



**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY
JUNE 30, 2020**

TABLE OF CONTENTS

| TITLE | PAGE |
|--|-------------|
| Independent Auditor's Report | 1 |
| Prepared by Management: | |
| Management's Discussion and Analysis | 5 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position – Cash Basis | 13 |
| Statement of Activities – Cash Basis | 14 |
| Fund Financial Statements: | |
| Statement of Assets and Fund Balances – Cash Basis – Governmental Funds | 16 |
| Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis – Governmental Funds..... | 17 |
| Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual (Budgetary Basis) – General Fund..... | 18 |
| Statement of Net Position – Cash Basis – Proprietary Fund | 19 |
| Statement of Receipts, Disbursements and Changes in Net Position – Cash Basis - Proprietary Fund..... | 20 |
| Statement of Changes in Fiduciary Net Position – Cash Basis – Custodial Fund..... | 21 |
| Notes to the Basic Financial Statements | 23 |
| Schedule of Expenditures of Federal Awards | 57 |
| Notes to the Schedule of Expenditures of Federal Awards..... | 58 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 59 |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance | 61 |
| Schedule of Findings..... | 65 |
| Prepared by Management: | |
| Summary Schedule of Prior Audit Findings..... | 69 |
| Corrective Action Plan | 71 |

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, Ohio (the District), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during fiscal year 2020, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

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

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

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

Other Information

We applied no procedures to management's discussion and analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 21, 2021

This page intentionally left blank.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

This discussion and analysis of the Sidney City School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights in fiscal year 2020 are as follows:

Governmental activities general receipts accounted for \$34,055,788 in receipts or 81.33% of all governmental receipts. Program specific receipts in the form of charges for services and sales and operating and capital grants and contributions accounted \$7,816,711 or 18.67% of total receipts of \$41,872,499.

Total cash disbursements of the governmental activities were \$45,938,232.

In total, net cash position decreased \$4,109,694. The business-type activities net cash position decreased by \$461 while the governmental activities net cash position decreased by \$4,109,233.

Using this Annual Report

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

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

Basis of Accounting

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2020, within the limitations of cash basis accounting. The statement of net position-cash basis presents the cash balances and investments of the governmental activities of the District at fiscal year-end. The statement of activities-cash basis compares cash disbursements with program receipts for each District program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

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

- Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities.
- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's latchkey program is reported as a business-type activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Fiduciary Funds - The District is the trustee, or fiduciary, for Ohio High School Athletic Association tournament activity. The financial activity of the District's fiduciary activities are reported in a separate statement of changes in fiduciary net position cash basis. The activity is excluded from the District's other financial statements because any related assets cannot be utilized by the District to finance its operations.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Proprietary Fund - There are two types of proprietary funds: enterprise funds and internal service funds. The enterprise funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's enterprise fund is used to account for the latchkey program. The District does not have any internal service funds.

The School District as a Whole

Table 1 provides a summary of the District's net cash position at June 30, 2020 compared to June 30, 2019. Net position at June 30, 2019 has been restated as described in Note 3.

**(Table 1)
Net Cash Position**

| | Governmental Activities 2020 | Restated Governmental Activities 2019 | Business-type Activities 2020 | Business-type Activities 2019 | Total 2020 | Restated Total 2019 |
|--------------------------------|------------------------------------|--|-------------------------------------|-------------------------------------|---------------------|---------------------------|
| Assets | | | | | | |
| Cash and Cash Equivalents | \$21,676,002 | \$ 25,785,235 | \$ 90 | \$ 551 | \$21,676,092 | \$ 25,785,786 |
| Net Cash Position | | | | | | |
| Restricted for: | | | | | | |
| Capital Projects | \$ 142,832 | \$ 507,371 | \$ - | \$ - | \$ 142,832 | \$ 507,371 |
| Debt Service | 4,035,099 | 4,226,440 | - | - | 4,035,099 | 4,226,440 |
| Other Purposes | 1,018,237 | 931,471 | - | - | 1,018,237 | 931,471 |
| Unrestricted | 16,479,834 | 20,119,953 | 90 | 551 | 16,479,924 | 20,120,504 |
| Total Net Cash Position | \$21,676,002 | \$ 25,785,235 | \$90 | \$551 | \$21,676,092 | \$25,785,786 |

Net cash position of governmental activities decreased \$4,109,233 during fiscal year 2020. Unrestricted net cash position of business-type funds is \$90.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Table 2 shows the changes in net cash position on a cash basis for fiscal year 2020 compared to fiscal year 2019. Net position at June 30, 2019 has been restated as described in Note 3.

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

| | Restated | | | | | |
|--|---------------------|---------------------|-----------------|-----------------|---------------------|---------------------|
| | Governmental | Governmental | Business Type | Business Type | | Restated |
| | Activities | Activities | Activities | Activities | Total | Total |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Receipts: | | | | | | |
| Program Receipts: | | | | | | |
| Charges for Services and Sales | \$ 1,467,167 | \$1,667,842 | \$ 50,484 | \$ 59,598 | \$1,517,651 | \$1,727,440 |
| Operating Grants and Contributions | 6,346,544 | 6,057,289 | - | - | 6,346,544 | 6,057,289 |
| Capital Grants and Contributions | 3,000 | 94,000 | - | - | 3,000 | 94,000 |
| Total Program Receipts | <u>7,816,711</u> | <u>7,819,131</u> | <u>50,484</u> | <u>59,598</u> | <u>7,867,195</u> | <u>7,878,729</u> |
| General Receipts: | | | | | | |
| Property taxes levied for general purposes | 13,416,378 | 13,377,969 | - | - | 13,416,378 | 13,377,969 |
| Property taxes levied for debt service | 1,077,401 | 1,066,646 | - | - | 1,077,401 | 1,066,646 |
| Grants and Entitlements Not Restricted to Specific Programs | 19,050,338 | 19,426,076 | - | - | 19,050,338 | 19,426,076 |
| Payments in Lieu of Taxes | 18,042 | 25,282 | - | - | 18,042 | 25,282 |
| Interest | 300,614 | 380,724 | - | - | 300,614 | 380,724 |
| Miscellaneous | 193,015 | 367,323 | - | - | 193,015 | 367,323 |
| Total General Receipts | <u>34,055,788</u> | <u>34,644,020</u> | <u>-</u> | <u>-</u> | <u>34,055,788</u> | <u>34,644,020</u> |
| Total Receipts | <u>41,872,499</u> | <u>42,463,151</u> | <u>50,484</u> | <u>59,598</u> | <u>41,922,983</u> | <u>42,522,749</u> |
| Disbursements: | | | | | | |
| Instruction | 28,137,045 | 26,390,648 | - | - | 28,137,045 | 26,390,648 |
| Support Services | 12,588,959 | 12,455,093 | - | - | 12,588,959 | 12,455,093 |
| Food Service | 1,415,525 | 1,512,471 | - | - | 1,415,525 | 1,512,471 |
| Other non-instructional services | 604,757 | 542,269 | - | - | 604,757 | 542,269 |
| Extracurricular activities | 891,588 | 794,608 | - | - | 891,588 | 794,608 |
| Capital Outlay | 567,539 | 782,595 | - | - | 567,539 | 782,595 |
| Debt Service | 1,732,819 | 476,502 | - | - | 1,732,819 | 476,502 |
| Latchkey | - | - | 94,445 | 105,707 | 94,445 | 105,707 |
| Total Disbursements | <u>45,938,232</u> | <u>42,954,186</u> | <u>94,445</u> | <u>105,707</u> | <u>46,032,677</u> | <u>43,059,893</u> |
| Deficiency Before Transfers | <u>(4,065,733)</u> | <u>(491,035)</u> | <u>(43,961)</u> | <u>(46,109)</u> | <u>(4,109,694)</u> | <u>(537,144)</u> |
| Transfers | <u>(43,500)</u> | <u>(45,123)</u> | <u>43,500</u> | <u>45,123</u> | <u>-</u> | <u>-</u> |
| Change in Net Cash Position | (4,109,233) | (536,158) | (461) | (986) | (4,109,694) | (537,144) |
| Net Cash Position, Beginning of Year (restated) | 25,785,235 | N/A | 551 | 1,537 | 25,785,786 | N/A |
| Net Cash Position, End of Year | <u>\$21,676,002</u> | <u>\$25,785,235</u> | <u>\$90</u> | <u>\$551</u> | <u>\$21,676,092</u> | <u>\$25,785,786</u> |

