)	(3,191,785)	407,031	3,598,816
Fund Balance at Beginning of Year	9,542,080	9,542,080	9,542,080	
Prior Year Encumbrances Appropriated	900,420	900,420	900,420	
Fund Balance at End of Year	<u>\$7,700,858</u>	<u>\$7,250,715</u>	<u>\$10,849,531</u>	<u>\$3,598,816</u>

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS
ENTERPRISE FUND
JUNE 30, 2003**

	Food Service
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$16,162
Accounts Receivable	1,640
Intergovernmental Receivable	63,959
Prepaid Items	11,347
Inventory Held for Resale	19,546
Materials and Supplies Inventory	3,862
Total Current Assets	116,516
Non-Current Assets:	
Depreciable Capital Assets, Net	1,606,026
Total Assets	1,722,542
Liabilities:	
Current Liabilities:	
Accounts Payable	346
Accrued Wages and Benefits Payable	114,021
Compensated Absences Payable	2,073
Interfund Payable	20,000
Intergovernmental Payable	55,814
Total Current Liabilities	192,254
Long-Term Liabilities:	
Compensated Absences Payable	1,071
Total Liabilities	193,325
Net Assets:	
Invested in Capital Assets	1,606,026
Unrestricted (Deficit)	(76,809)
Total Net Assets	\$1,529,217

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Food Service
Operating Revenues:	
Sales	\$712,746
Operating Expenses:	
Salaries	461,007
Fringe Benefits	259,399
Purchased Services	15,529
Materials and Supplies	45,342
Cost of Sales	514,892
Depreciation	41,469
Total Operating Expenses	1,337,638
Operating Loss	(624,892)
Non-Operating Revenues:	
Federal Donated Commodities	59,867
Operating Grants	475,883
Interest	128
Total Non-Operating Revenues	535,878
Loss Before Contributions and Transfers	(89,014)
Capital Contributions	19,925
Transfers In	100,000
Change in Net Assets	30,911
Net Assets at Beginning of Year	1,498,306
Net Assets at End of Year	\$1,529,217

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Food Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flow from Operating Activities:	
Cash Received from Customers	\$712,503
Cash Payments for Salaries	(484,238)
Cash Payments for Fringe Benefits	(248,675)
Cash Payments for Goods and Services	(511,845)
Net Cash Used for Operating Activities	(532,255)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	463,196
Cash Received from Advances In	20,000
Cash Payments for Advances Out	(100,000)
Cash Received from Transfers In	100,000
Net Cash Provided by Noncapital Financing Activities	483,196
Cash Flows from Capital and Related Financing Activities:	
Cash Payments for Capital Assets	(10,205)
Cash Flows from Investing Activities:	
Cash Received from Interest	128
Net Decrease in Cash and Cash Equivalents	(59,136)
Cash and Cash Equivalents at Beginning of Year	75,298
Cash and Cash Equivalents at End of Year	16,162
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(624,892)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	41,469
Donated Commodities Received During Year	59,867
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(1,598)
Increase in Prepaid Items	(1,668)
Decrease in Inventory Held for Resale	5,065
Decrease in Materials and Supplies Inventory	719
Decrease in Accounts Payable	(378)
Increase in Accrued Wages and Benefits Payable	9,179
Increase in Intergovernmental Payable	9,056
Decrease in Compensated Absences Payable	(29,074)
Net Cash Used for Operating Activities	(\$532,255)

Non-Cash Transactions

During fiscal year 2003, the School District's governmental funds made improvements in the heating and ventilation systems of the cafeteria and purchased equipment, in the amount of \$9,838 and \$10,087, respectively, and donated them to the Food Service enterprise fund.

During fiscal year 2003, the Food Service enterprise fund received donated commodities, in the amount of \$59,867.

