



Dave Yost • Auditor of State

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Modified Cash Basis – June 30, 2016	13
Statement of Activities – Modified Cash Basis – For the Fiscal Year Ended June 30, 2016	14
Fund Financial Statements:	
Statement of Assets and Fund Balances – Modified Cash Basis – Governmental Funds – June 30, 2016.....	15
Statement of Receipts, Disbursements and Changes in Fund Balances – Modified Cash Basis – Governmental Funds – For the Fiscal Year Ended June 30, 2016	16
Statement of Receipts, Disbursements and Changes Cash Basis Fund Balance – Budget and Actual (Budget Basis) – General Fund – For the Fiscal Year Ended June 30, 2016	17
Statement of Fiduciary Net Position – Modified Cash Basis – Fiduciary Funds - June 30, 2016	18
Statement of Changes in Fiduciary Net Position – Modified Cash Basis – Private Purpose Trust Fund – For the Fiscal Year Ended June 30, 2016	19
Notes to the Basic Financial Statements	21
Schedule of Receipts and Expenditures of Federal Awards.....	49
Notes to the Schedule of Receipts and Expenditures of Federal Awards	50
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i>	51
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	53
Schedule of Findings	55
Summary Schedule of Prior Audit Findings	57
Corrective Action Plan.....	58

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sidney City School District, Shelby County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sidney City School District, Shelby County, Ohio, as of June 30, 2016, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 7, 2016

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**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

This discussion and analysis of the Sidney City School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- General receipts accounted for \$34,633,337 in receipts or 82.05% of all receipts. Program specific receipts in the form of charges for services and sales and operating grants and contributions accounted \$7,578,089 or 17.95% of total receipts of \$42,211,426.
- Total cash disbursements were \$40,098,768.
- In total, net cash position increased \$2,112,658.

Using this Annual Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting. This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Sidney City School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on the modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)**

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2016, within the limitations of modified cash basis accounting. The statement of net position-modified cash basis presents the cash balances and investments of the governmental activities of the District at fiscal year-end. The statement of activities-cash basis compares cash disbursements with program receipts for each District program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well, such as the District's property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District reflect the following category for its activities:

- **Governmental Activities** - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds-not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money is restricted as to how it may be used to ensure it being spent for the intended purpose. The funds of the District are categorized as governmental funds and fiduciary funds.

Governmental Funds - The District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The District's major governmental funds are the general fund and the bond retirement fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds - The District is the trustee, or fiduciary, for various student managed activity programs. The cash balances of the District's fiduciary activities are reported in separate statement of fiduciary net position-modified cash basis. These balances are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)**

The School District as a Whole

Table 1 provides a summary of the District's net cash position for 2016 compared to 2015.

**(Table 1)
Net Cash Position**

	Governmental Activities	
	2016	2015
Assets:		
Cash and Cash Equivalents	\$25,919,968	\$23,807,310
Total Assets	<u>\$25,919,968</u>	<u>\$23,807,310</u>
Net Cash Position:		
Restricted for:		
Capital Projects	\$47,161	\$54,654
Debt Service	4,787,910	4,941,362
Other Purposes	921,841	1,091,676
Unrestricted	20,163,056	17,719,618
Total Net Cash Position	<u>\$25,919,968</u>	<u>\$23,807,310</u>

Net cash position of governmental activities increased \$2,112,658 during fiscal year 2016. This increase is a result of increased state aid, including foundation revenues.

Table 2 shows the changes in net cash position on a modified cash basis for fiscal year 2016 compared to 2015:

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

	Governmental Activities 2016	Governmental Activities 2015
	Receipts:	
Program Receipts:		
Charges for Services and Sales	\$1,572,618	\$1,589,801
Operating Grants and Contributions	6,005,471	6,069,831
Total Program Receipts	<u>7,578,089</u>	<u>7,659,632</u>
General Receipts:		
Property and Other Local Taxes	13,956,814	14,166,372
Grants and Entitlements Not Restricted to Specific Programs	19,656,164	19,208,581
Payments in Lieu of Taxes	38,970	82,387
Interest	95,947	64,850
Proceeds of Debt Issue	675,000	750,000
Premium on Debt Issue	8,303	8,755
Miscellaneous	202,139	156,874
Total General Receipts	<u>34,633,337</u>	<u>34,437,819</u>
Total Receipts	<u>42,211,426</u>	<u>42,097,451</u>

(Continued)