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Net position of the District decreased \$4,109,694 or 15.94%. The decrease was due to an increase in disbursements for instruction, support services, debt service and extracurricular activities. There was a slight decrease in food service disbursements during the year.

Governmental Activities

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

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

| | Total Cost of Services 2020 | Net Cost of Services 2020 | Total Cost of Services 2019 | Net Cost of Services 2019 |
|------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Instruction | \$ 28,137,045 | \$ 23,296,029 | \$ 26,390,648 | \$ 21,196,902 |
| Support Services: | | | | |
| Pupil and Instructional Staff | 2,871,801 | 2,255,501 | 2,742,848 | 2,736,004 |
| Board of Education, Administration | | | | |
| Fiscal and Business | 4,165,412 | 3,993,790 | 4,364,509 | 4,278,997 |
| Operation of Maintenance and Plant | 3,561,831 | 3,543,916 | 3,367,311 | 3,338,370 |
| Pupil Transportation | 1,087,726 | 959,568 | 1,046,829 | 947,537 |
| Central | 902,189 | 893,189 | 933,596 | 922,796 |
| Food Service | 1,415,525 | 255,703 | 1,512,471 | 96,000 |
| Other non-instructional services | 604,757 | 69,114 | 542,269 | (27,493) |
| Extracurricular Activities | 891,588 | 557,353 | 794,608 | 480,845 |
| Capital Outlay | 567,539 | 564,539 | 782,595 | 688,595 |
| Debt Service | 1,732,819 | 1,732,819 | 476,502 | 476,502 |
| Total | \$ 45,938,232 | \$ 38,121,521 | \$ 42,954,186 | \$ 35,135,055 |

Business-Type Activities

Business-type activities include latchkey operations. These programs had receipts of \$50,484 and disbursements of \$94,445 for fiscal year 2020. The District's business-type activities do not receive support from tax revenues. In addition, the latchkey program received a transfer in of \$43,500 from the general fund.

The District Funds

The District's governmental funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts of \$41,872,499 and cash disbursements of \$45,938,232.

The general fund cash balance had a significant decrease of \$3,368,222 primarily due to an increase in disbursements during the year.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The bond retirement fund cash balance decreased by \$191,341 due an increase in principal payments during fiscal year 2020. The bond retirement fund had cash receipts of \$1,567,174 and cash disbursements of \$1,758,515. The cash receipts increased slightly due to an increase in property and other local taxes received this fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2020, the District amended its general fund budget several times to reflect changing circumstances. For the general fund, final budget basis receipts and other financing sources were \$36,534,250, which was unchanged from the original estimate. Actual receipts and other financing sources were \$36,117,982, which is \$416,268 less than the final budget.

Budgeted disbursements and other financing uses increased \$624,636 from the original to final and decreased \$572,451 from the final budget to the actual.

Debt

The District had the following debt obligations outstanding at June 30, 2020 and 2019.

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

| | Governmental Activities | |
|---|-------------------------|-------------------|
| | 2020 | 2019 |
| General Obligation Bonds | | |
| 2017 School Improvement Refunding Bonds | \$ 13,310,000 | \$ 14,580,000 |
| Total General Obligation Bonds | 13,310,000 | 14,580,000 |
| Total Debt Obligation | \$ 13,310,000 | \$ 14,580,000 |

See Note 10 for a description of the District's debt obligations.

Current Financial Related Activities

For fiscal year 2020 the district expenditures exceeded the revenues for the third year in a row. Even though expenditure exceeded the revenue by \$4,109,694 the general fund carry-over balance remains strong ending June 30, 2020 at \$15,958,682.

In fiscal year 2020, the District's property tax revenue continued to remain stable. The District renewed a 5-year emergency levy in November 2018 and actually extended the term to 10 years. The new 10-year term will allow for stability in the revenue while the district considers the timing of a new levy request. In March 2020 the district placed a new property tax issue on the ballot, 7.3 mills to collect \$3,500,000 for 10 years. The COVID-19 Pandemic created a challenging time to have an issue on the ballot and the final closure of the March election didn't occur until late May. The issue did not pass.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

The District once again placed the issue on the special election ballot on August 4 and it failed for a second time. While the general election in a presidential election year is not the ideal time to have a tax levy on the ballot, due to the district's continued declining financial condition it was decided to once again place the issue on the ballot. Should the issue fail again another attempt in 2020 will not be possible and the district will be looking to make additional expenditure reductions.

Fiscal year 2020 was the first year of the new state budget. A new funding formula could not be agreed upon so the state legislature passed language that funded schools in both budget years at the same level as their funding in fiscal year 2019. In the last quarter of fiscal year 2020 the district's state funding was reduced by \$646,286 due to the economic impact of the COVID-19 pandemic on the state of Ohio. At the time of this update, FY21 state funding will be reduced by the same amount as FY20. The district will be receiving funding from the CARES Act in the amount of \$575,983.82.

One funding challenge that the District faces is the loss of the tangible personal property hold harmless payments. Starting with fiscal year 2016 the hold harmless payment for fixed rate levies was once again targeted for phase out. Up to the fiscal year 2016 the district received \$736,298 annually in hold harmless payments. With the phase out calculation the district only received \$313,981 in fiscal year 2016 and this payment went to zero in fiscal year 2017. The district has also been receiving reimbursement payments on its fixed sum levy which has also been in phase out for some time now and will be entirely eliminated by FY2022. The current reimbursement is \$254,387 for FY2020.

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

At the close of fiscal year 2015 the District entered and completed contract negotiations with both the Sidney Education Association (SEA) and the Ohio Association of Public School Employees (OAPSE). Both unions and the board agreed to four year contracts beginning August 1, 2015 and ending July 31, 2019. Both negotiated agreements were favorable to the existing staff, attractive to potential prospects and was fiscally responsible for the District. The terms of the agreements were assumed for the salary administration of remaining nonunion staff members. During fiscal year 2017 the District negotiated a two year extension to the current contract extending to July 31, 2021. The salary and benefits expenses increased by an average of 5.01% from fiscal year 2016. For the last 5-7 years the district has experienced minimal health insurance premium increases ranging for 0% to 6% and this was the case for fiscal year 2018 with only a 5% increase. But due to a significant increase in the district's claims experience the premium increase for fiscal year 2019 was 11%, a level the district has not experienced for some time. While the 2019 premium increase was far above what had been the norm, the increase for fiscal year 2020 more than doubled at 25%. This prompted the district to evaluate the insurance offering and added a High Deductible Health Plan (HDHP) coupled with an Health Savings Account (HSA). By offering this option the premium increase was reduced to 13%. To incentivize staff to choose the HDHP the board is contributing to the employee's HSA at a rate of 90% for FY20, 75% for FY21 and 50% for each following year for as long as the district can afford this amount. The level of contribution will be evaluated annually beginning in FY22.