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2002**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$123,533	\$55,660
Cash and Cash Equivalents:		
In Segregated Accounts	3,786	
With Fiscal Agent	11,410	
Investments:		
In Segregated Accounts	143,316	
With Fiscal Agent	135,874	
Accrued Interest Receivable	1,113	
Total Assets	419,032	55,660
Liabilities:		
Undistributed Assets		23,958
Due to Students		31,702
Total Liabilities		\$55,660
Net Assets:		
Endowments	218,797	
Held in Trust for Students	200,235	
Total Net Assets	\$419,032	

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$1,267
Gifts and Donations	10,338
Total Additions	<u>11,605</u>
Deductions:	
Noninstructional Services	<u>24,245</u>
Change in Net Assets	(12,640)
Net Assets Beginning of Year	<u>431,672</u>
Net Assets End of Year	<u><u>\$419,032</u></u>

See Accompanying Notes to the Basic Financial Statements.

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**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 97th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by one hundred eighty-two classified employees, two hundred fifty-six certified teaching personnel, and twenty-five administrative employees who provide services to 3,918 students and other community members. The School District currently operates eight instructional/support buildings.

A. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

The Sidney City School Foundation, Inc. is organized as a not-for-profit corporation and operated exclusively for the benefit of the School District. The Foundation receives and administers donations for educational purposes. The Foundation is governed by a five member board of trustees who are the same individuals that serve as members of the Board of Education. The Foundation is a blended component unit and the financial statements of the Foundation for the year ended December 31, 2002, are included as other governmental funds and private purpose trust fiduciary funds in the School District's basic financial statements.

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY (Continued)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and business-type activity. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the School District.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise 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.

B. Fund Accounting

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

1. Governmental Funds

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

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

Bond Retirement Debt Service Fund - The Bond Retirement debt service fund is used to account for property tax revenues and transfers from the General Fund to pay the principal and related interest on the School District's energy conservation notes, school improvement bonds, and asbestos removal loan.

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund

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

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

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

3. Fiduciary Funds

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

C. Measurement Focus

1. Government-Wide Financial Statements

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

2. Fund Financial Statements

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Basis of Accounting

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

1. Revenues - Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

3. Expenses/Expenditures

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

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund and object level within each fund. Any budgetary modifications at this level may only be made by the Board of Education.

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Investments

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

The School District has segregated bank accounts for monies held by the Foundation, a blended component unit. These accounts are presented as "Cash and Cash Equivalents in Segregated Accounts" and "Investments in Segregated Accounts".

The School District maintains separate accounts for the accumulated retainage on contracts for construction and renovation of the School District's buildings. The amount held within these accounts is reflected as "Cash and Cash Equivalents with Escrow Agent".

During fiscal year 2003, the School District's investments included non-negotiable certificates of deposit, federal agency securities, stocks, mutual funds, and STAR Ohio. The School District's investments are reported at fair value, except for non-negotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003, was \$501,966, which includes \$62,452 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. Restricted assets in the Building capital projects fund represent amounts held by an escrow agent for retainage.

J. Unamortized Issuance Costs and Discount

On government-wide financial statements, issuance costs and bond discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond discounts are presented as a reduction of the face amount of bonds payable. On the governmental fund financial statements, issuance costs and bond discounts are recognized in the current period.

K. Capital Assets

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Assets/Liabilities

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

M. Compensated Absences

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

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

N. Accrued Liabilities and Long-Term Obligations

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

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

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for music and athletic programs and federal and state grants restricted to expenditure for specified purposes. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balance Reserves and Designations

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The designation for termination benefits represents monies set aside by the Board of Education for the future payment of those benefits.

Q. Operating Revenues and Expenses

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

R. Capital Contributions

Contributions of capital on the enterprise fund financial statements arise from outside contributions of capital assets, contributions from other funds, or from grants or outside contributions of resources restricted to capital acquisition and construction.

S. Interfund Transactions

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

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. Estimates

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

3. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2003, the School District has implemented GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences". GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the School District uses for its legally adopted budget when significant budgetary perspective differences result in the School District not being able to present budgetary comparisons for the General Fund and each major special revenue fund. The implementation of this statement did not have any effect on the School District's financial statements for fiscal year 2003.

