



**Auditor of State
Betty Montgomery**

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	15
Statement of Revenues, Expenditures, and Changes In Fund Balances - Governmental Funds.....	16
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual - General Fund	18
Statement of Net Assets - Enterprise Fund	19
Statement of Revenues, Expenses and Changes in Net Assets - Enterprise Fund.....	20
Statement of Cash Flows - Enterprise Fund.....	21
Statement of Fiduciary Net Assets - Fiduciary Funds.....	22
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	23
Notes to the Basic Financial Statements	25
Schedule of Federal Awards Expenditures.....	59
Notes to the Schedule of Federal Awards Expenditures	60
Independent Accountants' Report on Compliance and on Internal Control Required By <i>Governmental Auditing Standards</i>	61
Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance In Accordance With OMB Circular A-133	63
Schedule of Findings.....	65

This page intentionally left blank



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Sidney City School District, Shelby County, (the District) as of and for the year ended June 30, 2002, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Sidney City School District, Shelby County, as of June 30, 2002, and the respective changes in financial position and the cash flows and respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

February 24, 2003

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

The discussion and analysis of Sidney City School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2002. The intent of this discussion and analysis is to look at the School District's financial performance as a whole.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2002 are as follows:

- The School District retired \$20,000,000 in bond anticipation notes from bond proceeds that had been issued in fiscal year 2001.
- The School District issued \$995,000 in bond anticipation notes for energy conservation measures. The General Fund provided \$600,000 for the remaining funding for the project.
- Bond anticipation notes, in the amount of \$5,999,350, were issued during fiscal year 2002 for constructing, improving, and making additions to school buildings. In April, 2002, \$4,000,000 in general obligation bonds were issued and retired a portion of these notes when they came due in July 2002.
- The new addition to the high school was completed in fiscal year 2002 to provide needed space for the School District's food service program. Construction of the new middle school began in fiscal year 2002.
- In total, the School District's net assets increased by \$3,549 thousand. Increases were noted in the unrestricted governmental activities net assets of \$951 thousand, restricted governmental activities net assets of \$617 thousand, and the business-type activity's invested in capital assets, net of related debt, in the amount of \$1,481 thousand.

USING THIS ANNUAL REPORT

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

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

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2002. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors can include changes in the School District's property tax base and the condition of the School District's capital assets. These factors must be considered when assessing the overall health of the School District.

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

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

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

REPORTING THE SHOOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the School District's net assets for fiscal year 2002 compared to fiscal year 2001.

	Table 1					
	Net Assets (In Thousands)					
	Governmental Activities		Business-Type Activity		Total	
	2002	2001	2002	2001	2002	2001
Assets						
Current and Other Assets	\$57,090	\$67,418	\$66	\$209	\$57,156	\$67,627
Capital Assets, Net	8,030	4,563	1,617	136	9,647	4,699
Total Assets	65,120	71,981	1,683	345	66,803	72,326
Liabilities						
Current and Other Liabilities	26,692	39,256	153	135	26,845	39,391
Long-Term Liabilities	24,994	21,520	32	32	25,026	21,552
Total Liabilities	51,686	60,776	185	167	51,871	60,943
Net Assets						
Invested in Capital						
Assets, Net of Related Debt	4,973	4,313	1,617	136	6,590	4,449
Restricted	2,461	1,844	0	171	2,461	2,015
Unrestricted	6,000	5,048	(119)	(129)	5,881	4,919
Total Net Assets	\$13,434	\$11,205	\$1,498	\$178	\$14,932	\$11,383

In fiscal year 2001, the School District had issued \$20 million in bond anticipation notes and \$20 million in general obligation bonds to retire those notes when they became due in fiscal year 2002. In fiscal year 2002, the School District issued an additional \$6,995 thousand in bond anticipation notes and \$4,000 thousand in general obligation bonds. The proceeds of the general obligation bonds will be used to retire a portion of the bond anticipation notes when they mature in fiscal year 2003. Also, during fiscal year 2002, the construction of the high school addition was completed and the construction of the middle school began that created an additional \$3,452 thousand in capital assets expenditures. The activity between the issuance and payment of debt, along with the construction of capital assets is the primary change in total assets for fiscal year 2002.

Net capital assets increased with the completion of the new cafeteria addition at the high school, the installation of new windows in four elementary schools, the upgrade of the heating and ventilation systems in four of the elementary schools, and construction at the new middle school.

The major components of total liabilities that changed in fiscal year 2002 were also due to the payment and issuance of bond anticipation notes and general obligation bonds.

Total unrestricted net assets increased by \$791 thousand, which was created primarily by an increase in Foundation revenues during fiscal year 2002 without an increase in the costs of operations and a decrease from contributing a portion of the capital assets constructed from bond proceeds, in the amount of \$1,338 thousand. Restricted net assets in the business-type activity decreased \$171 thousand due to a grant obtained in fiscal year 2001 which was not spent until fiscal year 2002 after the new high school cafeteria was completed. The amount expended for capital assets during fiscal year 2002 reduced restricted net assets with a corresponding increase to invested in capital assets, net of related debt.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2002.

**Table 2
Change in Net Assets (In Thousands)**

	Governmental Activities		Business-Type Activity		Total	
	2002	2001	2002	2001	2002	2001
Revenues						
Program Revenues						
Charges for Services	\$554	\$530	\$702	\$680	\$1,256	\$1,210
Operating Grants and Contributions	3,465	3,293	506	392	3,971	3,685
Capital Grants and Contributions	138	164	0	171	138	335
Total Program Revenues	<u>4,157</u>	<u>3,987</u>	<u>1,208</u>	<u>1,243</u>	<u>5,365</u>	<u>5,230</u>
General Revenues						
Property Taxes	\$15,518	\$14,476	\$0	\$0	\$15,518	\$14,476
Payment in Lieu of Taxes	154	119	0	0	154	119
Grants and Entitlements not Restricted to Specific Programs	9,916	8,104	0	0	9,916	8,104
Interest	1,066	1,170	0	0	1,066	1,170
Miscellaneous	81	215	0	0	81	215
Total General Revenues	<u>26,735</u>	<u>24,084</u>	<u>0</u>	<u>0</u>	<u>26,735</u>	<u>24,084</u>
Total Revenues	<u>30,892</u>	<u>28,071</u>	<u>1,208</u>	<u>1,243</u>	<u>32,100</u>	<u>29,314</u>
Transfers	<u>(1,408)</u>	<u>(56)</u>	<u>1,408</u>	<u>56</u>	<u>0</u>	<u>0</u>
Total Revenues and Transfers	<u>29,484</u>	<u>28,015</u>	<u>2,616</u>	<u>1,299</u>	<u>32,100</u>	<u>29,314</u>
Expenses						
Instruction	15,341	14,583	0	0	15,341	14,583
Support Services						
Pupils	1,358	1,312	0	0	1,358	1,312
Instructional Staff	1,547	1,377	0	0	1,547	1,377
Board of Education	14	13	0	0	14	13
Administration	2,063	1,950	0	0	2,063	1,950
Fiscal	568	635	0	0	568	635
Business	114	101	0	0	114	101
Operation and Maintenance of Plant	2,576	2,021	0	0	2,576	2,021
Pupil Transportation	1,009	945	0	0	1,009	945
Central	374	481	0	0	374	481
Non-Instructional Services	478	563	0	0	478	563
Extracurricular Activities	551	567	0	0	551	567
Intergovernmental	12	2	0	0	12	2
Interest and Fiscal Charges	1,250	546	0	0	1,250	546
Food Service	0	0	1,296	1,143	1,296	1,143
Total Expenses	<u>27,255</u>	<u>25,096</u>	<u>1,296</u>	<u>1,143</u>	<u>28,551</u>	<u>26,239</u>
Increase in Net Assets	<u>\$2,229</u>	<u>\$2,919</u>	<u>\$1,320</u>	<u>\$156</u>	<u>\$3,549</u>	<u>\$3,075</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

Program revenues increased by 3 percent but were only 17 percent of total revenues in fiscal year 2002. Property taxes increased because the School District received a full year's collection on the 3.70 mill Bond Retirement levy; whereas in fiscal year 2001, the School District had only received property tax collections on the levy for one-half year. Grants and entitlements not restricted to specific programs increased resulting from additional Foundation revenues received during fiscal year 2002.