The District's greatest challenges for fiscal year 2020 continued to come from funding lost through resident students open enrolling to other school districts, students enrolling in Community Schools and the Parochial Schools access to the Jon Peterson and Autism scholarships which is funded through deductions from the public school district. All told the district loses more than \$4.7 million to these three programs.

During fiscal year 2020 the district made the decision to bring the preschool program back in house. The Shelby County Board of Developmental Disabilities had been contracted to operate this program in previous years. Due to increasing costs of their programs overall the decision was made by the SCBDD directors to reduce the amount of funding allocated to the preschool programming and invoice the local school district for the difference which after a phase in period is believed to be \$500,000 per year. The district believes that it can operate the preschool program in house for less costs by restructuring the district operations. After the first year of operations the preschool incurred \$144,000 less costs than resources available.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

The need for the passage of a permanent improvement levy continues to be a topic of discussion for the district's leadership. The district expended over \$437,000 in General Fund capital outlay for fiscal year 2020 and transferred another \$200,000 to the Permanent Improvement fund. In July 2017 the district refunded bonds related to the middle school constructed in 2004 and other building improvements during that time. The refunding will save nearly \$2.0 million dollars of which the district transferred \$1.5 million in FY2018 to the Permanent Improvement fund which will take the burden off of the General fund for a number of infrastructure projects that the district pursued during the fiscal year. This strategy will assist the district in managing the General fund's strong financial position.

In closing, district expenditures are continued to outpace district revenues as seen by the expenditures exceeding revenues by \$4,109,694 in FY2020. This trend will continue into future years without a new revenue source as local growth in property taxes due to new construction is minimal due to several significant projects receiving 10 year, 75% abatements. The placing a new levy on the ballot is critical to secure the district's financial stability into the future. By solidifying the negotiated contracts through July of 2021, the district has locked in the largest district expenditure which is key in extending the financial stability of the district into the foreseeable future. The district continues to focus on the loss of funds due to open enrollment and explores ways to retain those students that might consider open enrolling to one of the neighboring district. The district management team is very stable and all are working cooperatively to manage the district's funds while providing a high quality of academics for every student.

Contacting the School District's Financial Management

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2020

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|---------------|
| Assets: | | | |
| Equity in pooled cash and cash equivalents. . . | \$ 21,676,002 | \$ 90 | \$ 21,676,092 |
| Net position: | | | |
| Restricted for: | | | |
| Capital projects | 142,832 | - | 142,832 |
| Debt service. | 4,035,099 | - | 4,035,099 |
| Locally funded programs | 23,593 | - | 23,593 |
| State funded programs. | 400,194 | - | 400,194 |
| Federally funded programs | 1,556 | - | 1,556 |
| Student activities | 126,217 | - | 126,217 |
| Other purposes | 466,677 | - | 466,677 |
| Unrestricted | 16,479,834 | 90 | 16,479,924 |
| Total net position. | \$ 21,676,002 | \$ 90 | \$ 21,676,092 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | Disbursements | Program Receipts | | |
|--|---------------|--------------------------------|------------------------------------|----------------------------------|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 13,645,032 | \$ 791,002 | \$ 88,701 | \$ - |
| Special | 8,930,131 | 29,596 | 3,851,857 | - |
| Vocational | 204,864 | - | 79,860 | - |
| Other | 5,357,018 | - | - | - |
| Support services: | | | | |
| Pupil. | 2,232,697 | - | 609,157 | - |
| Instructional staff | 639,104 | - | 7,143 | - |
| Board of education | 92,352 | - | - | - |
| Administration. | 3,018,693 | - | 171,622 | - |
| Fiscal. | 880,960 | - | - | - |
| Business. | 173,407 | - | - | - |
| Operations and maintenance | 3,561,831 | 3,901 | 14,014 | - |
| Pupil transportation. | 1,087,726 | 17,242 | 110,916 | - |
| Central | 902,189 | - | 9,000 | - |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 604,757 | - | 535,643 | - |
| Food service operations | 1,415,525 | 298,253 | 861,569 | - |
| Extracurricular activities. | 891,588 | 327,173 | 7,062 | - |
| Capital outlay. | 567,539 | - | - | 3,000 |
| Debt Service: | | | | |
| Principal retirement | 1,270,000 | - | - | - |
| Interest and fiscal charges | 462,819 | - | - | - |
| Total governmental activities | 45,938,232 | 1,467,167 | 6,346,544 | 3,000 |
| Business-type activities: | | | | |
| Latch key | 94,445 | 50,484 | - | - |
| Total business-type activities | 94,445 | 50,484 | - | - |
| Totals | \$ 46,032,677 | \$ 1,517,651 | \$ 6,346,544 | \$ 3,000 |

General receipts:

Property taxes levied for:

General purposes

Debt service.

Payments in lieu of taxes.

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Total general receipts

Transfers

Total general receipts and transfers.

Change in net position

Net position at beginning of year (restated) .

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Disbursements) Receipts
and Changes in Net Position**

| <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|----------------------|
| \$ (12,765,329) | \$ - | \$ (12,765,329) |
| (5,048,678) | - | (5,048,678) |
| (125,004) | - | (125,004) |
| (5,357,018) | - | (5,357,018) |
| (1,623,540) | - | (1,623,540) |
| (631,961) | - | (631,961) |
| (92,352) | - | (92,352) |
| (2,847,071) | - | (2,847,071) |
| (880,960) | - | (880,960) |
| (173,407) | - | (173,407) |
| (3,543,916) | - | (3,543,916) |
| (959,568) | - | (959,568) |
| (893,189) | - | (893,189) |
| (69,114) | - | (69,114) |
| (255,703) | - | (255,703) |
| (557,353) | - | (557,353) |
| (564,539) | - | (564,539) |
| (1,270,000) | - | (1,270,000) |
| (462,819) | - | (462,819) |
| <u>(38,121,521)</u> | <u>-</u> | <u>(38,121,521)</u> |
| - | (43,961) | (43,961) |
| - | (43,961) | (43,961) |
| <u>(38,121,521)</u> | <u>(43,961)</u> | <u>(38,165,482)</u> |
| 13,416,378 | - | 13,416,378 |
| 1,077,401 | - | 1,077,401 |
| 18,042 | - | 18,042 |
| 19,050,338 | - | 19,050,338 |
| 300,614 | - | 300,614 |
| 193,015 | - | 193,015 |
| <u>34,055,788</u> | <u>-</u> | <u>34,055,788</u> |
| (43,500) | 43,500 | - |
| <u>34,012,288</u> | <u>43,500</u> | <u>34,055,788</u> |
| (4,109,233) | (461) | (4,109,694) |
| 25,785,235 | 551 | 25,785,786 |
| <u>\$ 21,676,002</u> | <u>\$ 90</u> | <u>\$ 21,676,092</u> |