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)**

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

	Governmental Activities 2016	Governmental Activities 2015
Disbursements:		
Instruction	24,008,532	22,222,015
Support Services	10,283,616	10,504,521
Food Service	1,530,845	1,498,871
Other non-instructional services	630,279	394,936
Extracurricular Activities	706,083	655,314
Capital Outlay	509,785	260,631
Debt Service	2,429,628	2,666,855
Total Disbursements	<u>40,098,768</u>	<u>38,203,143</u>
Increase in Net Cash Position	2,112,658	3,894,308
Net Cash Position, Beginning of Year	<u>23,807,310</u>	<u>19,913,002</u>
Net Cash Position, End of Year	<u>\$25,919,968</u>	<u>\$23,807,310</u>

Net position of the District increased \$2,112,658 or 8.87%. Receipts stayed consistent to fiscal year 2015.

Total disbursements increased in fiscal year 2016 by \$1,895,625 or 4.96%. The increase in disbursements for 2016 can be attributed to an increase in instructional disbursements during 2016.

Governmental Activities

If you look at the statement of activities - modified cash basis, you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for instruction and support services. The next two columns of the statement entitled program cash receipts identify amounts paid by people who are directly charged for the service and grants received by the District that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)**

**(Table 3)
Total and Net Cost of Program Services
Governmental Activities**

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Instruction	\$24,008,532	\$ 18,926,087	\$22,222,015	\$17,050,284
Support Services:				
Pupil and Instructional Staff	2,391,704	2,374,218	2,455,136	2,376,266
Board of Education, Administration				
Fiscal and Business	3,410,762	3,377,638	3,557,681	3,524,583
Operations and Maintenance	2,977,633	2,968,417	2,811,663	2,797,643
Pupil Transportation	824,612	737,107	903,958	819,966
Central	678,905	659,411	776,083	760,342
Food Service	1,530,845	36,635	1,498,871	11,482
Other non-instructional services	630,279	88,513	394,936	(94,351)
Extracurricular Activities	706,083	413,240	655,314	369,810
Capital Outlay	509,785	509,785	260,631	260,631
Debt Service	2,429,628	2,429,628	2,666,855	2,666,855
Total	\$40,098,768	\$32,520,679	\$38,203,143	\$30,543,511

The District Funds

The District's governmental funds are accounted for using the modified cash basis of accounting. All governmental funds had total cash receipts of \$41,490,428, cash disbursements of \$40,098,768 and other financing sources and uses of \$720,998.

The general fund cash balance increased by \$2,378,438 primarily due to an increase in intergovernmental revenue combined with the District's ability to control costs.

The bond retirement fund cash balance decreased by \$153,452. The bond retirement fund had cash receipts of \$1,521,718, cash disbursements of \$2,450,301, proceeds and premium from debt issuances of \$683,303 and transfers in of \$91,828.

General Fund Budgeting Highlights

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

During the course of fiscal year 2016, the District amended its general fund budget several times to reflect changing circumstances. For the general fund, final budget basis receipts were \$36,069,900, representing no change from the original estimate. Actual receipts were \$466,956 lower than the final budget.

Budgeted disbursements increased \$624,999 from the original to final and decreased \$615,508 from the final budget to the actual.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)**

Debt

The District had the following debt obligations outstanding at June 30, 2016 and 2015.

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

	Governmental Activities	
	2016	2015
Notes:		
Certificates of Participation Notes	\$675,000	\$750,000
Total Notes	<u>675,000</u>	<u>750,000</u>
General Obligation Bonds:		
2007 School Improvement Serial Bonds	15,515,000	16,455,000
2007 Original Issue of Capital Appreciation Bonds	110,000	110,000
Total General Obligation Bonds	<u>15,625,000</u>	<u>16,565,000</u>
Total Debt Obligation	<u><u>\$16,300,000</u></u>	<u><u>\$17,315,000</u></u>

Current Financial Related Activities

The District sustained its strong financial position in fiscal year 2016 by adding over \$2.37 million to its general fund balance ending June 30, 2016 at \$20,008,056.

In fiscal year 2016, the District's property tax revenue remained stable. In fiscal year 2014 the District placed a 5 year emergency levy renewal on the ballot that passed. The District anticipates property tax revenue to remain stable during the five year term of the emergency levy. All other operating levies are traditional and are permanent. As part of the long term plan to manage the district's carry over balance a 5 year permanent improvement levy was placed on the ballot in March 2016. Currently the \$250 - \$350 thousand dollars are transferred from the general fund to the permanent improvement fund to restrict funds that support the District's ongoing capital outlay needs.