4. ACCOUNTABILITY

At June 30, 2003, the IDEA B and English Language Proficiency special revenue funds had deficit fund balances of \$2,776 and \$365, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

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

The major differences between the budget basis and the GAAP basis are as follows:

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance	
GAAP Basis	\$726,875
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2002, Received in Cash FY 2003	574,196
Accrued FY 2003, Not Yet Received in Cash	(652,748)
Expenditure Accruals:	
Accrued FY 2002, Paid in Cash FY 2003	(3,093,391)
Accrued FY 2003, Not Yet Paid in Cash	3,299,424
Prepaid Items	(5,839)
Materials and Supplies Inventory	193
Advances In	100,000
Advances Out	(20,000)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(521,679)
Budget Basis	\$407,031

6. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end, the School District had \$1,725 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$13,812,634 and the bank balance was \$14,281,839. Of the bank balance, \$620,886 was covered by federal depository insurance and \$13,660,953 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Investments in Shelby County Education Service Center's investment pool, STAR Ohio, and mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Category 3	Fair Value
Federal Home Loan Bank Bonds	\$1,203,435	\$0	\$1,203,435
Federal Home Loan Bank Notes	199,840	0	199,840
Federal Home Loan Mortgage Corporation Bonds	345,725	0	345,725
Federal Home Loan Mortgage Corporation Notes	998,603	0	998,603
Federal National Mortgage Association Bonds	1,783,560	0	1,783,560
Federal National Mortgage Association Notes	5,450,753	0	5,450,753
U. S. Treasury Notes	397,379	0	397,379
Qwest Communications International, Inc.	0	1,010	1,010
SBC Communications, Inc.	0	3,687	3,687
Verizon Communications	0	4,417	4,417
	<u>\$10,379,295</u>	<u>\$9,114</u>	10,388,409
Investments in Shelby County Educational Service Center's Investment Pool			147,284
STAR Ohio			473,273
Mutual Funds			374,362
Totals			<u>\$11,383,328</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$18,179,363	\$7,018,324
Cash on Hand	(1,725)	0
Investment in Shelby County Educational Service Center's Investment Pool	(11,410)	11,410
Certificates of Deposit	142,147	(142,147)
Federal Home Loan Bank Bonds	(150,094)	150,094
Federal Home Loan Bank Notes	(199,840)	199,840
Federal Home Loan Mortgage Corporation Bonds	(50,094)	50,094
Federal Home Loan Mortgage Corporation Notes	(174,945)	174,945
Federal National Mortgage Association Notes	(3,073,133)	3,073,133
STAR Ohio	(473,273)	473,273
Mutual Funds	(374,362)	374,362
GASB Statement No. 3	\$13,812,634	\$11,383,328

7. RECEIVABLES

Receivables at June 30, 2003, consisted of accounts (rent and student fees), accrued interest, interfund, intergovernmental, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
General Fund	
Tuition and Fees	\$15,405
Excess Costs	160,655
Substitute Reimbursement	5,294
Shelby County Juvenile Court	72
Medicare	26,367
State of Ohio	22,727
Total General Fund	230,520

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

7. RECEIVABLES (Continued)

Governmental Activities	Amount
Other Governmental Funds	
IDEA B	82,402
English Language Proficiency	3,053
Title I	173,856
Title V	24,993
Drug Free	881
Handicap Preschool	1,231
Title II A	52,942
Miscellaneous Federal	5,271
Total Other Governmental Funds	344,629
Total Governmental Activities	575,149
Business-Type Activity	
Food Service	63,959
Total Intergovernmental Receivables	\$639,108

8. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien on December 31, 2001, were levied after April 1, 2002, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2003, on the value as of December 31, 2002.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

8. PROPERTY TAXES

Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Logan and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2003, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$607,991 in the General Fund, \$87,314 in the Bond Retirement debt service fund, and \$11,949 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2002, was \$485,309 in the General Fund, \$69,364 in the Bond Retirement debt service fund, and \$10,102 in the Permanent Improvement capital projects fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On a modified accrual basis, the revenue has been deferred.