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2020

| | <u>General</u> | <u>Bond Retirement</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|----------------------------|--|---|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents | \$ 16,194,191 | \$ 4,035,099 | \$ 1,440,108 | \$ 21,669,398 |
| Restricted assets: | | | | |
| Equity in pooled cash and cash equivalents | 6,604 | - | - | 6,604 |
| Total assets | <u>\$ 16,200,795</u> | <u>\$ 4,035,099</u> | <u>\$ 1,440,108</u> | <u>\$ 21,676,002</u> |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Unclaimed monies | 6,604 | - | - | 6,604 |
| Restricted: | | | | |
| Debt service | - | 4,035,099 | - | 4,035,099 |
| Capital improvements | - | - | 142,832 | 142,832 |
| Food service operations | - | - | 349,535 | 349,535 |
| Non-public schools | - | - | 113,178 | 113,178 |
| Other purposes | - | - | 143,683 | 143,683 |
| Extracurricular activities | - | - | 126,217 | 126,217 |
| Student wellness and success | - | - | 285,624 | 285,624 |
| Committed: | | | | |
| Capital improvements | - | - | 415,000 | 415,000 |
| Termination benefits | 86,683 | - | - | 86,683 |
| Assigned: | | | | |
| Student instruction | 47,505 | - | - | 47,505 |
| Student and staff support | 402,536 | - | - | 402,536 |
| Subsequent year's appropriations | 3,938,093 | - | - | 3,938,093 |
| Unassigned (deficit) | 11,719,374 | - | (135,961) | 11,583,413 |
| Total fund balances | <u>\$ 16,200,795</u> | <u>\$ 4,035,099</u> | <u>\$ 1,440,108</u> | <u>\$ 21,676,002</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | General | Bond Retirement | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|----------------------------|--|---|
| Receipts: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 13,416,378 | \$ 1,077,401 | \$ - | \$ 14,493,779 |
| Payment in lieu of taxes | 18,042 | - | - | 18,042 |
| Tuition | 756,157 | - | - | 756,157 |
| Transportation fees | 17,242 | - | - | 17,242 |
| Earnings on investments | 300,614 | - | 4,417 | 305,031 |
| Charges for services | - | - | 298,253 | 298,253 |
| Extracurricular | 113,861 | - | 213,312 | 327,173 |
| Classroom materials and fees | 64,441 | - | - | 64,441 |
| Rental income | 3,901 | - | - | 3,901 |
| Contributions and donations | 1,385 | - | 16,826 | 18,211 |
| Other local revenues | 191,630 | - | 6,472 | 198,102 |
| Intergovernmental - intermediate | - | - | 17,961 | 17,961 |
| Intergovernmental - state | 21,173,097 | 489,773 | 1,111,062 | 22,773,932 |
| Intergovernmental - federal | - | - | 2,580,274 | 2,580,274 |
| Total receipts | <u>36,056,748</u> | <u>1,567,174</u> | <u>4,248,577</u> | <u>41,872,499</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 13,558,076 | - | 86,956 | 13,645,032 |
| Special | 7,361,134 | - | 1,568,997 | 8,930,131 |
| Vocational | 204,864 | - | - | 204,864 |
| Other | 5,357,018 | - | - | 5,357,018 |
| Support services: | | | | |
| Pupil | 1,897,617 | - | 335,080 | 2,232,697 |
| Instructional staff | 605,194 | - | 33,910 | 639,104 |
| Board of education | 92,352 | - | - | 92,352 |
| Administration | 2,861,524 | - | 157,169 | 3,018,693 |
| Fiscal | 855,264 | 25,696 | - | 880,960 |
| Business | 173,407 | - | - | 173,407 |
| Operations and maintenance | 3,533,627 | - | 28,204 | 3,561,831 |
| Pupil transportation | 1,087,726 | - | - | 1,087,726 |
| Central | 893,189 | - | 9,000 | 902,189 |
| Operation of non-instructional services: | | | | |
| Other operation of non-instructional | - | - | 604,757 | 604,757 |
| Food service operations | - | - | 1,415,525 | 1,415,525 |
| Extracurricular activities | 635,478 | - | 256,110 | 891,588 |
| Facilities acquisition and construction | - | - | 567,539 | 567,539 |
| Debt service: | | | | |
| Principal retirement | - | 1,270,000 | - | 1,270,000 |
| Interest and fiscal charges | - | 462,819 | - | 462,819 |
| Total disbursements | <u>39,116,470</u> | <u>1,758,515</u> | <u>5,063,247</u> | <u>45,938,232</u> |
| Excess of disbursements over receipts | <u>(3,059,722)</u> | <u>(191,341)</u> | <u>(814,670)</u> | <u>(4,065,733)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 265,000 | 265,000 |
| Transfers (out) | <u>(308,500)</u> | <u>-</u> | <u>-</u> | <u>(308,500)</u> |
| Total other financing sources (uses) | <u>(308,500)</u> | <u>-</u> | <u>265,000</u> | <u>(43,500)</u> |
| Net change in fund balances | (3,368,222) | (191,341) | (549,670) | (4,109,233) |
| Fund balances at beginning of year (restated). | <u>19,569,017</u> | <u>4,226,440</u> | <u>1,989,778</u> | <u>25,785,235</u> |
| Fund balances at end of year | <u>\$ 16,200,795</u> | <u>\$ 4,035,099</u> | <u>\$ 1,440,108</u> | <u>\$ 21,676,002</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-----------------------------|-----------------------------|-----------------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>Actual</u> |
| Receipts: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 13,450,000 | \$ 13,450,000 | \$ 13,416,378 | \$ (33,622) |
| Payment in lieu of taxes. | 18,042 | 18,042 | 18,042 | - |
| Tuition. | 931,300 | 931,300 | 756,158 | (175,142) |
| Transportation fees. | 15,000 | 15,000 | 17,242 | 2,242 |
| Earnings on investments | 350,000 | 350,000 | 300,333 | (49,667) |
| Classroom materials and fees | 73,250 | 73,250 | 64,442 | (8,808) |
| Rental income | 10,000 | 10,000 | 3,901 | (6,099) |
| Contributions and donations | 5,000 | 5,000 | 151 | (4,849) |
| Contract services. | 20,000 | 20,000 | - | (20,000) |
| Other local revenues | 244,658 | 244,658 | 106,681 | (137,977) |
| Intergovernmental - state | 21,412,000 | 21,412,000 | 21,173,097 | (238,903) |
| Total receipts. | <u>36,529,250</u> | <u>36,529,250</u> | <u>35,856,425</u> | <u>(672,825)</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 14,483,450 | 14,830,669 | 13,747,249 | 1,083,420 |
| Special. | 6,783,972 | 7,279,485 | 7,363,635 | (84,150) |
| Vocational. | 243,193 | 248,088 | 204,864 | 43,224 |
| Other. | 5,082,687 | 5,457,529 | 5,378,582 | 78,947 |
| Support services: | | | | |
| Pupil. | 2,077,397 | 2,207,246 | 1,868,746 | 338,500 |
| Instructional staff | 653,046 | 650,615 | 608,090 | 42,525 |
| Board of education | 104,881 | 114,088 | 92,352 | 21,736 |
| Administration. | 2,955,414 | 2,910,054 | 2,866,732 | 43,322 |
| Fiscal | 947,214 | 71,960 | 855,299 | (783,339) |
| Business | 173,880 | 172,390 | 173,407 | (1,017) |
| Operations and maintenance. | 3,663,273 | 3,811,141 | 3,720,640 | 90,501 |
| Pupil transportation | 1,109,018 | 1,087,055 | 1,089,286 | (2,231) |
| Central. | 759,897 | 757,769 | 909,316 | (151,547) |
| Extracurricular activities. | 455,739 | 451,835 | 605,123 | (153,288) |
| Total disbursements | <u>39,493,061</u> | <u>40,049,924</u> | <u>39,483,321</u> | <u>566,603</u> |
| Excess of disbursements over receipts. | <u>(2,963,811)</u> | <u>(3,520,674)</u> | <u>(3,626,896)</u> | <u>(106,222)</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | - | - | 182,601 | 182,601 |
| Transfers (out). | (346,575) | (414,348) | (408,500) | 5,848 |
| Sale of capital assets | 5,000 | 5,000 | 78,956 | 73,956 |
| Total other financing sources (uses) | <u>(341,575)</u> | <u>(409,348)</u> | <u>(146,943)</u> | <u>262,405</u> |
| Net change in fund balance | (3,305,386) | (3,930,022) | (3,773,839) | 156,183 |
| Fund balance at beginning of year | 19,006,670 | 19,006,670 | 19,006,670 | - |
| Prior year encumbrances appropriated | 424,636 | 424,636 | 424,636 | - |
| Fund balance at end of year | <u>\$ 16,125,920</u> | <u>\$ 15,501,284</u> | <u>\$ 15,657,467</u> | <u>\$ 156,183</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUND
JUNE 30, 2020

