



Mary Taylor, CPA
Auditor of State

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis – For the Fiscal Year Ended June 30, 2007	3
Statement of Net Assets - June 30, 2007	11
Statement of Activities - For the Fiscal Year Ended June 30, 2007	12
Balance Sheet – Governmental Funds - June 30, 2007	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities - June 30, 2007	15
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds - For the Fiscal Year Ended June 30, 2007	16
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – For the Fiscal Year Ended June 30, 2007.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund – For the Fiscal Year Ended June 30, 2007	18
Statement of Fund Net Assets – Enterprise Fund – June 30, 2007	19
Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Fund - For the Fiscal Year Ended June 30, 2007	20
Statement of Cash Flows – Enterprise Fund – For the Fiscal Year Ended June 30, 2007	21
Statement of Fiduciary Net Assets – June 30, 2007.....	22
Statement of Change in Fiduciary Net Assets – Private Purpose Trust Funds - For the Fiscal Year Ended June, 30, 2007	23
Notes to the Basic Financial Statements - For the Fiscal Year Ended June 30, 2007	25
Schedule of Federal Awards Expenditures – For the Year Ended June 30, 2007	55
Notes to the Schedule of Federal Awards Expenditures - For the Fiscal Year Ended June 30, 2007	56
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance And Other Matters Required by <i>Government Auditing Standards</i>	57
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance In Accordance with OMB Circular A-133	59
Schedule of Findings – OMB Circular A-133	61

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion & Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Mary Taylor, CPA
Auditor of State

February 25, 2008

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of Sidney City School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

USING THIS ANNUAL REPORT

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

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

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the School District's net assets for fiscal year 2007 and fiscal year 2006.

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activity		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and Other Assets	\$22,836,181	\$27,433,933	\$ 11,743	\$ 88,512	\$22,847,924	\$27,522,445
Capital Assets, Net	29,067,635	29,428,214	2,109,662	2,166,310	31,177,297	31,594,524
Total Assets	51,903,816	56,862,147	2,121,405	2,254,822	54,025,221	59,116,969
Liabilities						
Current and Other Liabilities	17,502,654	19,804,013	167,150	179,844	17,669,804	19,983,857
Long-Term Liabilities	26,036,288	27,043,188	50,214	54,013	26,086,502	27,097,201
Total Liabilities	43,538,942	46,847,201	217,364	233,857	43,756,306	47,081,058
Net Assets						
Invested in Capital Assets, Net of Related Debt	6,967,292	6,542,495	2,109,662	2,166,310	9,076,954	8,708,805
Restricted	1,676,920	1,693,288			1,676,920	1,693,288
Unrestricted (Deficit)	(279,338)	1,779,163	(205,621)	(145,345)	(484,959)	1,633,818
Total Net Assets	\$ 8,364,874	\$10,014,946	\$1,904,041	\$2,020,965	\$10,268,915	\$12,035,911

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Total assets decreased \$5,091,748, or almost 9 percent. This decrease is reflected in current and other assets and is due to monies spent for increased costs for salaries and benefits as well as a decrease in property taxes receivable due to the State's process of eliminating tangible personal property taxes.

Current and other liabilities decreased due to the State's process of eliminating tangible personal property taxes and its effect on deferred revenue. Long-term liabilities continue to decrease from the repayment of principal due on general obligation bonds issued to construct the new middle school and additions to the high school.

Unrestricted net assets decreased due to the spending of cash reserves.

For business-type activities, the deficit in unrestricted net assets increased by \$60,276. The increase is the result of operating expenses continuing to be significantly higher than program revenues.

Table 2 reflects the change in net assets for fiscal year 2007 and fiscal year 2006.

**Table 2
Change in Net Assets**

	Governmental Activities		Business-Type Activity		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues						
Charges for Services	\$1,090,018	\$1,362,369	\$754,528	\$760,018	\$1,844,546	\$2,122,387
Operating Grants, Contributions, and Interest	3,923,575	3,825,166	735,060	819,569	4,658,635	4,644,735
Capital Grants and Contributions	75,304	51,328			75,304	51,328
Total Program Revenues	5,088,897	5,238,863	1,489,588	1,579,587	6,578,485	6,818,450
General Revenues						
Property Taxes	16,022,435	17,413,198			16,022,435	17,413,198
Payment in Lieu of Taxes	242,247	268,062			242,247	268,062
Grants and Entitlements not Restricted to Specific Programs	13,762,507	11,511,302			13,762,507	11,511,302
Interest	549,089	486,437			549,089	486,437
Miscellaneous	155,900	162,133			155,900	162,133
Total General Revenues	30,732,178	29,841,132			30,732,178	29,841,132
Total Revenues	35,821,075	35,079,995	1,489,588	1,579,587	37,310,663	36,659,582
Transfers	(36,000)	(20,000)	36,000	20,000		
Total Revenues and Transfers	35,785,075	35,059,995	1,525,588	1,599,587	37,310,663	36,659,582
Expenses:						
Instruction:						
Regular	17,442,241	16,523,608			17,442,241	16,523,608
Special	4,096,673	3,893,307			4,096,673	3,893,307
Vocational	85,482	66,405			85,482	66,405

(Continued)

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets
(Continued)**

	Governmental Activities		Business-Type Activity		Total	
	2007	2006	2007	2006	2007	2006
Support Services:						
Pupils	1,884,663	1,806,154			1,884,663	1,806,154
Instructional Staff	2,263,344	2,097,046			2,263,344	2,097,046
Board of Education	14,523	30,490			14,523	30,490
Administration	2,820,423	2,745,503			2,820,423	2,745,503
Fiscal	741,650	815,555			741,650	815,555
Business	120,927	163,621			120,927	163,621
Operation and Maintenance of Plant	3,146,968	2,996,431			3,146,968	2,996,431
Pupil Transportation	1,360,439	1,365,510			1,360,439	1,365,510
Central	717,726	750,969			717,726	750,969
Non-instructional Services	629,842	562,074			629,842	562,074
Extracurricular Activities	842,859	786,757			842,859	786,757
Intergovernmental	0	1,016				1,016
Interest and Fiscal Charges	1,267,387	1,260,338			1,267,387	1,260,338
Food Service			1,642,512	1,673,579	1,642,512	1,673,579
Total Expenses	<u>37,435,147</u>	<u>35,864,784</u>	<u>1,642,512</u>	<u>1,673,579</u>	<u>39,077,659</u>	<u>37,538,363</u>
Decrease in Net Assets	(1,650,072)	(804,789)	(116,924)	(73,992)	(1,766,996)	(878,781)
Net Assets at Beginning of Year	10,014,946	10,819,735	2,020,965	2,094,957	12,035,911	12,914,692
Net Assets at End of Year	<u>\$8,364,874</u>	<u>\$10,014,946</u>	<u>\$1,904,041</u>	<u>\$2,020,965</u>	<u>\$10,268,915</u>	<u>\$12,035,911</u>

For governmental activities, overall program revenues did not change significantly from the prior fiscal year and remained at approximately 14 percent of total revenues. General revenues also remained fairly consistent with the prior fiscal year; however, property tax revenues decreased as the amount for tangible personal property taxes were reduced. Grants and entitlements not restricted to specific programs increased from additional Foundation revenues and the tangible personal property reimbursement received during fiscal year 2007.