The District's state funding increased in fiscal year 2016. This was the third consecutive year in which the District received an increase in state funding. The increase is primarily due to District's demographic makeup, property valuation and special education population aligned with many of the components in the funding formula for fiscal year 2016. This is the first time in 6 years that the District's state funding was not impacted by the funding cap.

One funding challenge that the District faces is the loss of the tangible personal property hold harmless payments. Starting with this fiscal year the hold harmless payment for fixed rate levies was once again targeted for phase out. Up to the current year the district received \$736,298 annually in hold harmless payments. With the phase out calculation in the current budget the district only received \$313,981 and this payment goes to zero in fiscal year 2017.

The District continued the strong stewardship of the public's funds by closely managing expenditure levels in salaries/benefits, purchased services, supplies and materials, capital outlay and other objects.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)**

At the close of fiscal year 2015 the District entered and completed contract negotiations with both the Sidney Education Association (SEA) and the Ohio Association of Public School Employees (OAPSE). Both unions and the board agreed to four year contracts beginning August 1, 2015 and ending July 31, 2019. Both negotiated agreements were favorable to the existing staff, attractive to potential prospects and was fiscally responsible for the District. The terms of the agreements were assumed for the salary administration of remaining nonunion staff members. Fiscal year 2016 was the first time in 4 years that District staff pay increased. The salary and benefits expenses increased by an average of 6.60% from fiscal year 2015. A factor helping the district to manage employee benefits was that the districts health insurance premiums remained the same as they were in fiscal year 2015.

Recent changes in the State Teachers Retirement System (STRS) contributed to the District's salary and benefit stabilization over the last several years but the turnover rate of teachers had slowed in fiscal year 2016 and we anticipate retirements to return to historical levels.

The District's greatest challenges for fiscal year 2016 continue to come from funding lost through resident students open enrolling to other school districts, students enrolling in Community Schools and the Parochial Schools access to the Jon Peterson and Autism scholarships which is funded through deductions from the public school district. All told the district loses more than \$4.6 million to these three programs. This was an increase of \$800,000 (21.05%) over the prior year.

The need for the passage of a permanent improvement levy was never more apparent than it was this year. In addition to the transfer of funds to the permanent improvement fund from the general fund each year the District budgets \$600,000 annually for general fund capital outlay. The actual expenditures in capital outlay this year topped \$800,000. Over \$100,000 of the extra came from a roof repair that was planned in a later year but needed to be address right away. Without a permanent improvement levy the capital needs of the District will continue to erode away at the general fund carry over balance.

In closing, the renewal of the District's emergency operating levy in May of 2014, the favorable state funding formula to date and the continued fiscally prudent expenditure approach of the District, the finances are forecast to be strong for a number of years to come.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Michael Watkins, Treasurer of Sidney City School District, 750 South Fourth Avenue, Sidney, Ohio 45365.

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**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2016**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$25,919,968
Total assets	25,919,968
 Net position:	
Restricted for:	
Capital projects	47,161
Debt service	4,787,910
Locally funded programs	23,877
State funded programs	182,152
Federally funded programs	45,712
Student activities	72,035
Other purposes	598,065
Unrestricted	20,163,056
Total net position	\$25,919,968

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Program Revenues			Net (Expense) Revenue Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$12,592,628	\$790,654	\$170,606	(\$11,631,368)
Special	6,455,628	94,014	4,010,445	(2,351,169)
Vocational	104,970		16,726	(88,244)
Other	4,855,306			(4,855,306)
Support services:				
Pupil	1,895,263			(1,895,263)
Instructional staff	496,441		17,486	(478,955)
Board of education	57,750			(57,750)
Administration	2,639,172		33,124	(2,606,048)
Fiscal	590,653			(590,653)
Business	123,187			(123,187)
Operations and maintenance	2,977,633	9,216		(2,968,417)
Pupil transportation	824,612	28,498	59,007	(737,107)
Central	678,905		19,494	(659,411)
Operation of non-instructional services:				
Other non-instructional services	630,279		541,766	(88,513)
Food service operations	1,530,845	365,396	1,128,814	(36,635)
Extracurricular activities	706,083	284,840	8,003	(413,240)
Capital outlay	509,785			(509,785)
Debt service:				
Principal retirement	1,690,000			(1,690,000)
Interest and fiscal charges	739,628			(739,628)
Totals	\$40,098,768	\$1,572,618	\$6,005,471	(\$32,520,679)

General receipts:

Property taxes levied for:

General purposes	12,925,269
Debt service	1,031,545
Payments in lieu of taxes	38,970
Proceeds from Certificates of Participation	675,000
Premiums from Certificates of Participation	8,303
Grants and entitlements not restricted to specific programs	19,656,164
Investment earnings	95,947
Miscellaneous	202,139
Total general receipts	34,633,337
Change in net position	2,112,658
Net position at beginning of year	23,807,310
Net position at end of year	25,919,968

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General</u>	<u>Bond Retirement</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$20,003,448	\$4,787,910	\$1,124,002	\$25,915,360
Restricted assets:				
Equity in pooled cash and cash equivalents	4,608			4,608
Total assets	<u>20,008,056</u>	<u>4,787,910</u>	<u>1,124,002</u>	<u>25,919,968</u>
Fund balances:				
Non-spendable:				
Unclaimed monies	4,608			4,608
Restricted:				
Debt service		4,787,910		4,787,910
Capital improvements			47,161	47,161
Food service operations			597,992	597,992
Non-public schools			168,813	168,813
Special education			7,932	7,932
Targeted academic assistance			37,735	37,735
Extracurricular			72,035	72,035
Other purposes			37,334	37,334
Committed:				
Capital improvements			155,000	155,000
Termination benefits	118,292			118,292
Scholarship loan	2,152			2,152
Assigned:				
Student instruction	75,305			75,305
Student and staff support	284,003			284,003
Unassigned	19,523,696			19,523,696
Total fund balances	<u>\$20,008,056</u>	<u>\$4,787,910</u>	<u>\$1,124,002</u>	<u>\$25,919,968</u>

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Bond Retirement</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
From local sources:				
Property and other local taxes	\$12,925,269	\$1,031,545		\$13,956,814
Tuition	813,247			813,247
Transportation fees	28,498			28,498
Earnings on investments	95,947		\$317	96,264
Charges for services			365,396	365,396
Payments in lieu of taxes	38,970			38,970
Extracurricular	60,395		224,445	284,840
Classroom materials and fees	71,421			71,421
Rental income	9,216			9,216
Contributions and donations	21,404		8,000	29,404
Other local revenues	143,040			143,040
Intergovernmental - intermediate			16,423	16,423
Intergovernmental - state	21,514,636	490,173	509,828	22,514,637
Intergovernmental - federal			3,122,258	3,122,258
Total receipts	<u>35,722,043</u>	<u>1,521,718</u>	<u>4,246,667</u>	<u>41,490,428</u>
Disbursements:				
Current:				
Instruction:				
Regular	12,414,943		177,685	12,592,628
Special	4,634,211		1,821,417	6,455,628
Vocational	104,970			104,970
Other	4,855,306			4,855,306
Support services:				
Pupil	1,857,383		37,880	1,895,263
Instructional staff	481,735		14,706	496,441
Board of education	57,750			57,750
Administration	2,604,611		34,561	2,639,172
Fiscal	569,980	20,673		590,653
Business	123,187			123,187
Operations and maintenance	2,928,515		49,118	2,977,633
Pupil transportation	824,612			824,612
Central	644,173		34,732	678,905
Operation of non-instructional services:				
Other operation of non-instructional	1,122		629,157	630,279
Food service operations			1,530,845	1,530,845
Extracurricular activities	502,007		204,076	706,083
Facilities acquisition and construction	239,290		270,495	509,785
Debt service:				
Principal retirement		1,690,000		1,690,000
Interest and fiscal charges		739,628		739,628
Total disbursements	<u>32,843,795</u>	<u>2,450,301</u>	<u>4,804,672</u>	<u>40,098,768</u>
Excess (deficiency) of receipts over (under) disbursements	2,878,248	(928,583)	(558,005)	1,391,660
Other financing sources (uses):				
Premium on certificates of participation		8,303		8,303
Sale of certificates of participation		675,000		675,000
Sale of assets	37,695			37,695
Transfers in		91,828	445,677	537,505
Transfers (out)	(537,505)			(537,505)
Total other financing sources (uses)	<u>(499,810)</u>	<u>775,131</u>	<u>445,677</u>	<u>720,998</u>
Net change in fund balances	2,378,438	(153,452)	(112,328)	2,112,658
Fund balances at beginning of year	17,629,618	4,941,362	1,236,330	23,807,310
Fund balances at end of year	<u>\$20,008,056</u>	<u>\$4,787,910</u>	<u>\$1,124,002</u>	<u>\$25,919,968</u>