| | | Nonmajor Enterprise Fund |
|---|----|---|
| | | <hr/> |
| Assets: | | |
| Equity in pooled cash and cash equivalents | \$ | 90 |
| | | <hr/> <hr/> |
| Net position: | | |
| Unrestricted. | | 90 |
| | | <hr/> |
| Total net position. | \$ | 90 |
| | | <hr/> <hr/> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN NET POSITION - CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | Nonmajor Enterprise Fund |
|---|---|
| Operating receipts: | |
| Sales/charges for services. | \$ 50,484 |
| Total operating receipts | 50,484 |
| Operating disbursements: | |
| Personal services. | 90,503 |
| Purchased services. | 782 |
| Materials and supplies | 3,160 |
| Total operating disbursements. | 94,445 |
| Loss before transfers | (43,961) |
| Transfer in | 43,500 |
| Change in net position | (461) |
| Net position at beginning of year. | 551 |
| Net position at end of year | \$ 90 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CASH BASIS - CUSTODIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | Custodial |
|---|------------------|
| Additions: | |
| From local sources: | |
| Extracurricular collections for OHSAA | \$ 15,161 |
| Total additions. | 15,161 |
| Deductions: | |
| Extracurricular distributions to OHSAA | 15,161 |
| Total deductions | 15,161 |
| Change in net position | - |
| Net position at beginning of year (restated) | - |
| Net position at end of year | \$ - |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 - DESCRIPTION OF THE DISTRICT

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Accounting

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

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

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

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

C. Basis of Presentation

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating receipts of the District's enterprise funds are charges for sales and services. Operating disbursements for enterprise funds include the cost of sales and services. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

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

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

D. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

The proprietary fund is used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating receipts of the latchkey enterprise fund are charges for services. Operating disbursements for the enterprise fund include the cost of sales and services, and administrative expenses. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organization, or other governmental units and are not available to support the District's own programs. The District's fiduciary funds include custodial funds. The District's custodial funds account for the Ohio High School Athletic Association tournament activity.

E. Budgetary Process

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

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

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

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

During fiscal year 2020, the District’s investments consisted of STAR Ohio and Negotiable Certificates of Deposit. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2020 were \$300,614, which includes \$70,745 in interest assigned from other District funds.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

G. Restricted Assets

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

H. Capital Assets

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

I. Compensated Absences

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

J. Debt Obligations

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

K. Intergovernmental Receipts

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

L. Inventory

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

M. Employer Contributions to Cost-Sharing Pension Plans

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Net Position

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

O. Fund Balance

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

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

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

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

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Interfund Activity

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

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

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

Q. Pensions/ Other Postemployment Benefits (OPEB)

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

R. Receipts and Disbursements

Program Receipts

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

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

Disbursements

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

S. Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activity of the proprietary fund. For the District, these receipts are charges for services for the latchkey programs. Operating disbursements are necessary costs incurred to provide the good or service that are the primary activity of the fund.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Fund Balances/Restatement of Net Position

For fiscal year 2020, the District has implemented GASB Statement No. 84 “*Fiduciary Activities*” and GASB Statement No. 90 “*Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61*”.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds. The District reviewed its agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the District’s financial statements.

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the District.

A fund cash balance restatement is required in order to implement GASB Statement No 84. The June 30, 2019, fund cash balances have been restated as follows:

| | General | Bond Retirement Fund | Other Governmental Funds | Total Governmental Funds |
|----------------------------|---------------|----------------------|--------------------------|--------------------------|
| Fund cash balance | | | | |
| previously reported | \$ 19,569,023 | \$ 4,226,440 | \$ 1,788,842 | \$ 25,584,305 |
| GASB Statement No. 84 | (6) | - | 200,936 | 200,930 |
| Restated fund cash balance | | | | |
| at June 30, 2019 | \$ 19,569,017 | \$ 4,226,440 | \$ 1,989,778 | \$ 25,785,235 |

A net cash position restatement is required in order to implement GASB Statement No 84. The governmental activities at June 30, 2019 have been restated as follows:

| | Governmental Activities |
|----------------------------|-------------------------|
| Net cash position | |
| as previously reported | \$ 25,584,305 |
| GASB Statement No. 84 | 200,930 |
| Restated net cash position | |
| at June 30, 2019 | \$ 25,785,235 |

Due to the implementation of GASB Statement No. 84, the District will no longer be reporting agency funds and the new classification of custodial funds is reporting a beginning net position of \$0. At June 30, 2019, agency funds reported assets and net cash position of \$84,398. Also related to the implementation of GASB Statement No.84, the District will no longer be reporting private purpose trust funds. At June 30, 2019 private purpose trust funds reported a net position of \$189,125.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Compliance

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

C. Deficit Fund Balances

Fund balances at June 30, 2020 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|---------------------------------|----------------|
| IDEA, Part B | \$ 61,135 |
| Title I, Disadvantaged children | 74,568 |
| Improving Teacher Quality | 258 |

The general fund is liable for any deficit in these funds.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above; provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met;

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution participation in the Ohio Pooled Collateral System (OPCS), a collateral pool eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial 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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

At fiscal year end, the carrying amount of the District's deposits was \$19,825,442. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosures," as of June 30, 2020, \$14,551,750 of the District's bank balance of \$19,921,579 was exposed to custodial risk as discussed below, while \$5,369,829 was covered by Federal Deposit Insurance Corporation (FDIC), which includes \$2,665,872 held in a STAR Plus account.