Total expenses for governmental activities increased based on step increases required by union agreements and a significant increase in interest expense created by the issuance of bond anticipation notes and general obligation bonds in fiscal year 2001. The major program expenses for instruction are regular, special, and vocational instruction, which accounted for 58 percent of all governmental expenses in fiscal year 2001 and 56 percent in fiscal year 2002. Support services remained at 35 percent of total expenses during fiscal year 2002.

Governmental Activities

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

**Table 3
Governmental Activities
(In Thousands)**

	Total Cost of Services		Net Cost of Services	
	2002	2001	2002	2001
Instruction	\$15,341	\$14,583	\$13,242	\$12,811
Support Services:				
Pupils	1,358	1,312	1,233	1,174
Instructional Staff	1,547	1,377	1,116	778
Board of Education	14	13	14	13
Administration	2,063	1,950	1,986	1,875
Fiscal	568	635	568	635
Business	114	101	114	101
Operation and Maintenance of Plant	2,576	2,021	2,576	2,021
Pupil Transportation	1,009	945	285	257
Central	374	481	359	435
Non-Instructional Services	478	563	(53)	57
Extracurricular Activities	551	567	397	404
Intergovernmental	12	2	12	2
Interest and Fiscal Charges	1,250	546	1,250	546
Total Expenses	\$27,255	\$25,096	\$23,099	\$21,109

It should be noted that for all governmental activities, over 84 percent of the revenues to provide these services are derived from the School District's general revenues; that being primarily property taxes and State shared revenues in fiscal year 2002, and 86 percent of these revenues in fiscal year 2001. The remaining 16 percent are derived from tuition and fees, specific grants, and donations.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

Business-Type Activity

The only business-type activity of the School District is the food service operation. This program had revenues and transfers of \$2,616 thousand and expenses of \$1,296 thousand for fiscal year 2002. Sales increased in fiscal year 2002 due to providing a greater selection of food for lunch. Expenses increased from the prior fiscal year from offering additional food lines to the students. Capital contributions were received in fiscal year 2002 from the governmental activities due to the construction and furnishing of the new cafeteria addition.

GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS

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

General Fund revenues increased by 7.5 percent from fiscal year 2001; whereas, expenditures increased by only 4.5 percent.

BUDGETARY HIGHLIGHTS

The School District prepares an annual budget of revenues and expenditures for all funds of the School District for use by School District officials and department heads and prepares such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of July. The School District's most significant budgeted fund is the General Fund. During the course of fiscal year 2002, the School District amended its General Fund budget as needed. The School District uses a modified form of site-based budgeting. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

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

The original appropriations were increased from fiscal year 2001 based on salary increases according to union negotiations, medical insurance premiums, open enrollment costs, and the knowledge that the General Fund would contribute \$600,000 to the energy conservation project.

The final appropriations increased from the original budget by \$321 thousand, although total expenditures of \$23,874 thousand remained below the total original appropriations. The major difference comes from conservative spending patterns as compared to budgeted amounts at the site level. Additionally, resources became available during the fiscal year in other funds and contributed to the difference between budget and actual as expenditures could then be made from those funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The primary increase in capital assets for governmental activities is the result of construction at the new middle school, the installation of new windows at four of the elementary schools, and the upgrade of the heating and ventilation system at four of the elementary schools. The primary increase in capital assets for the business-type activity was the completion of the new cafeteria addition at the high school and the purchase of equipment. Note 9 provides additional details regarding capital assets.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

Debt

The voters of the School District approved, at an election held on November 7, 2000, the issuance of bonds and a 3.70 mill levy to pay the principal and interest thereon.

The School District retired \$20 million in school improvement bond anticipation notes in fiscal year 2002, which had been issued in fiscal year 2001 for constructing, improving, and making additions to school buildings, including equipment and furnishings. The proceeds from the \$20 million in bond anticipation notes had been placed in the Building capital projects fund in order to begin the process of designing a new middle school and the renovation of the High School. In fiscal year 2001, the School District issued \$20 million in general obligation bonds in order to retire the outstanding bond anticipation notes. The Bonds will be fully matured in fiscal year 2029. During fiscal year 2002, \$555 thousand of the bonds were retired.

In July 2001, the School District issued \$995 thousand in bond anticipation notes for installing windows and upgrading the heating and ventilation systems at four elementary buildings. The proceeds were placed in the Building capital projects fund. The notes matured in July 2002.

Also in July 2001, the School District issued \$5,994 thousand in bond anticipation notes for constructing, improving, and making additions to school buildings, including equipment and furnishings. The proceeds were placed in the Building capital projects fund. In April 2002, the School District issued \$4 million in general obligation bonds in order to retire a portion of the outstanding bond anticipation notes. The notes matured in July 2002.

The School District has an asbestos removal loan with the U. S. Environmental Protection Agency, in the amount of \$63,535. The annual loan payments are \$14,120, and the loan will be fully paid in fiscal year 2007.

At June 30, 2002, the School District's overall legal debt margin was \$18,739,588 with an unvoted debt margin of \$484,873. The School District currently has an underlying "A2" rating from Moody's Investors Service, Inc. and a rating of "A" from Standard & Poor's.

In addition to the debt outlined above, the School District's long-term debt also includes compensated absences. Note 17 provides additional details regarding debt.

CURRENT ISSUES

The Sidney City School District is financially stable. However, future finances are not without challenges as our community changes and State funding is revised. Some of those challenges are in the future of State funding for schools in light of the eleven year old DeRolph court case and the long-term effects of public utility deregulation, as well as the reduction of personal property for business inventory. In August 2002, the Board of Education and the Sidney Education Association accepted a new three-year negotiated agreement. The agreement increased salaries and related fringe benefits for fiscal year 2003 by \$1,000 thousand. During fiscal year 2002, the School District received notification that an anonymous donor would contribute a total of \$703 thousand over two and one-half years to offer a preschool program. The program began with the fiscal year 2003 school year. To date, the School District has received \$131 thousand.

REQUEST FOR INFORMATION

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

This page intentionally left blank.

**SIDNEY CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

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

	<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$17,436,523	\$75,298	\$17,511,821
Cash and Cash Equivalents:			
In Segregated Accounts	78		78
With Escrow Agent	27,002		27,002
Investments	22,644,193		22,644,193
Investments in Segregated Accounts	7,945		7,945
Accounts Receivable	236,932	42	236,974
Accrued Interest Receivable	120,768		120,768
Internal Balances	100,000	(100,000)	
Intergovernmental Receivable	348,610	51,272	399,882
Prepaid Items	159,312	9,679	168,991
Inventory Held for Resale		24,611	24,611
Materials and Supplies Inventory	45,131	4,581	49,712
Property Taxes Receivable	15,768,629		15,768,629
Unamortized Issuance Costs	195,382		195,382
Nondepreciable Capital Assets	2,841,694		2,841,694
Depreciable Capital Assets, Net	5,187,714	1,617,365	6,805,079
Total Assets	<u>65,119,913</u>	<u>1,682,848</u>	<u>66,802,761</u>
Liabilities:			
Accounts Payable	245,812	724	246,536
Contracts Payable	674,943		674,943
Accrued Wages and Benefits Payable	2,728,854	104,842	2,833,696
Matured Compensated Absences Payable	45,671		45,671
Special Termination Benefits Payable	22,500		22,500
Intergovernmental Payable	574,386	46,758	621,144
Retainage Payable	73,500		73,500
Accrued Interest Payable	211,422		211,422
Notes Payable	6,994,350		6,994,350
Deferred Revenue	15,120,363		15,120,363
Long-Term Liabilities:			
Due Within One Year	440,974	2,099	443,073
Due in More Than One Year	24,553,587	30,119	24,583,706
Total Liabilities	<u>51,686,362</u>	<u>184,542</u>	<u>51,870,904</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	4,973,494	1,617,365	6,590,859
Restricted For:			
Debt Service	517,932		517,932
Capital Projects	1,365,212		1,365,212
Other Purposes	577,456		577,456
Unrestricted (Deficit)	5,999,457	(119,059)	5,880,398
Total Net Assets	<u>\$13,433,551</u>	<u>\$1,498,306</u>	<u>\$14,931,857</u>

See Accompanying Notes to Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$11,050,629	\$220,130	\$409,508	\$42,600
Special	4,249,168	84,228	1,311,016	
Vocational	40,861	6,731	24,395	
Support Services:				
Pupils	1,357,996	91,387	33,710	
Instructional Staff	1,547,144		431,183	
Board of Education	14,276			
Administration	2,063,215		78,555	
Fiscal	568,383			
Business	113,510			
Operation and Maintenance of Plant	2,576,907			
Pupil Transportation	1,009,240	1,056	628,628	94,200
Central	373,832		14,590	
Non-Instructional Services	477,897		530,777	
Extracurricular Activities	550,995	150,529	2,029	1,450
Intergovernmental	11,841			
Interest and Fiscal Charges	1,249,986			
Total Governmental Activities	27,255,880	554,061	3,464,391	138,250
Business-Type Activity				
Food Service	1,295,972	701,962	506,629	
Totals	\$28,551,852	\$1,256,023	\$3,971,020	\$138,250

General Revenues:

Property Taxes Levied for:

General Purposes

Debt Service

Permanent Improvements

Payment in Lieu of Taxes

Grants and Entitlements not Restricted to Specific Programs

Interest

Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements.

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

Governmental Activities	Business-Type Activity	Total
(\$10,378,391)		(\$10,378,391)
(2,853,924)		(2,853,924)
(9,735)		(9,735)
(1,232,899)		(1,232,899)
(1,115,961)		(1,115,961)
(14,276)		(14,276)
(1,984,660)		(1,984,660)
(568,383)		(568,383)
(113,510)		(113,510)
(2,576,907)		(2,576,907)
(285,356)		(285,356)
(359,242)		(359,242)
52,880		52,880
(396,987)		(396,987)
(11,841)		(11,841)
(1,249,986)		(1,249,986)
(23,099,178)		(23,099,178)
	(\$87,381)	(87,381)
(23,099,178)	(\$87,381)	(23,186,559)
\$13,570,224		\$13,570,224
1,183,470		1,183,470
764,474		764,474
153,304		153,304
9,916,290		9,916,290
1,066,132		1,066,132
81,177		81,177
26,735,071		26,735,071
(1,407,793)	1,407,793	
25,327,278	1,407,793	26,735,071
2,228,100	1,320,412	3,548,512
11,205,451	177,894	11,383,345
\$13,433,551	\$1,498,306	\$14,931,857

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2002**

	General Fund	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$10,442,500	\$4,475,987	\$1,519,948	\$998,088	\$17,436,523
Cash and Cash Equivalents in Segregated Accounts				78	78
Investments			22,644,193		22,644,193
Investments in Segregated Accounts				7,945	7,945
Accounts Receivable	56,275			180,657	236,932
Accrued Interest Receivable	9,239		111,353	176	120,768
Interfund Receivable	100,000				100,000
Intergovernmental Receivable	201,298			147,312	348,610
Prepaid Items	147,852			11,460	159,312
Materials and Supplies Inventory	45,131				45,131
Restricted Assets:					
Cash and Cash Equivalents with Escrow Agent			27,002		27,002
Property Taxes Receivable	13,792,835	1,687,174		288,620	15,768,629
Total Assets	24,795,130	6,163,161	24,302,496	1,634,336	56,895,123
Liabilities and Fund Balances:					
Liabilities					
Accounts Payable	171,189			74,623	245,812
Contracts Payable			674,943		674,943
Accrued Wages and Benefits Payable	2,513,807			215,047	2,728,854
Matured Compensated Absences Payable	45,671				45,671
Intergovernmental Payable	362,724			45,142	407,866
Retainage Payable			46,498		46,498
Accrued Interest Payable		37,627			37,627
Notes Payable		4,000,000			4,000,000
Liabilities Payable from Restricted Assets:					
Retainage Payable			27,002		27,002
Deferred Revenue	13,485,451	1,617,810	47,255	461,627	15,612,143
Total Liabilities	16,578,842	5,655,437	795,698	796,439	23,826,416
Fund Balances:					
Reserved for Property Taxes	485,309	69,364		10,102	564,775
Reserved for Encumbrances	729,003		305,532	216,620	1,251,155
Unreserved, Reported in:					
General Fund	7,001,976				7,001,976
Special Revenue Funds				370,387	370,387
Debt Service Fund		438,360			438,360
Capital Projects Funds			23,201,266	240,788	23,442,054
Total Fund Balances	8,216,288	507,724	23,506,798	837,897	33,068,707
Total Liabilities and Fund Balances	\$24,795,130	\$ 6,163,161	\$ 24,302,496	\$ 1,634,336	\$ 56,895,123

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2002**

Total Governmental Fund Balances \$33,068,707

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

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds. 8,029,408

Other long-term assets are not available to pay for current period expenditures and, therefore, deferred in the funds:

Accounts Receivable	\$56,034	
Accrued Interest Receivable	47,255	
Intergovernmental Receivable	305,000	
Property Taxes Receivable	83,491	
		491,780

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, not reported in the funds. 195,382

Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds. (166,520)

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Accrued Interest Payable	(173,795)	
Compensated Absences Payable	(1,238,992)	
Special Termination Benefits Payable	(22,500)	
Notes Payable	(2,994,350)	
General Obligation Bonds Payable	(23,692,034)	
Asbestos Removal Loan Payable	(63,535)	
		(28,185,206)

Net Assets of Governmental Activities \$13,433,551

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General Fund	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$13,566,482	\$1,182,634	\$482,792	\$281,670	\$15,513,578
Payment in Lieu of Taxes	153,304				153,304
Intergovernmental	11,305,608	162,582		1,938,841	13,407,031
Interest	326,642	15,781	676,454	2,392	1,021,269
Tuition and Fees	234,138				234,138
Charges for Services	11,598			84,843	96,441
Extracurricular Activities				154,829	154,829
Gifts and Donations	5,800			159,930	165,730
Miscellaneous	78,117	74,926	22,176	2,543	177,762
Total Revenues	25,681,689	1,435,923	1,181,422	2,625,048	30,924,082
Expenditures:					
Current:					
Instruction:					
Regular	10,795,868			192,285	10,988,153
Special	3,604,649			617,675	4,222,324
Vocational	39,892				39,892
Support Services:					
Pupils	1,203,074			131,249	1,334,323
Instructional Staff	1,033,806			494,122	1,527,928
Board of Education	14,276				14,276
Administration	1,969,687			89,897	2,059,584
Fiscal	532,986	23,854	1,887	5,624	564,351
Business	113,510				113,510
Operation and Maintenance of Plant	2,103,916				2,103,916
Pupil Transportation	1,049,287			509	1,049,796
Central	322,488			15,672	338,160
Non-Instructional Services					
Extracurricular Activities	364,247			479,503	479,503
Capital Outlay			5,084,262	300,420	5,384,682
Intergovernmental				11,841	11,841
Debt Service:					
Principal Retirement		4,569,120			4,569,120
Interest and Fiscal Charges		1,168,580	109,035		1,277,615
Total Expenditures	23,147,686	5,761,554	5,195,184	2,519,327	36,623,751
Excess of Revenues Over (Under) Expenditures	2,534,003	(4,325,631)	(4,013,762)	105,721	(5,699,669)
Other Financing Sources (Uses):					
Bond Anticipation Notes Issued			6,994,350		6,994,350
General Obligation Bonds Issued		4,000,000			4,000,000
Transfers In		14,120	600,000	30,000	644,120
Transfers Out	(714,120)				(714,120)
Total Other Financing Sources (Uses)	(714,120)	4,014,120	7,594,350	30,000	10,924,350
Net Change in Fund Balances	1,819,883	(311,511)	3,580,588	135,721	5,224,681
Fund Balances at Beginning of Year	6,396,405	819,235	19,926,210	702,176	27,844,026
Fund Balances at End of Year	\$8,216,288	\$507,724	\$23,506,798	\$837,897	\$33,068,707

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Net Change in Fund Balances - Total Governmental Funds \$5,224,681

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

Governmental funds report capital outlays as expenditures.

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

Capital Outlay - Depreciable Capital Assets	\$1,594,753	
Capital Outlay - Construction in Progress Related to Debt	2,316,739	
Capital Outlay - Construction in Progress Classified to Equipment	(19,209)	
Depreciation	<u>(385,369)</u>	
		3,506,914

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

Loss on Disposal of Capital Assets		(42,091)
------------------------------------	--	----------

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

Property Taxes	4,590	
Intergovernmental	(196,472)	
Interest	47,255	
Tuition and Fees	66,409	
Extracurricular Activities	711	
Charges for Services	1,533	
Gifts and Donations	140,250	
Miscellaneous	<u>517</u>	
		64,793

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

569,120

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

Notes Payable	(2,994,350)	
General Obligation Bonds Payable	<u>(4,000,000)</u>	
		(6,994,350)

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

Annual Accretion	(31,246)	
Amortization of Discount	(6,733)	
Accrued Interest Payable	<u>(26,190)</u>	
		(64,169)

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

Amortization of Unamortized Issuance Costs		(5,304)
--	--	---------

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

Intergovernmental Payable	(3,207)	
Compensated Absences Payable	(26,787)	
Special Termination Benefits Payable	<u>(1,500)</u>	
		(31,494)

Change in Net Assets of Governmental Activities \$2,228,100

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$13,288,840	\$13,288,840	\$13,536,629	\$247,789
Payment in Lieu of Taxes			153,304	153,304
Intergovernmental	10,229,460	10,229,460	11,214,270	984,810
Interest	300,300	301,300	317,403	16,103
Tuition and Fees	149,000	149,000	229,493	80,493
Gifts and Donations			5,800	5,800
Miscellaneous	32,700	32,700	102,294	69,594
Total Revenues	<u>24,000,300</u>	<u>24,001,300</u>	<u>25,559,193</u>	<u>1,557,893</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,865,983	12,028,883	11,184,811	844,072
Special	2,237,891	2,469,179	2,152,587	316,592
Vocational	50,015	51,593	47,861	3,732
Other	1,608,079	1,532,486	1,532,486	
Support Services:				
Pupils	1,315,431	1,251,711	1,204,740	46,971
Instructional Staff	1,120,558	1,073,299	1,028,475	44,824
Board of Education	15,763	16,049	14,448	1,601
Administration	2,138,539	2,152,968	1,979,631	173,337
Fiscal	594,957	657,054	543,139	113,915
Business	133,635	130,460	116,677	13,783
Operation and Maintenance of Plant	2,485,505	2,412,961	2,233,198	179,763
Pupil Transportation	1,209,129	1,176,497	1,119,924	56,573
Central	441,842	585,304	342,059	243,245
Extracurricular Activities	367,676	367,676	373,880	(6,204)
Capital Outlay	5,000	5,000		5,000
Total Expenditures	<u>25,590,003</u>	<u>25,911,120</u>	<u>23,873,916</u>	<u>2,037,204</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,589,703)</u>	<u>(1,909,820)</u>	<u>1,685,277</u>	<u>3,595,097</u>
Other Financing Sources (Uses):				
Refund of Prior Year Receipts	(782)	(42)	(860)	(818)
Advances In			212,000	212,000
Advances Out			(162,000)	(162,000)
Transfers Out	(649,260)	(750,000)	(714,120)	35,880
Total Other Financing Sources (Uses)	<u>(650,042)</u>	<u>(750,042)</u>	<u>(664,980)</u>	<u>85,062</u>
Net Change in Fund Balance	(2,239,745)	(2,659,862)	1,020,297	3,680,159
Fund Balance at Beginning of Year	7,977,100	7,977,100	7,977,100	
Prior Year Encumbrances Appropriated	544,683	544,683	544,683	
Fund Balance at End of Year	<u>\$6,282,038</u>	<u>\$5,861,921</u>	<u>\$9,542,080</u>	<u>\$3,680,159</u>

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF FUND NET ASSETS
ENTERPRISE FUND
JUNE 30, 2002**

	Food Service
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$75,298
Accounts Receivable	42
Intergovernmental Receivable	51,272
Prepaid Items	9,679
Inventory Held for Resale	24,611
Materials and Supplies Inventory	4,581
Total Current Assets	165,483
Non-Current Assets:	
Capital Assets, Net	1,617,365
Total Assets	1,782,848
Liabilities:	
Current Liabilities:	
Accounts Payable	724
Accrued Wages and Benefits Payable	104,842
Compensated Absences Payable	2,099
Interfund Payable	100,000
Intergovernmental Payable	46,758
Total Current Liabilities	254,423
Long-Term Liabilities:	
Compensated Absences Payable	30,119
Total Liabilities	284,542
Net Assets:	
Invested in Capital Assets	1,617,365
Unrestricted (Deficit)	(119,059)
Total Net Assets	\$1,498,306

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Food Service
Operating Revenues:	
Sales	\$701,962
Operating Expenses:	
Salaries	467,247
Fringe Benefits	206,928
Purchased Services	15,310
Materials and Supplies	71,024
Cost of Sales	511,196
Depreciation	22,190
Total Operating Expenses	1,293,895
Operating Loss	(591,933)
Non-Operating Revenues (Expenses):	
Federal Donated Commodities	59,621
Operating Grants	445,222
Interest	1,786
Loss on Disposal of Capital Assets	(2,077)
Total Non-Operating Revenues (Expenses)	504,552
Loss Before Contributions and Transfers	(87,381)
Capital Contributions	1,337,793
Transfers In	70,000
Change in Net Assets	1,320,412
Net Assets at Beginning of Year	177,894
Net Assets at End of Year	\$1,498,306

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASHFLOWS
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Food Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flow from Operating Activities:	
Cash Received from Customers	\$701,988
Cash Payments for Salaries	(450,004)
Cash Payments for Fringe Benefits	(205,196)
Cash Payments for Goods and Services	(539,879)
Net Cash Used for Operating Activities	(493,091)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants	393,950
Cash Received from Advances In	100,000
Cash Payments for Advances Out	(100,000)
Cash Received from Transfers In	70,000
Net Cash Provided by Noncapital Financing Activities	463,950
Cash Flows from Capital and Related Financing Activities:	
Cash Payments for Capital Assets	(167,720)
Cash Flows from Investing Activities:	
Cash Received from Interest	1,786
Net Decrease in Cash and Cash Equivalents	(195,075)
Cash and Cash Equivalents at Beginning of Year	270,373
Cash and Cash Equivalents at End of Year	75,298
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(591,933)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	22,190
Donated Commodities Received During Year	59,621
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(39)
Decrease in Interfund Receivable	23
Decrease in Prepaid Items	874
Increase in Inventory Held for Resale	(2,822)
Decrease in Materials and Supplies Inventory	1,514
Decrease in Accounts Payable	(620)
Increase in Accrued Wages and Benefits Payable	10,944
Increase in Intergovernmental Payable	6,846
Increase in Compensated Absences Payable	311
Net Cash Used for Operating Activities	(\$493,091)

Non-Cash Transactions

During fiscal year 2002, the School District's governmental funds constructed an addition to a building, made energy conservation improvements, and purchased equipment, in the amount of \$1,135,930, \$63,716, and \$138,147, respectively, and donated them to the Food Service Enterprise Fund.

During fiscal year 2002, the Food Service enterprise fund received donated commodities, in the amount of \$59,621.

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

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

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$125,965	\$58,275
Cash and Cash Equivalents:		
In Segregated Accounts	7,874	
With Fiscal Agent	11,225	
Investments:		
In Segregated Accounts	144,890	
With Fiscal Agent	140,556	
Accrued Interest Receivable	1,162	
Total Assets	431,672	58,275
Liabilities:		
Undistributed Assets		27,142
Due to Students		31,133
Total Liabilities		\$58,275
Net Assets:		
Held in Trust for Students	\$431,672	

See Accompanying Notes to the Basic Financial Statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Private Purpose Trust
Additions:	
Interest	\$24,220
Gifts and Donations	13,395
Total Additions	<u>37,615</u>
Deductions:	
Pupils	9,450
Non-Instructional Services	15,273
Total Deductions	<u>24,723</u>
Change in Net Assets	12,892
Net Assets at Beginning of Year	418,780
Net Assets at End of Year	<u><u>\$431,672</u></u>

See Accompanying Notes to the Basic Financial Statements.

This page intentionally left blank.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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 96th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by one hundred seventy-seven classified employees, two hundred fifty-one certified teaching personnel, and twenty-four administrative employees who provide services to 3,896 students and other community members. The School District currently operates eight instructional/support buildings.

A. Reporting Entity

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

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

The Sidney City School Foundation, Inc. is organized as a not-for-profit corporation and operated exclusively for the benefit of the School District. The Foundation receives and administers donations for educational purposes. The Foundation is governed by a five member board of trustees who are the same individuals that serve as members of the Board of Education. The Foundation is a blended component unit and the financial statements of the Foundation for the year ended December 31, 2001, are included as other governmental funds and private purpose trust fiduciary funds in the School District's basic financial statements.

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

The School District participates in three jointly governed organizations and two insurance pools, and is associated with a related organization. These organizations are the Upper Valley Joint Vocational School, West Central Ohio Special Education Regional Resource Center, Southwestern Ohio Educational Purchasing Cooperative, Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust, Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan, and the Amos Memorial Public Library. These organizations are presented in Notes 20, 21, and 22 to the basic financial statements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Sidney City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. 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 statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and business-type activity. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the School District.

2. Fund Financial Statements

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds

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

General Fund

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

Bond Retirement Debt Service Fund

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

Building Capital Projects Fund

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

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

2. Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The following is the School District's proprietary fund:

Enterprise Fund

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Food Service

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

3. Fiduciary Funds

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

C. Measurement Focus

1. Government-Wide Financial Statements

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

2. Fund Financial Statements

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting.

Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

1. Revenues - Exchange and Nonexchange Transactions

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

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

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

2. Deferred Revenues

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

Property taxes for which there was an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Expenses/Expenditures

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

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

E. Budgetary Process

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

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

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

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". Investments held for the construction and renovation of buildings is presented as "Investments".

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2002, the School District's investments included non-negotiable certificates of deposit, repurchase agreements, federal agency securities, stocks, mutual funds, and STAR Ohio. The School District's investments are reported at fair value, except for non-negotiable certificates of deposit and repurchase agreements, which are reported at cost. Fair value is based on quoted market price or current share price.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2002, was \$326,642, which includes \$21,480 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

I. Restricted Assets

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Unamortized Issuance Costs/Bond Premium and Discount

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

Bond premiums on the capital appreciation bonds are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

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

K. Capital Assets

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

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

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

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

L. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances".

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences

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

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

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

N. Accrued Liabilities and Long-Term Obligations

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

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

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balance Reserves

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

Q. Operating Revenues and Expenses

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

R. Capital Contributions

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

S. Interfund Transactions

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

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

U. Estimates

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2002, the Professional Development, Disadvantaged Pupil Impact Aid, and Title VI B special revenue funds had deficit fund balances of \$5, \$1,746, and \$868, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The following accounts had expenditures plus outstanding encumbrances in excess of appropriations for the fiscal year ended June 30, 2002.

<u>Fund Type/Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
General Fund			
Instruction			
Other	\$180,000	\$180,618	\$618
Extracurricular Activities			
Salaries	310,794	316,435	5,641
Fringe Benefits	56,882	57,445	563
Special Revenue Funds			
Public School Support			
Support Services			
Capital Outlay New	9,292	9,634	342
Education Foundation			
Instruction			
Purchased Services	0	299	299
Support Services			
Salaries	10,951	14,382	3,431
Auxiliary Services			
Non-Instructional Services			
Capital Outlay New	47,168	67,834	20,666
Other	19,950	20,100	150
Teacher Development			
Support Services			
Purchased Services	0	1,500	1,500
Disadvantaged Pupil Impact Aid			
Support Services			
Salaries	10,470	10,888	418
SchoolNet Professional Development			
Support Services			
Purchased Services	2,150	2,839	689

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

<u>Fund Type/Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
Summer Intervention			
Instruction			
Purchased Services	\$0	\$4,573	\$4,573
Goals 2000			
Support Services			
Salaries	8,440	9,975	1,535
Title VI R			
Support Services			
Salaries	3,343	3,398	55
Miscellaneous Federal			
Support Services			
Salaries	62,903	70,222	7,319
Intergovernmental			
Other	5,451	6,309	858
Debt Service Fund			
Bond Retirement			
Support Services			
Other	98,500	98,780	280
Capital Projects Funds			
Permanent Improvement			
Support Services			
Purchased Services	0	80,764	80,764
Capital Outlay New	76,874	81,789	4,915
Building			
Non-Instructional Services			
Capital Outlay New	58,000	77,727	19,727
Enterprise Fund			
Food Service			
Salaries	440,543	450,004	9,461
Materials and Supplies	489,300	490,567	1,267

The Board of Education has modified the method of appropriating to the fund and object level for fiscal year 2003.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4 BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	
GAAP Basis	\$1,819,883
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2001, Received in Cash FY 2002	476,571
Accrued FY 2002, Not Yet Received in Cash	(574,196)
Expenditure Accruals:	
Accrued FY 2001, Paid in Cash FY 2002	(2,951,695)
Accrued FY 2002, Not Yet Paid in Cash	3,093,391
Prepaid Items	4,211
Materials and Supplies Inventory	2,552
Advances In	212,000
Advances Out	(162,000)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(900,420)
Budget Basis	\$1,020,297

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

- a) 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;
- b) 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;
- c) Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
- d) Bonds and other obligations of the State of Ohio;
- e) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- f) The State Treasurer's investment pool (STAR Ohio);
- g) Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
- h) Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

At fiscal year end, the School District had \$1,629 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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

At fiscal year end, the carrying amount of the School District's deposits was \$15,007,388 and the bank balance was \$15,700,020. Of the bank balance, \$374,198 was covered by federal depository insurance and \$15,325,822 was uninsured and uncollateralized.

Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

STAR Ohio and mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Federal Farm Credit Bank Bonds	\$3,292,781	\$0	\$3,292,781	\$3,292,781
Federal Farm Credit Bank Notes	2,032,400	0	2,032,400	2,032,400
Federal Home Loan Bank Bonds	3,955,388	0	3,955,388	3,955,388
Federal Home Loan Bank Notes	1,993,000	0	1,993,000	1,993,000
Federal Home Loan Mortgage Corporation Bonds	633,270	0	633,270	633,270
Federal Home Loan Mortgage Corporation Notes	5,067,570	0	5,067,570	5,067,570
Federal National Mortgage Association Notes	5,061,720	0	5,061,720	5,061,720
U. S. Treasury Note	608,064	0	608,064	608,064
Qwest Communications International	0	2,854	2,854	2,854
SBC Communications, Inc.	0	5,327	5,327	5,327
Verizon Communications	0	5,410	5,410	5,410
Repurchase Agreements	0	1,073,452	1,073,452	1,073,503
	<u>\$22,644,193</u>	<u>\$1,087,043</u>	23,731,236	23,731,287
Investments in Shelby County Educational Service Center's Investment Pool			151,781	151,781
STAR Ohio			964,439	964,439
Mutual Funds			823,351	823,351
Totals			<u>\$25,670,807</u>	<u>\$25,670,858</u>

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

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$17,742,240	\$22,937,584
Cash on Hand	(1,629)	0
Investment in Shelby County Education Service Center's Investment Pool	(11,225)	11,225
Certificates of Deposit	139,244	(139,244)
Repurchase Agreements	(1,073,452)	1,073,452
STAR Ohio	(964,439)	964,439
Mutual Funds	(823,351)	823,351
GASB Statement No. 3	<u>\$15,007,388</u>	<u>\$25,670,807</u>

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. RECEIVABLES

Receivables at June 30, 2002, consisted of accounts (rent and student fees), accrued interest, interfund, intergovernmental, and property taxes. All receivables are considered collectible within one year and in full.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	\$201,298
Other Governmental Funds	
Eisenhower	3,998
Title VI B	9,220
Title I	105,044
Title VI	10,251
Title VI R	10,011
Miscellaneous Federal	8,788
Total Other Governmental Funds	147,312
Total Governmental Activities	348,610
Business-Type Activity	
Food Service	51,272
Total Intergovernmental Receivables	\$399,882

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of January 1, 2001, 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 real and tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. 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. Public utility property taxes are payable on the same dates as real property taxes described previously.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

7. PROPERTY TAXES (Continued)

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. 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 Shelby and Logan 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, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2002, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is reflected as revenue at fiscal year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2002, was \$485,309 in the General Fund, \$69,364 in the Bond Retirement debt service fund, and \$10,102 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2001, was \$455,456 in the General Fund, \$64,130 in the Bond Retirement debt service fund, and \$9,229 in the Permanent Improvement capital projects fund.

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

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$242,037,240	50.85%	\$247,145,600	50.97%
Industrial/Commercial	93,021,610	19.54	97,696,330	20.15
Public Utility	23,266,820	4.89	17,333,360	3.57
Tangible Personal	117,671,091	24.72	122,697,817	25.31
Total Assessed Value	<u>\$475,996,761</u>	<u>100.00%</u>	<u>\$484,873,107</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation		\$44.10		\$44.10

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

8. PAYMENT IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2002 were \$153,304.

9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/02</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$207,305	\$0	\$0	\$207,305
Construction in Progress	336,859	2,316,739	(19,209)	2,634,389
Total Nondepreciable Capital Assets	544,164	2,316,739	(19,209)	2,841,694
Depreciable Capital Assets				
Land Improvements	224,413	0	0	224,413
Buildings and Building Improvements	3,263,154	1,235,146	0	4,498,300
Furniture, Fixtures, and Equipment	2,806,919	244,392	(107,270)	2,944,041
Vehicles	1,569,992	116,665	(61,984)	1,624,673
Total Depreciable Capital Assets	7,864,478	1,596,203	(169,254)	9,291,427
Less Accumulated Depreciation				
Land Improvements	(\$56,689)	(\$12,420)	\$0	(\$69,109)
Buildings and Building Improvements	(1,615,033)	(108,136)	0	(1,723,169)
Furniture, Fixtures, and Equipment	(1,591,548)	(177,393)	65,179	(1,703,762)
Vehicles	(582,237)	(87,420)	61,984	(607,673)
Total Accumulated Depreciation	(3,845,507)	(385,369)	127,163	(4,103,713)
Depreciable Capital Assets, Net	4,018,971	1,210,834	(42,091)	5,187,714
Governmental Activities Capital Assets, Net	<u>\$4,563,135</u>	<u>\$3,527,573</u>	<u>(61,300)</u>	<u>\$8,029,408</u>

The School District accepted a contribution of depreciable capital assets for governmental activities with a fair value of \$1,450 during fiscal year 2002.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

9. CAPITAL ASSETS (Continued)

	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/02</u>
Business-Type Activity				
Depreciable Capital Assets				
Buildings and Building Improvements	\$177,583	\$1,199,646	\$0	\$1,377,229
Furniture, Fixtures, and Equipment	272,436	305,867	(50,006)	528,297
Vehicles	15,004	0	0	15,004
Total Depreciable Capital Assets	<u>465,023</u>	<u>1,505,513</u>	<u>(50,006)</u>	<u>1,920,530</u>
Less Accumulated Depreciation				
Buildings and Building Improvements	(106,611)	(5,884)	0	(112,495)
Furniture, Fixtures, and Equipment	(216,732)	(15,310)	47,929	(184,113)
Vehicles	(5,561)	(996)	0	(6,557)
Total Accumulated Depreciation	<u>(328,904)</u>	<u>(22,190)</u>	<u>47,929</u>	<u>(303,165)</u>
Business-Type Activity Capital Assets, Net	<u>\$136,119</u>	<u>\$1,483,323</u>	<u>(\$2,077)</u>	<u>\$1,617,365</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$223,232
Special	9,247
Vocational	969
Support Services:	
Pupils	7,861
Instructional Staff	5,276
Administration	6,573
Fiscal	4,023
Operation and Maintenance of Plant	14,100
Pupil Transportation	71,864
Central	10,114
Non-Instructional Services	12,838
Extracurricular Activities	19,272
Total Depreciation Expense	<u>\$385,369</u>

10. INTERFUND ASSETS/LIABILITIES

At June 30, 2002, the General Fund had an interfund receivable and Food Service enterprise fund had an interfund payable, in the amount of \$100,000, resulting from a short-term loan.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

11. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted for the following insurance coverage:

Nationwide Agribusiness Insurance Company	
Buildings and Contents - replacement cost	\$58,277,800
Boiler and Machinery	19,221,400
Hardware and Software	1,163,908
Automobile Liability	2,000,000
Uninsured Motorists	500,000
Great American Alliance Insurance Company	
General School District Liability	
General Aggregate	1,000,000
Commercial Excess	
Each Occurrence	1,000,000
General Aggregate	4,000,000

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

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

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the school District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

A participant will then either receive money from or be required to contribute to the "Group Saving Fund". This "group saving" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. Each participant must apply annually. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the Plan.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

12. CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had contractual commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Cardinal Bus Sales	School Bus	\$60,139
Farnham Equipment, Inc.	Equipment	57,450
Lepi Enterprises	Asbestos Removal	52,528
Tackett Environmental	Asbestos Removal	13,914
Elements IV Interiors	Cafeteria Equipment	38,323
Ferguson Construction	Middle School Site Prep	272,822
Ferguson Construction	High School Cafeteria	7,803
Slagle Mechanical	Middle School Plumbing	2,171,884
Farnham Equipment, Inc.	Middle School Cafeteria Equipment	927,968
Saturn Electric	Middle School Electrical	1,217,774
Central Fire Protection	Middle School Fire System	196,410
Bushon Restaurant	Middle School Cafeteria Equipment	323,880
Ferguson Construction	Middle School General Contractor	8,205,148
Harvey and Associates	Energy Conservation	7,567
Mr. Concrete Builders Supply	Middle School Brick Purchase	61,328
Freytag & Associates, Inc.	Middle School Professional Service	134,550
Furniture Focus Group	HS Cafeteria Furniture	27,662
Total Commitments		<u>\$13,777,150</u>

13. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$1,161,185, \$1,101,848 and \$675,882, respectively; 84 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$191,042, is recorded as a liability.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

13. DEFINED BENEFIT PENSION PLANS

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$191,433, \$135,627, and \$168,173, respectively; 50 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$94,779, is recorded as a liability.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2002, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

14. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$550,035.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

14. POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

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

For this fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, was \$339,018 for fiscal year 2002.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), was \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

15. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

Administrators may accumulate unlimited sick leave days. Classified employees may accumulate sick leave up to two hundred forty days. Upon retirement, payment is made for 25 percent of the first one hundred twenty days of accrued, but unused sick leave and 15 percent of any remaining accrued, but unused sick leave to a maximum of forty-eight days.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

15. OTHER EMPLOYEE BENEFITS

B. Health Care Benefits

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

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

C. Special Termination Benefits

The School District offers a special termination benefit to teachers who have submitted a letter of retirement to the superintendent between September 1 and May 1 in any year of eligibility. The incentive is based on the number of teachers who submit letters. If a teacher does not finish the school year, they will be part of the retirement count, but will not receive the monetary incentive.

Number of Retirees	Incentive
1 - 3 Teachers	\$3,000
4 - 7 Teachers	5,000
8 - 11 Teachers	7,000
12 or more Teachers	9,000

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

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

All special termination benefits are paid at the same time the employee's severance payment is made.

16. NOTES PAYABLE

On August 7, 2001, the School District retired \$10,000,000 in bond anticipation notes that had been issued for the construction of an addition to the high school and a new middle school. The notes had an interest rate of 4.79 percent.

On August 7, 2001, the School District retired \$10,000,000 in bond anticipation notes that had been issued for the construction of an addition to the high school and a new middle school. The notes had an interest rate of 3.92 percent.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

16. NOTES PAYABLE (Continued)

On July 18, 2001, the School District issued bond anticipation notes, in the amount of \$995,000, for energy conservation projects. The notes have an interest rate of 2.70 percent and mature on July 17, 2002. The notes are being retired from the Bond Retirement debt service fund.

On January 15, 2002, the School District issued bond anticipation notes, in the amount of \$5,999,350, for constructing, improving, and making additions to school buildings. The notes have an interest rate of 2.04 percent and mature on July 17, 2002. The notes are being retired from the Bond Retirement debt service fund.

At June 30, 2002, the total amount of bond anticipation notes outstanding was \$6,994,350, of which \$995,000 has been expended for construction.

17. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02	Due Within One Year
Governmental Activities					
General Obligation Bonds					
2001 School Improvement					
Serial Bonds 3.4 - 5%	\$4,565,000	\$0	\$555,000	\$4,010,000	\$330,000
Term Bonds 5.1 - 5.25%	15,345,000	0	0	15,345,000	0
Original Issue of Capital Appreciation Bonds 15.92 - 29.35%	89,992	0	0	89,992	0
Accretion on Capital Appreciation Bonds	463,838	31,246	0	495,084	0
Serial and Term Bond Discount	(254,775)	6,733	0	(248,042)	0
Total 2001 School Improvement	20,209,055	37,979	555,000	19,692,034	330,000
2002 School Improvement					
Serial Bonds 2.5 - 5%	0	1,540,000	0	\$1,540,000	0
Term Bonds 5.125-5.625%	0	2,460,000	0	2,460,000	0
Total 2002 School Improvement	0	4,000,000	0	4,000,000	0
Total General Obligation Bonds	20,209,055	4,037,979	555,000	23,692,034	330,000
1987 Asbestos Removal Loan-0%	77,655	0	14,120	63,535	14,120
Compensated Absences Payable	1,212,205	85,902	59,115	1,238,992	96,854
Total Governmental Activities Long-Term Liabilities	\$21,498,915	\$4,123,881	\$628,235	\$24,994,561	\$440,974
Business-Type Activity					
Compensated Absences	\$31,907	\$311	\$0	\$32,218	\$2,099

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

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. The bonds are being retired from the Bond Retirement debt service fund, with a portion of the proceeds of a 3.70 mill voted property tax levy.

A. Series A Term Bonds

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

Year	Amount
2015	\$315,000
2016	345,000
2017	375,000
2018	410,000

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

Year	Amount
2020	\$470,000
2021	515,000
2022	555,000

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

Year	Amount
2024	\$660,000
2025	720,000
2026	785,000
2027	850,000

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

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

Year	Amount
2015	\$305,000
2016	335,000
2017	360,000
2018	395,000

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

Year	Amount
2020	\$455,000
2021	500,000
2022	535,000

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

Year	Amount
2024	\$645,000
2025	705,000
2026	765,000
2027	830,000

B. Series B Term Bonds

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, 2001, at the redemption prices (expressed as percentages of the principal amount to be redeemed) plus accrued interest to the redemption date:

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2011 through November 30, 2012	101%
December 1, 2007 and thereafter	100

The capital appreciation bonds were sold at a premium of \$461,098. The capital appreciation bonds will mature in fiscal years 2014 and 2015. The maturity amount of the bonds is \$1,090,000. For fiscal year 2002, \$31,246 was accreted for a total bond value of \$585,076.

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. The bonds are being retired from the Bond Retirement debt service fund, with a portion of the proceeds of a 3.70 mill voted property tax levy.

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

17. LONG-TERM OBLIGATIONS (Continued)

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

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

Compensated absences will be paid from the General Fund, Auxiliary Services, Title VI B, and Title I special revenue funds, and the Food Service enterprise fund.

The School District's overall debt margin was \$18,739,588 with an unvoted debt margin of \$484,873 at June 30, 2002.

At June 30, 2002, the total amount of debt proceeds expended for governmental and business-type activity construction was \$3,629,389 and \$1,337,793, respectively.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2002, were as follows:

Fiscal Year Ending	General Obligation Bonds			
	Serial		Term	
	Principal	Interest	Principal	Interest
2003	\$330,000	\$304,330	\$0	\$883,079
2004	475,000	213,878	0	926,829
2005	520,000	195,502	0	926,828
2006	590,000	173,763	0	926,829
2007	685,000	148,220	0	926,828
2008-2012	1,865,000	501,777	0	4,634,144
2013-2017	1,085,000	94,830	1,300,000	4,569,374
2018-2022	0	0	5,195,000	3,667,078
2023-2027	0	0	7,660,000	2,014,477
2028-2029	0	0	3,650,000	184,564
Totals	<u>\$5,550,000</u>	<u>\$1,632,300</u>	<u>\$17,805,000</u>	<u>\$19,660,030</u>

Fiscal Year Ending	General Obligation Bonds Capital Appreciation		Asbestos Removal Loans
	Principal	Interest	Principal
2003	\$0	\$0	\$14,120
2004	0	0	14,120
2005	0	0	14,120
2006	0	0	14,120
2007	0	0	7,055
2008-2012	0	0	0
2013-2017	89,992	1,000,008	0
Totals	<u>\$89,992</u>	<u>\$1,000,008</u>	<u>\$63,535</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, 2002
(Continued)**

18. SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2002.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2001	(\$405,088)	\$0	\$210,054
Current Year Set Aside Requirement	521,657	521,657	0
Qualifying Expenditures	(680,573)	(240,860)	(210,054)
Current Year Offsets	<u>0</u>	<u>(280,797)</u>	<u>0</u>
Amount Carried Forward to Fiscal Year 2003	<u>(\$564,004)</u>	<u>\$0</u>	<u>\$0</u>
Set Aside Reserve Balance June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

19. INTERFUND TRANSFERS

During fiscal year 2002, the General Fund made transfers to other governmental funds, in the amount of \$714,120; \$14,120 to the Bond Retirement debt service fund as debt payments became due, \$30,000 to the District Managed special revenue fund to subsidize activities of the fund, and \$600,000 to the Building capital projects fund to provide additional funding for the energy conservation improvements. The General Fund also made transfers, in the amount of \$70,000, to the Food Service enterprise fund which was used to support the operation of food service activities.

20. 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 degree of control exercised by the School District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Upper Valley Joint Vocational School, William Stump, Treasurer, 8811 Career Drive, Piqua, Ohio 45356-9254.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

20. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. West Central Ohio Special Education Regional Resource Center

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

Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Sidney, Ohio 43326-2385.

C. Southwestern Ohio Educational Purchasing Cooperative

The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) was established in 1986 among educational entities located in southwestern Ohio to purchase instructional and operational supplies and materials. The SOEPC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities.

The SOEPC is governed by an elected Board consisting of ten representatives of the educational entities and the superintendent from the Montgomery County Educational Service Center. The Board, except for the superintendent from the Montgomery County Educational Service Center, is elected from an Assembly consisting of a representative from each participating educational entity. During fiscal year 2002, the School District paid \$2,963 to the SOEPC for various services.

Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

21. INSURANCE POOLS

A. Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

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

Each participant decides which plans offered by the Trust that will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums.

Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton Ohio 45424.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

21. INSURANCE POOLS (Continued)

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.

22. RELATED ORGANIZATION

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

23. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

24. CONTINGENCIES

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, 2002.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

25. SUBSEQUENT EVENTS

On July 18, 2002, the School District issued bond anticipation notes, in the amount of \$995,000, to retire notes previously issued for energy conservation projects. The notes have an interest rate of 2.15 percent and mature on July 17, 2003.

On July 18, 2002, the School District issued bond anticipation notes, in the amount of \$1,999,350, to retire notes previously issued for constructing, improving, and making additions to school buildings. The notes have an interest rate of 2.03 percent and mature on July 17, 2003.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture						
(Passed through State Dept. of Education)						
<i>Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550		\$60,827		\$57,983
National School Breakfast Program	044784-05-PU-01	10.553	\$5,303		\$5,303	
	044784-05-PU-02		55,155		55,155	
Total National School Breakfast Program			60,458		60,458	
National School Lunch Program	044784-LL-P4-01	10.555	43,466		43,466	
	044784-LL-P4-01		268,455		268,455	
Total National School Lunch Program			311,921		311,921	
Total U.S. Department of Agriculture-Nutrition Cluster			372,379	60,827	372,379	57,983
U.S. Department of Health and Human Services						
(Passed through the Ohio Department of Mental Retardation and Developmental Disabilities)						
Medical Assistance Program (CAFS)		93.778	53,381		53,381	
U.S. Department of Education						
(Passed through State Dept. of Education)						
<i>Special Education Cluster:</i>						
Title VI-B	044784-6B-SF-01P	84.027	27,930		58,886	
	044784-6B-SF-02P		327,343		281,958	
Total Title VI-B			355,273		340,844	
Preschool Grants	044784-PG-S1-01P	84.173			2,177	
	044784-PG-S1-02P		12,669		10,355	
Total Preschool Grants			12,669		12,532	
<i>Total Special Education Cluster</i>			367,942		353,376	
Title I	044784-C1-S1-01	84.010	42,079		74,048	
	044784-C1-S1-01C		52,257		52,257	
	044784-C1-S1-02		343,200		309,032	
Total Title I			437,536		435,337	
Drug Free Education	044784-DR-S1-01	84.186	15,639		15,639	
Total Drug Free Education			15,639		15,639	
Goals 2000 Continuous Improvement	044784-G2-S2-00	84.276			3,103	
	044784-G2-S2-01				17406	
	044784-G2-S9-01		25,000		14,618	
Total Goals 2000 Continuous Improvement			25,000		35,127	
Eisenhower Math and Science	044784-MS-S1-02	84.281	19,698			
Innovative Education Program	044784-C2-S1-01	84.298	7,173		7,813	
	044784-C2-S1-02		14,751		11,530	
Total Innovative Education Program			21,924		19,343	
Reading Excellence Reform Subsidy	044784-RN-S1-00	84.338	189,931		135,406	
Comprehensive School Reform	044784-RF-S1-00P	84.332	(2,728)			
	044784-RF-S1-99		(815)			
	044784-RF-S1-00		(2,765)		18,576	
	044784-RF-S1-01		41,212		39,705	
Total Comprehensive School Reform			34,904		58,281	
Class Size Reduction	044784-CR-S1-01	84.340	9,188		22,337	
	044784-CR-S1-02		121,667		103,335	
Total Class Size Reduction			130,855		125,672	
Assistive Technology Infusion	044784-ATS1-02	84.352	2,154		2,154	
Total U.S. Department of Education			1,245,583		1,180,335	
Total Federal Financial Assistance			\$1,671,343	\$60,827	\$1,606,095	\$57,983

The notes to the federal award expenditures is an integral part of this schedule.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B- NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had \$13,767 in donated food commodity inventory.

NOTE C - MATCHING REQUIREMENTS

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



Auditor of State Betty Montgomery

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

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

To the Members of the Board:

We have audited the financial statements of Sidney City School District, Shelby County, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated February 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-10375-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 24, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 24, 2003.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

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

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

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

Betty Montgomery
Auditor of State

February 24, 2003



**Auditor of State
Betty Montgomery**

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

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

To the Members of the Board:

Compliance

We have audited the compliance of Sidney City School District, Shelby County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated February 24, 2003.

Internal Control Over Compliance

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

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

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



Betty Montgomery
Auditor of State

February 24, 2003

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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 weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions 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):	Nutrition Cluster: CFDA #10.550, 10.553, 10.555 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**

FINDING NUMBER 2002-10375-001

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The amounts for the following funds represent the maximum by which expenditures exceeded appropriations for the period of December 2001 through June of 2002 at the fund/one digit function/one digit object legal level of control:

Fund/Function/Object Level	Appropriation	Expenditures	Excess
Permanent Improvement Fund			
Support Services			
Purchased Services	\$0	\$80,764	\$80,764
Capital Outlay New	76,874	81,789	4,915
Music/Athletic Fund			
Extracurricular Activities			
Supplies and Materials	122,899	203,935	81,036
Auxiliary Services Fund			
Community Service			
Capital Outlay New	1,950	47,125	45,175
Teacher Development Fund			
Supporting Services			
Purchased Services	0	1,500	1,500
School Net Professional Development Fund			
Supporting Services			
Purchased Services	2,150	2,839	689
Intervention Grant Fund			
Instruction			
Purchased Services	0	4,573	4,573
Extended Learning Opportunity Fund			
Instruction			
Fringe Benefits	52	3,457	3,405

Failure to adopt amended appropriations for an increase or decrease in allowable spending could result in expenditures being made in excess of actual funds available and result in deficit spending.

Procedures should be developed to compare actual expenditures to appropriations in order to identify when expenditures are nearing the level of appropriations and appropriate action taken. This can be accomplished through the review of the budget versus actual report generated by the system on a monthly basis.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
APRIL 3, 2003**