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$247,145,600	50.97%	\$264,380,260	51.60%
Industrial/Commercial	97,696,330	20.15	100,301,980	19.58
Public Utility	17,333,360	3.57	17,701,000	3.46
Tangible Personal	122,697,817	25.31	129,939,865	25.36
Total Assessed Value	<u>\$484,873,107</u>	<u>100.00%</u>	<u>\$512,323,105</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.10		\$43.70	

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

9. PAYMENT IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires.

10. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 207,305	\$0	\$0	\$207,305
Construction in Progress	2,634,389	13,981,887	0	16,616,276
Total Nondepreciable Capital Assets	2,841,694	13,981,887	0	16,823,581
Depreciable Capital Assets				
Land Improvements	224,413	0	0	224,413
Buildings and Building Improvements	4,498,300	0	0	4,498,300
Furniture, Fixtures, and Equipment	2,944,041	230,169	(299,001)	2,875,209
Vehicles	1,624,673	233,085	(131,752)	1,726,006
Total Depreciable Capital Assets	9,291,427	463,254	(430,753)	9,323,928
Less Accumulated Depreciation				
Land Improvements	(69,109)	(12,420)	0	(81,529)
Buildings and Building Improvements	(1,723,169)	(125,033)	0	(1,848,202)
Furniture, Fixtures, and Equipment	(1,703,762)	(174,644)	222,122	(1,656,284)
Vehicles	(607,673)	(99,546)	112,682	(594,537)
Total Accumulated Depreciation	(4,103,713)	(411,643)	334,804	(4,180,552)
Depreciable Capital Assets, Net	5,187,714	51,611	(95,949)	5,143,376
Governmental Activities				
Capital Assets, Net	\$8,029,408	\$14,033,498	(\$95,949)	\$21,966,957
Business-Type Activity				
Depreciable Capital Assets				
Buildings and Building Improvements	\$1,377,229	\$9,838	\$0	\$1,387,067
Furniture, Fixtures, and Equipment	528,297	20,292	(3,211)	545,378
Vehicles	15,004	0	0	15,004
Total Depreciable Capital Assets	1,920,530	30,130	(3,211)	1,947,449
Less Accumulated Depreciation				
Buildings and Building Improvements	(112,495)	(21,220)	0	(133,715)
Furniture, Fixtures, and Equipment	(184,113)	(19,253)	3,211	(200,155)
Vehicles	(6,557)	(996)	0	(7,553)
Total Accumulated Depreciation	(303,165)	(41,469)	3,211	(341,423)
Business-Type Activity				
Capital Assets, Net	\$1,617,365	(\$11,339)	\$0	\$1,606,026

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

10. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$232,398
Special	9,937
Vocational	969
Support Services:	
Pupils	11,647
Instructional Staff	5,681
Administration	6,064
Fiscal	4,020
Operation and Maintenance of Plant	12,714
Pupil Transportation	85,676
Central	8,868
Noninstructional Services	13,893
Extracurricular Activities	19,776
Total Depreciation Expense	<u><u>\$411,643</u></u>

11. INTERFUND ASSETS/LIABILITIES

At June 30, 2003, the General Fund had an interfund receivable and Food Service enterprise fund had an interfund payable, in the amount of \$20,000, resulting from a short-term loan.

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted for the following insurance coverage:

Mid-American Fire and Casualty Company	
Buildings and Contents - replacement cost	\$60,021,813
Hardware and Software	1,570,900
Audio Visual Equipment	375,653
Automobile Liability	2,000,000
Uninsured Motorists	1,000,000
General School District Liability	
Per Occurrence	1,000,000
General Aggregate	2,000,000
Commercial Umbrella	
General Aggregate	1,000,000

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

12. RISK MANAGEMENT (Continued)

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

For fiscal year 2003, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan.

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

13. CONTRACTUAL COMMITMENTS

As of June 30, 2003, the School District had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Farnham Equipment, Inc.	In Wall Cafeteria Tables	\$20,000
Freytag and Associates	Architectural Services	226,880
Ferguson Construction	Middle School Site Prep	87,659
Slagle Mechanical Construction	Middle School Plumbing	246,716
Farnham Equipment, Inc.	Middle School Cafeteria Equipment	903,068
Saturn Electric	Middle School Electrical	212,518
Central Fire Protection	Middle School Fire System	17,165
Bushong Restaurant	Middle School Cafeteria Equipment	184,571
Ferguson Construction	Middle School General Contractor	1,472,320
Sidney Electric	Middle School Technology	511,399
Hemm's Glass Shops	Window Replacement	728,344
Mr. Concrete Building Supplies	Bricks	23,622
Ferguson Construction	High School Renovation General Contractor	1,771,021
Slagle Mechanical Construction	High School Renovation Plumbing	730,483
Area Energy and Electric	High School Renovation Electrical	866,085
Central Fire Protection	High School Renovation Fire System	34,680
Triad Insulation	High School Renovation Insulation	24,500
Total Commitments		\$8,061,031

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

14. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account.

Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2003, 2002, and 2001 was \$1,705,303, \$1,161,185 and \$1,101,848, respectively; 84 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001. Contributions for the DCP and CP for the fiscal year ended June 30, 2003, were \$5,263 made by the School District and \$24,267 made by plan members.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

14. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2003 was 14 percent of annual covered payroll; 8.17 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$300,989, \$191,433 and \$135,627, respectively; 49 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2003, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

15. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$131,582.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

15. POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000, and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School District, the amount to fund health care benefits, including the surcharge, was \$265,408 for fiscal year 2003.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available), were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

16. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators, except for the superintendent and treasurer, do not earn vacation time.

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

16. OTHER EMPLOYEE BENEFITS (Continued)

Teachers may accumulate sick leave up to two hundred forty days. Upon retirement, payment is made for 25 percent of the first one hundred twenty days of accrued, but unused sick leave plus 15 percent of any remaining accrued, but unused sick leave for teachers with less than thirty years of service up to a maximum of forty-eight days. For teachers with more than thirty years of service, payment is made for 25 percent of the first one hundred twenty days of accrued, but unused sick leave plus 20 percent of any remaining accrued, but unused sick leave up to a maximum of fifty-eight days. Upon retirement, payment is made for 25 percent of the first one hundred twenty days of accrued, but unused sick leave plus 15 percent of any remaining accrued, but unused sick leave up to a maximum of 48 days for administrators with less than 30 years of service and up to a maximum of 58 days after 30 years of service. Upon retirement, payment is made for 25 percent of the first one hundred twenty days of accrued, but unused sick leave plus 15 percent of any remaining accrued, but unused sick leave to a maximum of forty-eight days for classified employees.

B. Health Care Benefits

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

C. Special Termination Benefits

For fiscal year 2003, the School District offered a special termination benefit, in the amount of \$12,000, to any teacher with thirty or more years of experience who submitted a letter of retirement to the superintendent between September 1 and April 1 and completed the school year.

The School District also offered a special termination benefit to classified employees based on years of service with the School District.

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

At June 30, 2003, the School District did not have a liability for special termination benefits.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

17. NOTES PAYABLE

The School District's short-term obligations activity for the fiscal year ended June 30, 2003, was as follows:

	Interest Rate	Balance at 6/30/2002	Additions	Reductions	Balance at 6/30/2003
Governmental Activities					
Energy Conservation Notes					
July 17, 2001	2.70%	\$995,000	\$0	\$995,000	\$0
July 17, 2002	2.15	0	995,000	0	995,000
School Improvement Notes					
July 17, 2001	2.04	5,999,350	0	5,999,350	0
July 17, 2002	2.03	0	1,999,350	0	1,999,350
Total Governmental Activities		<u>\$6,994,350</u>	<u>\$2,994,350</u>	<u>\$6,994,350</u>	<u>\$2,994,350</u>

All of the School District's 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.

At June 30, 2003, the total amount of bond anticipation notes outstanding was \$2,994,350, of which \$995,000 has been expended for construction.

18. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Balance at 6/30/02	Additions	Reductions	Balance at 6/30/03	Due Within One Year
Governmental Activities					
General Obligation Bonds					
2001 School Improvement					
Serial Bonds 3.4 - 5%	\$4,010,000	\$0	\$330,000	\$3,680,000	\$390,000
Term Bonds 5.1 - 5.25%	15,345,000	0	0	15,345,000	0
Original Issue of Capital					
Appreciation Bonds					
15.92 - 29.35%	89,992	0	0	89,992	0
Accretion on Capital					
Appreciation Bonds					
	495,084	31,304	0	526,388	0
Serial and Term Bond Discount	(248,042)	4,004	0	(244,038)	0
Total 2001 School Improvement	<u>19,692,034</u>	<u>35,308</u>	<u>330,000</u>	<u>19,397,342</u>	<u>390,000</u>
2002 School Improvement					
Serial Bonds 2.5 - 5%					
	1,540,000	0	0	1,540,000	85,000
Term Bonds 5.125 - 5.625%					
	2,460,000	0	0	2,460,000	0
Total 2002 School Improvement	<u>4,000,000</u>	<u>0</u>	<u>0</u>	<u>4,000,000</u>	<u>85,000</u>
Total General Obligation Bonds	<u>23,692,034</u>	<u>35,308</u>	<u>330,000</u>	<u>23,397,342</u>	<u>475,000</u>
1987 Asbestos Removal Loan 0%	63,535	0	14,120	49,415	14,120
Compensated Absences Payable	1,238,992	272,048	60,155	1,450,885	254,564
Total Governmental Activities	<u>\$24,994,561</u>	<u>307,356</u>	<u>\$404,275</u>	<u>\$24,897,642</u>	<u>\$743,684</u>
Business-Type Activity					
Compensated Absences	\$32,218	\$1,045	\$30,119	\$3,144	\$2,073

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

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

A. Series A Term Bonds

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

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

The term bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2020 through 2022 (with the balance of \$605,000 to be paid at stated maturity on December 1, 2023), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

B. Series B Term Bonds

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District.

The mandatory redemption is to occur on December 1 in each of the years 2015 through 2018 (with the balance of \$430,000 to be paid at stated maturity on December 1, 2019), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

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

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

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

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

The capital appreciation bonds were sold at a premium of \$461,098. The capital appreciation bonds will mature in fiscal years 2014 and 2015. The maturity amount of the bonds is \$1,090,000. For fiscal year 2003, \$31,304 was accreted for a total bond value of \$616,380.

School Improvement General Obligation Bonds Fiscal Year 2002 - On April 1, 2002, the School District issued \$4,000,000 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial and term bonds, in the amount of \$1,540,000 and \$2,460,000, respectively. The bonds are being retired from the Bond Retirement debt service fund, with a portion of the proceeds of a 3.70 mill voted property tax levy.

The term bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2017 through 2021 (with the balance of \$195,000 to be paid at stated maturity on December 1, 2022), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

18. LONG-TERM OBLIGATIONS (Continued)

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

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

The School District's overall debt margin was \$20,899,294 with an unvoted debt margin of \$512,323 at June 30, 2003.

At June 30, 2003, the total amount of debt proceeds expended for governmental and business-type activity construction was \$16,616,276 and \$1,357,718, respectively.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2003, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2004	\$475,000	\$213,878	\$0	\$926,829
2005	520,000	195,502	0	926,828
2006	590,000	173,763	0	926,829
2007	685,000	148,220	0	926,828
2008	225,000	129,737	0	926,829
2009-2013	2,190,000	411,745	0	4,634,143
2014-2018	535,000	55,125	2,185,000	4,480,113
2019-2022	0	0	5,595,000	3,385,255
2024-2028	0	0	8,310,000	1,598,581
2029	0	0	1,715,000	44,714
Totals	<u>\$5,220,000</u>	<u>\$1,327,970</u>	<u>\$17,805,000</u>	<u>\$18,776,949</u>

Fiscal Year Ending	General Obligation Bonds Capital Appreciation		Asbestos Removal Loans
	Principal	Interest	Principal
2004	\$0	\$0	\$14,120
2005	0	0	14,120
2006	0	0	14,120
2007	0	0	7,055
2008	0	0	0
2009-2013	0	0	0
2014-2017	89,992	1,000,008	0
Totals	<u>\$89,992</u>	<u>\$1,000,008</u>	<u>\$49,415</u>

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

19. SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2003.

	Textbooks	Capital Improvements
Balance June 30, 2002	(\$564,004)	\$0
Current Year Set Aside Requirement	521,657	521,657
Qualifying Expenditures	(1,022,462)	(237,054)
Current Year Offsets	0	(284,603)
Amount Carried Forward to Fiscal Year 2004	(\$1,064,809)	\$0
Set Aside Reserve Balance June 30, 2003	\$0	\$0

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

20. INTERFUND TRANSFERS

During fiscal year 2003, the General Fund made transfers to other governmental funds, in the amount of \$431,000 to set aside money for future severance payments and permanent improvements; and \$134,462 to the Bond Retirement debt service fund as debt payments became due. The General Fund also made transfers, in the amount of \$100,000, to the Food Service enterprise fund which was used to support the operation of food service activities.

21. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of, \$218,797, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$200,235 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

22. JOINTLY GOVERNED ORGANIZATIONS

A. Upper Valley Joint Vocational School

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

B. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent of the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

C. Southwestern Ohio Educational Purchasing Cooperative

The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) was established in 1986 among educational entities located in southwestern Ohio to purchase instructional and operational supplies and materials. The SOEPC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. The SOEPC is governed by an elected Board consisting of ten representatives of the educational entities and the superintendent from the Montgomery County Educational Service Center. The Board, except for the superintendent from the Montgomery County Educational Service Center, is elected from an Assembly consisting of a representative from each participating educational entity. During fiscal year 2003, the School District paid \$3,487 to the SOEPC for various services. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

23. INSURANCE POOLS

A. Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

23. INSURANCE POOLS (Continued)

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

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

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

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

24. RELATED ORGANIZATION

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

25. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

26. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

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

27. SUBSEQUENT EVENTS

On July 17, 2003, the School District issued bond anticipation notes, in the amount of \$928,000, to retire notes previously issued for energy conservation projects. The notes have an interest rate of 1.56 percent and mature on July 15, 2004.

On July 17, 2003, the School District issued bond anticipation notes, in the amount of \$1,999,350, to retire notes previously issued for constructing, improving, and making additions to school buildings. The notes have an interest rate of 1.42 percent and mature on July 15, 2004.

On October 21, 2003, the School District issued \$1,700,000 in certificates of participation notes for the construction of a new administration building. The notes have an interest rate of 1.83 percent and mature on July 15, 2004.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
(Passed through State Dept. of Education)						
<i>Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550		\$89,375		\$91,600
National School Breakfast Program	044784-05-PU-02 044784-05-PU-03	10.553	\$18,627 59,942		\$18,627 59,942	
Total National School Breakfast Program			78,569		78,569	
National School Lunch Program	044784-LL-N4-02 044784-LLP4-02 044784-LL-P4-03	10.555	41,668 49,847 269,231		41,668 49,847 269,231	
Total National School Lunch Program			360,746		360,746	
Total U.S. Department of Agriculture-Nutrition Cluster			439,315	89,375	439,315	91,600
U.S. Department of Health and Human Services						
(Passed through the Ohio Department of Mental Retardation and Developmental Disabilities)						
Medical Assistance Program (CAFS)		93.778	59,599		59,599	
U.S. Department of Education						
(Passed through State Dept. of Education)						
<i>Special Education Cluster:</i>						
Title VI-B	044784-6B-SF-02P 044784-6B-SF-03P	84.027	9,220 364,935		54,605 352,204	
Total Title VI-B			374,155		406,809	
Preschool Grants	044784-PG-S1-02P 044784-PG-S1-03P	84.173	11,331		2,314 10,193	
Total Preschool Grants			11,331		12,507	
Total Special Education Cluster			385,486		419,316	
Title I	044784-C1-S1-02 044784-C1-S1-03	84.010	50,670 467,278		84,838 413,152	
Total Title I			517,948		497,990	
Drug Free Education	044784-DR-S1-03	84.186	27,132		24,923	
Goals 2000 Continuous Improvement	044784-G2-S9-01 044784-G2-S9-02	84.276			97 10,088	
Total Goals 2000 Continuous Improvement					10,185	
Eisenhower Tech Asst Admin	044784-MS-S1-01	84.281	1,601		16,008	
Eisenhower Math and Science	044784-MS-S1-02		1,609		21,307	
Total Eisenhower Prof Dev State Grant			3,210		37,315	
Innovative Education Program	044784-C2-S1-02 044784-C2-S1-03	84.298	(837) 14,761		2,385 11,827	
Total Innovative Education Program			13,924		14,212	
Title II-D Technology	044784-TJS1-03	84.318	9,807		6,795	
Reading Excellence Reform Subsidy	044784-RN-S1-00	84.338	(21,064)		19,281	
Comprehensive School Reform	044784-RF-S1-01	84.332	8,788		8,644	
Class Size Reduction	044784-CR-S1-00 044784-CR-S1-01 044784-CR-S1-02	84.340	(2,318) (10,725) 9,444		368 27,775	
Total Class Size Reduction			(3,599)		28,143	
Assistive Technology Infusion	044784-ATS3-02	84.352	5,843		5,795	
English Language Acquisition Grants	044784-T3S1-03	84.365	15,173		14,750	
Improving Teacher Quality State Grants	044784-TRS1-03	84.367	152,200		148,988	
Total U.S. Department of Education			1,114,848		1,236,337	
Total Federal Financial Assistance			<u>\$1,613,762</u>	<u>\$89,375</u>	<u>\$1,735,251</u>	<u>\$91,600</u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

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

NOTE D - NEGATIVE RECEIPTS

The negative receipt in the Innovative Education Program Grant, for fiscal year 2002, represents the elimination of this grant. This receipt was transferred into the fiscal year 2003 Innovative Education Program Grant special cost center.

The negative receipts in the Reading Excellence Reform Subsidy Grant and the Class Size Reduction Grant represents the elimination of these grants. These receipts were returned to the Ohio Department of Education.

NOTE E - TRANSFER OF FUNDS BETWEEN SPECIAL COST CENTERS

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

Grant, CFDA #, Fund, and Cost Center	Transfer out	Transfer in
Title 1, Part A, ESEA - # 84.010		
572-2002	\$(37,330)	
572-2003		\$37,330
Innovative Education Program Strategies - # 84.298		
573-2002	\$(837)	
573-2003		\$837
Class Size Reduction - # 84.340		
590-2082	\$(568)	
590-2083		\$568

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Sidney City School District
Shelby County
232 North Miami Street
Sidney, Ohio 45365

To the Members of the Board:

We have audited the financial statements of the Sidney City School District, Shelby County (the "School District") as of and for the year ended June 30, 2003, and have issued our report thereon dated January 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated January 26, 2004.

Sidney City School District
Shelby County
Independent Accountants' Report on Compliance and
on Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

January 26, 2004



Auditor of State Betty Montgomery

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

Sidney City School District
Shelby County
232 North Miami Street
Sidney, Ohio 45365

To the Members of the Board:

Compliance

We have audited the compliance of the Sidney City School District, Shelby County, ("the School District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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**Internal Control Over Compliance
(Continued)**

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

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

January 26, 2004

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A, ESEA (CFDA #84.010)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	ORC 5705.41 (B) – Expenditures exceeded appropriations for the period December 2001 through June of 2002 at the legal level of control	Yes	Corrected



**Auditor of State
Betty Montgomery**

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SIDNEY CITY SCHOOL DISTRICT

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 4, 2004**