As of June 30, 2020, the District has \$1,279 in undeposited cash on hand. This amount is included in equity in pooled cash and investments.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2020, the District's financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2020, the District had the following investments which are rated by Moody's:

| <u>Investment type</u> | <u>Cost Value</u> | <u>Investment Maturities</u> | | | |
|------------------------|---------------------|------------------------------|----------------------------|----------------------------|----------------------------|
| | | <u>6 months or less</u> | <u>13 to 18 months</u> | <u>19 to 24 months</u> | <u>24 to 60 months</u> |
| Negotiable CD's | \$ 1,740,000 | \$ 246,000 | \$ 1,000,000 | \$ 247,000 | \$ 247,000 |
| STAR Ohio | <u>109,371</u> | <u>109,371</u> | - | - | - |
| Total | <u>\$ 1,849,371</u> | <u>\$ 355,371</u> | <u>\$ 1,000,000</u> | <u>\$ 247,000</u> | <u>\$ 247,000</u> |

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer; however, State statute limits investments in commercial paper and bankers' acceptances to 40 percent of the interim monies available for investment at any one time. The following table includes the percentage of each investment type held by the District at June 30, 2020:

| <u>Investment type</u> | <u>Cost Value</u> | <u>% of Total</u> |
|------------------------|---------------------|-------------------|
| Negotiable CD's | \$ 1,740,000 | 94.09 |
| STAR Ohio | <u>109,371</u> | <u>5.91</u> |
| Total | <u>\$ 1,849,371</u> | <u>100.00</u> |

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2020:

| | |
|--|----------------------|
| <u>Cash and investments per note:</u> | |
| Carrying amount of deposits | \$ 19,825,442 |
| Investments | 1,849,371 |
| Cash on hand | <u>1,279</u> |
| Total | <u>\$ 21,676,092</u> |
| <u>Cash and investments per financial statements</u> | |
| Governmental activities | \$ 21,676,002 |
| Business-type activities | <u>90</u> |
| Total | <u>\$ 21,676,092</u> |

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar year 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised fair value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2020 represents collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019 and are collected in 2020 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010.

The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 5 - PROPERTY TAXES – (Continued)

The District receives property taxes from Logan and Shelby Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2020 taxes were collected are:

| | 2019 Second Half Collections | | 2020 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 340,044,870 | 70.97 | \$ 341,136,030 | 70.56 |
| Commercial/industrial | 120,818,870 | 25.22 | 122,958,000 | 25.44 |
| Public utility personal | <u>18,271,020</u> | <u>3.81</u> | <u>19,361,140</u> | <u>4.00</u> |
| Total | <u>\$ 479,134,760</u> | <u>100.00</u> | <u>\$ 483,455,170</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | | \$ 46.10 | | \$ 45.63 |

NOTE 6 - PAYMENTS IN LIEU OF TAXES

According to State law, the City of Sidney has entered into agreements with a number of property owners under which the City has granted property tax exemptions to those property owners. The property owners have agreed to make payments to the City which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The agreements require a portion of these payments to be made to the District. The property owners' contractually promise to make these payments in lieu of taxes until the agreements expire. Under these agreements, the District's property tax revenues were reduced by approximately \$56,946.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the District contracted for the following insurance coverage:

| | |
|--|--------------|
| Ohio School Plan | |
| General School District Liability | |
| Per Occurrence | \$ 1,000,000 |
| General Aggregate | 1,000,000 |
| Building and Contents - replacement cost | 112,679,508 |
| Ohio School Plan | |
| Computer Equipment | 1,000,000 |
| Ohio School Plan | |
| Automobile Liability | 6,000,000 |
| Uninsured Motorists | 1,000,000 |
| Ohio School Plan | |
| Commercial Umbrella | |
| General Aggregate | 8,000,000 |

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - RISK MANAGEMENT – (Continued)

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

For fiscal year 2020, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Retrospective Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The Plan is divided into numerous tiers based on participant experience. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in that tier. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the Plan.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability, which is not reported in the accompanying financial statements, represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPIW, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.0%. For fiscal year 2020, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The District's contractually required contribution to SERS was \$712,585 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 28 years of service, or 33 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2020, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$2,308,230 for fiscal year 2020.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|--------------------|--------------------|---------------|
| Proportion of the net pension liability prior measurement date | 0.15604340% | 0.13577582% | |
| Proportion of the net pension liability current measurement date | <u>0.15883990%</u> | <u>0.13711619%</u> | |
| Change in proportionate share | <u>0.00279650%</u> | <u>0.00134037%</u> | |
| Proportionate share of the net pension liability | \$ 9,503,670 | \$ 30,322,421 | \$ 39,826,091 |

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

| | |
|--|---|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| COLA or ad hoc COLA | 2.50% |
| Investment rate of return | 7.50% net of investments expense, including inflation |
| Actuarial cost method | Entry age normal (level percent of payroll) |

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

For 2019, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|------------------------------|---|
| Cash | 1.00 % | 0.50 % |
| US Equity | 22.50 | 4.75 |
| International Equity | 22.50 | 7.00 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 8.00 |
| Real Assets | 15.00 | 5.00 |
| Multi-Asset Strategies | 10.00 | 3.00 |
| Total | <u>100.00 %</u> | |

Discount Rate - The total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%), or one percentage point higher (8.50%) than the current rate.

| | Current | | |
|--|--------------------|----------------------|--------------------|
| | <u>1% Decrease</u> | <u>Discount Rate</u> | <u>1% Increase</u> |
| District's proportionate share of the net pension liability | \$ 13,318,039 | \$ 9,503,670 | \$ 6,304,844 |

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

| | July 1, 2019 |
|--------------------------------------|---|
| Inflation | 2.50% |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 |
| Investment rate of return | 7.45%, net of investment expenses, including inflation |
| Payroll increases | 3.00% |
| Cost-of-living adjustments (COLA) | 0.00% |

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| Asset Class | Target Allocation* | Long-Term Expected Real Rate of Return ** |
|----------------------|-----------------------|--|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | 1.00 | 2.25 |
| Total | 100.00 % | |

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|---------------|--------------------------|---------------|
| District's proportionate share of the net pension liability | \$ 44,312,841 | \$ 30,322,421 | \$ 18,478,815 |

NOTE 9 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

The net OPEB liability/asset, which is not reported in the accompanying financial statements, represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2020, SERS did not allocate any employer contributions to post-employment health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the District's surcharge obligation was \$99,804.

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$99,804 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability/Asset

The net OPEB liability/asset was measured as of June 30, 2019, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Following is information related to the proportionate share:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|--------------------|--------------------|----------------|
| Proportion of the net OPEB liability/asset prior measurement date | 0.15843910% | 0.13577582% | |
| Proportion of the net OPEB liability/asset current measurement date | <u>0.16286430%</u> | <u>0.13711619%</u> | |
| Change in proportionate share | <u>0.00442520%</u> | <u>0.00134037%</u> | |
| Proportionate share of the net OPEB liability | \$ 4,095,695 | \$ - | \$ 4,095,695 |
| Proportionate share of the net OPEB asset | \$ - | \$ (2,270,973) | \$ (2,270,973) |

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019 are presented below:

| | |
|--|--|
| Wage inflation | 3.00% |
| Future salary increases, including inflation | 3.50% to 18.20% |
| Investment rate of return | 7.50% net of investments expense, including inflation |
| Municipal bond index rate: | |
| Measurement date | 3.13% |
| Prior measurement date | 3.62% |
| Single equivalent interest rate, net of plan investment expense, including price inflation: | |
| Measurement date | 3.22% |
| Prior measurement date | 3.70% |
| Medical trend assumption: | |
| Measurement date | |
| Medicare | 5.25 to 4.75% |
| Pre-Medicare | 7.00 to 4.75% |
| Prior measurement date | |
| Medicare | 5.375 to 4.75% |
| Pre-Medicare | 7.25 to 4.75% |

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|----------------------|---|
| Cash | 1.00 % | 0.50 % |
| US Equity | 22.50 | 4.75 |
| International Equity | 22.50 | 7.00 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 8.00 |
| Real Assets | 15.00 | 5.00 |
| Multi-Asset Strategies | 10.00 | 3.00 |
| Total | <u>100.00 %</u> | |