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property and other local taxes	\$12,930,000	\$12,930,000	\$12,925,269	(\$4,731)
Payment in lieu of taxes	55,000	55,000	38,970	(16,030)
Tuition	833,500	833,500	813,247	(20,253)
Transportation fees	19,000	19,000	28,498	9,498
Earnings on investments	70,000	70,000	95,942	25,942
Classroom materials and fees	68,350	68,350	71,422	3,072
Rental income	15,600	15,600	9,216	(6,384)
Contributions and donations	125	125	17,126	17,001
Other local revenues	100,825	100,825	88,618	(12,207)
Intergovernmental - state	21,977,500	21,977,500	21,514,636	(462,864)
Total revenues	<u>36,069,900</u>	<u>36,069,900</u>	<u>35,602,944</u>	<u>(466,956)</u>
Expenditures:				
Current:				
Instruction:				
Regular	18,428,010	18,387,718	12,557,923	5,829,795
Special	1,839,239	1,852,453	4,661,270	(2,808,817)
Vocational	29,170	33,185	107,765	(74,580)
Other	4,788,861	4,758,049	4,865,522	(107,473)
Support services:				
Pupil	1,122,693	1,111,637	1,745,822	(634,185)
Instructional staff	373,780	371,252	483,021	(111,769)
Board of education	115,645	115,279	57,750	57,529
Administration	1,215,308	1,208,896	2,613,442	(1,404,546)
Fiscal	739,686	1,366,202	714,375	651,827
Business	113,640	130,492	143,771	(13,279)
Operations and maintenance	2,297,250	2,357,578	2,973,386	(615,808)
Pupil transportation	704,390	699,788	816,762	(116,974)
Central	704,249	704,970	660,918	44,052
Extracurricular activities	420,922	417,743	502,007	(84,264)
Facilities acquisition and construction	221,922	224,522	220,522	4,000
Total expenditures	<u>33,114,765</u>	<u>33,739,764</u>	<u>33,124,256</u>	<u>615,508</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,955,135</u>	<u>2,330,136</u>	<u>2,478,688</u>	<u>148,552</u>
Other financing sources (uses):				
Refund of prior year's expenditures			210,238	210,238
Transfers in			61,971	61,971
Transfers (out)	(776,500)	(776,500)	(637,505)	138,995
Sale of assets			37,695	37,695
Total other financing sources (uses)	<u>(776,500)</u>	<u>(776,500)</u>	<u>(327,601)</u>	<u>448,899</u>
Net change in fund balance	2,178,635	1,553,636	2,151,087	597,451
Fund balance at beginning of year	17,167,452	17,167,452	17,167,452	
Prior year encumbrances appropriated	209,765	209,765	209,765	
Fund balance at end of year	<u>\$19,555,852</u>	<u>\$18,930,853</u>	<u>\$19,528,304</u>	<u>\$597,451</u>

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2016**

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$115,927	\$97,079
Cash and cash equivalents with fiscal agent	31,391	
Investments with fiscal agent	15,452	
Total assets	162,770	97,079
Net position:		
Held in trust for scholarships	51,170	
Held for student activities		97,079
Endowment	111,600	
Total net position	\$162,770	\$97,079

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
PRIVATE PURPOSE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Scholarship</u>
Additions:	
Interest	\$9,364
Gifts and contributions	2,500
Total additions	<u>11,864</u>
Deductions:	
Scholarships awarded	<u>6,500</u>
Change in net position	5,364
Net position at beginning of year	<u>157,406</u>
Net position at end of year	<u><u>\$162,770</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, 2016**

1. DESCRIPTION OF THE DISTRICT

Sidney City School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state and federal guidelines.

The District is staffed by classified employees, certified teaching personnel and administrative employees who provide services to students and other community members. The District currently operates seven instructional/support buildings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

The District participates in three jointly governed organizations and two insurance pools, and is associated with a related organization. These organizations are the Western Ohio Computer Organization, Upper Valley Career Center, Southwestern Ohio Educational Purchasing Cooperative, Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust, Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Retrospective Rating Plan, and the Shelby County Libraries. These organizations are presented in Notes 11, 12, and 13 to the basic financial statements.

As discussed further in Note 2.B., these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the District's accounting policies.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

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

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

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

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

C. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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

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

D. Fund Accounting

The 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 District are divided into two categories, governmental and fiduciary.

1. Governmental Funds

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fiduciary Funds

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

E. Budgetary Process

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

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

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

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

1. Estimated Resources

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Appropriations

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

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

3. Encumbrances

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

4. Lapsing of Appropriations

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

F. Cash and Investments

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2016, the District's investments consisted of STAR Ohio, Federal Farm Credit Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corp, and Federal Home Loan Bank. 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 shares price, which is the price the investment could be sold for on June 30, 2016.

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

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2016 were \$95,947, which includes \$24,386 interest assigned from other District funds.

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

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

G. Restricted Assets

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

H. Capital Assets

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

I. Compensated Absences

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Debt Obligations

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

K. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants are recorded as receipts when the grant is received.

L. Inventory

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

M. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

N. Net Position

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

O. Fund Balance

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

1. Non-spendable

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

2. Restricted

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Committed

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

4. Assigned

Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

5. Unassigned

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

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

P. Interfund Activity

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

R. Receipts and Disbursements

1. Program Receipts

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

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

2. Disbursements

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

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above; provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
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 moneys available for investment at any one time; and,
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

A. Deposits

At fiscal year end, the District had \$31,391 in cash and cash equivalents with fiscal agent to accumulate proceeds to benefit the Hathaway Scholarship Fund.

At fiscal year end, the carrying amount of the District's deposits was \$19,193,383. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosures," as of June 30, 2016, \$17,818,373 of the District's bank balance of \$20,700,458 was exposed to custodial risk as discussed below, while \$2,882,085 was covered by Federal Deposit Insurance Corporation (FDIC), which includes \$2,520,439 held in a STAR Plus account.

As of June 30, 2016, the District has \$1,324 in un-deposited cash on hand. This amount is included in equity in pooled cash and investments.

B. Investments

As of June 30, 2016, the District had the following investments which are rated by Moody's:

Investment type	Cost Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	24 to 60 months
FFCB	\$2,091,050			\$599,000	\$250,000	\$1,242,050
FHLB	2,500,152				500,000	2,000,152
FHLMC	749,805			249,750		500,055
FNMA	1,494,500					1,494,500
STAR Ohio	102,760					
Total	<u>\$6,938,267</u>	<u>\$102,760</u>	<u>\$0</u>	<u>\$848,750</u>	<u>\$750,000</u>	<u>\$5,236,757</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

1. Interest Rate Risk

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

2. Credit Risk

The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

3. Custodial Credit Risk

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

4. Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer; however, State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The following table includes the percentage of each investment type held by the District at June 30, 2016:

<u>Investment Type</u>	<u>Cost Value</u>	<u>% of Total</u>
FFCB	\$2,091,050	30.14
FHLB	2,500,152	36.03
FHLMC	749,805	10.81
FNMA	1,494,500	21.54
STAR Ohio	102,760	1.48
Total	<u>\$6,938,267</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

<u>Cash and investments per note:</u>	
Carrying amount of deposits	\$19,193,383
Investments	6,938,267
Cash with fiscal agent	31,391
Investments with fiscal agent	15,452
Cash on hand	1,324
Total	\$26,179,817

<u>Cash and investments per financial statements</u>	
Governmental activities	\$25,919,968
Private-purpose trust fund	162,770
Agency funds	97,079
Total	\$26,179,817

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015 and are collected in 2016 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

The District receives property taxes from Logan and Shelby Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

5. PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential	\$334,012,020	72.30	\$333,031,410	71.69
Commercial/industrial	112,094,270	24.26	115,710,990	24.91
Public utility personal	15,911,410	3.44	15,770,630	3.40
Total	<u>\$462,017,700</u>	<u>100.00</u>	<u>\$464,513,030</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$46.10		\$46.10	

6. PAYMENTS IN LIEU OF TAXES

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

7. RISK MANAGEMENT

The 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 2016, the District contracted for the following insurance coverage:

Ohio School Plan	
General School District Liability	
Per Occurrence	\$1,000,000
General Aggregate	1,000,000
Building and Contents - replacement cost	92,155,534
Ohio School Plan	
Computer Equipment	1,000,000
Ohio School Plan	
Automobile Liability	6,000,000
Uninsured Motorists	1,000,000
Ohio School Plan	
Commercial Umbrella	
General Aggregate	5,000,000

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

7. RISK MANAGEMENT (Continued)

The District participates in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool consisting of seventy Districts. The 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 2016, the District participated in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Retrospective Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The Plan is divided into numerous tiers based on participant experience. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in that tier. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the Plan.

8. PENSION PLANS

A. Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

8. PENSION PLANS (Continued)

B. Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$637,638 for fiscal year 2016.

C. Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)

Plan Description - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

8. PENSION PLANS (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

8. PENSION PLANS (Continued)

The District's contractually required contribution to STRS Ohio was \$2,000,075 for fiscal year 2016.

D. Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS Ohio	Total
Proportionate share of the net pension liability	\$8,065,037	\$34,298,301	\$42,363,338
Proportion of the net pension liability	0.141341%	0.1241025%	

E. Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage inflation	3.25 percent
Future salary increases, including inflation	4.00 percent to 22 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

8. PENSION PLANS (Continued)

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$11,183,309	\$8,065,037	\$5,439,196

Changes Between Measurement Date and Report Date - In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

8. PENSION PLANS (Continued)

F. Actuarial Assumptions - STRS Ohio

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above. Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

8. PENSION PLANS (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$47,642,937	\$34,298,301	\$23,013,430

9. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$102,355, and \$65,919, respectively. 100 percent has been contributed for fiscal years 2015 and 2014.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$130,855, respectively; 100 percent has been contributed for fiscal year 2014.

10. DEBT OBLIGATIONS

Changes in the District's debt obligations during fiscal year 2016 were as follows:

	<u>Interest Rate</u>	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/16</u>	<u>Due Within One Year</u>
Governmental Activities:						
Certificate of Participation Notes						
November 5, 2015	2.250%		\$675,000		\$675,000	\$675,000
November 6, 2014	2.250%	\$750,000		(\$750,000)		
Total Notes		<u>750,000</u>	<u>675,000</u>	<u>(750,000)</u>	<u>675,000</u>	<u>675,000</u>
General Obligation Bonds						
2007 School Improvement Refunding Serial Bonds	4-5%	16,455,000		(940,000)	15,515,000	
2007 Original Issue of Capital Appreciation Bonds	33-33.291%	110,000			110,000	62,459
Total General Obligation Bonds		<u>16,565,000</u>		<u>(940,000)</u>	<u>15,625,000</u>	<u>62,459</u>
Total Debt Obligations		<u>\$17,315,000</u>	<u>\$675,000</u>	<u>(\$1,690,000)</u>	<u>\$16,300,000</u>	<u>\$737,459</u>

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

10. DEBT OBLIGATIONS (Continued)

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

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

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

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

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

At June 30, 2016, \$15,515,000 of the refunded debt was still outstanding.

Principal and interest requirements to retire the debt obligations outstanding at June 30, 2016, were as follows:

Fiscal Year Ending June 30,	Serial Bonds	Capital Appreciation Bonds	Notes	Interest/ Accretion	Total
2017		\$62,459	\$675,000	\$1,676,944	\$2,414,403
2018		47,541		1,686,771	1,734,312
2019	\$1,070,000			672,550	1,742,550
2020	1,155,000			616,925	1,771,925
2021	1,215,000			559,194	1,774,194
2022 - 2026	7,590,000			1,857,438	9,447,438
2027 - 2029	4,485,000			241,109	4,726,109
Total	<u>\$15,515,000</u>	<u>\$110,000</u>	<u>\$675,000</u>	<u>\$7,310,931</u>	<u>\$23,610,931</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

11. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is a council of governments within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member Districts within each county. During fiscal year 2016, the District paid \$134,827 to WOCO for various services. Financial information can be obtained from the WOCO Fiscal Officer, 129 East Court Street, Sidney, Ohio 45365.

B. Upper Valley Career Center

The Upper Valley Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from each of the seven participating districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following Districts: Bradford Exempted Village District, Covington Exempted Village District, and Miami County Educational Service Center. Two members are appointed from the following city and/or local Districts: Piqua, Sidney, Troy and Shelby County Educational Service Center. During fiscal year 2016, the District paid Upper Valley Career Center \$3,211 for various services. To obtain financial information write to the Upper Valley Career Center at 8811 Career Drive, Piqua, Ohio 45356-9254.

C. Southwestern Ohio Educational Purchasing Cooperative

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) was established in 1986 among educational entities located in southwestern Ohio to purchase instructional and operational supplies and materials. The SOEPC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. The SOEPC is governed by an elected Board consisting of ten representatives of the educational entities and the superintendent from the Montgomery County Educational Service Center. The Board, except for the superintendent from the Montgomery County Educational Service Center, is elected from an Assembly consisting of a representative from each participating educational entity. During fiscal year 2016, the District paid SOEPC \$1,892 for annual membership fees. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Drive, Suite 208, Vandalia, Ohio 45377.

12. INSURANCE POOLS

A. Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool consisting of seventy 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, 2016
(Continued)**

12. 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, 303 Corporate Drive, Suite 208, Vandalia, Ohio 45377.

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

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

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

13. RELATED ORGANIZATION

The Shelby County Libraries 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 District for operational subsidies. Although the 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 Shelby County Libraries, 230 East North Street, Sidney, Ohio 45365.

14. CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2016, if applicable, cannot be determined at this time.

B. Litigation

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

14. CONTINGENCIES (Continued)

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

D. Significant Encumbrances

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

<u>Fund</u>	<u>Amount</u>
General Fund	\$215,520
All Other Governmental:	
Food Service	27,314
Student Activities	860
Auxiliary Services	49,973
Title I	417
Other Grant Funds	968
Total Governmental Funds	<u>\$295,052</u>

15. BUDGETARY BASIS OF ACCOUNTING

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

15. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Change in Fund Balance	
	General
Budget Basis	\$2,151,087
Funds Budgeted Elsewhere**	15,700
Adjustment For Encumbrances	215,520
Adjustment for Other reclassifications	(3,869)
Modified Cash Basis	\$2,378,438

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

16. STATUTORY RESERVES

The District is required by state law to set aside certain general fund receipt amounts, as defined, into a reserve. During the fiscal year ended June 30, 2016, the reserve activity was as follows:

	Capital Acquisition
Set-aside reserve balance June 30, 2015	
Current year set-aside requirement	\$598,623
Current year qualifying disbursements	(790,416)
Current year offsets	0
Total	(\$191,793)
Balance carried forward to fiscal year 2017	\$0
Set-aside balance June 30, 2016	\$0

17. INTERFUND TRANSACTIONS

During fiscal year 2016, the General Fund transferred \$91,828 to the bond retirement fund to be used for debt service payments, and also transferred \$445,677 to other governmental funds to subsidize the activities of those funds.

18. LEASE ACTIVITY

During fiscal year 2016 the District replaced the Xerox office equipment lease that commenced on July 15, 2011 with a lease with Perry ProTech. This lease is expected to end during fiscal year 2020. Lease payments during fiscal year 2016 were \$80,196. Future lease payments are as follows:

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

18. LEASE ACTIVITY (Continued)

	<u>Amount</u>
2017	\$80,196
2018	80,196
2019	80,196
2020	80,196
	<u>\$320,784</u>

SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
Team Nutrition Grants	10.574	N/A	\$2,400		\$2,400	
Child Nutrition Cluster:						
School Breakfast Program	10.553	N/A	236,434		236,434	
National School Lunch Program	10.555	N/A	870,750	\$108,285	870,750	\$108,285
Total Child Nutrition Cluster			<u>1,107,184</u>	<u>108,285</u>	<u>1,107,184</u>	<u>108,285</u>
Total U.S. Department of Agriculture			<u>1,109,584</u>	<u>108,285</u>	<u>1,109,584</u>	<u>108,285</u>
U.S. Department of Education						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	84.010A	1,000,700		1,044,751	
Special Education Cluster						
Special Education_Grants to States	84.027	N/A	824,847		869,926	
Special Education_Preschool Grants	84.173	84.173	11,159		11,159	
Total Special Education Cluster			<u>836,006</u>		<u>881,085</u>	
English Language Acquisition State Grants	84.365	N/A	13,538		15,295	
Improving Teacher Quality State Grants	84.367	84.367A	161,592		167,573	
Total U.S. Department of Education			<u>2,011,836</u>		<u>2,108,704</u>	
Total Federal Financial Assistance			<u>\$3,121,420</u>	<u>\$108,285</u>	<u>\$3,218,288</u>	<u>\$108,285</u>

N/A - No pass through entity identifying number was provided.

The accompanying notes are an integral part of this schedule.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Sidney City School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures and receipts reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following as applicable either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Districts* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sidney City School District, Shelby County, (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2016, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

District's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

December 7, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Sidney City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Sidney City School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Sidney City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 7, 2016

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies: CFDA #84.010 Special Education Cluster: Special Education – Grants to States: CFDA #84.027 Special Education – Preschool Grants: CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2016-001

Noncompliance – Annual Financial Reporting

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

Ohio Admin. Code §117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared its financial statements for fiscal year 2016 following the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code §117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

Officials' Response:

Sidney City Schools does not prepare its annual financial statements in according to generally accepted accounting principles because the district does not believe that GAAP statements add significant value to the presentation of its financial position to justify the additional expense associated with the preparation and audit.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B) – Failure to File a GAAP Basis Report	Not Corrected	The district is taking this action as a cost-savings measure.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR 200.511(c)
JUNE 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	No corrective action is planned. Sidney City Schools does not prepare its annual financial statements in according to generally accepted accounting principles because the district does not believe that GAAP statements add significant value to the presentation of its financial position to justify the additional expense associated with the preparation and audit.	N/A	Michael Watkins, Treasurer



Dave Yost • Auditor of State

SIDNEY CITY SCHOOL DISTRICT

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 2, 2017**