Total expenses for governmental activities increased by 4 percent due principally from salaries and benefits increases required by the union agreements. The major program expense was regular instruction which accounted for 47 percent of all governmental expenses. This is comparable to fiscal year 2006.

For business-type activities, program revenues decreased by 6 percent and total expenses decreased by almost 2 percent. Neither are significant changes from fiscal year 2006.

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction:				
Regular	\$17,442,241	\$16,523,608	\$16,648,606	\$15,377,424
Special	4,096,673	3,893,307	784,245	898,569
Vocational	85,482	66,405	70,328	53,764
Support Services:				
Pupils	1,884,663	1,806,154	1,756,462	1,576,228
Instructional Staff	2,263,344	2,097,046	2,263,344	2,097,046
Board of Education	14,523	30,490	14,523	30,490
Administration	2,820,423	2,745,503	2,820,423	2,745,503
Fiscal	741,650	815,555	741,650	815,555
Business	120,927	163,621	120,927	163,621
Operation and Maintenance of Plant	3,146,968	2,996,431	3,146,968	2,996,431
Pupil Transportation	1,360,439	1,365,510	1,203,211	1,207,222
Central	717,726	750,969	690,726	723,969
Non-instructional Services	629,842	562,074	157,993	81,343
Extracurricular Activities	842,859	786,757	659,457	597,402
Intergovernmental	0	1,016	0	1,016
Interest and Fiscal Charges	1,267,387	1,260,338	1,267,387	1,260,338
Total Expenses	\$37,435,147	\$35,864,784	\$32,346,250	\$30,625,921

General revenues provided for 86 percent of the cost of total operations in fiscal year 2007, a slight increase over fiscal year 2006. Funding for special instruction from state and federal grants, along with excess costs charges, increased to 81 percent in fiscal year 2007 from 77 percent in fiscal year 2006. Non-instructional expenses associated with the parochial and Christian schools are almost fully funded with operating grants. All other functions stayed relatively the same when comparing total cost of services against what was received as revenues for those programs.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The School District's major governmental funds are the General Fund and Bond Retirement debt service fund.

Property tax revenues decreased by 8 percent in the General Fund as the School District's financial statements reflect the beginning of the elimination of tangible personal property taxes. Intergovernmental revenues increased from receiving the tangible personal property reimbursement as well as additional Foundation revenues. Overall revenues increased 4 percent.

Expenditures increased over 6 percent in the General Fund. The increase was primarily from union negotiated increases in salaries and related fringe benefits.

Property tax revenues in the Bond Retirement debt service fund continue to be sufficient to cover debt service requirements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The only business-type activity of the School District is the food service operation. This program had revenues of \$1,489,588 and expenses of \$1,642,512 for fiscal year 2007. The School District increased lunch charges; however, the increase was not sufficient to cover the costs of providing student lunches. In addition, the School District received fewer commodities in fiscal year 2007 and there was a decrease in the number of lunches eligible for Federal grant reimbursements.

BUDGETARY HIGHLIGHTS

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute. The School District's most significant budgeted fund is the General Fund. During fiscal year 2007, the School District amended its General Fund budget as needed. The School District uses a modified form of site-based budgeting. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

For the General Fund, final budgeted revenues did not change from the School District's original estimates. Actual revenues were only 2.5 percent higher than the final budget.

The final appropriations decreased slightly from the original budget. Total expenditures of \$31,877,598 remained below the final appropriations. The major difference between final appropriations and actual expenditures is from conservative spending patterns as compared to budgeted amounts at the site level.

The School District appropriates at the object level for the General Fund; therefore, negative expenditure variances may occur because the financial statements are reported at the function level.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - For governmental activities, capital assets were offset by annual depreciation expense resulting in an overall change of only 1 percent. For business-type activities the decrease is the result of depreciation expense being greater than the purchase of new capital assets. For further information regarding the School District's capital assets, refer to Note 9 the basic financial statements.

Debt

The voters of the School District approved, at an election held on November 7, 2000, the issuance of bonds and a 3.7 mill levy to pay the principal and interest thereon. The School District has two outstanding general obligation bond issues, in the amount of \$17,567,465 and \$3,640,000, respectively. These bond issues were for the construction of a new middle school and renovations at the high school. The School District also has two outstanding bond anticipation notes, in the amount of \$1,200,000 and \$660,000, respectively. The \$1,200,000 issue was for the renovations at the high school. The \$660,000 issue was for energy conservation projects in four of the School District's instructional buildings. The School District also had outstanding certificates of participation notes, in the amount of \$1,360,000, for the construction of an administration building near the middle and high school buildings.

The School District paid off the asbestos removal loan with the U. S. Environmental Protection Agency, in fiscal year 2007.

The School District entered into capital leases for equipment during fiscal year 2007, in the amount of \$184,593.

In addition to the debt outlined above, the School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 16 the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

CURRENT ISSUES

Increases in the budget for fiscal year 2008 were necessary for the increasing costs of salaries and benefits given to the School District's employees through union negotiations.

Due to State Legislature cuts in the State budget, the implementation of property tax cuts was accelerated for tangible personal property for business inventory as well as machinery, equipment, and furniture and fixtures. When fully implemented, the tax reduction for the business taxes will reduce the tax base for the School District by \$117,887,232, which is an approximate 20 percent decrease.

On October 17, 2007, the School District issued Various Purpose Refunding Bonds, in the amount of \$18,339,988, to refund portions of the 2001 School Improvement general obligation bonds and the 2002 School Improvement general obligation bonds, in the amount of \$15,345,000 and \$2,995,000, respectively. The refunding serial bonds have interest rates ranging from 4 to 4.5 percent. The refunding capital appreciation bonds have interest rates ranging from 33.001 to 33.291 percent. The approximate savings in interest from the partial refunding of the two bond issues was \$1,325,007.

The School District placed a 1.5 percent income tax levy for general operations on the November 2007 ballot. The income tax would generate \$5,700,000 annually. The levy was voted down by 66.42 percent of the vote.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the School District's finances for all those interested in our School District's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Michael T. Watkins, Treasurer, Sidney City School District, 750 South Fourth Street, Sidney, Ohio 45365.

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**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$7,586,546	\$19,869	\$7,606,415
Accounts Receivable	112,829	30	112,859
Internal Balance	100,000	(100,000)	
Intergovernmental Receivable	881,237		881,237
Prepaid Items	13,578		13,578
Inventory Held for Resale		86,090	86,090
Materials and Supplies Inventory	59,216	5,754	64,970
Property Taxes Receivable	13,908,799		13,908,799
Unamortized Issuance Costs	173,976		173,976
Nondepreciable Capital Assets	182,740		182,740
Depreciable Capital Assets, Net	28,884,895	2,109,662	30,994,557
Total Assets	<u>51,903,816</u>	<u>2,121,405</u>	<u>54,025,221</u>
Liabilities:			
Accounts Payable	68,797	724	69,521
Accrued Wages and Benefits Payable	3,571,666	116,236	3,687,902
Separation Benefits Payable	4,000	3,250	7,250
Intergovernmental Payable	751,036	46,940	797,976
Accrued Interest Payable	167,302		167,302
Deferred Revenue	12,939,853		12,939,853
Long-Term Liabilities:			
Due Within One Year	697,948	13,050	710,998
Due in More Than One Year	25,338,340	37,164	25,375,504
Total Liabilities	<u>43,538,942</u>	<u>217,364</u>	<u>43,756,306</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	6,967,292	2,109,662	9,076,954
Restricted For:			
Debt Service	828,880		828,880
Capital Projects	448,999		448,999
Other Purposes	399,041		399,041
Unrestricted (Deficit)	(279,338)	(205,621)	(484,959)
Total Net Assets	<u>\$8,364,874</u>	<u>\$1,904,041</u>	<u>\$10,268,915</u>

See accompanying notes to basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
Governmental Activities:				
Instruction:				
Regular	\$17,442,241	\$452,666	\$316,451	\$24,518
Special	4,096,673	365,417	2,947,011	
Vocational	85,482		15,154	
Support Services:				
Pupils	1,884,663	88,679	39,522	
Instructional Staff	2,263,344			
Board of Education	14,523			
Administration	2,820,423			
Fiscal	741,650			
Business	120,927			
Operation and Maintenance of Plant	3,146,968			
Pupil Transportation	1,360,439		133,442	23,786
Central	717,726			27,000
Noninstructional Services	629,842		471,849	
Extracurricular Activities	842,859	183,256	146	
Interest and Fiscal Charges	1,267,387			
Total Governmental Activities	<u>37,435,147</u>	<u>1,090,018</u>	<u>3,923,575</u>	<u>75,304</u>
Business-Type Activity				
Food Service	1,642,512	754,528	735,060	
Totals	<u>\$39,077,659</u>	<u>\$1,844,546</u>	<u>\$4,658,635</u>	<u>\$75,304</u>

General Revenues:

Property Taxes Levied for:

General Purposes
Debt Service
Permanent Improvements
Payment in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Interest
Miscellaneous
Total General Revenues

Transfers
Total General Revenues and Transfers

Change in Net Assets

Net Assets at Beginning of Year
Net Assets at End of Year

See accompanying notes to the basic financial statements.

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

Governmental Activities	Business-Type Activity	Total
(\$16,648,606)		(\$16,648,606)
(784,245)		(784,245)
(70,328)		(70,328)
(1,756,462)		(1,756,462)
(2,263,344)		(2,263,344)
(14,523)		(14,523)
(2,820,423)		(2,820,423)
(741,650)		(741,650)
(120,927)		(120,927)
(3,146,968)		(3,146,968)
(1,203,211)		(1,203,211)
(690,726)		(690,726)
(157,993)		(157,993)
(659,457)		(659,457)
(1,267,387)		(1,267,387)
<u>(32,346,250)</u>		<u>(32,346,250)</u>
	(\$152,924)	(152,924)
<u>(32,346,250)</u>	<u>(152,924)</u>	<u>(32,499,174)</u>
13,924,403		13,924,403
1,562,624		1,562,624
535,408		535,408
242,247		242,247
13,762,507		13,762,507
549,089		549,089
155,900		155,900
<u>30,732,178</u>		<u>30,732,178</u>
(36,000)	36,000	
<u>30,696,178</u>	<u>36,000</u>	<u>30,732,178</u>
(1,650,072)	(116,924)	(1,766,996)
10,014,946	2,020,965	12,035,911
<u>\$8,364,874</u>	<u>\$1,904,041</u>	<u>\$10,268,915</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$5,427,571	\$1,220,018	\$915,171	\$7,562,760
Accounts Receivable	105,228		7,601	112,829
Interfund Receivable	110,599			110,599
Intergovernmental Receivable	498,408		382,829	881,237
Prepaid Items	10,942		2,636	13,578
Materials and Supplies Inventory	56,805		2,411	59,216
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	23,786			23,786
Property Taxes Receivable	12,021,112	1,391,837	495,850	13,908,799
Total Assets	<u><u>\$18,254,451</u></u>	<u><u>\$2,611,855</u></u>	<u><u>\$1,806,498</u></u>	<u><u>\$22,672,804</u></u>
Liabilities and Fund Balances:				
Liabilities				
Accounts Payable	52,888		15,909	68,797
Accrued Wages and Benefits Payable	3,226,543		345,123	3,571,666
Interfund Payable			10,599	10,599
Intergovernmental Payable	683,575		67,461	751,036
Accrued Interest Payable			8,575	8,575
Notes Payable			352,000	352,000
Deferred Revenue	11,751,851	1,284,962	871,917	13,908,730
Total Liabilities	<u><u>15,714,857</u></u>	<u><u>1,284,962</u></u>	<u><u>1,671,584</u></u>	<u><u>18,671,403</u></u>
Fund Balances:				
Reserved for Property Taxes	728,458	106,875	14,206	849,539
Reserved for Bus Purchases	23,786			23,786
Reserved for Encumbrances	208,355		93,789	302,144
Unreserved, Designated for Termination Benefits			63,677	63,677
Unreserved, Reported in:				
General Fund	1,578,995			1,578,995
Special Revenue Funds (Deficit)			(41,685)	(41,685)
Debt Service Fund		1,220,018		1,220,018
Capital Projects Funds			4,927	4,927
Total Fund Balances	<u><u>2,539,594</u></u>	<u><u>1,326,893</u></u>	<u><u>134,914</u></u>	<u><u>4,001,401</u></u>
Total Liabilities and Fund Balances	<u><u>\$18,254,451</u></u>	<u><u>\$2,611,855</u></u>	<u><u>\$1,806,498</u></u>	<u><u>\$22,672,804</u></u>

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total Governmental Fund Balances		\$4,001,401
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		29,067,635
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	\$104,018	
Intergovernmental Receivable	745,452	
Property Taxes Receivable	119,407	
		968,877
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		173,976
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Separation Benefits Payable	(4,000)	
Accrued Interest Payable	(158,727)	
Notes Payable	(2,868,000)	
Capital Leases Payable	(165,981)	
General Obligation Bonds Payable	(21,207,465)	
Compensated Absences Payable	(1,442,842)	
		(25,847,015)
Net Assets of Governmental Activities		\$8,364,874

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Revenues:				
Property Taxes	\$13,984,495	\$1,570,027	\$537,007	\$16,091,529
Payment in Lieu of Taxes	242,247			242,247
Intergovernmental	14,427,937	499,361	2,512,719	17,440,017
Interest	546,742		6,850	553,592
Tuition and Fees	1,001,912			1,001,912
Extracurricular Activities			272,261	272,261
Contributions and Donations	16,840		5,500	22,340
Miscellaneous	130,059	14,464	41,614	186,137
Total Revenues	<u>30,350,232</u>	<u>2,083,852</u>	<u>3,375,951</u>	<u>35,810,035</u>
Expenditures:				
Current:				
Instruction:				
Regular	16,644,035		534,113	17,178,148
Special	2,926,327		1,157,317	4,083,644
Vocational	82,682			82,682
Support Services:				
Pupils	1,711,423		121,495	1,832,918
Instructional Staff	1,593,156		626,454	2,219,610
Board of Education	14,523			14,523
Administration	2,716,711		107,284	2,823,995
Fiscal	657,668	56,177	6,640	720,485
Business	90,971			90,971
Operation and Maintenance of Plant	2,899,248		2,300	2,901,548
Pupil Transportation	1,249,490		8,178	1,257,668
Central	652,849		58,206	711,055
Non-instructional Services			613,259	613,259
Extracurricular Activities	547,389		180,961	728,350
Capital Outlay	184,593		573,529	758,122
Debt Service:				
Principal Retirement	18,612	692,059		710,671
Current Refunding			352,000	352,000
Interest and Fiscal Charges	10,311	1,075,047	142,292	1,227,650
Total Expenditures	<u>31,999,988</u>	<u>1,823,283</u>	<u>4,484,028</u>	<u>38,307,299</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,649,756)</u>	<u>260,569</u>	<u>(1,108,077)</u>	<u>(2,497,264)</u>
Other Financing Sources (Uses):				
Bond Anticipation Notes Issued		2,868,000		2,868,000
Current Refunding		(2,868,000)		(2,868,000)
Inception of Capital Lease	184,593			184,593
Transfers In		9,892	585,796	595,688
Transfers Out	(457,422)		(174,266)	(631,688)
Total Other Financing Sources (Uses)	<u>(272,829)</u>	<u>9,892</u>	<u>411,530</u>	<u>148,593</u>
Changes in Fund Balances	(1,922,585)	270,461	(696,547)	(2,348,671)
Fund Balances at Beginning of Year	4,462,179	1,056,432	831,461	6,350,072
Fund Balances at End of Year	<u>\$2,539,594</u>	<u>\$1,326,893</u>	<u>\$134,914</u>	<u>\$4,001,401</u>

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Changes in Fund Balances - Total Governmental Funds (\$2,348,671)

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

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

Nondepreciable Capital Assets	\$230,235	
Depreciable Capital Assets	306,371	
Depreciation	<u>(880,285)</u>	(343,679)

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (16,900)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	(69,094)	
Intergovernmental	294,526	
Tuition and Fees	(183,829)	
Extracurricular Activities	(326)	
Miscellaneous	<u>(11,665)</u>	29,612

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

Notes Payable	3,220,000	
General Obligation Bonds	685,000	
Asbestos Removal Loan	7,059	
Capital Leases	<u>18,612</u>	3,930,671

Note proceeds are other financing sources in the governmental funds, but the issuance increases long-term liabilities on the statement of net assets. (2,868,000)

The inception of a capital lease is an other financing source in the governmental funds but the issuance increases long-term liabilities on the statement of net assets. (184,593)

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

Annual Accretion	(46,685)	
Amortization of Discount	(7,157)	
Amortization of Premium	15,439	
Accrued Interest Payable	<u>4,304</u>	(34,099)

Issuance costs are reported as an expenditure when paid in the governmental funds but is accrued on outstanding debt on the statement of net assets. (5,638)

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Separation Benefits Payable	24,000	
Compensated Absences Payable	<u>167,225</u>	
		191,225

Change in Net Assets of Governmental Activities (\$1,650,072)

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$13,702,104	\$13,702,104	\$13,993,662	\$291,558
Payment in Lieu of Taxes	260,000	260,000	242,247	(17,753)
Intergovernmental	14,342,231	14,342,231	14,427,937	85,706
Interest	450,180	450,180	546,742	96,562
Tuition and Fees	777,000	777,000	919,243	142,243
Contributions and Donations			16,840	16,840
Miscellaneous			135,087	135,087
Total Revenues	<u>29,531,515</u>	<u>29,531,515</u>	<u>30,281,758</u>	<u>750,243</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,380,199	14,371,618	14,018,522	353,096
Special	3,184,812	3,165,022	2,964,509	200,513
Vocational	76,258	76,958	81,253	(4,295)
Other	2,495,288	2,653,288	2,631,006	22,282
Support Services:				
Pupils	1,760,499	1,761,649	1,709,328	52,321
Instructional Staff	1,605,935	1,611,043	1,574,733	36,310
Board of Education	14,787	14,787	14,124	663
Administration	2,789,845	2,796,705	2,723,440	73,265
Fiscal	711,208	707,071	659,940	47,131
Business	154,367	154,367	120,447	33,920
Operation and Maintenance of Plant	3,198,942	3,015,468	2,947,089	68,379
Pupil Transportation	1,290,781	1,312,305	1,334,065	(21,760)
Central	638,534	502,534	594,380	(91,846)
Extracurricular Activities	494,678	495,318	504,762	(9,444)
Total Expenditures	<u>32,796,133</u>	<u>32,638,133</u>	<u>31,877,598</u>	<u>760,535</u>
Excess of Revenues				
Under Expenditures	<u>(3,264,618)</u>	<u>(3,106,618)</u>	<u>(1,595,840)</u>	<u>1,510,778</u>
Other Financing Uses:				
Advances Out			(105,000)	(105,000)
Transfers Out	<u>(300,000)</u>	<u>(458,000)</u>	<u>(457,422)</u>	<u>578</u>
Total Other Financing Uses	<u>(300,000)</u>	<u>(458,000)</u>	<u>(562,422)</u>	<u>(104,422)</u>
Changes in Fund Balance	(3,564,618)	(3,564,618)	(2,158,262)	1,406,356
Fund Balance at Beginning of Year	7,095,320	7,095,320	7,095,320	
Prior Year Encumbrances Appropriated	<u>263,397</u>	<u>263,397</u>	<u>263,397</u>	
Fund Balance at End of Year	<u>\$3,794,099</u>	<u>\$3,794,099</u>	<u>\$5,200,455</u>	<u>\$1,406,356</u>

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FUND NET ASSETS
ENTERPRISE FUND
JUNE 30, 2007**

	Food Service
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$19,869
Accounts Receivable	30
Inventory Held for Resale	86,090
Materials and Supplies Inventory	5,754
Total Current Assets	111,743
 Non-Current Assets:	
Depreciable Capital Assets, Net	2,109,662
Total Assets	2,221,405
 Liabilities:	
Current Liabilities:	
Accounts Payable	724
Accrued Wages and Benefits Payable	116,236
Interfund Payable	100,000
Separation Benefits Payable	3,250
Compensated Absences Payable	13,050
Intergovernmental Payable	46,940
Total Current Liabilities	280,200
 Long-Term Liabilities:	
Compensated Absences Payable	37,164
Total Liabilities	317,364
 Net Assets:	
Invested in Capital Assets	2,109,662
Unrestricted (Deficit)	(205,621)
Total Net Assets	\$1,904,041

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Food Service
Operating Revenues:	
Sales	\$754,528
Operating Expenses:	
Salaries	543,947
Fringe Benefits	326,582
Purchased Services	21,000
Materials and Supplies	76,513
Cost of Sales	614,162
Capital Outlay	0
Depreciation	59,948
Total Operating Expenses	1,642,152
Operating Loss	(887,624)
Non-Operating Revenues (Expenses)	
Federal Donated Commodities	101,160
Operating Grants	633,900
Loss on Disposal of Capital Assets	(360)
Total Non-Operating Revenues (Expenses)	734,700
Loss Before Transfers	(152,924)
Transfers In	36,000
Change in Net Assets	(116,924)
Net Assets at Beginning of Year	2,020,965
Net Assets at End of Year	\$1,904,041

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Food Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$755,009
Cash Payments for Salaries	(548,732)
Cash Payments for Fringe Benefits	(339,014)
Cash Payments for Goods and Services	(626,305)
Net Cash Used for Operating Activities	(759,042)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	633,900
Cash Received from Advances	100,000
Cash Received from Transfers	36,000
Net Cash Provided by Noncapital Financing Activities	769,900
Cash Flows from Capital and Related Financing Activities:	
Cash Payments for Capital Assets	(3,660)
Net Increase in Cash and Cash Equivalents	7,198
Cash and Cash Equivalents at Beginning of Year	12,671
Cash and Cash Equivalents at End of Year	\$19,869
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$887,624)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	59,948
Donated Commodities Received During Year	101,160
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	343
Decrease in Interfund Receivable	138
Increase in Inventory Held for Resale	(16,704)
Decrease in Materials and Supplies Inventory	190
Increase in Accounts Payable	724
Decrease in Accrued Wages and Benefits Payable	(6,097)
Increase in Separation Benefits Payable	3,250
Decrease in Compensated Absences Payable	(3,799)
Decrease in Intergovernmental Payable	(10,571)
Net Cash Used for Operating Activities	(\$759,042)

Non-Cash Transactions

During fiscal year 2007, the Food Service enterprise fund received donated commodities, in the amount of \$101,160.

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$126,907	\$90,959
Cash and Cash Equivalents		
with Fiscal Agent	20,142	
Investments with Fiscal Agent	217,161	
Accounts Receivable		1,659
Total Assets	364,210	\$92,618
Liabilities:		
Undistributed Assets		\$43,576
Due to Students		49,042
Total Liabilities		\$92,618
Net Assets:		
Endowments	111,600	
Held in Trust for Students	252,610	
Total Net Assets	\$364,210	

See accompanying notes to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Additions:

Interest	\$48,227
Gifts and Donations	1,000
Total Additions	<u>49,227</u>

Deductions:

Non-instructional Services	<u>6,625</u>
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Change in Net Assets 42,602

Net Assets at Beginning of Year 321,608

Net Assets at End of Year \$364,210

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, 2007**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is the 108th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by one hundred ninety-nine classified employees, two hundred sixty-three certified teaching personnel, and twenty-five administrative employees who provide services to 3,933 students and other community members. The School District currently operates eleven instructional/support buildings.

A. Reporting Entity

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

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

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

The School District participates in three jointly governed organizations and two insurance pools, and is associated with a related organization. These organizations are the Upper Valley Joint Vocational School, West Central Ohio Special Education Regional Resource Center, Southwestern Ohio Educational Purchasing Cooperative, Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust, Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan, and the Amos Memorial Public Library. These organizations are presented in Notes 21, 22, and 23 to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

2. Proprietary Fund

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

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

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

3. Fiduciary Funds

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

1. Government-Wide Financial Statements

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

2. Fund Financial Statements

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

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

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

D. Basis of Accounting

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

1. Revenues - Exchange and Non-exchange Transactions

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

2. Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

3. Expenses/Expenditures

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

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund and object level for the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at the function level in the General Fund and the function and object within all other funds are made by the Treasurer.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

F. Cash and Investments

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

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

During fiscal year 2007, the School District's investments included nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007, was \$546,742, which includes \$109,385 assigned from other School District funds.

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Unamortized Issuance Costs, Premiums, and Discounts

On government-wide financial statements, issuance costs, premiums, and discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges. Bond premiums are presented as an addition to the face amount of bonds payable. Bond discounts are presented as a reduction to the face amount of bonds payable.

On the governmental fund financial statements, issuance costs and bond premiums and discounts are recognized in the current period.

J. Capital Assets

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Assets/Liabilities

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

L. Compensated Absences

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

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

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, long-term loans, and capital leases are recognized as liabilities on the fund financial statements when due.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for music and athletic programs and federal and state grants restricted to expenditure for specified purposes. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School District did not have any net assets restricted by enabling legislation at June 30, 2007.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balance Reserves and Designations

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, bus purchases, and encumbrances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation for termination benefits represents monies set aside by the Board of Education for the future payment of those benefits.

P. Operating Revenues and Expenses

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

Q. Interfund Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

R. Estimates

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2007, the Miscellaneous State, IDEA B, English Literacy, Title I, Title VI, Drug Free, Title II A, and Miscellaneous Federal special revenue funds had deficit fund balances of \$6,313, \$105,029, \$873, \$55,979, \$15,617, \$3,344, \$11,891, and \$965, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

At June 30, 2007, the Buildings capital projects fund had a deficit fund balance, in the amount of \$360,575, due to reporting notes payable as a fund liability. The deficit will be alleviated when sufficient revenues are received to retire the notes.

B. Compliance

The following funds had expenditures plus outstanding encumbrances in excess of appropriations for the fiscal year ended June 30, 2007.

<u>Fund Type/Fund/Object</u>	<u>Variance</u>
General Fund	
Other Financing Uses	\$105,000
Enterprise Fund	
Lunchroom	19,175

The General Fund is appropriated at the object level; whereas, all other funds are appropriated at the fund level.

The School District will monitor fund activity more closely towards fiscal year end to stay within estimated resources and appropriations.

4. BUDGETARY BASIS OF ACCOUNTING

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Changes in Fund Balance

GAAP Basis	(\$1,922,585)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2006, Received in Cash FY 2007	798,724
Accrued FY 2007, Not Yet Received in Cash	(867,198)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(3,763,103)
Accrued FY 2007, Not Yet Paid in Cash	3,957,307
Prepaid Items	195
Materials and Supplies Inventory	(101)
Advances Out	(105,000)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(256,501)
Budget Basis	(\$2,158,262)

5. DEPOSITS AND INVESTMENTS

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$7,806,457 of the School District's bank balance of \$8,215,793 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

At June 30, 2007, the School District had \$96,805 invested in STAR Ohio. STAR Ohio had an average maturity of 38.56 days and carries a rating of AAA by Standard and Poor's. The School District has no policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

6. RECEIVABLES

Receivables at June 30, 2007, consisted of accounts (rent and student fees), interfund, intergovernmental, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Tuition and Fees	\$114,552
Excess Costs	281,947
Substitute Reimbursement	9,888
Paraprofessional Reimbursement	4,430
CAFS	79,212
Transportation	826
Miscellaneous	7,553
Total General Fund	498,408
Other Governmental Funds	
Miscellaneous State	27,236
IDEA B	176,949
English Proficiency	1,506
Title I	90,529
Title VI	23,012
Drug Free	11,982
Handicap Preschool	10,452
Title II A	39,589
Miscellaneous Federal	1,574
Total Other Governmental Funds	382,829
Total Intergovernmental Receivable	\$881,237

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after October 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Logan and Shelby Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2007, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$728,458 in the General Fund, \$106,875 in the Bond Retirement debt service fund, and \$14,206 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2006, was \$739,690 in the General Fund, \$108,681 in the Bond Retirement debt service fund, and \$14,316 in the Permanent Improvement capital projects fund.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. PROPERTY TAXES (Continued)

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

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$272,770,200	54.68%	\$299,136,980	60.21%
Industrial/Commercial	111,063,650	22.26	114,927,850	23.13
Public Utility	16,477,550	3.30	15,776,400	3.18
Tangible Personal	98,564,641	19.76	66,993,030	13.48
Total Assessed Value	<u>\$498,876,041</u>	<u>100.00%</u>	<u>\$496,834,260</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.13		\$43.13	

8. PAYMENT IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The payment is received annually either as an agreed upon flat amount per year or based on a percentage of income tax revenue received by the City of Sidney for additional employees employed from the expansion. Most of the agreements are for a ten year period. The property owners' contractually promise to make these payments in lieu of taxes until the agreement expires.

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$ 182,740			\$ 182,740
Construction in Progress	118,065	\$230,235	(\$348,300)	
Total Non-depreciable Capital Assets	<u>300,805</u>	<u>230,235</u>	<u>(348,300)</u>	<u>182,740</u>
Depreciable Capital Assets				
Land Improvements	247,806	51,279		299,085
Buildings and Building Improvements	30,311,701	297,021		30,608,722
Furniture, Fixtures, and Equipment	1,262,011	306,371	(44,798)	1,523,584
Vehicles	1,984,268		(49,329)	1,934,939
Total Depreciable Capital Assets	<u>33,805,786</u>	<u>654,671</u>	<u>(94,127)</u>	<u>34,366,330</u>

(Continued)

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. CAPITAL ASSETS (Continued)

	<u>Balance at 6/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/07</u>
Less Accumulated Depreciation				
Land Improvements	(112,144)	(14,022)		(126,166)
Buildings and Building Improvements	(2,948,404)	(628,093)		(3,576,497)
Furniture, Fixtures, and Equipment	(690,970)	(111,899)	34,195	(768,674)
Vehicles	(926,859)	(126,271)	43,032	(1,010,098)
Total Accumulated Depreciation	<u>(4,678,377)</u>	<u>(880,285)</u>	<u>77,227</u>	<u>(5,481,435)</u>
Depreciable Capital Assets, Net	<u>29,127,409</u>	<u>(225,614)</u>	<u>(16,900)</u>	<u>28,884,895</u>
Governmental Activities Capital Assets, Net	<u>29,428,214</u>	<u>4,621</u>	<u>(365,200)</u>	<u>29,067,635</u>
Business-Type Activity				
Depreciable Capital Assets				
Buildings and Building Improvements	1,926,250			1,926,250
Furniture, Fixtures, and Equipment	657,977	3,660	(2,560)	659,077
Vehicles	15,004			15,004
Total Depreciable Capital Assets	<u>2,599,231</u>	<u>3,660</u>	<u>(2,560)</u>	<u>2,600,331</u>
Less Accumulated Depreciation				
Buildings and Building Improvements	(205,437)	(29,687)		(235,124)
Furniture, Fixtures, and Equipment	(216,943)	(29,265)	2,200	(244,008)
Vehicles	(10,541)	(996)		(11,537)
Total Accumulated Depreciation	<u>(432,921)</u>	<u>(59,948)</u>	<u>2,200</u>	<u>(490,669)</u>
Business-Type Activity Capital Assets, Net	<u>\$2,166,310</u>	<u>(\$56,288)</u>	<u>(\$ 360)</u>	<u>\$2,109,662</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$470,808
Special	26,778
Vocational	2,800
Support Services:	
Pupils	16,636
Instructional Staff	17,635
Administration	22,215
Fiscal	10,394
Business	29,956
Operation and Maintenance of Plant	18,917
Pupil Transportation	110,372
Central	36,028
Non-instructional Services	29,659
Extracurricular Activities	88,087
Total Depreciation Expense	<u>\$880,285</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

10. INTERFUND ASSETS/LIABILITIES

At June 30, 2007, the General Fund had an interfund receivable for short-term loans to other governmental funds and the Food Service enterprise fund, in the amount of \$10,599 and \$100,000, respectively. The interfund receivable will be repaid within one year.

11. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted for the following insurance coverage:

Netherlands Insurance Company	
General School District Liability	
Per Occurrence	\$1,000,000
General Aggregate	2,000,000
Buildings and Contents - replacement cost	73,168,186
Earthquake	1,000,000
Computer Equipment	1,570,900
Consolidated Insurance Company	
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Midwestern Indemnity Company	
Commercial Umbrella	
General Aggregate	5,000,000

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

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

For fiscal year 2007, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The Plan is divided into numerous tiers based on participant experience. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in that tier. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the Plan.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005 was \$2,077,423, \$2,006,918 and \$1,916,875, respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007 were \$9,987 made by the School District and \$54,841 made by plan members.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.68 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 was \$494,014, \$478,566 and \$458,956, respectively; 50 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2007, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

13. POST-EMPLOYMENT BENEFITS

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$160,570.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 eligible benefit recipients.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

13. POST-EMPLOYMENT BENEFITS (Continued)

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the School District, the amount to fund health care benefits, including the surcharge, was \$223,324 for fiscal year 2007.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006 (the latest available information), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits.

14. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Certain administrators receive twenty days of vacation per year and may accumulate a total of sixty days. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and other administrative staff do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Teachers may accumulate sick leave up to a maximum of two hundred fifty days through thirty years of service and two hundred sixty days for thirty-one or more years of service. Administrators may accumulate unlimited sick leave days. Classified employees may accumulate sick leave up to two hundred fifty days. Upon retirement, payment is made for 25 percent of the first one hundred twenty days of accrued, but unused sick leave plus 15 percent of any remaining accrued, but unused sick leave for teachers and certain administrators with less than thirty years of service up to a maximum of forty-eight days. For teachers and administrators, except the superintendent, with more than thirty years of service, payment is made for 25 percent of the first one hundred twenty days of accrued, but unused sick leave plus 20 percent of any remaining accrued, but unused sick leave up to a maximum of fifty-eight days. For the superintendent with ten years of service and qualified for retirement, payment is made for 25 percent of the first one hundred twenty days of accrued, but unused sick leave plus 10 percent of any remaining accrued, but unused sick leave up to the maximum granted to other certificated employees of the School District. Upon retirement, payment is made for 25 percent of the first one hundred twenty days of accrued, but unused sick leave plus 15 percent of any remaining accrued, but unused sick leave to a maximum of forty-eight days for classified employees.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

14. OTHER EMPLOYEE BENEFITS (Continued)

B. Health Care Benefits

The School District provides medical and dental insurance benefits to most employees through the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust. The Board pays the entire monthly premium, except for part-time employees who pay a pro-rated portion for their benefits.

The School District also provides life insurance to active, full-time employees through the Hartford Life and Accident Insurance Company.

C. Separation Benefits

For fiscal year 2007, the School District offered a separation benefit, in the amount of \$12,000, to any teacher with thirty or more years of experience who submitted a letter of retirement to the superintendent between September 1 and April 1 and completed the school year. This offer expired August 1, 2007.

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

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

This offer expired June 30, 2007.

At June 30, 2007, the School District had a liability for separation benefits, in the amount of \$7,250. Separation benefits are paid within sixty days after the application for retirement is filed.

15. NOTES PAYABLE

The School District's note activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Interest Rate</u>	<u>Balance at 6/30/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2007</u>	<u>Due Within One Year</u>
Governmental Activities						
Energy Conservation Notes						
December 14, 2005	4.00%	\$ 727,000		\$ 727,000		
November 30, 2006	4.28		\$ 660,000		\$ 660,000	\$ 67,000
School Improvement Notes						
December 14, 2005	4.00	1,400,000		1,400,000		
November 30, 2006	4.07		1,200,000		1,200,000	200,000
Certificates of Participation Notes						
December 14, 2005	4.00	1,445,000		1,445,000		
November 30, 2006	4.18		1,360,000		1,360,000	85,000
Total Governmental Activities		<u>\$3,572,000</u>	<u>\$3,220,000</u>	<u>\$3,572,000</u>	<u>\$3,220,000</u>	<u>\$352,000</u>

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. NOTES PAYABLE (Continued)

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

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

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

16. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	<u>Balance at 6/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/07</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
2001 School Improvement					
Serial Bonds 3.4 - 5%	\$2,360,000		\$590,000	\$ 1,770,000	\$130,000
Term Bonds 5.1 - 5.25%	15,345,000			15,345,000	
Original Issue of Capital Appreciation Bonds					
15.92 - 29.35%	89,992			89,992	
Accretion on Capital Appreciation Bonds	136,537	\$ 46,685		183,222	
Serial and Term Bond Discount	(228,023)	7,157		(220,866)	
Capital Appreciation Premium	415,556		15,439	400,117	
Total 2001 School Improvement	<u>18,119,062</u>	<u>53,842</u>	<u>605,439</u>	<u>17,567,465</u>	<u>130,000</u>
2002 School Improvement					
Serial Bonds 2.5 - 5%	1,275,000		95,000	1,180,000	95,000
Term Bonds 5.125 - 5.625%	2,460,000			2,460,000	
Total 2002 School Improvement	<u>3,735,000</u>		<u>95,000</u>	<u>3,640,000</u>	<u>95,000</u>
Total General Obligation Bonds	<u>21,854,062</u>	<u>53,842</u>	<u>700,439</u>	<u>21,207,465</u>	<u>225,000</u>
1987 Asbestos Removal Loan 0%	7,059		7,059		
Capital Leases		184,593	18,612	165,981	31,287
Compensated Absences Payable	1,610,067	12,994	180,219	1,442,842	89,661
Total Governmental Activities					
Long-Term Liabilities	<u>\$23,471,188</u>	<u>\$251,429</u>	<u>\$906,329</u>	<u>\$22,816,288</u>	<u>\$345,948</u>
Business-Type Activity					
Compensated Absences	<u>\$ 54,013</u>	<u>\$1,575</u>	<u>\$5,374</u>	<u>\$50,214</u>	<u>\$13,050</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

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

Series A Term Bonds

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

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

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

Series B Term Bonds

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2015 through 2018 (with the balance of \$430,000 to be paid at stated maturity on December 1, 2019), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

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

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

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

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

The capital appreciation bonds were sold at a premium of \$461,098. The capital appreciation bonds will mature in fiscal years 2014 and 2015. The maturity amount of the bonds is \$1,090,000. For fiscal year 2007, \$46,685 was accreted for a total bond value of \$273,214.

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

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

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

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

16. LONG-TERM OBLIGATIONS (Continued)

Capital leases will be paid from the General Fund.

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

The School District's overall debt margin was \$15,244,018 with an unvoted debt margin of \$414,322 at June 30, 2007.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2007, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2008	\$ 225,000	\$129,737		\$926,829
2009	325,000	118,261		926,828
2010	365,000	103,320		926,829
2011	425,000	85,883		926,829
2012	525,000	64,576		926,829
2013-2017	1,085,000	94,830	\$ 1,300,000	4,569,374
2018-2022			5,195,000	3,667,078
2023-2027			7,660,000	2,014,477
2028-2029			3,650,000	184,563
Totals	\$2,950,000	\$596,607	\$17,805,000	\$15,069,636

Fiscal Year Ending	General Obligation Bonds Capital Appreciation	
	Principal	Interest
	2013-2015	\$89,992

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

17. CAPITALIZED LEASES – LESSEE DISCLOSURE

The School District has entered into capitalized leases for equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Capital Outlay" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balances for governmental funds. Principal payments in fiscal year 2007 were \$18,612.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

17. CAPITALIZED LEASES – LESSEE DISCLOSURE (Continued)

	Governmental Activities
Property under Capital Lease	\$184,593
Less Accumulated Depreciation	(24,544)
Present Value of Net Minimum Lease Payments	\$160,049

Future long-term minimum lease payments required under the capital lease are as follows:

Fiscal Year Ending	Principal	Interest
2008	\$ 31,287	\$18,300
2009	34,674	14,913
2010	38,409	11,178
2011	42,544	7,043
2012	19,067	1,594
	\$165,981	\$53,028

18. SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	Textbooks	Capital Improvements
Balance June 30, 2006	(\$2,243,680)	(\$23,828,033)
Current Year Set Aside Requirement	566,342	566,342
Qualifying Expenditures	(1,013,424)	(283,980)
Current Year Offsets	(282,362)	(282,362)
Amount Carried Forward to Fiscal Year 2008	(\$2,690,762)	(\$23,828,033)

The School District had carryover balances and qualifying expenditures during the fiscal year that reduced the textbooks and capital improvements set aside amounts below zero. These amounts may be used to reduce the set aside requirements of future fiscal years.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

19. INTERFUND TRANSFERS

During fiscal year 2007, the General Fund made transfers to the Bond Retirement debt service fund, in the amount of \$7,060, as debt payments became due; to other governmental funds, in the amount of \$414,362, to set aside resources for future severance payments, to make debt payments as they became due, and to subsidize activities of other funds; and to the Food Service enterprise fund, in the amount of \$36,000 to subsidize activities of the fund.

Other governmental funds made transfers to the Bond Retirement debt service fund, in the amount of \$2,832, to close out the Building capital projects fund and to other governmental funds, in the amount of \$171,434, to subsidize activities of other funds and to make debt service payments when due.

20. DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust funds include donor restricted endowments. Endowments, in the amount of \$111,600, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$252,610 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments indicate that the interest should be used to provide scholarships each year.

21. JOINTLY GOVERNED ORGANIZATIONS

A. Upper Valley Joint Vocational School

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

B. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent of the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

21. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Southwestern Ohio Educational Purchasing Cooperative

The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) was established in 1986 among educational entities located in southwestern Ohio to purchase instructional and operational supplies and materials. The SOEPC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. The SOEPC is governed by an elected Board consisting of ten representatives of the educational entities and the superintendent from the Montgomery County Educational Service Center. The Board, except for the superintendent from the Montgomery County Educational Service Center, is elected from an Assembly consisting of a representative from each participating educational entity. During fiscal year 2007, the School District paid \$1,949 to the SOEPC for various services. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

22. INSURANCE POOLS

A. Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

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

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

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

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

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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

23. RELATED ORGANIZATIONS

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

24. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

B. Litigation

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

25. SUBSEQUENT EVENTS

On October 17, 2007, the School District issued Various Purpose Refunding Bonds, in the amount of \$18,339,988, to refund portions of the 2001 School Improvement general obligation bonds and the 2002 School Improvement general obligation bonds, in the amount of \$15,345,000 and \$2,995,000, respectively. The refunding serial bonds have interest rates ranging from 4 to 4.5 percent. The refunding capital appreciation bonds have interest rates ranging from 33.001 to 33.291 percent. A premium, in the amount of \$1,450,217, was received from the issuance of the new bonds. The net proceeds of \$19,540,151 (after payments of \$250,054 in underwriter fees, insurance, and other issuance costs) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded general obligation bonds.

On November 20, 2007, the School District issued bond anticipation notes, in the amount of \$593,000, to retire notes previously issued for energy conservation projects. The notes have an interest rate of 4.25 percent and mature on November 18, 2008.

On November 20, 2007, the School District issued bond anticipation notes, in the amount of \$1,000,000, to retire notes previously issued for constructing, improving, and making additions to school buildings. The notes have an interest rate of 4 percent and mature on November 18, 2008.

On November 20, 2007, the School District issued \$1,275,000 in certificates of participation notes to retire notes previously issued for the construction of a new administration building. The notes have an interest rate of 4 percent and mature on November 18, 2008.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture (Passed through State Dept. of Education)						
Food Donation Program	N/A	10.550		\$101,160		\$101,160
Nutrition Cluster:						
School Breakfast Program	044784-05-PU-06 044784-05-PU-07	10.553	\$20,214 93,323		\$20,214 93,323	
Total School Breakfast Program			113,537		113,537	
National School Lunch Program	044784-LL-P4-06 044784-LL-P4-07	10.555	86,504 405,750		86,504 405,750	
Total National School Lunch Program			492,254		492,254	
Total Nutrition Cluster			605,791		605,791	
Total U.S. Department of Agriculture			605,791	101,160	605,791	101,160
U.S. Department of Education (Passed through State Dept. of Education)						
<i>Special Education Cluster:</i>						
Special Education_Grants to States	044784-6B-SF-06 044784-6B-SF-07 044784-6B-SD-06	84.027	105,119 954,494 3,918		180,203 893,246 2,709	
Total Special Education_Grants to States			1,063,531		1,076,158	
Special Education_Preschool Grants	044784-PG-S1-07	84.173	19,468		18,941	
Total Special Education Cluster			1,082,999		1,095,099	
Title I Grants to Local Educational Agencies	044784-C1-S1-06 044784-C1-S1-07	84.010	92,910 652,279		121,251 585,808	
Total Title I Grants to Local Educational Agencies			745,189		707,059	
Safe and Drug Free Schools and Communities	044784-DR-S1-07	84.186	4,234		8,616	
State Grants for Innovative Programs	044784-C2-S1-06 044784-C2-S1-07	84.298	1,766 7,005		2,532 78,715	
Total State Grants for Innovative Programs			8,771		81,247	
Education Technology State Grants	044784-TJS1-06 044784-TJS1-07	84.318	1,972 6,216		2,129 7,468	
Total Education Technology State Grants			8,188		9,597	
English Language Acquisition Grants	044784-T3S1-06 044784-T3S2-06 044784-T3S1-07	84.365	2,087 670 17,750		3,874 1,262 15,806	
Total English Language Acquisition Grants			20,507		20,942	
Improving Teacher Quality State Grants	044784-TRS1-06 044784-TRS1-07	84.367	22,141 149,684		37,992 74,479	
Total Improving Teacher Quality State Grants			171,825		112,471	
Total U.S. Department of Education			2,041,713		2,035,031	
Total Federal Financial Assistance			\$2,647,504	\$101,160	\$2,640,822	\$101,160

See accompanying notes to the Schedule of Federal Awards Expenditures.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION PROGRAM

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. At June 30, 2007, the School District had no significant food commodities in inventory.

NOTE C - NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. The schedule presents federal dollars only.

NOTE D - MATCHING REQUIREMENTS

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Government's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Government's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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A material weakness is a significant deficiency, or combination of deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We also noted certain internal control matters that we reported to the School District's management in a separate letter dated February 25, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 25, 2008.

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

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



Mary Taylor, CPA
Auditor of State

February 25, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Sidney City School District, Shelby County, (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the Sidney City School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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**Internal Control Over Compliance
(Continued)**

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Government's ability to administer a federal program such that there is more than a remote likelihood that the Government's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated February 28, 2008.

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



Mary Taylor, CPA
Auditor of State

February 25, 2008

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster – CFDA 10.553 & 10.555 Special Education Cluster – CFDA 84.027 & 84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2007-001

Material Noncompliance / Significant Weakness

Ohio Adm. Code Section 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts.

Budgeted revenues were not posted in the School District's budgetary accounting system until February 2007 and the May 2007 revenue amendments were never entered into the system. By not monitoring or updating budgetary changes, there is a possibility that the School District may violate budgetary compliance requirements. In addition, management cannot provide the Board with accurate budget to actual revenue information to monitor year to date performance.

The School District should post budgeted revenues into the computer system and update those amounts whenever revenue amendments are made.

Officials Response:

Budgeted revenues will be posted in a timely manner beginning in fiscal year 2009. Fiscal year 2008 budgeted revenues were not posted in a timely manner due to the Treasurer's unfamiliarity with the current accounting software (S & F Software). This situation is correctable in fiscal year 2009 due to the District converting its accounting software from S&F to the State USAS & USPS Software.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
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
MARCH 27, 2008**