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13%, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.62% was used as of June 30, 2018. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|---|--------------------------|--------------|
| | District's proportionate share of the net OPEB liability | \$ 4,971,397 | \$ 4,095,695 |
| | 1% Decrease | Current Trend Rate | 1% Increase |
| | District's proportionate share of the net OPEB liability | \$ 3,281,481 | \$ 4,095,695 |

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

| | July 1, 2019 | | July 1, 2018 | |
|--------------------------------------|---|----------|---|----------|
| | Initial | Ultimate | Initial | Ultimate |
| Inflation | 2.50% | | 2.50% | |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 | | 12.50% at age 20 to 2.50% at age 65 | |
| Investment rate of return | 7.45%, net of investment expenses, including inflation | | 7.45%, net of investment expenses, including inflation | |
| Payroll increases | 3.00% | | 3.00% | |
| Cost-of-living adjustments (COLA) | 0.00% | | 0.00% | |
| Discounted rate of return | 7.45% | | 7.45% | |
| Blended discount rate of return | N/A | | N/A | |
| Health care cost trends | | | | |
| Medical | | | | |
| Pre-Medicare | 5.87% | 4.00% | 6.00% | 4.00% |
| Medicare | 4.93% | 4.00% | 5.00% | 4.00% |
| Prescription Drug | | | | |
| Pre-Medicare | 7.73% | 4.00% | 8.00% | 4.00% |
| Medicare | 9.62% | 4.00% | -5.23% | 4.00% |

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Assumption Changes Since the Prior Measurement Date - There were no changes in assumptions since the prior measurement date of June 30, 2018.

Benefit Term Changes Since the Prior Measurement Date - There was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 9 - DEFINED BENEFIT OPEB PLANS - (Continued)

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| Asset Class | Target Allocation* | Long-Term Expected Real Rate of Return ** |
|----------------------|-----------------------|--|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | 1.00 | 2.25 |
| Total | <u>100.00 %</u> | |

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | Current | | |
|---|--------------|---------------|--------------|
| | 1% Decrease | Discount Rate | 1% Increase |
| District's proportionate share of the net OPEB asset | \$ 1,937,823 | \$ 2,270,973 | \$ 2,551,074 |
| | Current | | |
| | 1% Decrease | Trend Rate | 1% Increase |
| District's proportionate share of the net OPEB asset | \$ 2,575,179 | \$ 2,270,973 | \$ 1,898,394 |

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - DEBT OBLIGATIONS

Changes in the District's debt obligations during fiscal year 2020 were as follows:

| | <u>Interest Rate</u> | <u>Balance Outstanding 06/30/19</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance Outstanding 06/30/20</u> | <u>Amounts Due in One Year</u> |
|--------------------------------|--------------------------|---|------------------|-----------------------|---|--|
| Governmental Activities: | | | | | | |
| General Obligation Bonds | | | | | | |
| 2017 School Improvement | | | | | | |
| Refunding Bonds | 2 - 4% | \$ 14,580,000 | \$ - | \$ (1,270,000) | \$ 13,310,000 | \$ 1,295,000 |
| Total General Obligation Bonds | | <u>14,580,000</u> | <u>-</u> | <u>(1,270,000)</u> | <u>13,310,000</u> | <u>1,295,000</u> |
| Total Debt Obligations | | <u>\$ 14,580,000</u> | <u>\$ -</u> | <u>\$ (1,270,000)</u> | <u>\$ 13,310,000</u> | <u>\$ 1,295,000</u> |

2017 School Improvement Refunding General Obligation Bonds - On August 9, 2017, the District issued bonds, in the amount of \$14,580,000 to refund bonds previously issued in fiscal year 2007 for constructing, improving, and making additions to school buildings and related site development. The bonds were issued at a premium of \$1,508,335. The bonds were issued for a ten year period, with final maturity during fiscal year 2029. The bonds will be retired through the Bond Retirement debt service fund.

The serial bonds are subject to optional redemption, by and at the sole option of the District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2027, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

Principal and interest requirements to retire the debt obligations outstanding at June 30, 2020, were as follows:

| Fiscal Year Ending June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|---------------------|----------------------|
| 2021 | \$ 1,295,000 | \$ 438,400 | \$ 1,733,400 |
| 2022 | 1,365,000 | 404,975 | 1,769,975 |
| 2023 | 1,430,000 | 363,050 | 1,793,050 |
| 2024 | 1,520,000 | 170,800 | 1,690,800 |
| 2025 | 1,615,000 | 148,000 | 1,763,000 |
| 2026-2029 | <u>6,085,000</u> | <u>689,400</u> | <u>6,774,400</u> |
| Total | <u>\$ 13,310,000</u> | <u>\$ 2,214,625</u> | <u>\$ 15,524,625</u> |

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is a council of governments within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member Districts within each county. During fiscal year 2020, the District paid \$124,317 to WOCO for various services. Financial information can be obtained from the WOCO Fiscal Officer, 129 East Court Street, Sidney, Ohio 45365.

B. Upper Valley Career Center

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

C. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (EPC) is a council of governments with over 50 years of shared services experience, pooling the purchasing power of Ohio School Districts. The EPC provides a wide array of programs and services that help member districts save money on purchases and operate more efficiently and effectively for the benefit of students, faculty and staff, and the communities they serve. Member districts benefit from the EPC's ability to aggregate volumes on goods and services such as health insurance; liability, fleet and property insurance; utilities; group rating; as well as food; classroom and office supplies; furniture; medical supplies and much more. Financial information can be obtained from Mr. Ken Swink, Southwestern Ohio Educational Purchasing Council Director.

NOTE 12 - INSURANCE POOLS

A. Southwestern Ohio Educational Purchasing Council Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool consisting of seventy Districts. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Council 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 Council, 303 Corporate Drive, Suite 208, Vandalia, Ohio 45377.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 - INSURANCE POOLS- (Continued)

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

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

The Plan's business and affairs are conducted by the Southwestern Ohio Educational Purchasing Council 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.

NOTE 13 - RELATED ORGANIZATION

The Shelby County Libraries is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Sidney Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Shelby County Libraries, 230 East North Street, Sidney, Ohio 45365.

NOTE 14 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2020, if applicable, cannot be determined at this time.

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. The fiscal year 2020 review did not result in significant changes to the District's Funding amount.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - CONTINGENCIES - (Continued)

D. Significant Encumbrances

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

| Fund | Amount |
|------------------------------|------------|
| General Fund | \$ 381,071 |
| All Other Governmental: | |
| Food Service | 11,158 |
| Student Activities | 9,519 |
| Auxiliary Services | 34,149 |
| Improving Teacher Quality | 122 |
| Disadvantage Children | 292,035 |
| Permanent Improvement | 82,489 |
| Miscellaneous Federal Grants | 8,355 |
| Miscellaneous State Grants | 1,118 |
| Other Grant Funds | \$ 2,597 |
| Total Governmental Funds | \$ 822,613 |

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general fund are 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 cash basis are that:

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

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

Net Change in Fund Balance

| | <u>General fund</u> |
|-------------------------------|---------------------|
| Budget basis | \$ (3,773,839) |
| Funds budgeted elsewhere | 104,402 |
| Adjustment for encumbrances | 301,215 |
| Adjustment for receipts | 109,308 |
| Adjustment for disbursements | 52,249 |
| Adjustment for sources / uses | (161,557) |
| Cash basis | \$ (3,368,222) |

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

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund receipt amounts, as defined, into a reserve. During the fiscal year ended June 30, 2020, the reserve activity was as follows:

| | <u>Capital Acquisition</u> |
|---|--------------------------------|
| Set-aside balance June 30, 2019 | \$ - |
| Current year set-aside requirement | 593,464 |
| Current year qualifying disbursements | (351,979) |
| Current year offsets | (200,000) |
| Prior year offset from bond proceeds | (41,485) |
| Total | \$ - |
| Balance carried forward to fiscal year 2021 | \$ - |

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 17 - LEASE ACTIVITY

During fiscal year 2017, the District replaced the Xerox office equipment lease that commenced on July 15, 2011 with a lease with Perry ProTech. This lease ended during fiscal year 2020. Lease payments during fiscal year 2020 were \$80,196. A new lease was not entered into during fiscal year 2020, therefore, there are no future lease payments.

