



Mary Taylor, CPA
Auditor of State

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

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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, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, (the School District), as of and for the fiscal year ended June 30, 2008, 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.

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, as of June 30, 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General and the Food Service Special Revenue Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the fiscal year ended June 30, 2008, the School District changed its financial presentation to a comprehensive basis of accounting other than generally accepted accounting principles as described in Note 22.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2009, 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 and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, 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 Receipts and 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 this 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

April 10, 2009

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of Sidney City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008, within the limitations of the cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

The School District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

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

The statement of net assets and the statement of activities provide information about the cash activities of the whole 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 as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For Sidney City School District, the General Fund, the Food Service Special Revenue Fund, and the Bond Retirement Debt Service Fund are the most significant funds.

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 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

In the statement of net assets and the statement of activities, all of the School District's activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities, capital outlay, and debt service disbursements.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund, the Food Service Special Revenue Fund, and the Bond Retirement Debt Service Fund.

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

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.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2008 and fiscal year 2007:

	Table 1 Net Assets		
	Governmental Activities		
	2008	2007 (Restated)	Change
Assets:			
Cash and Cash Equivalents	\$6,916,555	\$7,606,415	(\$ 689,860)
Net Assets:			
Restricted	2,907,765	2,091,798	815,967
Unrestricted	4,008,790	5,514,617	(1,505,827)
Total Net Assets	\$6,916,555	\$7,606,415	(\$ 690,860)

Cash and cash equivalents decreased due to disbursements exceeding receipts and the need to spend cash carryover resources. Spending cash carryover resources is also the cause for the decrease in unrestricted net assets. Restricted net assets increased as tax receipts continue to exceed amounts required to make debt payments.

Table 2 reflects the changes in net assets for fiscal year 2008 and fiscal year 2007.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

**Table 2
Changes in Net Assets**

	Governmental Activities		
	2008	2007 (Restated)	Change
Receipts:			
Program Receipts:			
Charges for Services	\$1,884,678	\$1,857,800	\$ 26,878
Operating Grants, Contributions, and Interest	5,465,229	4,498,633	966,596
Capital Grants and Contributions	44,875	75,304	(30,429)
Total Program Receipts	<u>7,394,782</u>	<u>6,431,737</u>	<u>963,045</u>
General Receipts:			
Property Taxes Levied for General Purposes	12,804,930	13,993,662	(1,188,732)
Property Taxes Levied for Debt Service	1,710,738	1,828,653	(117,915)
Property Taxes Levied for Permanent Improvements	257,895	282,362	(24,467)
Payment in Lieu of Taxes	100,389	242,247	(141,858)
Grants and Entitlements	15,366,774	13,836,844	1,529,930
Interest	336,766	549,089	(212,323)
Gifts and Donations	4,125		4,125
Miscellaneous	361,492	279,963	81,529
Bond Anticipation Notes Issued	2,868,000	3,220,000	(352,000)
General Obligation Bonds Issued	18,340,000		18,340,000
Premium on Bonds Issued	1,450,217		1,450,217
Total General Receipts	<u>53,601,326</u>	<u>34,232,820</u>	<u>19,368,506</u>
Total Receipts	<u>60,996,108</u>	<u>40,664,557</u>	<u>20,331,551</u>
Disbursements:			
Instruction:			
Regular	16,837,033	17,146,617	309,584
Special	4,233,243	4,104,248	(128,995)
Vocational	82,695	81,043	(1,652)
Support Services:			
Pupils	1,855,533	1,831,737	(23,796)
Instructional Staff	2,175,741	2,213,969	38,228
Board of Education	37,179	14,124	(23,046)
Administration	2,680,854	2,823,958	143,104
Fiscal	816,742	722,403	(94,339)
Business	129,275	120,447	(8,828)
Operation and Maintenance of Plant	2,944,024	2,868,188	(75,836)
Pupil Transportation	1,332,493	1,261,064	(71,429)
Central	1,061,172	649,058	(412,114)
Non-instructional Services	2,072,186	2,223,051	150,865
Extracurricular Activities	743,482	684,134	(59,348)
Capital Outlay	339,739	647,087	307,348
Intergovernmental		964	964

(Continued)

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

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

	Governmental Activities		
	2008	2007 (Restated)	Change
Debt Service:			
Principal Retirement	3,845,000	4,264,059	419,059
Interest and Fiscal Charges	709,369	1,216,598	507,229
Issuance Costs	250,066		(250,066)
Payment to Refunded Bond Escrow Agent	19,540,151		(19,540,151)
Total Disbursements	<u>61,685,968</u>	<u>42,872,749</u>	<u>(18,813,219)</u>
Change in Net Assets	(689,860)	(2,208,192)	1,518,332
Net Assets at Beginning of Year (Restated)	7,606,415	9,814,607	(2,208,192)
Net Assets at End of Year	<u>\$6,916,555</u>	<u>\$7,606,415</u>	<u>(\$ 689,860)</u>

There was a fairly significant increase in program receipts from the prior fiscal year (almost 15 percent) due primarily to an increase in operating grants and contributions, the result of additional funding for special education and from Title I monies.

The most significant general receipts were from the refunding of general obligation bonds and the premium associated with that refunding. Other general receipts with significant changes from the prior fiscal year include property taxes and unrestricted grants and entitlements. Property tax receipts decreased due to the decrease and eventual elimination of tangible personal property taxes. Grants and entitlements increased from the temporary reimbursement from the State for amounts lost due to the elimination of tangible personal property taxes.

With the exception of the disbursements to the bond escrow agent related to the debt refunding, other disbursements remained fairly comparable to the prior fiscal year. The major program disbursements were for instruction, which were approximately 50 percent of total disbursements (net of the amount paid to the bond escrow agent), which is comparable to fiscal year 2007.

Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation were approximately 13 percent of disbursements. Maintenance of the School District's facilities also represents a significant disbursement, approximately 7 percent. Therefore, 70 percent of the School District's net disbursements were directly related to the activities of providing facilities and delivering education.

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 receipts and unrestricted state entitlements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction:				
Regular	\$16,837,033	\$17,146,617	\$15,706,223	\$16,301,201
Special	4,233,243	4,104,248	447,353	857,958
Vocational	82,695	81,043	63,739	65,889
Support Services:				
Pupils	1,855,533	1,831,737	1,817,582	1,809,700
Instructional Staff	2,175,741	2,213,969	2,175,741	2,213,969
Board of Education	37,170	14,124	37,170	14,124
Administration	2,680,854	2,823,958	2,680,854	2,823,958
Fiscal	816,742	722,403	816,742	722,403
Business	129,275	120,447	129,275	120,447
Operation and Maintenance of Plant	2,944,024	2,868,188	2,944,024	2,868,188
Pupil Transportation	1,332,493	1,261,064	1,204,573	1,103,836
Central	1,061,172	649,058	1,061,172	649,058
Non-instructional Services	2,072,186	2,223,051	(2,556)	261,133
Extracurricular Activities	743,482	684,134	524,969	500,440
Capital Outlay	339,739	647,087	339,739	647,087
Intergovernmental		964		964
Debt Service:				
Principal Retirement	3,845,000	4,264,059	3,845,000	4,264,059
Interest and Fiscal Charges	709,369	1,216,598	709,369	1,216,598
Issuance Costs	250,066		250,066	
Payment to Bond Escrow Agent	19,540,151		19,540,151	
Total Disbursements	\$61,685,968	\$42,872,749	\$54,291,186	\$36,441,012

With the exception of debt service disbursements as discussed previously, the total costs of services and net costs of services were fairly similar to fiscal year 2007. As can be seen above, the dependence on general receipts for most programs is significant with 88 percent of program costs being paid from general receipts. Several of the School District's programs receive a notable amount of program receipts to offset program costs. The special instruction program provides for 89 percent of its costs through program receipts from operating grants restricted for special instruction purposes. Non-instructional services expenses, primarily food service and costs associated with the parochial school, were fully covered by program receipts for fiscal year 2008. These receipts are from cafeteria sales and state and federal subsidies and donated commodities for food service as well as operating grants for the parochial school.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The School District's major governmental funds are the General Fund, the Food Service Special Revenue Fund, and the Bond Retirement Debt Service Fund.

For the General Fund, the fund balance decreased significantly (27 percent). This decrease was the result of spending cash carryover resources due to disbursements exceeding current year receipts.

Fund balance in the Food Service Special Revenue Fund increased substantially from the prior fiscal year (146 percent). The School District has implemented a point of sale program in the high school and middle school where students purchasing ala carte lunches could also be included for reimbursement from the federal government if three of the five components of a Class A meal were purchased. During fiscal year 2008, 50 percent of the students were approved for either the free or reduced lunch program.

Fund balance in the Bond Retirement Debt Service Fund continues to increase as property tax receipts currently exceed the amounts needed to make debt service payments.

General Fund Budgeting 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.

For the General Fund, there were no changes from the original budget to the final budget for either revenues or expenditures. Changes from the final budget to actual revenues and expenditures were not significant.

Capital Assets and Debt Administration

Capital Assets -At the end of fiscal year 2008, the School District had \$37,356,180 invested in capital assets. This was a change of less than 1 percent from the prior fiscal year. For further information regarding the School District's capital assets, refer to Note 6 the basic financial statements.

Debt - At June 30, 2008, the School District had outstanding energy conservation notes, in the amount of \$525,000, school improvement notes, in the amount of \$800,000, and certificates of participation notes for construction a new administration building, in the amount of \$1,200,000.

During fiscal year 2008, the School District advance refunded general obligation bonds issued for school construction. As a result of this refunding, the School District decreased the aggregate debt service payments by \$1,324,994. At fiscal year end, the total of outstanding general obligation bonds was \$20,219,992. For further information regarding the School District's debt, refer to Notes 11 and 12 to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Current Issues

The School District placed a 9.9 mill property tax levy for general operations on the November 2008 ballot. The property tax would have generated \$4,500,000 annually. The levy was voted down by 53.64 percent of the vote. A resolution was adopted for the School District to resubmit this issue to the voters on the May 2009 ballot.

The Board of Education accepted the resignation of a gifted education teacher and did not rehire a replacement. In January, 2009, the School District discontinued busing for high school students and for all other students within a two mile radius of their instructional building. This eliminated eight buses and drivers for the remainder of fiscal year 2009.

The Board has also implemented the following incentive plan. If ten to fourteen employees with thirty or more years of service terminate their service with the School District or retire, the School District will pay \$4,000 per year for five years into a health reimbursement account. If fifteen or more employees with thirty or more years of service terminate their service with the School District or retire, the School District will pay \$5,000 per year for five years into a health reimbursement account. The deadline was February 20, 2009, and the School District will have fifteen such employees leaving at the end of fiscal year 2009. Thirteen of these employees will not be replaced.

The Board of Education is in the process of notifying an additional five teachers that their positions will not be needed for the fiscal year 2010 school year.

The School District's five-year forecast reflects deficit balances by June 2010. The Ohio Department of Education accepted the School District's financial proposal to eliminate the negative unreserved fund balance on February 25, 2009. The proposal included the above spending cuts as well as assuming the May 2009 levy request will be approved by voters.

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, Chief Financial Officer, 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 - CASH BASIS
JUNE 30, 2008**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$6,916,555</u></u>
Net Assets:	
Restricted for:	
Capital Projects	\$277,749
Debt Service	1,970,709
Other Purposes	659,307
Unrestricted	<u>4,008,790</u>
Total Net Assets	<u><u>\$6,916,555</u></u>

See accompanying notes to basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 3008**

	<u>Program Cash Receipts</u>			Net (Disbursement) Receipt and Change in Net Assets	
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Current:					
Instruction:					
Regular	\$16,837,033	\$646,874	\$459,936	\$24,000	(\$15,706,223)
Special	4,233,243	305,263	3,480,627		(447,353)
Vocational	82,695		18,956		(63,739)
Support Services:					
Pupils	1,855,533		37,951		(1,817,582)
Instructional Staff	2,175,741				(2,175,741)
Board of Education	37,170				(37,170)
Administration	2,680,854				(2,680,854)
Fiscal	816,742				(816,742)
Business	129,275				(129,275)
Operation and Maintenance of Plant	2,944,024				(2,944,024)
Pupil Transportation	1,332,493		107,045	20,875	(1,204,573)
Central	1,061,172				(1,061,172)
Non-instructional Services	2,072,186	714,228	1,360,514		2,556
Extracurricular Activities	743,482	218,313	200		(524,969)
Capital Outlay	339,739				(339,739)
Debt Service:					
Principal Retirement	3,845,000				(3,845,000)
Interest and Fiscal Charges	709,369				(709,369)
Issuance Costs	250,066				(250,066)
Payment to Refunded Bond Escrow Agent	19,540,151				(19,540,151)
Total Governmental Activities	<u><u>\$61,685,968</u></u>	<u><u>\$1,884,678</u></u>	<u><u>\$5,465,229</u></u>	<u><u>\$44,875</u></u>	<u><u>(54,291,186)</u></u>

General Receipts:

Property Taxes Levied for:

General Purposes	12,804,930
Debt Service	1,710,738
Permanent Improvements	257,895
Payment in Lieu of Taxes	100,389
Grants and Entitlements not Restricted to Specific Programs	15,366,774
Interest	336,766
Gifts and Donations	4,125
Miscellaneous	361,492
Bond Anticipation Notes Issued	2,868,000
General Obligation Bonds Issued	18,340,000
Premium on Bonds Issued	1,450,217
Total General Receipts	<u>53,601,326</u>

Change in Net Assets (689,860)

Net Assets at Beginning of Year 7,606,415

Net Assets at End of Year \$6,916,555

See accompanying notes to basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General</u>	<u>Food Service</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	<u>\$3,975,265</u>	<u>\$48,843</u>	<u>\$1,970,709</u>	<u>\$921,738</u>	<u>\$6,916,555</u>
Fund Balances:					
Reserved for Encumbrances	\$265,758			\$217,196	\$482,954
Unreserved, Designated for Termination Benefits				33,525	33,525
Unreserved, Reported in:					
General Fund	3,709,507				3,709,507
Special Revenue Funds		48,843		580,753	629,596
Debt Service Fund			1,970,709		1,970,709
Capital Projects Funds				90,264	90,264
Total Fund Balances	<u>\$3,975,265</u>	<u>\$48,843</u>	<u>\$1,970,709</u>	<u>\$921,738</u>	<u>\$6,916,555</u>

See accompanying notes to basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Food Service</u>	<u>Bond Retirement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Receipts:					
Property Taxes	\$12,804,930		\$1,710,738	\$257,895	\$14,773,563
Payment in Lieu of Taxes	100,389				100,389
Intergovernmental	16,204,818	\$896,759	520,694	3,104,317	20,726,588
Interest	336,581			3,676	340,257
Tuition and Fees	952,137				952,137
Extracurricular Activities				218,313	218,313
Charges for Services		714,228			714,228
Gifts and Donations	4,125			5,700	9,825
Miscellaneous	322,651		32,329	160,639	515,619
Total Receipts	<u>30,725,631</u>	<u>1,610,987</u>	<u>2,263,761</u>	<u>3,750,540</u>	<u>38,350,919</u>
Disbursements:					
Current:					
Instruction:					
Regular	16,446,186			390,847	16,837,033
Special	3,050,069			1,183,174	4,233,243
Vocational	82,695				82,695
Support Services:					
Pupils	1,702,534			152,999	1,855,533
Instructional Staff	1,487,256			688,485	2,175,741
Board of Education	24,585			12,585	37,170
Administration	2,625,949			54,905	2,680,854
Fiscal	721,358		63,561	31,823	816,742
Business	129,275				129,275
Operation and Maintenance of Plant	2,915,726			28,298	2,944,024
Pupil Transportation	1,332,493				1,332,493
Central	1,014,605			46,567	1,061,172
Noninstructional Services		1,482,013		603,201	2,085,214
Extracurricular Activities	528,410			215,072	743,482
Capital Outlay				339,739	339,739
Debt Service:					
Principal Retirement			3,845,000		3,845,000
Interest and Fiscal Charges			709,369		709,369
Issuance Costs			250,066		250,066
Total Disbursements	<u>32,061,141</u>	<u>1,482,013</u>	<u>4,867,996</u>	<u>3,747,695</u>	<u>42,158,845</u>
Excess of Receipts Over (Under) Disbursements	(1,335,510)	128,974	(2,604,235)	2,845	(3,807,926)
Other Financing Sources (Uses):					
Bond Anticipation Notes Issued			2,868,000		2,868,000
General Obligation Bonds Issued			18,340,000		18,340,000
Premium on Bonds Issued			1,450,217		1,450,217
Payment to Refunded Bond Escrow Agent			(19,540,151)		(19,540,151)
Advances In	105,000				105,000
Advances Out		(100,000)		(5,000)	(105,000)
Transfers In			236,860	136,321	373,181
Transfers Out	(251,181)			(122,000)	(373,181)
Total Other Financing Sources (Uses)	<u>(146,181)</u>	<u>(100,000)</u>	<u>3,354,926</u>	<u>9,321</u>	<u>3,118,066</u>
Changes in Fund Balances	(1,481,691)	28,974	750,691	12,166	(689,860)
Fund Balances at Beginning of Year	<u>5,456,956</u>	<u>19,869</u>	<u>1,220,018</u>	<u>909,572</u>	<u>7,606,415</u>
Fund Balances at End of Year	<u>\$3,975,265</u>	<u>\$48,843</u>	<u>\$1,970,709</u>	<u>\$921,738</u>	<u>\$6,916,555</u>

See accompanying notes to basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property Taxes	\$12,495,723	\$12,495,723	\$12,804,930	\$309,207
Payment in Lieu of Taxes	250,000	250,000	100,389	(149,611)
Intergovernmental	16,248,612	16,248,612	16,180,996	(67,616)
Interest	450,200	450,200	336,581	(113,619)
Tuition and Fees	902,000	902,000	952,137	50,137
Gifts and Donations			4,125	4,125
Miscellaneous	113,366	113,366	286,575	173,209
Total Receipts	<u>30,459,901</u>	<u>30,459,901</u>	<u>30,665,733</u>	<u>205,832</u>
Disbursements:				
Current:				
Instruction:				
Regular	14,747,443	14,747,443	13,804,046	943,397
Special	3,130,364	3,130,364	3,065,845	64,519
Vocational	74,444	74,444	83,815	(9,371)
Other	2,582,353	2,582,353	2,778,706	(196,353)
Support Services:				
Pupils	1,739,213	1,739,213	1,703,236	35,977
Instructional Staff	1,625,340	1,625,340	1,491,132	134,208
Board of Education	19,045	19,045	24,585	(5,540)
Administration	2,725,949	2,725,949	2,650,173	75,776
Fiscal	1,004,235	1,004,235	723,358	280,877
Business	134,527	134,527	129,275	5,252
Operation and Maintenance of Plant	3,025,542	3,025,542	3,007,270	18,272
Pupil Transportation	1,336,139	1,336,139	1,351,385	(15,246)
Central	473,342	473,342	960,747	(487,405)
Extracurricular Activities	485,659	485,659	529,504	(43,845)
Total Disbursements	<u>33,103,595</u>	<u>33,103,595</u>	<u>32,303,077</u>	<u>800,518</u>
Excess of Receipts Under Disbursements	<u>(2,643,694)</u>	<u>(2,643,694)</u>	<u>(1,637,344)</u>	<u>1,006,350</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures			36,076	36,076
Advances In			105,000	105,000
Transfer Out	(85,010)	(85,010)	(251,181)	(166,171)
Total Other Financing Sources (Uses)	<u>(85,010)</u>	<u>(85,010)</u>	<u>(110,105)</u>	<u>(25,095)</u>
Changes in Fund Balance	(2,728,704)	(2,728,704)	(1,747,449)	981,255
Fund Balance at Beginning of Year	5,200,455	5,200,455	5,200,455	
Prior Year Encumbrances Appropriated	256,501	256,501	256,501	
Fund Balance at End of Year	<u>\$2,728,252</u>	<u>\$2,728,252</u>	<u>\$3,709,507</u>	<u>\$981,255</u>

See accompanying notes to basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
FOOD SERVICE SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Intergovernmental	\$630,000	\$830,000	\$896,759	\$66,759
Charges for Services	770,000	870,000	714,228	(155,772)
Total Receipts	<u>1,400,000</u>	<u>1,700,000</u>	<u>1,610,987</u>	<u>(89,013)</u>
Disbursements:				
Current:				
Support Services:				
Non-Instructional Services	<u>1,415,091</u>	<u>1,595,091</u>	<u>1,482,013</u>	<u>113,078</u>
Excess of Receipts Over (Under) Disbursements	(15,091)	104,909	128,974	24,065
Other Financing Uses:				
Transfers Out		<u>(100,000)</u>	<u>(100,000)</u>	
Changes in Fund Balance	(15,091)	4,909	28,974	24,065
Fund Balance at Beginning of Year	19,778	19,778	19,778	
Prior Year Encumbrances Appropriated	<u>91</u>	<u>91</u>	<u>91</u>	
Fund Balance at End of Year	<u><u>\$4,778</u></u>	<u><u>\$24,778</u></u>	<u><u>\$48,843</u></u>	<u><u>\$24,065</u></u>

See accompanying notes to basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2008**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$126,964	\$84,285
Cash and Cash Equivalents with Fiscal Agent	23,772	
Investments with Fiscal Agent	216,877	
	\$367,613	\$84,285
Liabilities:		
Due to Students		\$84,285
Net Assets:		
Endowments	\$111,600	
Held in Trust for Students	256,013	
Held for Student Activities		
	\$367,613	

See accompanying notes to basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$10,153
Contributions	2,000
Total Additions	<u>12,153</u>
Deductions:	
Non-Instructional Services	<u>8,750</u>
Change in Net Assets	3,403
Net Assets at Beginning of Year	<u>364,210</u>
Net Assets at End of Year	<u><u>\$367,613</u></u>

See accompanying notes to basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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 109th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by two hundred three classified employees, two hundred sixty-three certified teaching personnel, and twenty-three administrative employees who provide services to 3,978 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 the School District, this includes general operations, food service, and student related activities.

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 two jointly governed organizations and two insurance pools, and is associated with a related organization. These organizations are the Upper Valley Joint Vocational School, 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 17, 18, and 19 to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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 statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

2. Fund Financial Statements

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

B. Fund Accounting

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are the General Fund, the Food Service Special Revenue Fund, and the Bond Retirement Debt Service Fund.

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.

Food Service Fund - The Food Service Special Revenue Fund is used to account for the food service operations of the School District.

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 general obligation 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. 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.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

D. 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 is at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

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.

E. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and 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 2008, 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, 2008.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

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 2008, was \$336,581, which includes \$94,387 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.

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

F. Capital Assets

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

G. Compensated Absences

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

H. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

I. Net 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 food service operations, music and athletic programs, and federal and state grants.

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. As of June 30, 2008, there were no net assets restricted by enabling legislation.

J. Fund Balance Reserves and Designations

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

K. Interfund Activity

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 receipts in the seller funds and as disbursements 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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

3. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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.

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;

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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, \$3,190,643 of the School District's bank balance of \$7,025,775 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.

B. Investments

At June 30, 2008, the School District had \$100,694 invested in STAR Ohio. STAR Ohio had an average maturity of 53.8 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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. 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 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, 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 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after October 1, 2007, on the value as of December 31, 2007. 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 2008 is 6.25 percent and will be 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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$304,009,240	56.62%	\$308,638,740	60.87%
Industrial/Commercial	115,540,390	21.52	116,986,880	23.07
Public Utility	15,671,430	2.92	12,885,640	2.54
Tangible Personal	101,671,091	18.94	68,532,499	13.52
Total Assessed Value	<u>\$536,892,151</u>	<u>100.00%</u>	<u>\$507,043,759</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$43.13		\$43.13	

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. PAYMENT IN LIEU OF TAXES

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

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/08</u>
Governmental Activities:				
Non-depreciable Capital Assets				
Land	\$ 182,740			\$ 182,740
Depreciable Capital Assets				
Land Improvements	294,485	\$ 33,475		327,960
Buildings and Building Improvements	32,534,972	87,344		32,622,316
Furniture, Fixtures, and Equipment	2,187,261	136,122	(\$130,786)	2,192,597
Vehicles	1,949,943	80,624		2,030,567
Total Depreciable Capital Assets	<u>36,966,661</u>	<u>337,565</u>	<u>(130,786)</u>	<u>37,173,440</u>
Governmental Activities Capital Assets	<u>\$37,149,401</u>	<u>\$337,565</u>	<u>(\$130,786)</u>	<u>\$37,356,180</u>

7. 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 2008, 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	76,094,914
Computer Equipment	1,570,900
Consolidated Insurance Company	
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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. RISK MANAGEMENT (Continued)

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

For fiscal year 2008, 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.

8. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the 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.

The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years 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 of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 was \$2,146,756, \$2,077,423, and \$2,006,918 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DCP and CP for fiscal year 2008 were \$6,174 made by the School District and \$55,117 made by the plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 was \$424,539, \$462,560, and \$443,284 respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

9. POST-EMPLOYMENT BENEFITS

A. 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, 2008, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$165,610, \$160,570, and \$155,328, respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

C. School Employees Retirement System

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2008, this amount was \$69,908.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$193,731, \$153,570, and \$154,697 respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2008, this actuarially required allocation was .66 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 was \$30,589, \$31,454, and \$35,282 respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

10. 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 certified 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.

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 Fort Dearborn Life Insurance Company.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. SHORT-TERM OBLIGATIONS

The School District's short term note activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Interest Rate</u>	<u>Balance at 6/30/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2008</u>
Governmental Activities:					
Energy Conservation Notes					
November 30, 2006	4.28%	\$67,000		\$67,000	
November 20, 2007	4.25		\$68,000		\$ 68,000
School Improvement Notes					
November 30, 2006	4.07	200,000		200,000	
November 20, 2007	4.00		200,000		200,000
Certificates of Participation Notes					
November 30, 2006	4.18	85,000		85,000	
November 20, 2007	4.00		75,000		75,000
Total Governmental Activities		<u>\$352,000</u>	<u>\$343,000</u>	<u>\$352,000</u>	<u>\$343,000</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.

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08	Amounts Due Within One Year
Governmental Activities:					
Energy Conservation Notes					
November 30, 2006	\$ 593,000		\$ 593,000		
November 20, 2007		\$ 525,000		\$ 525,000	\$ 525,000
School Improvement Notes					
November 30, 2006	1,000,000		1,000,000		
November 20, 2007		800,000		800,000	800,000
Certificates of Participation Notes					
November 30, 2006	1,275,000		1,275,000		
November 20, 2007		1,200,000		1,200,000	1,200,000
Total Long-Term Notes	<u>2,868,000</u>	<u>2,525,000</u>	<u>2,868,000</u>	<u>2,525,000</u>	<u>2,525,000</u>
General Obligation Bonds					
2001 School Improvement					
Serial Bonds 3.4 - 5%	1,770,000		130,000	1,640,000	225,000
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	
Total 2001 School Improvement	<u>17,204,992</u>		<u>15,475,000</u>	<u>1,729,992</u>	<u>225,000</u>
2002 School Improvement					
Serial Bonds 2.5 - 5%	1,180,000		630,000	550,000	100,000
Term Bonds 5.125 - 5.625%	2,460,000		2,460,000		
Total 2002 School Improvement	<u>3,640,000</u>		<u>3,090,000</u>	<u>550,000</u>	<u>100,000</u>
Governmental Activities					
General Obligation Bonds					
2007 School Improvement					
Refunding					
Serial Bonds 4 - 5%		18,230,000	400,000	17,830,000	140,000
Original Issue of Capital Appreciation Bonds 33 - 33.291%		110,000		110,000	
Total 2007 School Improvement		<u>18,340,000</u>	<u>400,000</u>	<u>17,940,000</u>	<u>140,000</u>
Refunding		18,340,000	400,000	17,940,000	140,000
Total General Obligation Bonds	<u>20,844,992</u>	<u>18,340,000</u>	<u>18,965,000</u>	<u>20,219,992</u>	<u>465,000</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$23,712,992</u>	<u>\$20,865,000</u>	<u>\$21,833,000</u>	<u>\$22,744,992</u>	<u>\$2,990,000</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, 2008
(Continued)**

12. LONG-TERM OBLIGATIONS (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.

2001 School Improvement General Obligation Bonds - On May 8, 2001, the School District issued \$19,999,992 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$4,565,000, \$15,345,000, and \$89,992, respectively. During fiscal year 2008, the term bonds were refunded. The bonds are being retired from the Bond Retirement debt service fund, with a portion of the proceeds of a 3.70 mill voted property tax levy.

The serial bonds maturing on December 1, 2012, and thereafter, are subject to optional redemption, in whole or in part, on any date in order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2011, at 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

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

2002 School Improvement General Obligation Bonds - On April 1, 2002, the School District issued \$4,000,000 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bond issue included serial and term bonds, in the amount of \$1,540,000 and \$2,460,000, respectively. During fiscal year 2008, a portion of the serial bonds and the entire amount of term bonds were refunded. The bonds are being retired from the Bond Retirement debt service fund, with a portion of the proceeds of a 3.70 mill voted property tax levy.

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

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

The net proceeds of the refunding bond issue, in the amount of \$19,540,151, were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for the future debt service payments on the refunded bonds. As a result, \$15,345,000 and \$2,995,000 of the 2001 and 2002 School Improvement Bonds are considered to be defeased and the liability for the bonds has been removed from the School District's financial statements. At June 30, 2008, \$18,340,000 of this debt was still outstanding.

Although the refunding will result in the recognition of an accounting loss of \$1,200,151, the School District in effect decreased its aggregate debt service payments by \$1,324,994 over the next twenty-one years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$611,906.

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

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

The School District's overall debt margin was \$19,082,991 with an unvoted debt margin of \$425,914 at June 30, 2008.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2008, were as follows:

	<u>General Obligation Bonds</u>			
	<u>Serial</u>	<u>Capital Appreciation</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 465,000		\$ 893,062	\$ 1,358,062
2010	515,000		872,321	1,387,321
2011	575,000		848,882	1,423,882
2012	690,000		821,276	1,511,276
2013	715,000		789,805	1,504,805
2014-2018	1,545,000	\$199,992	6,592,882	8,337,874
2019-2023	6,155,000		2,785,901	8,940,901
2024-2028	8,750,000		1,147,587	9,897,587
2029-2033	610,000		13,725	623,725
	<u>\$20,020,000</u>	<u>\$199,992</u>	<u>\$14,765,441</u>	<u>\$34,985,433</u>

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. 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. Principal payments in fiscal year 2008 were \$31,014.

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

Fiscal Year Ending	Principal	Interest
2009	\$34,947	\$13,313
2010	38,409	9,455
2011	42,544	5,320
2012	19,067	876
	\$134,967	\$28,964

14. 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 2008.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Balance June 30, 2007	(\$2,690,762)	(\$23,828,033)
Current Year Set Aside Requirement	583,007	583,007
Qualifying Expenditures	(637,601)	(325,639)
Current Year Offsets		(257,368)
Amount Carried Forward to Fiscal Year 2009	(\$2,745,356)	(\$23,828,033)

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The District also had qualifying bond proceeds in prior years that reduced the capital acquisition set aside amount to below zero. This amount may be used to reduce the capital acquisition set aside requirement in future years.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

15. INTERFUND TRANSFERS

During fiscal year 2008, the General Fund made transfers to the Bond Retirement Debt Service Fund, in the amount of \$141,690, as debt payments became due; to other governmental funds, in the amount of \$109,491, to set aside resources for future severance payments and to subsidize activities of other funds. Other governmental funds made transfers to the Bond Retirement Debt service Fund, in the amount of \$95,170, as debt payments became due and to other governmental funds, in the amount of \$26,830, to subsidize activities of other funds.

16. 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 \$256,013 and is included as held in trust for students. 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.

17. 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. 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 2008, 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.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

18. 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.

19. RELATED ORGANIZATION

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

20. 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, 2008.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

20. CONTINGENCIES (Continued)

B. Litigation

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

21. SUBSEQUENT EVENTS

On November 18, 2008, the School District issued bond anticipation notes, in the amount of \$525,000, to retire notes previously issued for energy conservation projects. The notes have an interest rate of 4.5 percent and mature on November 18, 2009.

On November 18, 2008, the School District issued bond anticipation notes, in the amount of \$800,000, to retire notes previously issued for constructing, improving, and making additions to school buildings. The notes have an interest rate of 4.25 percent and mature on November 18, 2009.

On November 18, 2008, the School District issued \$1,200,000 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, 2009.

22. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

A. Change in Basis of Accounting

For fiscal year 2008, the School District ceased to report using generally accepted accounting principles and reported on the cash basis as described in Note 2C. Also, for fiscal year 2008, the food service enterprise fund was reclassified to a special revenue fund and is considered a major fund.

B. Restatement of Fund Equity

The implementation of this change had the following effects on fund equity of the major and non-major funds of the School District as they were previously reported. The effects on net assets of governmental and business type activities are also presented.

	Fund Balance June 30, 2007	Elimination Of Accruals	Restated Fund Balance July 1, 2007
General	\$2,539,594	\$2,917,362	\$5,456,956
Food Service	1,904,041	(1,884,172)	19,869
Bond Retirement	1,326,893	(106,875)	1,220,018
Other Governmental	1,304,914	774,658	909,572
Governmental Activities Net Assets June 30, 2007			\$8,364,874
Business Type Activity Net Assets June 30, 2007			1,904,041
Elimination of Accruals			(758,459)
Reclassification of Food Service Fund to Governmental Type Activity			<u>(1,904,041)</u>
Restated Governmental Activities Net Assets July 1, 2007			<u>\$7,606,415</u>

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**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR Passed Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education						
Food Donation	2008	10.550		\$105,396		\$105,396
Nutrition Cluster:						
School Breakfast Program	2008	10.553	\$171,665		\$171,665	
National School Lunch Program	2008	10.555	697,599		697,599	
Total Nutrition Cluster			<u>171,684</u>		<u>171,684</u>	
Total U.S. Department of Agriculture			<u>869,264</u>	<u>105,396</u>	<u>869,264</u>	<u>105,396</u>
U.S. DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education						
Special Education Cluster:						
Special Education Grants to States	2007	84.027	114,483		193,010	
	2008		1,057,640		914,234	
Total Special Education Grants to States			<u>1,172,123</u>		<u>1,107,244</u>	
Special Education Preschool Grants	2008	84.173	18,154		11,902	
Total Special Education Cluster			<u>1,190,277</u>		<u>1,119,146</u>	
English Language Acquisition Grants - Title III LEP	2007	84.365	1,005		1,943	
	2008		22,337		15,050	
English Language Acquisition Grants- Title III IMMIGRANT	2008	84.365	9,014		9,014	
Total English Language Acquisition Grants			<u>32,356</u>		<u>26,007</u>	
Title I Grants to Local Educational Agencies	2007	84.010	52,961		119,432	
	2008		826,270		674,733	
Total Title I Grants to Local Educational Agencies			<u>879,231</u>		<u>794,165</u>	
State Grants for Innovative Programs	2007	84.298	22,828		27,296	
	2008		10,986		33,047	
Total State Grants for Innovative Programs			<u>33,814</u>		<u>60,343</u>	
Safe and Drug Free Schools and Communities State Grants	2007	84.186	3,348		468	
	2008		21,219		15,223	
Total Safe and Drug Free Schools and Communities State Grants			<u>24,567</u>		<u>15,691</u>	
Improving Teacher Quality State Grants	2007	84.367	12,520		14,717	
	2008		181,151		139,899	
Total Improving Teacher Quality State Grants			<u>193,671</u>		<u>154,616</u>	
Education Technology State Grants	2007	84.318	1,114		297	
	2008		7,846		6,645	
Total Education Technology State Grants			<u>8,961</u>		<u>6,943</u>	
Twenty First Century Community Learning Centers	2008	84.287	46,686		39,377	
Total U.S. Department of Education			<u>2,409,562</u>		<u>2,216,288</u>	
Total			<u>\$3,278,826</u>	<u>\$105,396</u>	<u>\$3,085,552</u>	<u>\$105,396</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (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 - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

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 School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE E - TRANSFER OF FUNDS BETWEEN SPECIAL COST CENTERS

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

<u>Grant, CFDA #, Fund, and Cost Center</u>	<u>Transfer Out</u>	<u>Transfer In</u>
English Language Acquisition #84.365 551-2007	(\$1,005)	
551-2008		\$1,005
State Grants for Innovative Programs #84.298 573-2008		\$26,830
Safe and Drug Free Schools #84.186 584-2007	(\$4,885)	
584-2008		\$4,885
Improving Teacher Quality #84.367 590-2087	(\$55)	
590-2088	(\$26,830)	\$55
Education Technology State Grants #84.318 599-2097	(\$1,114)	
599-2098		\$1,114



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, each major fund, and the aggregate remaining fund information of the Sidney City School District, Shelby County, (the School District), as of and for the fiscal year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 10, 2009 wherein, we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 opinion 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.

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 School District'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 School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the School District's management in a separate letter dated April 10, 2009.

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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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the School District's management in a separate letter dated April 10, 2009.

We intend this report solely for the information and use of the management, Board of Education and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 10, 2009



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 the Sidney City School District, Shelby County, (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the fiscal year ended June 30, 2008. 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 fiscal year ended June 30, 2008.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order 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 School District's ability to administer a federal program such that there is more than a remote likelihood that the School District'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 internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated April 10, 2009.

We intend this report solely for the information and use of the 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

April 10, 2009

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Education Agencies– CFDA 84.010 Special Education Cluster – CFDA 84.027/84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Adm. Code 117-2-02(C) (1) – Timely and Accurate Updating of Budgetary Data in the Accounting System	No	Significantly Corrected: Reported to management of the District in a separate letter.



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
MAY 19, 2009