NOTE 18 - INTERFUND TRANSACTIONS

Interfund transfers during fiscal year 2020 consisted of the following, as reported on the fund financial statements:

| <u>Transfers to nonmajor governmental funds:</u> | <u>Amount</u> |
|--|-------------------|
| General fund | 265,000 |
| <u>Transfers to nonmajor enterprise fund:</u> | |
| General fund | <u>43,500</u> |
| Total | <u>\$ 308,500</u> |

Transfers are used to (1) move cash receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements; interfund transfers between governmental and business-type activities are reported as transfers on the statement of activities.

NOTE 19 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. The District's investment portfolio and the investments of the pension and other employee benefit plans are subject to increased market volatility, which could result in a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

This page intentionally left blank.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Federal CFDA Number | Expenditures | Non-Cash Expenditures |
|---|------------------------------------|----------------------------|----------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | \$ 109,467 | |
| COVID-19 School Breakfast Program | 10.553 | 66,391 | |
| National School Lunch Program | 10.555 | 511,015 | \$ 116,983 |
| COVID-19 National School Lunch Program | 10.555 | 152,635 | |
| Total Child Nutrition Cluster | | <u>839,508</u> | <u>116,983</u> |
| Total U.S. Department of Agriculture | | <u>839,508</u> | <u>116,983</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 859,964 | |
| Special Education Cluster : | | | |
| Special Education Grants to States | 84.027 | 941,983 | - |
| Special Education Preschool Grants | 84.173 | 7,567 | |
| Total Special Education Cluster | | <u>949,550</u> | |
| <i>Passed Through Hamilton County Educational Service Center</i> | | | |
| English Language Acquisition State Grants | 84.365 | 4,974 | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Supporting Effective Instruction State Grants | 84.367 | 47,652 | |
| Student Support and Academic Enrichment Program | 84.424 | 39,683 | |
| Total U.S. Department of Education | | <u>1,901,823</u> | <u>-</u> |
| Total Expenditures of Federal Awards | | <u>\$ 2,741,331</u> | <u>\$ 116,983</u> |

The accompanying notes are an integral part of this schedule.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Sidney City School District (the District) under programs of the federal government for the fiscal year ended June 30, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sidney City School District, Shelby County, (the District) as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 21, 2021, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* and we noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

January 21, 2021

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

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

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited Sidney City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Sidney City School District's major federal programs for the fiscal year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies each of the District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Sidney City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2020-002. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to our noncompliance finding is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2020-002.

The District's response to the internal control over compliance finding we identified is described in the accompanying schedule of findings and corrective action plan. We did not subject the District's response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Sidney City School District
Shelby County
Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance Required by the Uniform Guidance.
Page 3

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



Keith Faber
Auditor of State
Columbus, Ohio

January 21, 2021

This page intentionally left blank.

**SIDNEY CITY SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2020-001

Noncompliance

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

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

**FINDING NUMBER 2020-001
(Continued)**

The District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

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

3. FINDINGS FOR FEDERAL AWARDS

Child Nutrition Cluster Income Verification

| | |
|--|--|
| Finding Number: | 2020-002 |
| CFDA Number and Title: | 10.553 School Breakfast Program 10.555 National School Lunch Program |
| Federal Award Identification Number / Year: | 2020 |
| Federal Agency: | U.S. Department of Agriculture |
| Compliance Requirement: | Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP) |
| Pass-Through Entity: | Ohio Department of Education |
| Repeat Finding from Prior Audit? | Yes |
| Prior Audit Finding Number: | 2019-002 |

Noncompliance and Significant Deficiency

7 C.F.R. § 245.6a(e-f) outlines the procedures to be performed by the local educational agency during the verification process, as well as the required changes to be made to the eligibility determinations, as based on the results of the verification procedures.

The District failed to properly update the free/reduced meal status of three students (out of 13 total verifications) based on income verification support received for the 2019-2020 school year. This led to two students receiving a free meal when the applicable students should have been paying the reduced meal price and the third student paying the reduced meal price when the student should have paid the full meal price. This caused the District to undercharge for meals provided to the applicable students and led to the federal government reimbursing the District for more than it should have.

FINDING NUMBER 2020-002
(Continued)

Failure to properly update student meal status based on income verifications could lead to reduced revenue for student meal sales. This could lead to the District repaying the grant agency for improper reimbursement of free/reduced meals and could also impact the District's federal funding in the future.

The District should establish and implement procedures to verify that the status of all students verified for free and reduced meal purposes are properly updated and charged based on the verified status.

Officials' Response: This finding was corrected in FY2020, but it was identified after the 2019-2020 school year had begun so there were issues at the beginning of the year. The cause of this issue was due to the Food Service Director using an incorrect chart to conduct the income verification. The onsite auditor instructed the Food Service Director where to find the correct chart to be used for the income verification. Beginning with the current fiscal year, FY2021, the Food Service Director will be using the correct chart for conducting the income verification and will ensure that the chart used is updated annually prior to beginning the verifications.

This page intentionally left blank.

BOB HUMBLE, SUPERINTENDENT

MICHAEL WATKINS, TREASURER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2020

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|---------------|--|
| 2019-001 | Ohio Rev. Code Section 117.38 and Ohio Admin Code Section 117-2-03(B) – Failure to File a GAAP Basis Report | Not Corrected | The district is taking this action as a cost-savings measure. |
| 2019-002 | 7 C.F.R. 245.6a(e-f) – Failure to properly update student lunch status | Not Corrected | The district corrected this practice during FY2020. This is a repeated finding because the practice was identified by audit during the FY2019 audit but after the new school year had begun. |

This page intentionally left blank.

BOB HUMBLE, SUPERINTENDENT

MICHAEL WATKINS, TREASURER

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2020

Finding Number: 2020-001
Planned Corrective Action: No corrective action is planned.
Sidney City Schools does not prepare its annual financial statements in according to generally accepted accounting principles because the district does not believe that GAAP statements add significant value to the presentation of its financial position to justify the additional expense associated with the preparation and audit
Anticipated Completion Date: Not Applicable
Responsible Contact Person: Michael T. Watkins, Treasurer

Finding Number: 2020-002
Planned Corrective Action: This finding was corrected in FY2020, but it was identified after the 2019-2020 school year had begun so there were issues at the beginning of the year. The cause of this issue was due to the Food Service Director using an incorrect chart to conduct the income verification. The onsite auditor instructed the Food Service Director where to find the correct chart to be used for the income verification. Beginning with the current fiscal year, FY2021 , the Food Service Director will be using the correct chart for conducting the income verification and will ensure that the chart used is updated annually prior to beginning the verifications.
Anticipated Completion Date: Immediately
Responsible Contact Person: Jason McLain, Food Service Director/Michael T. Watkins, Treasurer

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



SIDNEY CITY SCHOOL DISTRICT

SHELBY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/16/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov