

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 1, 2012

REFUNDING ISSUE

STANDARD & POOR'S RATING: "A+ (stable outlook)"

SERIAL BONDS

RATING: See "BOND RATING" herein

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representation and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of federal individual and corporate alternative minimum taxes; however, such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxes. Bond Counsel is also of the opinion that interest on the Bonds is exempt personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

The Bonds will NOT be designated "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

\$12,150,000*

**SIDNEY CENTRAL SCHOOL DISTRICT
DELAWARE, CHENANGO, AND OTSEGO COUNTIES, NEW YORK**

GENERAL OBLIGATIONS

\$12,150,000* School District Refunding Serial Bonds-2012

Dated: Date of Delivery

Due: June 15, 2012-2024

MATURITIES*

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2012	\$ 100,000	%	%		2020	\$ 1,070,000	%	%	
2015	930,000				2021	1,120,000			
2016	1,860,000				2022	1,165,000			
2017	1,830,000				2023	610,000			
2018	1,610,000				2024	480,000			
2019	1,375,000								

The Bonds are not subject to redemption prior to maturity.

The Bonds are general obligations of the Sidney Central School District, Delaware, Chenango, and Otsego Counties, New York (the "District") and will contain a pledge of its faith and credit with all the taxable real property within the District subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, without limitation as to rate or amount. (See "New Tax Levy Limitation Law" herein).

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 each or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on June 15, 2012 and semi-annually thereafter on December 15 and June 15 in each year until maturity. Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its participants, for subsequent distribution to the beneficial owners of the Bonds, as described herein.

The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the unqualified legal opinion as to the validity of the Bonds by Orrick, Herrington & Sutcliffe LLP, Bond Counsel, New York, New York. Certain legal matters will be passed on for the Underwriter by its Counsel, Trespass & Marquardt, LLP, Syracuse, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about February 29, 2012.

MORGAN KEEGAN

February __, 2012

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These Bonds may not be sold, nor may offers to buy be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

SIDNEY CENTRAL SCHOOL DISTRICT

DELAWARE, CHENANGO, AND OTSEGO COUNTIES, NEW YORK

BOARD OF EDUCATION

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President

GARY J. SCHOONOVER

Vice President

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TERRI THEOBALD

* * * * *

WILLIAM CHRISTENSEN

Superintendent of Schools

COREY A. GREEN

Administrator for Business and Student Accountability

CONNIE UMBRA

School District Clerk

MARC H. REITZ, ESQ.

School District Attorney

FISCAL ADVISORS & MARKETING, INC.

School District Financial Advisors

ORRICK, HERRINGTON & SUTCLIFFE LLP

Bond Counsel

No person has been authorized by the Sidney Central School District to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Sidney Central School District.

The Underwriter has provided the following sentence for inclusion in this Official Statement. "The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of its responsibilities under the federal securities law, but the Underwriter does not guaranty the accuracy or completeness of such information."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKETS. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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PREPARED WITH THE ASSISTANCE OF

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OFFICIAL STATEMENT
of the
SIDNEY CENTRAL SCHOOL DISTRICT
DELAWARE, CHENANGO, AND OTSEGO COUNTIES, NEW YORK
Relating To
\$12,150,000* School District Refunding Serial Bonds-2012

This Official Statement, which includes the cover page and appendices, has been prepared by the Sidney Central School District, Delaware, Chenango, and Otsego Counties, New York (the "School District" or "District", "Counties", and "State", respectively) in connection with the sale by the School District of \$12,150,000* principal amount of School District Refunding Serial Bonds-2012 (herein referred to as the "Bonds").

The factors affecting the School District's financial condition and the Bonds are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the School District tax base, revenues, and expenditures, this Official Statement should be read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the School District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Bonds and the proceedings of the School District relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and such proceedings.

DESCRIPTION OF THE BONDS

The Bonds are general obligations of the School District, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the School District is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, without limitation as to rate or amount. See "New Tax Levy Limitation Law" herein.

The Bonds will be dated the date of delivery and will mature in the principal amounts as set forth on the cover page. The Bonds are not subject to redemption prior to maturity (see "Optional Redemption" herein). The "Record Date" of the Bonds will be the last business day of the calendar month preceding each such interest payment date.

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on June 15, 2012 and semi-annually thereafter on December 15 and June 15 in each year until maturity. Principal and interest will be paid by the School District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein.

Optional Redemption

The Bonds are not subject to redemption prior to maturity.

* Preliminary, subject to change.

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the School District, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC nor its nominee or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District, disbursement of such payments to Direct

Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the School District. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The School District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered, as applicable.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that School District believes to be reliable, but School District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

THE SCHOOL DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE SCHOOL DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE SCHOOL DISTRICT MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the School District and discharging its responsibilities with respect thereto under applicable law, or the School District may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof for any single maturity. Principal of the Bonds when due will be payable upon presentation at the office of a bank or trust company located and authorized to do business in the State as a fiscal agent bank to be named by the School District upon termination of the book-entry-only system. Interest on the Bonds will continue to be payable on June 15, 2012 and semi-annually thereafter on December 15 and June 15 in each year until maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the last business day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Bond Determinations Certificate of the President of the Board of Education authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the last business day of the calendar month preceding an interest payment date and such interest payment date.

AUTHORIZATION AND PLAN OF REFUNDING

Authorization and Purpose

The Bonds are being issued pursuant to the Constitution and statutes of the State, including particularly Section 90.10 of the Local Finance Law, a refunding bond resolution adopted by the Board of Education on January 24, 2012 (the "Refunding Bond Resolution") and other proceedings and determinations related thereto. The Refunding Bond Resolution authorizes the refunding of all or a portion of the \$7,525,000 outstanding principal balance of the School District (Serial) Bonds, 2004, dated April 15, 2004, originally issued by the School District in the aggregate principal amount of \$16,110,000 (the "2004 Bonds"), and the refunding of all or a portion of the \$5,005,000 outstanding principal balance of the School District (Serial) Bonds, 2005, dated May 15, 2005, originally issued by the School District in the aggregate principal amount of \$13,330,000 (the "2005 Bonds") (collectively the "Refunded Bonds") and authorizes issuance of the Bonds to provide the funds necessary to effect the refunding of the Refunded Bonds.

The Refunded Bonds were authorized by the Board of Education pursuant to a bond resolution adopted to provide funds for the following purposes and amounts:

\$16,110,000 School District (Serial) Bonds, 2004, dated April 15, 2004

<u>Purpose</u>	<u>Authorized Amount</u>
Construction and reconstruction of school building facilities	\$ 10,325,000

\$13,330,000 School District (Serial) Bonds, 2005, dated May 15, 2005

<u>Purpose</u>	<u>Authorized Amount</u>
Construction and reconstruction of school building facilities	\$ 8,955,000

No proceeds of the Series 2004 or 2005 bonds remain unexpended.

Except as provided below, the proceeds of the Bonds are intended to be used to purchase a portfolio of non-callable direct obligations of the United States of America (the "Government Obligations") and pay certain costs of issuance related to the Bonds. The principal of and investment income on the portfolio of Government Obligations together with other available cash on deposit in the Escrow Deposit Fund (as hereinafter defined) are expected to be sufficient to pay the maturing principal of, interest on, and redemption premiums of the Refunded Bonds.

The Refunding Financial Plan

The Bonds are being issued to effect the refunding of the Refunded Bonds pursuant to the District's refunding financial plan (the "Refunding Financial Plan"). The Refunding Financial Plan provides that the proceeds of the Bonds (after payment of the underwriting fee and other costs of issuance related to the Bonds) are to be applied to the purchase of the Government Obligations. The Government Obligations are to be placed in an irrevocable trust fund (the "Escrow Deposit Fund") with The Bank of New York Mellon (the "Escrow Holder"), pursuant to the terms of an escrow contract (the "Escrow Contract") by and between the District and the Escrow Holder. The Refunding Financial Plan further provides that the Government Obligations will mature in amounts and bear interest sufficient, together with any un-invested cash deposited into the Escrow Deposit Fund from proceeds of the Bonds, to meet principal and interest payments with respect to the Refunded Bonds on the dates such payments are due or, in the case of Refunded Bonds subject to redemption prior to maturity, upon their earliest redemption dates (the "Payment Dates"). The Refunding Financial Plan calls for the Escrow Holder, pursuant to the Refunding Bond Resolution and the Escrow Contract, to call for redemption all the then outstanding Refunded Bonds on their respective first permitted redemption date. The owners of the Refunded Bonds will have a first lien on all of the respective cash and securities necessary for the refunding in the Escrow Deposit Fund into which are required to be deposited all investment income on and maturing principal of the Government Obligations, together with the un-invested cash deposit, until the Refunded Bonds have been paid, whereupon the Escrow Contract, given certain conditions precedent, shall terminate.

The District is expected to realize, as a result of the issuance of the Bonds, and in accordance with the Refunding Financial Plan, cumulative dollar and present value debt service savings.

Under the Refunding Financial Plan, the Refunded Bonds will continue to be general obligations of the District and will continue to be payable from District sources legally available therefore. However, inasmuch as the Government Obligations and cash held in the Escrow Deposit Fund will have been verified to be sufficient to meet all required payments of principal and interest on the Refunded Bonds, it is not anticipated that such District sources of payment will be used.

The maturities and amount of Refunded Bonds set forth below may be changed by the District in its sole discretion due to market or other factors considered relevant by the District at the time of pricing of the Bonds and no assurance can be given that any particular maturity or amount of bonds listed will be refunded.

\$16,110,000 School District (Serial) Bonds, 2004, dated April 15, 2004
CUSIP BASE: 826101

<u>Due June 15th</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP No.</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2015	\$ 975,000	4.000%	DS3	6/15/2013	101.0%
2016	1,000,000	4.000	DT1	6/15/2013	101.0%
2017	1,000,000	4.000	DU8	6/15/2013	101.0%
2018	825,000	4.000	DV6	6/15/2013	101.0%
2019	625,000	4.250	DW4	6/15/2013	101.0%
2020	625,000	4.375	DX2	6/15/2013	101.0%
2021	650,000	4.375	DY0	6/15/2013	101.0%
2022	650,000	4.500	DZ7	6/15/2013	101.0%
2023	650,000	4.500	EA1	6/15/2013	101.0%
2024	<u>525,000</u>	4.500	EB9	6/15/2013	101.0%
	\$ 7,525,000				

\$13,330,000 School District (Serial) Bonds, 2005, dated May 15, 2005
CUSIP BASE: 826101

<u>Due June 15th</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP No.</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2016	\$ 915,000	3.750%	EP8	6/15/2014	100.00%
2017	885,000	3.750	EQ6	6/15/2014	100.00%
2018	840,000	4.000	ER4	6/15/2014	100.00%
2019	810,000	4.000	ES2	6/15/2014	100.00%
2020	495,000	4.000	ET0	6/15/2014	100.00%
2021	510,000	4.000	EU7	6/15/2014	100.00%
2022	<u>550,000</u>	4.000	EV5	6/15/2014	100.00%
	\$ 5,005,000				

Verification of Mathematical Computations

Causey Demgen & Moore Inc., a firm of Independent Certified Public Accountants, will deliver to the School District, on or before the settlement date of the Bonds, its attestation report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the School District and its representatives. Included in the scope of its engagement will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on, the Government Obligations used to fund the Escrow Deposit Fund to be established by the Escrow Holder to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds; and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not “arbitrage bonds” under the Code and the regulations promulgated thereunder.

The verification performed by Causey Demgen & Moore Inc. will be solely based upon data, information and documents provided to Causey Demgen & Moore Inc. by the School District and its representatives. Causey Demgen & Moore Inc. reports of its verification will state Causey Demgen & Moore Inc. has no obligations to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

Sources:	Par Amount of the Bonds	\$	
	Original Issue Premium (Discount)		
			Total \$
Uses:	Deposit to Escrow Fund	\$	
	Underwriter's Discount		
	Costs of Issuance and Contingency		
			Total \$

THE SCHOOL DISTRICT

General Information

The School District is located in the south central sector of New York State, approximately 40 miles east of the City of Binghamton and 20 miles north of the Pennsylvania border, and serves portions of Delaware, Chenango and Otsego Counties. Major highways of service to the School District include U.S. Route #88 and State highways #7 and #8. The School District is also served by the Delaware & Hudson Railroad (freight) and Greyhound Bus Lines.

The School District is residential, agricultural and industrial in nature. Major Industrial employers in the Village of Sidney include Mead Westvaco Corp., which makes desk calendars and other paper products at this location and employs 1,000 and Amphenol Corporation which employs 1,600 people and makes electrical components.

Police protection is provided by the Sidney Police Department, assisted by the Delaware County Sheriff's Department and the New York State Police. A volunteer fire department provides fire protection and ambulance service.

Population

The population of the School District is estimated to be 7,647.

Wealth and Income Indicators

Per capita income statistics are not available for the District as such. The smallest areas for which such statistics are available, which includes the District, are the Towns and Counties listed below. The figures set below with respect to such Towns and Counties is included for information only. It should not be inferred from the inclusion of such data in the Official Statement that the Town or the Counties are necessarily representative of the District, or vice versa.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Towns of:						
Franklin	\$ 12,119	\$ 17,477	25,100	\$ 30,679	\$ 44,519	63,333
Guilford	10,946	15,536	21,131	30,213	40,801	46,169
Masonville	10,646	14,933	21,458	29,659	36,406	52,955
Sidney	11,619	16,335	23,892	29,114	35,351	50,625
Unadilla	11,519	16,908	21,076	30,327	40,556	60,000
Walton	11,242	16,779	21,881	29,632	41,464	50,326
Counties of:						
Chenango	11,830	16,427	22,036	30,388	39,711	52,229
Delaware	11,180	17,357	22,928	28,554	39,695	53,590
Otsego	11,657	16,806	22,902	30,466	41,110	56,797
State of:						
New York	16,501	23,389	42,492	39,741	51,691	54,047

Note: 2011 figures are not available for the Towns at this time.

Source: U.S. Census Bureau, 2006-2010 American Community Survey.

Larger Employers

Some of the major employers located in or in close proximity to the District are as follows:

<u>Company</u>	<u>Type</u>	<u># of Employees</u>
Amphenol Corporation	Electrical Components	1,600
Mead Westvaco Corp.	Desk calendars	1,000
Mirabito Fuel Group	Regional Fuel Distributor	750
Sidney Central School	Education	281
Sidney Sidney Federal Credit Union	Finance	130
UNALAM	Laminated Products	58
Village of Sidney	Municipal	42
Huff Ice Cream	Food	34

Form of School Government

The Board of Education which is the policy-making body of the School District consists of seven members with overlapping five-year terms so that as nearly as possible an equal number is elected to the Board each year. Each Board member must be a qualified voter of the School District and no Board member may hold certain other district offices or positions while serving on the Board of Education. The President and the Vice President are selected by the Board members.

Budgetary Procedures

Pursuant to the Education Law, the Board annually prepares or causes to be prepared a tentative budget of the School District for the ensuing fiscal year. This tentative budget must be completed at least fourteen days before the annual or district meeting at which it is to be presented. Copies are available upon request to taxpayers within the School District, fourteen days preceding such meeting and at each such meeting. The Board must also give notice that a copy of the tentative budget may be obtained at each schoolhouse within the School District.

The Board causes a notice to be published stating the time, date, place and purpose of the annual or district meeting four times beginning seven weeks prior to the vote. At least forty-five days must elapse between the first publication of such notice and the date specified for such meeting. The meeting must be held at the time and place specified but it may be adjourned to permit voting on the following day. If the qualified voters at the annual or School District meeting approve the tentative budget and tax levy, the Board, by resolution adopts the tentative budget as the budget and tax levy of the School District for the ensuing year.

If by majority vote the budget is rejected, the Board may make any change, alteration or revision to the budget and may hold a second public hearing and referendum. If no budget is approved, at the option of the Board, such Board may, pursuant to law, adopt by resolution an austerity budget for the ensuing fiscal year. The Board may then levy a tax for ordinary contingent expenses of the School District, which includes debt service, but the tax levy cannot exceed that of the prior fiscal year. Beginning in fiscal year 2012-2013 the tax levy amount is subject to ne procedural requirements. See "New Tax Levy Limitation Law" herein. The budget for the 2011-2012 fiscal year was adopted by the qualified voters of the School District on May 17, 2011.

Investment Policy

Pursuant to the statutes of the State of New York, the School District is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and Bond Anticipation Notes issued by any New York municipality or district corporation, other than the School District; (6) obligations of a New York public corporation which are made lawful investments by the School District pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of School District moneys held in certain reserve funds established pursuant to law, obligations issued by the School District. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the School District's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of obligations of the United States government, the School District may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third party custodian.

General Municipal Law and the School District policy does not permit the School District to enter into reverse repurchase agreements or make other derivative type investments.

State Aid

The School District receives substantial financial assistance from the State. In its adopted budget for the 2011-2012 fiscal year, approximately 67% of the revenues of the School District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the School District, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the School District. No assurance can be given that present State aid levels will be maintained in the future. In view of the State's continuing budget problems, future State aid reductions are likely. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse effect upon the School District requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures (see also "MARKET AND RISK FACTORS").

A portion of the School District's State aid consists of building aid which is related to outstanding indebtedness for capital project purposes. In order to receive building aid, the School District must have building plans and specifications approved by the Facilities Planning Unit of the State Education Department. A maximum construction and incidental cost allowance is computed for each building project that takes into account a pupil construction cost allowance and assigned pupil capacity. For each project financed with debt obligations, a bond percentage is computed. The bond percentage is derived from the ratio of total approved cost allowances to the total principal borrowed. Approved cost allowances are estimated until a project final cost report is completed.

Aid on debt service is generally paid in the current fiscal year provided such debt service is reported to the Commissioner of Education by November 15 of that year. Any debt service in excess of amounts reported by November 15 will not be aided until the following fiscal year. The building aid received is equal to the approved building expense, or bond percent, times the building aid ratio that is assigned to the School District. The building aid ratio is calculated based on a formula that involves the full valuation per pupil in the School District compared to a State wide average. The School District may elect to use the highest building aid ratio that has been calculated since the 1981-82 fiscal year.

In Campaign for Fiscal Equity, Inc. et al. v. State, et al. (Supreme Court, New York County), plaintiffs challenged the State's method of providing funding for New York City public schools. Plaintiffs sought a declaratory judgment that the State's public school financing system violates Article 11, Section 1 of the State Constitution and Title VI of the Federal Civil Rights Act of 1964 and injunctive relief that would require the State to satisfy State Constitutional Standards. State legislative reforms in the wake of the Campaign for Fiscal Equity case include increased accountability for expenditure of State funds and collapsing over 30 categories of school aid into one classroom operating formula referred to as foundation aid. Foundation aid prioritizes funding distribution based upon student need.

The State 2011-2012 Enacted Budget includes school aid of \$19.6 billion. This reflects a reduction of \$1.3 billion or 6.1% from the State's 2010-11 Enacted Budget, including State operating funds and \$608 million of federal Jobs Bill funding. This reduction represents a 2.5% of average school district total spending.

The State's 2011 – 2012 Enacted Budget provides a two-year appropriation and reflects permanent law changes to limit future school aid increases to growth in the State personal income rate. The State's 2011 – 2012 Enacted Budget creates new education performance and efficiency grants with \$500 million in total appropriations for districts that demonstrate significant student performance improvements or that undertake long-term structural changes to reduce costs and improve efficiency.

There can be no assurance that the State appropriation for building aid and other State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid, including building aid appropriated and apportioned to the School District, can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or their elimination therefrom.

State Aid Revenues

The following table illustrates the percentage of total revenues of the District for each of the last five completed fiscal years and budgeted figures for the 2011-2012 fiscal year comprised of State aid.

<u>Fiscal Year</u>	<u>Total State Aid</u>	<u>Total Revenues</u>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2006-07	\$13,279,600	\$20,581,891	64.5%
2007-08	14,148,128	21,359,068	66.25
2008-09	14,922,433	21,975,504	67.9%
2009-10	14,200,265	22,229,382	63.9%
2010-11	14,420,404	22,359,294	64.5%
2011-12 (Budgeted)	14,485,440	21,729,844	66.7%

Source: School District audited financial reports and adopted budget for 2011-2012.

School Facilities

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Year(s) Built</u>
Sidney Elementary ⁽¹⁾	K-5	461	1969, '71, '03
Sidney Middle School ⁽¹⁾	6-8	329	1950, '77, '03
Sidney High School ⁽¹⁾	9-12	405	1958, '77, '04

⁽¹⁾ Includes Special Education.

Enrollment History and Projection

<u>School Year</u>	<u>Actual Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2007-08	1,155	2012-13	1,023
2008-09	1,145	2013-14	1,020
2009-10	1,212	2014-15	1,020
2010-11	1,188	2015-16	1,020
2011-12	1,155	2016-17	1,020

Employees

The School District employs a total of approximately 258 full-time employees. Employees are represented by various unions as follows:

<u>Number of Employees</u>	<u>Union</u>	<u>Contract Expiration Date</u>
141	Sidney Teachers' Association	6/30/2013
107	Sidney School Related Personnel Association	6/30/2014
10	Sidney Administrators' Association	6/30/2013

Status and Financing of Employee Pension Benefits

Professional employees (teachers and administrators) are members of the New York State Teachers' Retirement System ("TRS"). All non-professional employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employees' Retirement System ("ERS") and collectively with TRS, the "Retirement Systems". These Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally begin vesting after five (5) years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement Systems are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All ERS members hired on or after July 1, 1976, with less than 10 years of service must contribute 3% of gross annual salary and TRS members working less than ten years must contribute 3.5% of gross annual salary towards the cost of retirement programs.

On December 12, 2009, new Tier V was signed into law. The legislation creates a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring ERS employees to continue contributing 3% of their salaries and TRS employees to continue contributing 3.5% toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

The School District's payments to ERS and TRS since the 2005-2006 school year have been as follows:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2006-2007	\$ 208,914	\$ 586,230
2007-2008	154,325	650,226
2008-2009	161,301	505,875
2009-2010	159,357	535,138
2010-2011	253,685	620,968
2011-2012 (Budgeted)	318,480	838,429

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The School District currently does not have any early retirement incentives in effect.

Historically, there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement Systems in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the ERS and TRS, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

In 2003, the State Legislature amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for ERS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning the actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. A contribution for a given fiscal year is now based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

On July 30, 2004, Chapter 260 of the Laws of 2004 (“Chapter 260”) was signed into law. Chapter 260 contains three components which alter the way municipalities and school districts contribute to the State pension system: (1) revision of the payment due date, (2) extension of the period of time for pension debt amortization, and (3) authorization to establish a pension reserve fund. Prior to the effective date of the provisions of Chapter 260, the annual retirement bill sent to municipalities and school districts from the State had reflected pension payments due between April 1 and March 31, consistent with the State fiscal year.

Chapter 260 provided for the following changes:

- **Contribution Payment Date Change:** The law changed the date on which local pension contributions are due to the State. Effective immediately, the annual required contribution is due Feb. 1 annually instead of Dec. 15. As a result, no payment was due in calendar year 2004.
- **Pension Cost Amortization-Extension of Payout Period:** The law also extends the ability of municipalities and school districts to amortize a portion of the current year pension cost over a period of 10 years, extending the term from five years as authorized under the 2003 Reforms. Municipalities can amortize, either directly through the State retirement system at a fixed interest rate annually determined by the State Comptroller or through the capital markets, pension payments in excess of 7% of eligible payroll in 2005, 9.5% in 2006, and 10.5% in 2007.
- **Pension Contributions Reserve Fund:** The law creates special authorization to create a new category of reserve fund under the General Municipal Law. Municipalities and school districts may now establish a retirement contribution reserve fund that can be funded from other available current government resources.

On September 10, 2010, Comptroller Thomas P. DiNapoli announced increases over the previous year in the 2011-2012 employer contribution rates for the New York State Common Retirement Fund (the “Fund”). The average contribution rate for the ERS will increase from 11.9% of salaries to 16.3% of salaries. On August 24, 2011, the Comptroller announced the average contribution rate for the ERS will increase from 16.3% of salaries to 18.9% for fiscal year 2012-2013.

The TRS rate for the 2010-2011 fiscal year is 8.62% (up from 6.19% in 2010). The TRS rate for the 2011-2012 fiscal year is 11.11%. It is anticipated that the 2012-2013 contribution rate will be between 11.50% and 12.50% and a precise estimate is expected to be available in February 2012.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to both ERS and PFRS, when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a “graded” rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year’s amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year the participating employer’s graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

The District does not amortize any eligible portion of their annual required contributions.

The investment of monies and assumptions underlying the Retirement Systems covering the School District’s employees is not subject to the direction of the School District. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems (“UAALs”). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the School District which could affect other budgetary matters. Investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

While the School District is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted.

Other Post Employee Benefits

It should also be noted that the School District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that requires governmental entities, such as the District, to account for post-retirement healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting.

School districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

OPEB refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC.

The District contracted with an actuarial firm to assist in the determination of the costs and liabilities associated with the District's OPEB plan (the "Plan"). This analysis has been completed in accordance with GASB Statement No. 45; Accounting and Financial Reporting by Employers for Post-Employment Benefits other than Pensions. Based on the most recent actuarial evaluation dated July 1, 2010, the actuarial accrued liability (AAL), the portion of the actuarial present value of the total future benefits based on the employees' service rendered to the measurement date, is \$3,894,845. The actuarial value of the Plan's assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,894,845. The School District's beginning year Net OPEB obligation was \$499,416. The School District's annual OPEB expense was \$359,852 and is equal to the adjusted annual required contribution (ARC). The School District is on a pay-as-you-go funding basis and paid \$373,463 to the Plan for the fiscal year ending June 30, 2011, resulting in a net decrease to its unfunded OPEB obligation of \$13,611 for the fiscal year ending June 30, 2011 and a total net unfunded OPEB obligation of \$485,805. The aforementioned liability and ARC are recognized and disclosed in accordance with GASB 45 standards in the School District's June 30, 2011 financial statements.

Actuarial Valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

Unemployment Rate Statistics

Unemployment statistics are not available for the School District as such. The smallest areas for which such statistics are available and which includes the School District are the Counties of Delaware, Chenango and Otsego. The information set forth below with respect to the Counties is included for informational purposes only. It should not be inferred from the inclusion of such data in this Official Statement that the School District is necessarily representative of the Counties, or vice versa.

	<u>Annual Average</u>						
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Delaware County	4.5%	4.5%	4.4%	4.4%	5.9%	8.7%	8.7%
Chenango County	5.6%	5.0%	5.0%	5.0%	6.3%	9.1%	9.1%
Otsego County	4.9%	4.5%	4.5%	4.6%	5.7%	7.7%	7.7%
New York State	5.8%	5.0%	4.6%	4.5%	5.4%	8.4%	8.6%

	<u>2011 Monthly Figures</u>											
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
Delaware County	9.8%	9.6%	8.8%	8.2%	7.8%	8.4%	7.9%	7.5%	8.0%	7.6%	8.0%	8.3%
Chenango County	10.0%	9.8%	9.1%	8.2%	7.8%	8.2%	8.1%	7.7%	8.0%	7.5%	7.8%	8.2%
Otsego County	9.5%	9.1%	8.1%	7.5%	6.9%	7.6%	7.5%	7.0%	7.0%	6.8%	7.2%	8.0%
New York State	8.9%	8.7%	8.0%	7.6%	7.8%	8.0%	8.0%	7.7%	7.8%	7.7%	7.9%	8.0%

Source: Department of Labor, State of New York. Figures not seasonally adjusted.

Other Information

The statutory authority for the power to spend money is the Education Law and the Local Finance Law.

The School District is in the process of compliance with the procedure for validation of the Bonds as provided in Title 6 of Article 2 of the Local Finance Law.

No principal or interest upon any obligation of the School District is past due.

The fiscal year of the School District is July 1 to June 30.

This Official Statement does not include the financial data of any political subdivision having power to levy taxes within the School District.

Financial Statements

The financial accounts of the District are maintained in accordance with the New York State Uniform System of Accounts for School Districts. The District retains an outside independent auditor and is audited annually. The last audited report covers the period ending June 30, 2011 and may be found attached hereto as appendices to this Official Statement. Certain financial information of the School District is included in the Appendices to this Official Statement.

The School District complies with the Uniform System of Accounts as prescribed by the State Comptroller for school districts in New York State. Except for the accounting for fixed assets, this system conforms to generally accepted accounting principles as prescribed by the American Institute of Certified Public Accounts' Industry Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Beginning with the fiscal year ending June 30, 2003 the School District issued its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management's Discussion and Analysis. The School District is in compliance with Statement No. 34.

TAX INFORMATION

Valuations

<u>Years Ending June 30:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Assessed Valuation:					
Towns of:					
Sidney	\$ 204,634,881	\$ 207,822,439	\$ 213,229,837	\$ 213,968,064	\$ 214,125,690
Franklin	2,312,156	2,310,156	2,426,156	2,426,156	2,469,156
Masonville	81,273,627	83,691,640	85,066,757	85,404,851	86,378,182
Walton	5,512	5,512	5,512	5,512	5,512
Unadilla	25,320,147	25,699,810	25,704,917	26,034,807	26,229,613
Guilford	<u>6,448,666</u>	<u>6,617,444</u>	<u>6,955,355</u>	<u>6,970,159</u>	<u>12,230,505</u> ⁽¹⁾
Total Assessed Valuation	\$ 319,994,989	\$ 326,147,001	\$ 333,388,534	\$ 334,809,549	\$ 341,438,658

N.Y. State Equalization Rate

Towns of:					
Sidney	85.00%	85.00%	73.12%	74.50%	74.25%
Franklin	87.00%	79.00%	77.00%	84.00%	90.00%
Masonville	100.00%	100.00%	100.00%	100.00%	100.00%
Walton	27.47%	25.94%	26.66%	28.65%	27.71%
Unadilla	62.00%	58.19%	58.19%	58.19%	58.18%
Guilford	60.60%	56.50%	52.00%	57.60%	100.00% ⁽¹⁾
Total Full Valuation	\$ 376,178,573	\$ 387,023,576	\$ 437,417,636	\$ 432,372,896	\$ 434,845,763

Tax Rate Per \$1,000 (Assessed)

<u>Years Ending June 30:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Towns of:					
Sidney	\$ 18.57	\$ 18.85	\$ 20.71	\$ 20.97	\$ 20.19
Franklin	18.14	20.28	19.66	18.60	16.65
Masonville	15.78	16.02	15.14	15.62	14.99
Walton	57.45	61.76	56.79	54.53	54.08
Unadilla	25.45	27.53	26.02	26.84	25.76
Guilford	26.04	28.36	29.11	27.12	14.98 ⁽¹⁾

⁽¹⁾ Significant change from prior year due to revaluation.

Tax Collection Procedure

Tax payments are due on the first five to seven days of September. There is no penalty charge for the first thirty days after taxes are due, but a 2% penalty is charged for the next 30 days. On or about November 15th, uncollected taxes are returnable to the respective Counties for collection. The School District receives this amount from said Counties prior to the end of the School District's fiscal year, thereby assuring 100% tax collection annually.

Tax Collection Record

<u>Years Ending June 30:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Tax Levy	\$ 6,407,954	\$ 6,679,697	\$ 7,107,363	\$ 6,754,000	\$ 6,517,000
Amount Uncollected ⁽¹⁾	764,470	816,643	N/A	N/A	N/A
% Uncollected	11.9%	12.2%	N/A	N/A	N/A

⁽¹⁾ See "Tax Collection Procedure".

Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the School District for each of the last five completed fiscal years and budgeted figures for the 2011-2012 fiscal year comprised of Real Property Taxes.

<u>Fiscal Year</u>	<u>Total Property Tax</u>	<u>Total Revenues</u>	<u>Percentage of Total Revenues Consisting of Real Property Tax</u>
2006-07	\$4,516,806	\$20,581,891	21.9%
2007-08	4,468,479	21,359,068	20.9%
2008-09	4,813,063	21,975,504	21.9%
2009-10	5,222,038	22,229,382	23.5%
2010-11	5,423,846	22,359,294	24.3%
2011-12 (Budgeted)	6,517,000	21,729,844	30.0%

Source: School District audited financial reports and adopted budget for 2011-2012.

Larger Taxpayers-2011 Tax Roll for 2011-2012

<u>Name</u>	<u>Type</u>	<u>Estimated Assessed Valuations</u>
NYS Electric & Gas Corp	Utility	\$ 10,467,170
Mead	Industrial	10,200,000
State of New York	Government	8,969,300
Kmart Corporation	Commercial	5,695,000
Amphenol Corporation	Industrial	5,023,140
Clark Trading Corporation	Commercial	3,400,000
Meadow Crest Mobile Home Park	Multiple Residences	1,638,500
Citizens Tele Co of NY	Utility	1,448,389
Hanehan Realty Assoc.	Commercial	1,231,347
Victory Markets LLC	Commercial	<u>1,180,000</u>
	Total	\$ 49,252,846

The larger taxpayers listed above have a total assessed valuation of \$49,252,846 which represents 14.4% of the tax base of the School District.

Source: School District Tax Rolls.

STAR – School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed by the State for real property taxes exempted pursuant to the STAR Program.

As enacted in 1997, STAR was phased in over four years. Homeowners over 65 years of age with household incomes of \$60,000 or less are eligible for a “full value” exemption of \$50,000. Other homeowners are eligible for a \$30,000 “full value” exemption on their primary residence.

STAR aid payments for the 2011-12 fiscal were received in October, 2011, November, 2011, and December, 2011. Adjustment payments will be made in March 2012. See “STAR – School Tax Exemption” herein. The State adopted a Federal Medical Assistance Program (FMAP) contingency plan which includes a \$29.7 million reduction in STAR and represents a 1.1% reduction in such aid to each district in the State. See “STAR - School Tax Exemption” herein for more information regarding STAR payments.

\$1,328,514 District’s \$3,754,000 2010-11 school tax levy was exempted by the STAR Program. The District received reimbursement from the state in January 2011. \$1,268,506 of the \$6,517,000 2011-12 school tax levy was exempted by the STAR Program. The District received reimbursement from the State in January 2012. STAR aid payments may be delayed in the future due to the State’s financial situation.

Additional Tax Information

Real property located in the School District is assessed by the towns.

Senior citizens' exemptions are offered based on a sliding income scale that ranges from 50% of assessed value exemption for incomes at or below \$8,000 per year to 20% for incomes up to \$13,699 per year.

Total assessed valuation of the School District is estimated to be categorized as follows: Agricultural- 2%, Residential- 53%, Industrial- 4%, Commercial-15% and Other- 26%.

The estimated total annual property tax bill of a \$75,000 market value residential property located in the School District is approximately \$2,250 including County, Town, School District and Fire District taxes.

NEW TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor ("Chapter 97" or the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers.)

Prior to the enactment of the Tax Levy Limitation Law, there was no statutory limitation on the amount of real property taxes that a school district could levy as part of its budget if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year's budget or one hundred twenty percent (120%) of the consumer price index ("CPI").

Chapter 97 now requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It expires on June 15, 2016 unless extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

A school district's calculation of each fiscal year's tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget.

There are exceptions for school districts to the tax levy limitation provided in Chapter 97, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, and the Teachers' Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for "Capital Local Expenditures" subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings, including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. "Capital Local Expenditures", are defined as "the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law". The portion of the tax levy necessary to support "Capital Local Expenditures" is defined as the "Capital Tax Levy", and is an exclusion from the tax levy limitation.

STATUS OF INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the School District (and other municipalities and certain school districts of the State) to issue obligations and to contract indebtedness. Such constitutional limitations in summary form and as generally applicable to the District include the following:

Purpose and Pledge. The School District shall not give or loan any money or property to or in aid of any individual or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The School District may contract indebtedness only for a School District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; and unless substantially level or declining annual debt service is utilized, no installment maybe more than fifty percent in excess of the smallest prior installment. The School District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedure for the School District to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Education Law.

The School District has the power to contract indebtedness for any School District purpose provided that the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the School District as required by the Local Finance Law and subject to certain enumerated deductions such as State aid for building purposes. The statutory method for determining full valuation is by dividing the assessed valuation of taxable real estate for the last completed assessment roll by the equalization rate established by the State Office of Real Property Services in accordance with applicable State law.

The School District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds, and notes in anticipation of the bonds. No down payment is required in connection with the issuance of District obligations.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the School District is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied within the authorization of such obligations
and an action contesting such validity, is commenced within twenty days after the date of such publication or,
- (3) Such obligations are authorized in violation of the provisions of the Constitution.

The Board of Education, as the finance board of the School District, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may delegate the power to sell the obligations to the President of the Board of Education, the chief fiscal officer of the School District, pursuant to the Local Finance Law.

Statutory law in the State also permits the School District to issue bond anticipation notes to be issued in anticipation of the issuance of serial bonds, which may be renewed each year, provided annual principal installments are made in the reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first issuance date of such notes and provided that such renewals do not exceed five years beyond the original date of the issuance of such notes. (See "Payment and Maturity" under "Constitutional Requirements" herein, and "Details of Outstanding Indebtedness" herein).

In general, the Local Finance Law contains provisions providing the School District with the power to issue certain other short-term general obligation indebtedness, including revenue and tax anticipation notes and budget notes (see "Details of Outstanding Indebtedness" herein).

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending June 30:</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Bonds ⁽¹⁾	\$ 30,930,000	\$ 29,155,000	\$ 27,305,000	\$ 25,325,000	\$ 23,295,000
Bond Anticipation Notes	0	0	0	0	0
Other Debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	\$ 30,930,000	\$ 29,155,000	\$ 27,305,000	\$ 25,325,000	\$ 23,295,000

⁽¹⁾ The Fiscal years 2007 through 2009 above include both refunded and refunding bonded debt. As of June 15, 2010, all refunded bonds outstanding have been paid in full and are no longer outstanding.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the School District evidenced by bonds and notes as of January 24, 2012.

<u>Bonds</u>	<u>Maturity</u> 2012-2029	<u>Amount</u>
		\$ 23,295,000
<u>Bond Anticipation Notes</u>	---	<u>0</u>
	Total Indebtedness	<u>\$ 23,295,000</u>

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of January 24, 2012:

Full Valuation of Taxable Real Property	\$ 434,845,763
Debt Limit 10% thereof	43,484,576

Inclusions:

Serial Bonds	\$ 23,295,000	
Bond Anticipation Notes	0	
Principal of this issue	<u>12,150,000</u> *	
Total Inclusions		<u>\$ 35,445,000</u>

Exclusions:

Building Aid ⁽¹⁾	<u>\$ 0</u>	
Total Exclusions		<u>\$ 0</u>

Total Net Indebtedness	<u>\$ 35,445,000</u>
Net Debt-Contracting Margin	<u>\$ 8,039,576</u>
The percent of debt contracting power exhausted is	81.51%

⁽¹⁾ Represents an estimate of monies receivable by the District from the State as an apportionment for debt service for school building purposes. The District has not applied for an exclusion as they are currently under the debt limit. The District receives New York State building aid on its indebtedness incurred for building projects at approximately 91.5% of debt service.

Note: The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the net indebtedness of the School District.

*Preliminary, subject to change.

Capital Project Plans

The District will address routine repairs and maintenance on an annual basis following the guidance provided in its five year capital plan. It is anticipated that the routine repairs and maintenance will be paid from current appropriations. The District voters recently defeated a capital project to address some of the District needs.

The District is in the planning stages for a new project which may involve field work and auditorium work and will also utilize all or a portion of the \$982,891 in EXCEL aid. Any project put forth is expected to have minimal impact on the tax levy.

Cash Flow Borrowings

The School District has not found it necessary to issues revenue anticipation notes or tax anticipation notes in the past and does not anticipate issuing either in the foreseeable future.

Bonded Debt Service

A schedule of Bonded Debt Service may be found in APPENDIX - B to this Continuing Disclosure Statement.

Overlapping Indebtedness

In addition to the School District, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the School District. The estimated outstanding indebtedness of such political subdivisions is as follows:

<u>Unit</u>	<u>Outstanding Indebtedness</u> ⁽¹⁾	<u>Exclusions</u> ⁽²⁾	<u>Net Indebtedness</u>	<u>% Within School District</u>	<u>Applicable Net Indebtedness</u>
Counties of:					
Chenango	\$ 2,895,000	\$ 0	\$ 2,895,000	0.29%	\$ 8,396
Delaware	23,980,000	0	23,980,000	5.20%	1,246,960
Otsego	22,350,804	285,804	22,065,000	0.57%	125,771
Towns of:					
Sidney	2,085,000	0	2,085,000	87.29%	1,819,997
Masonville	0	0	0	79.12%	0
Franklin	0	0	0	1.40%	0
Unadilla	329,097	0	329,097	20.05%	65,984
Guilford	1,865,774	0	1,865,774	8.38%	156,352
Walton	0	0	0	0.01%	0
Village of:					
Sidney	175,900	175,900	0	100.00%	<u>0</u>
				Total	\$ 3,423,460

⁽¹⁾ Bonds and bond anticipation notes, as of close of last respective fiscal year adjusted to include subsequent bond sales, if any.

⁽²⁾ Sewer, Water and State Office Building indebtedness.

Source: 2009 State Comptrollers Report.

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of January 24, 2012.

	<u>Amount</u> <u>Indebtedness</u>	<u>Per</u> <u>Capita</u> ^(a)	<u>Percentage</u> <u>of Full</u> <u>Valuation</u> ^(b)
Net Indebtedness (see "Computation of Debt Limit").....	\$ 35,445,000	\$ 4,635.15	8.15%
Net Indebtedness Plus Net Overlapping Indebtedness ^(c)	38,868,460	5,082.84	8.94%

(a) The current estimated population of the District is 7,647.

(b) The District's full value of taxable real estate for 2011-2012 is \$434,845,763.

(c) Estimated net overlapping indebtedness is \$3,423,460.

Note: The above ratios do not take into account State building aid the District will receive for outstanding building projects. The District anticipates receiving 91.5% of debt service for building projects in the form of building aid.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

In the event of a default in the payment of the principal of and/or interest on the Bonds, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the School District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Bonds.

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the School District upon any judgment or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of the principal of or interest on the Bonds.

In accordance with the general rule with respect to municipalities, judgments against the School District may not be enforced by levy and execution against property owned by the School District.

The Federal Bankruptcy Code allows public bodies such as the School District recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While the provisions of the Local Finance Law do not apply to school districts, there can be no assurance that they will not be made so applicable in the future.

There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the School District.

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness."

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

No principal or interest on District indebtedness is past due. The District has never defaulted in the payment of principal or interest on any indebtedness.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission"), the School District has agreed to provide, or cause to be provided,

- (i) to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, during any succeeding fiscal year in which the Bonds are outstanding, certain annual financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced under the heading(s) "The School District", "Tax Information", "Status of Indebtedness" and "Litigation" and Appendices and a copy of the audited financial statement (prepared in accordance with generally accepted accounting principles in effect at the time of audit) for the preceding fiscal year, if any; such information, data and audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if audited financial statements are prepared, sixty days following receipt by the School District of audited financial statements for the preceding fiscal year, but, in no event, not later than the last business day of each such succeeding fiscal year.
- (ii) in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule:
 - (a) principal and interest payment delinquencies
 - (b) non-payment related defaults, if material
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties
 - (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Bonds, unscheduled draws on credit enhancements reflecting financial difficulties
 - (e) substitution of credit or liquidity providers, or their failure to perform
 - (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds
 - (g) modifications to rights of Bondholders, if material
 - (h) Bond calls, if material and tender offers
 - (i) defeasances
 - (j) release, substitution, or sale of property securing repayment of the Bonds
 - (k) rating changes
 - (l) bankruptcy, insolvency, receivership or similar event of the School District
 - (m) the consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
 - (n) appointment of a successor or additional trustee or the change of name of a trustee, if material

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Bonds.

With respect to event (d) the School District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

The School District may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above, if the School District determines that any such other event is material with respect to the Bonds; but the School District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

- (iii) in a timely manner to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of its failure to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, on or before the date specified.

The School District reserves the right to terminate its obligations to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, and notices of material events, as set forth above, if and when the School District no longer remains an obligated person with respect to the Bonds within the meaning of the Rule. The School District acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Bonds (including holders of beneficial interests in the Bonds). The right of holders of the Bonds to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the School District's obligations under its continuing disclosure undertaking and any failure by the School District to comply with the provisions of the undertaking will neither be a default with respect to the Bonds nor entitle any holder of the Bonds to recover monetary damages.

The School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the School District, provided that, the School District agrees that any such modification will be done in a manner consistent with the Rule.

A Continuing Disclosure Undertaking Certificate to this effect shall be provided to the purchaser at closing.

The School District is in compliance with all prior undertakings pursuant to the Rule for the past five years.

MARKET AND RISK FACTORS

The financial condition of the School District as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the School District's control. There can be no assurance that adverse events in the State or in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions, thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the School District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

The School District is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the School District, in any year, the School District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the School District. In several recent years, the School District has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "State Aid").

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX - D.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The School District has covenanted to comply with certain restrictions designed to insure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Owner’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, on September 12, 2011, the Obama Administration announced a legislative proposal entitled the American Jobs Act of 2011. For tax years beginning on or after January 1, 2013, the American Jobs Act of 2011 generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LITIGATION

The School District is subject to a number of lawsuits in the ordinary conduct of its affairs. The School District does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the School District.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the School District, threatened against or affecting the School District to restrain or enjoin the issuance, sale or delivery of the Bonds or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Bonds or any proceedings or authority of the School District taken with respect to the authorization, issuance or sale of the Bonds or contesting the corporate existence or boundaries of the School District.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto as APPENDIX - D. Certain legal matters will be passed on for the Underwriter by its Counsel, Trespasz & Marquardt, LLP, Syracuse, New York.

UNDERWRITING

The Bonds are being purchased by Morgan Keegan & Company, Inc. (the "Underwriter") for reoffering to the public. The purchase contract for the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, at a purchase price equal to \$ _____ (being the par amount of the Bonds plus a net original issue premium of \$ _____, less an underwriter's discount for the transaction of \$ _____). The Underwriter is initially offering the Bonds to the public at the public offering yields indicated on the cover page but the Underwriter may offer and sell the Bonds to certain dealers, institutional investors and others (including sales for deposit into investment trusts, certain of which may be sponsored or managed by the Underwriter) at yields higher than the public offering yields stated on the cover page and the public offering yields may be changed from time to time by the Underwriter.

On January 11, 2012, Regions Financial Corporation, Morgan Keegan's parent company, entered into a definitive agreement to sell Morgan Keegan to Raymond James Financial. The transaction is expected to close on or before March 31, 2012.

BOND RATING

Standard & Poor's Credit Market Services ("S & P") has assigned their Municipal Bond rating of "A+ with a stable outlook" with respect to the District's outstanding bonds. A rating reflects only the view of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the School District management's beliefs as well as assumptions made by, and information currently available to, the School District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the School District's files with the repositories. When used in School District documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

The Official Statement is submitted only in connection with the sale of the Bonds by the School District and may not be reproduced or used in whole or in part for any other purpose.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the School District nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the School District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the School District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

The School District will act as paying agent for the Bonds.

The Sidney Central School District's contact information is as follows: Mr. Corey Green, Business Administrator/Treasurer, 95 West Main Street, Sidney, New York 13838, Phone (607) 563-2135, Telefax (607) 563-2386,, email: CGreen@sidneycsd.org

SIDNEY CENTRAL SCHOOL DISTRICT

Dated: February __, 2012

NANCY K. PARSONS
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>ASSETS</u>				
Unrestricted Cash	\$ 2,865,102	\$ 2,939,044	\$ 3,032,151	\$ 3,025,311
Restricted Cash	3,659,378	4,015,023	4,634,220	5,209,728
Taxes Receivable	-	-	-	-
Due from Other Governments	910,584	881,428	1,105,711	1,195,016
Due from Other Funds	3,527	179,894	148,897	246,341
Account Receivables	18,481	13,067	30,376	66,713
TOTAL ASSETS	\$ 7,457,072	\$ 8,028,456	\$ 8,951,355	\$ 9,743,109
<u>LIABILITIES AND FUND EQUITY</u>				
Accounts Payable	\$ 84,229	\$ 40,116	\$ 134,443	\$ 168,955
Accrued Liabilities	-	11,200	118,313	239,474
Due to Other Funds	83,515	-	59,529	22,282
Due to Other Governments	410,870	410,870	-	-
Due to Teachers' Retirement System	633,194	535,255	496,061	611,666
Due to Employees' Retirement System	42,027	37,485	53,317	66,951
Compensated Absences	784,357	887,038	-	-
Deferred Revenues	-	-	-	8,365
Overpayments	-	-	1,392,244	1,392,244
Accrued Postretirement Benefits	-	-	-	-
TOTAL LIABILITIES	2,038,192	1,921,964	2,253,907	2,509,937
<u>FUND EQUITY</u>				
Reserved	\$ 3,924,015	\$ 4,346,985	\$ 4,788,503	\$ 5,209,728
Unreserved:				
Appropriated	750,000	725,000	500,000	1,040,152
Unappropriated	744,865	1,034,507	1,408,945	983,292
TOTAL FUND EQUITY	5,418,880	6,106,492	6,697,448	7,233,172
TOTAL LIABILITIES and FUND EQUITY	\$ 7,457,072	\$ 8,028,456	\$ 8,951,355	\$ 9,743,109

Source: Audited financial reports of the School District. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
REVENUES					
Real Property Taxes	\$ 4,476,613	\$ 4,516,806	\$ 4,468,479	\$ 4,813,063	\$ 5,222,038
Real Property Tax Items	1,765,081	1,809,861	1,744,108	1,622,535	1,435,752
Charges for Services	13,240	158,271	73,110	59,669	141,450
Use of Money & Property	385,033	479,282	460,481	247,626	154,203
Sale of Property and Compensation for Loss	5,733	2,413	8,911	9,738	13,205
Miscellaneous	56,825	106,829	148,920	210,216	159,612
Interfund Revenues	12,632	11,682	10,476	12,704	22,981
Revenues from State Sources	12,643,194	13,279,600	14,148,128	14,922,433	14,200,265
Revenues from Federal Sources	71,403	9,574	90,445	77,520	879,876
Total Revenues	<u>\$ 19,429,754</u>	<u>\$ 20,374,318</u>	<u>\$ 21,153,058</u>	<u>\$ 21,975,504</u>	<u>\$ 22,229,382</u>
Other Sources:					
Interfund Transfers	174,783	207,573	206,010	-	-
Retirement System Credits	-	-	-	-	-
Total Revenues and Other Sources	<u>19,604,537</u>	<u>20,581,891</u>	<u>21,359,068</u>	<u>21,975,504</u>	<u>22,229,382</u>
EXPENDITURES					
General Support	\$ 2,623,493	\$ 2,790,830	\$ 3,151,461	\$ 3,451,590	\$ 3,718,697
Instruction	9,778,845	10,543,720	10,472,702	10,154,294	10,448,730
Pupil Transportation	762,025	791,128	838,315	871,387	823,783
Community Services	-	831	6,852	6,132	6,907
Employee Benefits	3,227,731	3,512,289	3,612,111	3,604,908	3,457,583
Debt Service	3,075,347	3,045,206	3,043,644	3,049,581	3,047,726
Total Expenditures	<u>\$ 19,467,441</u>	<u>\$ 20,684,004</u>	<u>\$ 21,125,085</u>	<u>\$ 21,137,892</u>	<u>\$ 21,503,426</u>
Other Uses:					
Interfund Transfers	25,622	116,833	144,467	150,000	135,000
Tax Certiorari	-	-	-	-	-
Repair Reserve	-	-	-	-	-
Total Expenditures and Other Uses	<u>19,493,063</u>	<u>20,800,837</u>	<u>21,269,552</u>	<u>21,287,892</u>	<u>21,638,426</u>
Excess (Deficit) Revenues Over Expenditures	<u>111,474</u>	<u>(218,946)</u>	<u>89,516</u>	<u>687,612</u>	<u>590,956</u>
FUND BALANCE					
Fund Balance - Beginning of Year	5,436,836	5,548,310	5,329,364	5,418,880	6,106,492
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 5,548,310</u>	<u>\$ 5,329,364</u>	<u>\$ 5,418,880</u>	<u>\$ 6,106,492</u>	<u>\$ 6,697,448</u>

Source: Audited financial reports of the School District. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending June 30:	2011			2012
	Adopted Budget	Modified Budget	Actual	Adopted Budget
REVENUES				
Real Property Taxes	\$ 6,754,000	\$ 5,425,486	\$ 5,423,846	\$ 6,517,000
Real Property Tax Items	38,780	1,367,294	1,356,108	36,780
Charges for Services	91,950	91,950	123,220	75,338
Use of Money & Property	192,686	192,686	163,820	157,686
Sale of Property and Compensation for Loss	2,239	2,239	63,898	1,000
Miscellaneous	164,625	164,625	222,643	156,600
Interfund Revenues	22,500	22,500	8,189	15,000
Revenues from State Sources	14,864,041	14,864,041	14,420,404	14,484,940
Revenues from Federal Sources	480,792	480,792	392,313	85,000
Total Revenues	<u>\$ 22,611,613</u>	<u>\$ 22,611,613</u>	<u>\$ 22,174,441</u>	<u>\$ 21,529,344</u>
Other Sources:				
Interfund Transfers	263,693	263,693	184,853	200,000
Retirement System Credits	-	-	-	-
Total Revenues and Other Sources	<u>22,875,306</u>	<u>22,875,306</u>	<u>22,359,294</u>	<u>21,729,344</u>
EXPENDITURES				
General Support	\$ 4,213,554	\$ 4,078,429	\$ 3,731,672	\$ 4,330,053
Instruction	10,593,767	10,835,490	10,389,428	10,233,432
Pupil Transportation	931,198	902,097	783,894	897,271
Community Services	24,548	16,248	6,218	11,865
Employee Benefits	5,064,092	4,889,895	3,839,299	4,720,235
Debt Service	3,057,581	3,057,581	3,038,888	3,036,488
Total Expenditures	<u>\$ 23,884,740</u>	<u>\$ 23,779,740</u>	<u>\$ 21,789,399</u>	<u>\$ 23,229,344</u>
Other Sources and Uses:				
Interfund Transfers	-	105,000	34,171	-
Carryover Encumbrances	-	-	-	-
Other Income	-	-	-	-
Total Expenditures and Other Uses	<u>23,884,740</u>	<u>23,884,740</u>	<u>21,823,570</u>	<u>23,229,344</u>
Excess (Deficit) Revenues Over Expenditures	<u>(1,009,434)</u>	<u>(1,009,434)</u>	<u>535,724</u>	<u>(1,500,000)</u>
FUND BALANCE				
Fund Balance - Beginning of Year	1,009,434	1,009,434	6,697,448	1,500,000
Prior Period Adjustments (net)	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,233,172</u>	<u>\$ -</u>

Source: Audited financial report and budgets of the School District. This Appendix is not itself audited.

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	PRIOR TO REFUNDING BONDS			Refunded Bonds Debt Service	REFUNDING BONDS *			Total New Debt Service
	Principal	Interest	Total		Principal	Interest	Total	
2012	\$ 2,100,000	\$ 936,487.52	\$ 3,036,487.52	\$ 256,084.38	\$ 100,000	\$ 0.00	\$ 100,000.00	\$ 2,880,403.14
2013	2,145,000	862,175.02	3,007,175.02	512,168.76	0	0.00	0.00	2,495,006.26
2014	2,210,000	783,012.52	2,993,012.52	512,168.76	0	0.00	0.00	2,480,843.76
2015	2,285,000	699,437.52	2,984,437.52	1,487,168.76	930,000	0.00	930,000.00	2,427,268.76
2016	2,280,000	608,687.52	2,888,687.52	2,388,168.76	1,860,000	0.00	1,860,000.00	2,360,518.76
2017	2,275,000	516,125.02	2,791,125.02	2,283,856.26	1,830,000	0.00	1,830,000.00	2,337,268.76
2018	2,070,000	423,437.52	2,493,437.52	1,990,668.76	1,610,000	0.00	1,610,000.00	2,112,768.76
2019	1,865,000	336,587.52	2,201,587.52	1,694,068.76	1,375,000	0.00	1,375,000.00	1,882,518.76
2020	1,210,000	256,125.02	1,466,125.02	1,320,106.26	1,070,000	0.00	1,070,000.00	1,216,018.76
2021	1,255,000	205,831.26	1,460,831.26	1,312,962.50	1,120,000	0.00	1,120,000.00	1,267,868.76
2022	1,300,000	153,550.00	1,453,550.00	1,304,125.00	1,165,000	0.00	1,165,000.00	1,314,425.00
2023	1,085,000	98,675.00	1,183,675.00	702,875.00	610,000	0.00	610,000.00	1,090,800.00
2024	630,000	52,275.00	682,275.00	548,625.00	480,000	0.00	480,000.00	613,650.00
2025	110,000	24,450.00	134,450.00	0.00	0	0.00	0.00	134,450.00
2026	110,000	20,050.00	130,050.00	0.00	0	0.00	0.00	130,050.00
2027	115,000	15,512.50	130,512.50	0.00	0	0.00	0.00	130,512.50
2028	120,000	10,625.00	130,625.00	0.00	0	0.00	0.00	130,625.00
2029	130,000	5,525.00	135,525.00	0.00	0	0.00	0.00	135,525.00
TOTALS	\$ 23,295,000	\$ 6,008,569	\$ 29,303,569	\$ 16,313,047	\$ 12,150,000	\$ 0	\$ 12,150,000	\$ 25,140,522

*Preliminary, subject to change.

**SIDNEY CENTRAL SCHOOL DISTRICT
DELAWARE, CHENANGO AND OTSEGO COUNTIES, NEW YORK**

**GENERAL PURPOSE FINANCIAL
STATEMENTS**

JUNE 30, 2011

Such Audited Financial Statement and opinion were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

**SIDNEY CENTRAL SCHOOL DISTRICT
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D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300
315-336-9220 Fax: 315-336-0836

Independent Auditor's Report

Board of Education
Sidney Central School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sidney Central School District, as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sidney Central School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sidney Central School District, as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" as of July 1, 2010. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. As summarized in Note 14, the beginning fund balances for the School District's governmental funds have been restated to reflect the new classifications.

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2011, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress of the other postemployment benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sidney Central School District's basic financial statements. The other supplementary information on Pages 40 through 43 is presented for purposes of additional analysis as required by New York State Education Department and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

D'Arcangelo & Co., LLP

October 11, 2011

Rome, New York

**SIDNEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

The Sidney Central School District's discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2011 and 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

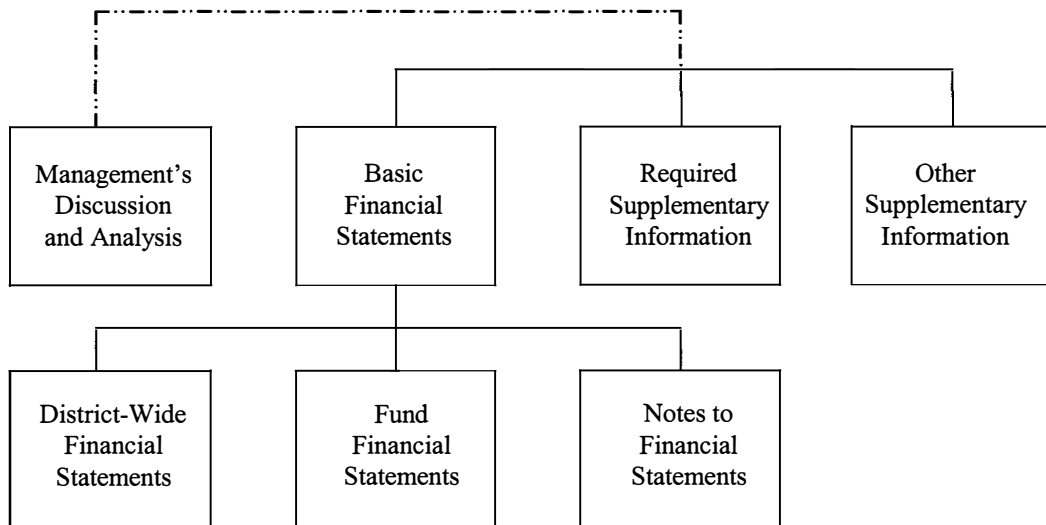
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2011 are as follows:

- The District's total net assets, as reflected in the District-wide financial statements, decreased by \$417,377.
- The District's expenses for the year, as reflected in the District-wide financial statements, totaled \$22,490,746. Of this amount, \$337,210 and \$1,711,107 was offset by program charges for services and operating grants and contributions, respectively. General revenues of \$21,697,440 amount to 91.4% of total revenues. These revenues covered the balance of program expenses.
- State and federal revenue increased by \$165,780 to \$14,420,497 in 2011 from \$14,254,717 in 2010.
- The General Fund's total fund balance, as reflected in the fund financial statements on pages 15 and 17, increased by \$535,724 to \$7,233,172. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



**SIDNEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

(Continued)

A. District-wide Financial Statements

The District-wide financial statements are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two District-wide financial statements - the Statement of Net Assets and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Assets

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively.

The Statement of Activities

The Statement of Activities presents information showing the change in net assets during the fiscal year. All changes in net assets are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of District-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds, General Fund, School Lunch Fund, Special Aid Fund, Debt Service Fund, and Capital Projects Fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. The fiduciary activities have been excluded from the District's District-wide financial statements because the District cannot use these assets to finance its operations.

**SIDNEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

(Continued)

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Assets

The Districts total net assets decreased \$417,377 between fiscal year 2011 and 2010. A summary of the District's Statement of Net Assets for June 30, 2011 and 2010 is as follows:

	2011	(Restated) 2010	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 13,835,565	\$ 13,200,681	\$ 634,884	4.8%
Capital Assets, (Net of Accumulated Depreciation)	<u>31,702,449</u>	<u>34,348,407</u>	<u>(2,645,958)</u>	(7.7%)
Total Assets	<u>\$ 45,538,014</u>	<u>\$ 47,549,088</u>	<u>\$ (2,011,074)</u>	(4.2%)
Current and Other Liabilities	\$ 2,588,836	\$ 2,335,313	\$ 253,523	10.9%
Non-Current Liabilities	<u>24,760,157</u>	<u>26,607,377</u>	<u>(1,847,220)</u>	(6.9%)
Total Liabilities	<u>\$ 27,348,993</u>	<u>\$ 28,942,690</u>	<u>\$ (1,593,697)</u>	(5.5%)
Net Assets				
Investment in Capital Assets (Net of Related Debt)	\$ 8,407,449	\$ 9,107,020	\$ (699,571)	(7.7%)
Restricted	8,704,782	8,260,435	444,347	5.4%
Unrestricted	<u>1,076,790</u>	<u>1,238,943</u>	<u>(162,153)</u>	(13.1%)
Total Net Assets	<u>\$ 18,189,021</u>	<u>\$ 18,606,398</u>	<u>\$ (417,377)</u>	(2.2%)

Current and Other Assets increased by \$634,884, as compared to the prior year. The increase is primarily due to an increase in the District's cash balances.

Capital assets, net of accumulated depreciation, decreased by \$2,645,958, as compared to the prior year. This decrease is primarily due to depreciation exceeding amounts expended for additions. Note 6 to the Financial Statements provides additional information.

Current and Other Liabilities increased by \$253,523 as compared to the prior year. This increase is primarily a result of an increase to accounts payable, accrued liabilities, and amounts due to Teacher's Retirement System.

Non-current liabilities decreased by \$1,847,220, as compared to the prior year. This decrease is primarily the result of payment of serial bonds less the accrual of other postemployment benefits liability and compensated absences.

The net assets invested in capital assets is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support District operations.

The restricted net assets at June 30, 2011 is \$8,704,782, which represents the amount of the District's reserves and other restricted amounts in the Debt Service Fund.

The unrestricted net assets at June 30, 2011 is \$1,076,790, which represents the amount by which the District's assets, other than capital and restricted assets exceeded the District's liabilities, excluding debt related to capital construction and capital assets.

**SIDNEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

(Continued)

B. Changes in Net Assets

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2011 and 2010 is as follows.

Revenues	2011	(Restated) 2010	Increase (Decrease)	Percentage Change
Program Revenues				
Charges for Services	\$ 337,210	\$ 363,660	\$ (26,450)	(7.3%)
Operating Grants	1,711,107	2,146,142	(435,035)	(20.3%)
General Revenues				
Property Taxes and STAR	6,779,954	6,657,790	122,164	1.8%
State and Federal Sources	14,420,497	14,254,717	165,780	1.2%
Other	496,989	386,454	110,535	28.6%
Total Revenues	<u>23,745,757</u>	<u>23,808,763</u>	<u>(63,006)</u>	(0.3%)
Expenses				
General Support	4,505,996	4,412,215	93,781	2.1%
Instruction	15,398,069	15,196,711	201,358	1.3%
Pupil Transportation	991,575	935,992	55,583	5.9%
Community Service	19,802	9,486	10,316	108.7%
Debt Service-Unallocated Interest	1,009,904	1,050,804	(40,900)	(3.9%)
Food Service Program	565,400	523,268	42,132	8.1%
Total Expenses	<u>22,490,746</u>	<u>22,128,476</u>	<u>362,270</u>	1.6%
Special Items				
Loss on Sale of Building	<u>1,672,388</u>	<u> </u>	<u>1,672,388</u>	100.0%
Total Change in Net Assets	<u>\$ (417,377)</u>	<u>\$ 1,680,287</u>	<u>\$ (2,097,664)</u>	

The District's revenues decreased by 0.3% in 2011 or \$63,006. The major factors that contributed to the decrease were:

- Property tax and STAR revenues increased by \$122,164.
- The District received increased State and Federal Aid in the amount of \$165,780.
- The District received less operating grants during 2010-2011 for the American Recovery and Reinvestment Act of 2009. The grant received in the General Fund during the current year was \$392,220.

The District's expenditures for the year increased by 1.6% or \$362,270.

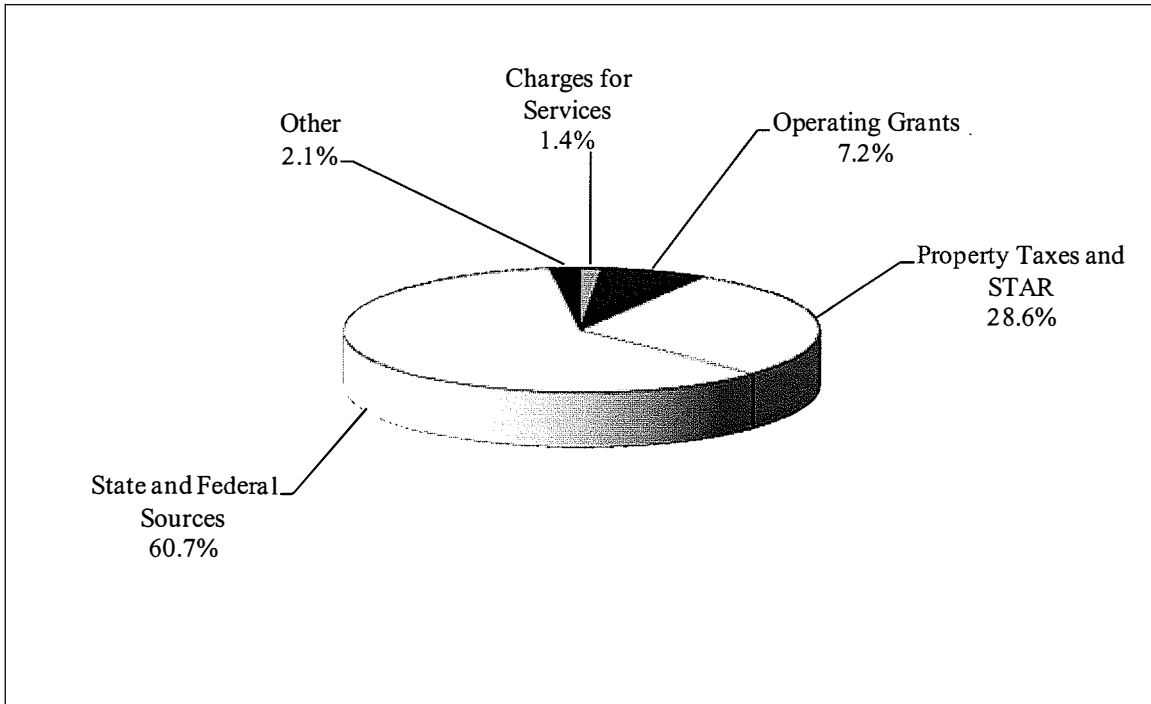
The District experienced a loss on the sale of a school building in the amount of \$1,672,388. This was primarily due to the net book value of the building exceeding the purchase price.

**SIDNEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

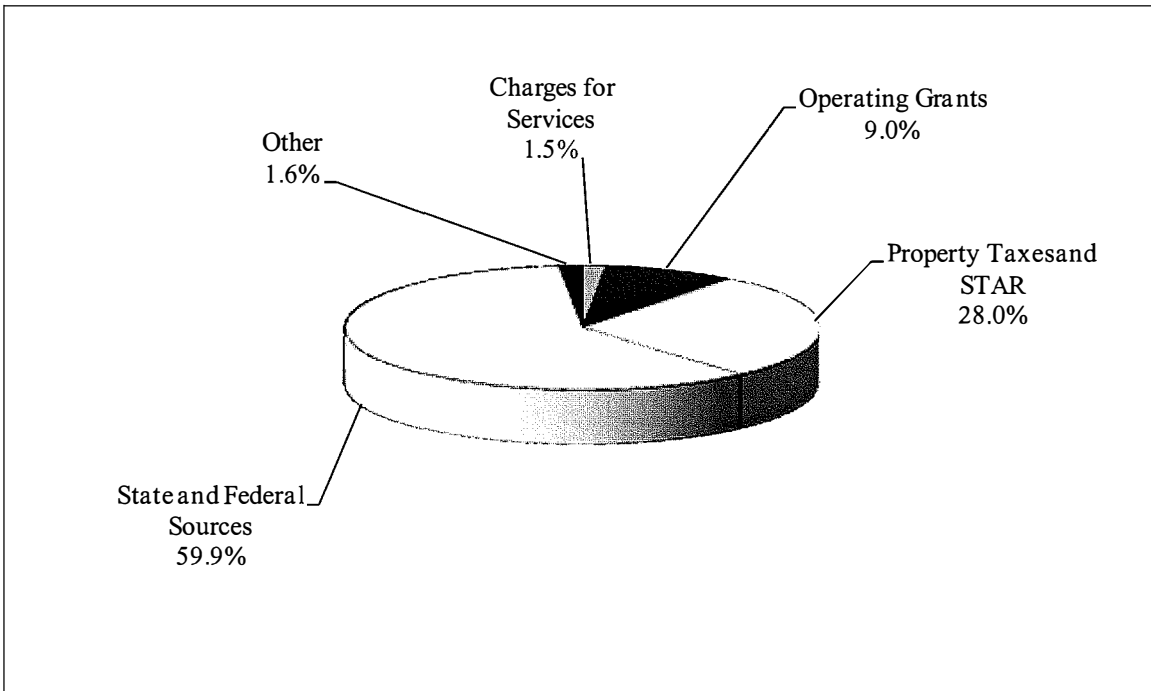
(Continued)

A graphic display of the distribution of revenues for the two years follows:

For the Year Ended June 30, 2011



For the Year Ended June 30, 2010

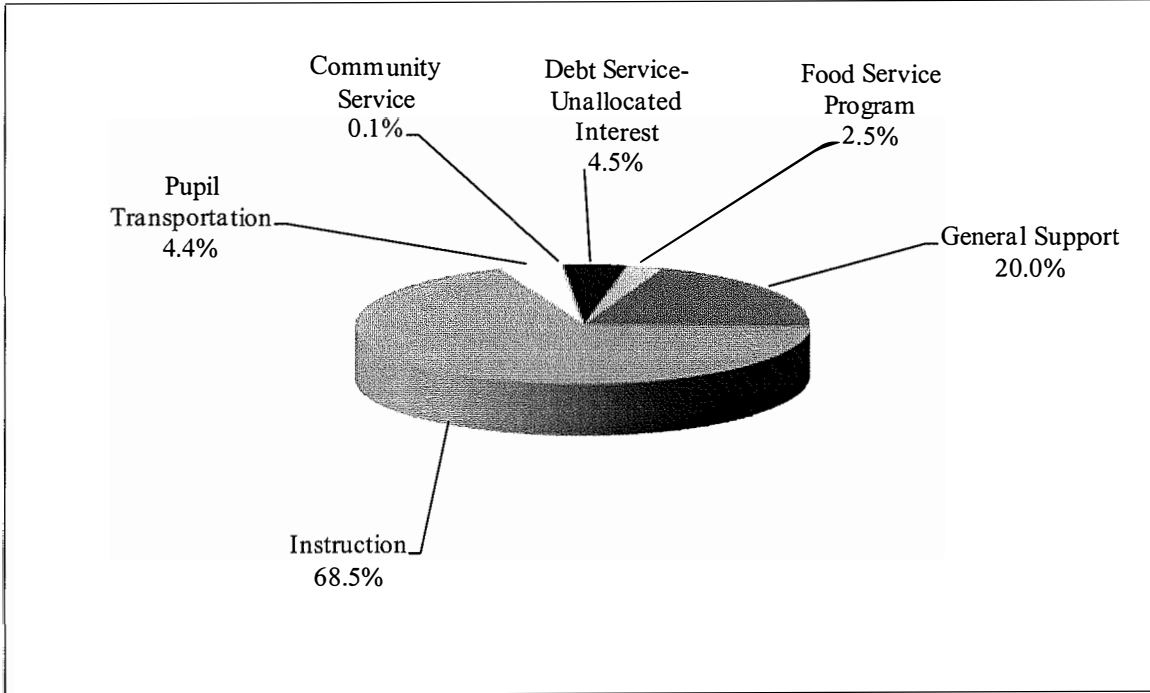


**SIDNEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

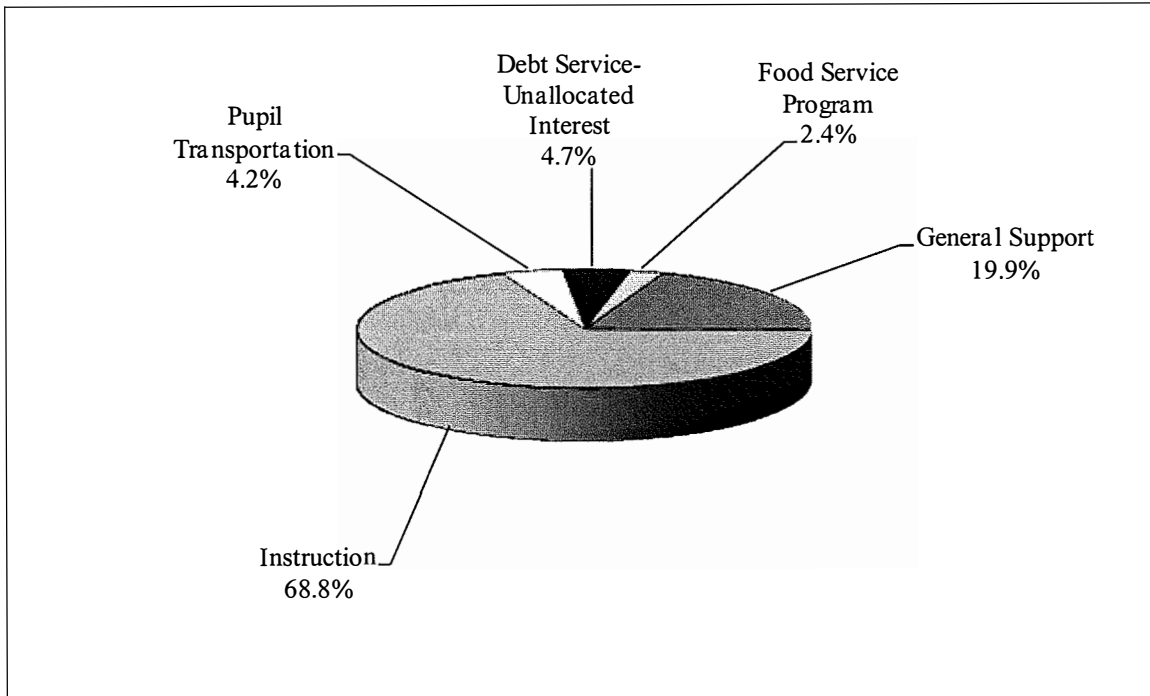
(Continued)

A graphic display of the distribution of expenses for the two years follows:

For the Year Ended June 30, 2011



For the Year Ended June 30, 2010



**SIDNEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2011, the District's governmental funds reported a combined fund balance of \$11,276,823 which is an increase of \$382,377 over the prior year. This increase is due to an excess of revenues over expenditures for the year. A summary of the change in fund balance by fund is as follows:

	2011	(Restated) 2010	Increase (Decrease)
General Fund			
Restricted			
Retirement Contribution	\$ 876,005	\$ 474,135	\$ 401,870
Property Loss	115,011	114,538	473
Liability	631,439	628,928	2,511
Tax Certiorari	412,674	410,975	1,699
Employee Benefit Accrued Liability	2,580,358	2,570,784	9,574
Repairs	159,670	59,613	100,057
Unemployment Insurance	377,499	375,247	2,252
Tax Reduction	57,072		57,072
Total Restricted	5,209,728	4,634,220	575,508
Assigned			
General Support	24,836	133,550	(108,714)
Instruction	1,899	13,349	(11,450)
Pupil Transportation	13,417	7,384	6,033
Appropriated for Subsequent Year's Budget	500,000	500,000	
Appropriated for Capital Project	500,000		500,000
Total Assigned	1,040,152	654,283	385,869
Unassigned	983,292	1,408,945	(425,653)
Total General Fund	7,233,172	6,697,448	535,724
School Lunch Fund			
Nonspendable	15,628	15,877	(249)
Assigned	377,889	399,826	(21,937)
Total School Lunch Fund	393,517	415,703	(22,186)
Special Aid Fund			
Assigned	155,080	155,080	
Debt Service Fund			
Restricted	3,495,054	3,395,720	99,334
Capital Projects Fund			
Restricted		230,495	(230,495)
Total	\$ 11,276,823	\$ 10,894,446	\$ 382,377

Combined increases of \$170,654 to the General Fund restricted fund balances for the year ended June 30, 2011, includes transfers approved by the Board of Education and interest earnings on existing balances.

Beginning with fiscal year ending June 30, 2011, the School District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The prior year balances have been restated due to the implementation of GASB No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" as of July 1, 2010.

**SIDNEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

(Continued)

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2010-2011 Budget

The District's General Fund adopted budget for the year ended June 30, 2011, was \$23,730,457. This is an increase of \$415,685 over the prior years adopted budget.

The budget was funded through a combination of revenues and designated fund balance. The majority of this funding source was \$6,754,000 in estimated property taxes and STAR and State Aid in the amount of \$14,864,041.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The General Fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$	1,408,945
Revenues, Appropriated Reserves, and Other Financing Sources Under Budget		(871,163)
Expenditures and Encumbrances under Budget		2,021,018
Net Increase to Restricted Funds		(170,654)
Appropriated for June 30, 2012 Budget		(500,000)
Appropriated for Capital Project		(500,000)
Closing, Unassigned Fund Balance	\$	\$983,292

Opening, Unassigned Fund Balance

The \$1,408,945 shown in the table is the portion of the District's June 30, 2010, fund balance that was retained as unassigned. This was 5.9% of the District's 2010-2011 approved operating budget.

Revenues, Appropriated Reserves, and Other Financing Sources Under Budget

The 2010-2011 budget for revenues, appropriated reserves, and other financing sources was \$23,230,457. The actual revenues and other financing sources received for the year were \$22,359,294. The actual revenue and other financing sources under estimated or budgeted revenue was \$871,163. This variance contributes directly to the change to the unassigned portion of the General Fund balance from June 30, 2010 to June 30, 2011.

Expenditures and Encumbrances Under Budget

The 2010-2011 budget for expenditures was \$23,884,740. The actual expenditures and encumbrances were \$21,863,722. The final budget was under expended by \$2,021,018. This under expenditure contributes to the change to the unassigned portion of the General Fund balance from June 30, 2010 to June 30, 2011.

Net Increase to Restricted Funds

As a result of the aforementioned favorable variances to budget for both revenues and expenditures the School District was able to increase several restricted funds by \$170,654, through transfers approved by the Board of Education as illustrated on the Financial Analysis of the School Districts Fund Balances chart located on Page 9.

**SIDNEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

(Continued)

Appropriated Fund Balance

The District has chosen to use \$1,000,000 of its available June 30, 2011, fund balance to partially fund its 2011-2012 approved operating budget. This includes \$500,000 appropriated towards the approved capital project.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2011-2012 fiscal year with an unassigned fund balance of \$983,292. This is an decrease of \$425,653 over the unassigned balance from the prior year as of June 30, 2010. This is 4.2% of the District's approved 2011-2012 operating budget.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2011, the District had invested in a broad range of capital assets, including land, buildings and improvements and equipment. The net decrease in capital assets is due to capital additions less depreciation recorded for the year ended June 30, 2011. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2011 and 2010, is as follows:

	2011	2010	(Decrease)
Land	\$ 75,482	\$ 77,488	\$ (2,006)
Buildings and Improvements	30,273,360	32,807,316	(2,533,956)
Furniture, Equipment, and Vehicles	1,353,607	1,463,603	(109,996)
Capital Assets, Net	\$ 31,702,449	\$ 34,348,407	\$ (2,645,958)

B. Debt Administration

At June 30, 2011, the District had total bonds payable of \$23,295,000. A summary of the outstanding bonds at June 30, 2011 and 2010 is as follows:

Issue Date	Interest Rate	2011	2010	(Decrease)
4/15/2004	4.0%-4.5%	\$ 10,325,000	\$ 11,225,000	\$ (900,000)
5/15/2005	3.5%-4.0%	8,965,000	9,780,000	(815,000)
2/25/2010	2.0%-4.25%	4,005,000	4,320,000	(315,000)
		\$ 23,295,000	\$ 25,325,000	\$ (2,030,000)

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District appropriated \$500,000 of the June 30, 2011 fund balance to the June 30, 2012 budget and an additional \$500,000 for a capital project subject to voter approval this fall.

The voters passed the 2011-2012 budget in May of 2011 with a total appropriation of \$23,229,344, a decrease of \$655,396 from the prior year. In addition, the voters have passed a state funded Excel capital project in the amount of \$2,596,000.

The District expects a reduction in State Aid for the 2011-12 fiscal year. The district has appropriated \$1 million in reserves and will receive \$331,276 in a Federal JOBS Fund grant in 2011-2012 to offset this reduction in State Aid. The Audit and Finance Committee has a five year plan to continue this level of appropriation if the economic climate does not improve over the next five years.

**SIDNEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

(Continued)

The economic climate and financial status of the State of New York brings uncertainty of the state sustaining and/or increasing State Aid in the future for the School District. Costs will continue to escalate in the areas of medical insurance and retirement contributions, making it more difficult to contain costs. The School District has negotiated changes in health insurance plans to minimize increases. It has established reserves to offset significant increases in retirement costs, and has worked to purchase electricity and fuel in the least expensive manner.

The economic climate and financial status of the State of New York brings uncertainty of the state sustaining and/or increasing State Aid in the future for the School District. Costs will continue to escalate in the areas of medical insurance and retirement contributions, making it more difficult to contain costs. The School District has negotiated changes in health insurance plans to minimize increases. It has established reserves to offset significant increases in retirement costs, and has worked to purchase electricity and fuel in the least expensive manner.

8. CONTACTING THE DISTRICT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office at Sidney Central School District 95 West Main Street, Sidney, New York 13838.

SIDNEY CENTRAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2011

Assets	
Cash and Cash Equivalents	\$ 3,721,227
Restricted Cash and Cash Equivalents	8,621,169
Receivables	
Due From	
Other Governments	1,404,989
Fiduciary Funds	4,683
Other Receivables	67,869
Inventory	15,628
Capital Assets (Net of Accumulated Depreciation)	<u>31,702,449</u>
Total Assets	<u>\$ 45,538,014</u>
 Liabilities	
Accounts Payable	\$ 173,284
Accrued Liabilities	284,099
Due To	
Other Governments	3,131
Teacher's Retirement System	611,666
Employees' Retirement System	72,630
Overpayments and Collections in Advance	1,392,244
Deferred Revenue	51,782
Noncurrent Liabilities	
Due Within One Year	
Bonds Payable	2,100,000
Due in More Than One Year	
Bonds Payable	21,195,000
Other Postemployment Benefits	485,805
Compensated Absences	<u>979,352</u>
Total Liabilities	<u>27,348,993</u>
 Net Assets	
Investment in Capital Assets (Net of Related Debt)	8,407,449
Restricted	8,704,782
Unrestricted	<u>1,076,790</u>
Total Net Assets	<u>18,189,021</u>
Total Liabilities and Net Assets	<u>\$ 45,538,014</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

SIDNEY CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Assets</u>
General Support	\$ 4,505,996	\$	\$	\$ (4,505,996)
Instruction	15,398,069	123,220	1,390,848	(13,884,001)
Pupil Transportation	991,575			(991,575)
Community Service	19,802			(19,802)
Debt Service - Unallocated Interest	1,009,904			(1,009,904)
Food Service	<u>565,400</u>	<u>213,990</u>	<u>320,259</u>	<u>(31,151)</u>
Total Functions/Programs	<u>\$ 22,490,746</u>	<u>\$ 337,210</u>	<u>\$ 1,711,107</u>	<u>(20,442,429)</u>
 General Revenues				
Real Property Taxes				5,423,846
STAR and Other Real Property Tax Items				1,356,108
Use of Money and Property				181,372
Sale of Property and Compensation for Loss				19,688
State and Federal Sources				14,420,497
Miscellaneous				295,929
Special Item - (Loss) on Sale of Building				<u>(1,672,388)</u>
Total General Revenues and Special Items				<u>20,025,052</u>
Change in Net Assets before Special Item				(417,377)
Net Assets, Beginning of Year				<u>18,606,398</u>
Net Assets, End of Year				<u>\$ 18,189,021</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

SIDNEY CENTRAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

	General	School Lunch	Special Aid	Debt Service	Capital	Total
Assets						
Cash and Cash Equivalents	\$ 3,025,311	\$ 472,221	\$ 2,000	\$	\$ 221,695	\$ 3,721,227
Restricted Cash and Cash Equivalents	5,209,728			3,411,441		8,621,169
Receivables						
Due From						
Other Governments	1,195,016	28,656	181,317			1,404,989
Other Funds	246,341		22,282	83,613		352,236
Other Receivables	66,713	1,156				67,869
Inventory		15,628				15,628
Total Assets	<u>\$ 9,743,109</u>	<u>\$ 517,661</u>	<u>\$ 205,599</u>	<u>\$ 3,495,054</u>	<u>\$ 221,695</u>	<u>\$ 14,183,118</u>
Liabilities						
Payables						
Accounts Payable	\$ 168,955	\$ 273	\$ 4,020	\$	\$ 36	\$ 173,284
Accrued Liabilities	239,474	14,531				254,005
Due To						
Other Governments		49	3,082			3,131
Other Funds	22,282	103,612			221,659	347,553
Teacher's Retirement System	611,666					611,666
Employees' Retirement System	66,951	5,679				72,630
Deferred Credits						
Overpayments and Collections in Advance	1,392,244					1,392,244
Deferred Revenue	8,365		43,417			51,782
Total Liabilities	<u>2,509,937</u>	<u>124,144</u>	<u>50,519</u>		<u>221,695</u>	<u>2,906,295</u>
Fund Balance						
Nonspendable		15,628				15,628
Restricted	5,209,728			3,495,054		8,704,782
Assigned	1,040,152	377,889	155,080			1,573,121
Unassigned	983,292					983,292
Total Fund Balance	<u>7,233,172</u>	<u>393,517</u>	<u>155,080</u>	<u>3,495,054</u>		<u>11,276,823</u>
Total Liabilities and Fund Balance	<u>\$ 9,743,109</u>	<u>\$ 517,661</u>	<u>\$ 205,599</u>	<u>\$ 3,495,054</u>	<u>\$ 221,695</u>	<u>\$ 14,183,118</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

SIDNEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
June 30, 2011

	Total Governmental Funds (Modified Accrual)	Long-Term Assets & Liabilities	Reclassifications and Eliminations	Statement of Net Assets Total
Assets				
Cash and Cash Equivalents	\$ 3,721,227	\$	\$	\$ 3,721,227
Restricted Cash and Cash Equivalents	8,621,169			8,621,169
Receivables				
Due From				
Other Governments	1,404,989			1,404,989
Due from Other Funds	352,236		(347,553)	4,683
Other Receivables	67,869			67,869
Inventory	15,628			15,628
Capital Assets		31,702,449		31,702,449
Total Assets	\$ 14,183,118	\$ 31,702,449	\$ (347,553)	\$ 45,538,014
Liabilities				
Accounts Payable	\$ 173,284	\$	\$	\$ 173,284
Accrued Liabilities	254,005	30,094		284,099
Bonds Payable		23,295,000		23,295,000
Due To				
Other Governments	3,131			3,131
Other Funds	347,553		(347,553)	
Teacher's Retirement System	611,666			611,666
Employees' Retirement System	72,630			72,630
Compensated Absences		979,352		979,352
Other Postemployment Benefits		485,805		485,805
Overpayments and Collections in Advance	1,392,244			1,392,244
Deferred Revenue	51,782			51,782
Total Liabilities	2,906,295	24,790,251	(347,553)	27,348,993
Total Fund Balance/Net Assets	11,276,823	6,912,198		18,189,021
Total Liabilities and Net Assets	\$ 14,183,118	\$ 31,702,449	\$ (347,553)	\$ 45,538,014

The Accompanying Notes are an Integral Part of These Financial Statements.

SIDNEY CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	General	School Lunch	Special Aid	Debt Service	Capital	Total
Revenues						
Real Property Taxes	\$ 5,423,846	\$	\$	\$	\$	\$ 5,423,846
STAR and Other Real Property Tax Items	1,356,108					1,356,108
Charges for Services	123,220					123,220
Use of Money and Property	163,820	1,831		15,721		181,372
Sale of Property and Compensation for Loss	63,898					63,898
Miscellaneous	222,643	12	65,085			287,740
Interfund Revenues	8,189					8,189
State Aid	14,420,404	19,649	150,875			14,590,928
Federal Aid	392,313	300,610	847,753			1,540,676
School Lunch Sales		213,990				213,990
Total Revenues	<u>22,174,441</u>	<u>536,092</u>	<u>1,063,713</u>	<u>15,721</u>		<u>23,789,967</u>
Expenditures						
General Support	3,731,672				43,237	3,774,909
Instruction	10,389,428		791,709			11,181,137
Pupil Transportation	783,894		20,084			803,978
Community Service	6,218		7,688			13,906
Food Service Program		439,986				439,986
Employee Benefits	3,839,299	118,292	197,195			4,154,786
Debt Service - Principal	2,030,000					2,030,000
Debt Service - Interest	1,008,888					1,008,888
Total Expenditures	<u>21,789,399</u>	<u>558,278</u>	<u>1,016,676</u>		<u>43,237</u>	<u>23,407,590</u>
Excess (Deficit) Revenues Over Expenditures	<u>385,042</u>	<u>(22,186)</u>	<u>47,037</u>	<u>15,721</u>	<u>(43,237)</u>	<u>382,377</u>
Other Financing Sources (Uses)						
Transfers from Other Funds	184,853			83,613	34,171	302,637
Transfers to Other Funds	(34,171)		(47,037)		(221,429)	(302,637)
Total Other Financing Sources (Uses)	<u>150,682</u>		<u>(47,037)</u>	<u>83,613</u>	<u>(187,258)</u>	
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources (Uses)	<u>535,724</u>	<u>(22,186)</u>		<u>99,334</u>	<u>(230,495)</u>	<u>382,377</u>
Fund Balance, Beginning of Year	<u>6,697,448</u>	<u>415,703</u>	<u>155,080</u>	<u>3,395,720</u>	<u>230,495</u>	<u>10,894,446</u>
Fund Balance, End of Year	<u>\$ 7,233,172</u>	<u>\$ 393,517</u>	<u>\$ 155,080</u>	<u>\$ 3,495,054</u>	<u>\$</u>	<u>\$ 11,276,823</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**SIDNEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES AND
EXPENDITURES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

Net Changes in Fund Balance - Total Governmental Funds \$ 382,377

Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their useful lives as depreciation expenses in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the period.

Depreciation Expense	(1,109,355)	
Loss on Sale of Building	(1,672,388)	
Gain on Sale of Other Assets	6,915	
Trade-in Value of Buses	(6,800)	
Capital Outlays	<u>135,670</u>	(2,645,958)

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

Repayment of Bond Principal	2,030,000
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Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in Accrued Interest on Serial Bonds	(1,016)	
Accrual of Other Postemployment Benefits Liability	13,611	
Change in Compensated Absences	<u>(196,391)</u>	<u>(183,796)</u>

Change in Net Assets Governmental Activities \$ (417,377)

**SIDNEY CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011**

	Private Purpose Trusts	Agency
	<u> </u>	<u> </u>
Assets		
Cash and Cash Equivalents - Unrestricted	\$	\$ 216,990
Cash and Cash Equivalents - Restricted	6,966	
Receivables		1,613
Total Assets	<u>\$ 6,966</u>	<u>\$ 218,603</u>
Liabilities		
Due to Other Funds	\$	\$ 4,683
Agency Liabilities		187,383
Extraclassroom Activity Balances		26,537
		<u>\$ 218,603</u>
Net Assets		
Restricted for Scholarships	<u>6,966</u>	
Total Liabilities and Net Assets	<u>\$ 6,966</u>	

The Accompanying Notes are an Integral Part of These Financial Statements.

SIDNEY CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended June 30, 2011

	<u>Private Purpose Trusts</u>
Deductions	
Scholarships and Awards	\$ <u>29</u>
Change in Net Assets	(29)
Net Assets, Beginning of Year	\$ <u>6,995</u>
Net Assets, End of Year	<u>\$ 6,966</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Sidney Central School District (the School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as they apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the School District are described below:

Reporting Entity

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the School District is based upon criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying basic financial statements present the activities of the School District. The School District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the School District's reporting entity.

(a) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the School District's office. The School District accounts for assets held as an agent for various student organizations in an agency fund.

Joint Venture

The School District is a component district in Delaware-Chenango-Madison-Otsego Board of Cooperative Education Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES' Board is considered a corporate body. Members of a BOCES' Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES' property is held by the BOCES' Board as a corporation [§1950(6)]. In addition, BOCES' Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Basis of Presentation

(a) District-Wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the School District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits and depreciation expense for the year, are allocated to functional areas in proportion to the expenditures for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

(b) Fund Financial Statements

The fund statements provide information about the School District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All funds of the School District are displayed as major funds. The School District reports the following major governmental funds:

General Fund: This is the School District's primary operating fund used to account for and report all financial resources not accounted for in another fund.

Special Revenue Funds: These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. There are two classes of special revenue funds:

Special Aid Fund: This fund accounts for and reports the proceeds of Federal and State grants, that are legally restricted to expenditures for specified purposes.

School Lunch Fund: This fund is used to account for and report transactions of the School District's lunch and breakfast programs.

Debt Service Fund: This fund accounts for and reports financial resources that are restricted to expenditures for principal and interest. Debt service funds should be used to report resources if legally mandated.

Capital Project Fund: This fund is used to account for and report financial resources that are restricted or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

(c) Fiduciary Funds

This fund is used to account for and report fiduciary activities. Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the School District, and are not available to be used. There are two classes of fiduciary funds:

Private Purpose Trust Funds: These funds are used to account for and report trust arrangements in which principal and income provides annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the School District or representatives of the donors may serve on committees to determine who benefits.

SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Agency Funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the School District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholdings.

Measurement Focus and Basis of Accounting

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the School District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, useful lives of long-lived assets, and other postemployment benefit liability.

Cash and Cash Equivalents

The School District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1. Taxes are collected during the period September 1 to October 31. The County of Delaware subsequently enforces uncollected real property taxes. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the School District no later than the following April 1.

SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Receivables

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Interfund Transactions

The operations of the School District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The School District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

The amounts reported on the Statement of Net Assets for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual transactions during the year are shown in Note 13 to the financial statements.

Inventories

The inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value which approximates market. A reserve for inventory has been recognized to indicate that this does not constitute available spendable resources.

Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2002. For assets acquired prior to July 1, 2002 estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

The School District uses capitalization thresholds of \$2,000, (the dollar value above which asset acquisitions are added to the capital asset accounts). The School District uses the straight-line method of depreciation over the following estimated useful lives of capital assets reported in the District-wide statements:

Buildings and Improvements	40 Years
Furniture, Equipment and Vehicles	5-15 Years

Vested Employee Benefits – Compensated Absences

The School District employees are granted vacation leave in varying amounts. In the event of termination or upon retirement, an employee is entitled to certain payments for the accumulated days as provided in contractual agreements.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Payment of vacation and sick leave is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation leave, sick leave, and compensated absences when such payment becomes due.

In the fund statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources.

SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Other Benefits

Eligible School District employees participate in the New York State Employees' Retirement System or the New York State Teachers' Retirement System.

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the District and the retired employee. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting (see Note 10).

Deferred Revenue

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

Deferred revenues recorded in governmental funds are generally not recorded in the District-wide statements.

Equity classifications

(a) District-Wide Financial Statements

In the District-Wide statements there are three classes of net assets:

Investment in capital assets, net of related debt – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

Restricted net assets – reports net assets when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

(b) Fund Statements

Beginning with fiscal year ending June 30, 2011, the School District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. As summarized in Note 14, the beginning fund balances for the School District's governmental funds have been restated to reflect the above classifications.

The following classifications describe the relative strength of the spending constraints:

Non-spendable

This category includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. This category consists of the inventories in the School Lunch Fund.

SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Restricted Resources

This category includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Generally, the District's policy is to use restricted resources only when appropriated by the Board of Education. When an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available, the School District's policy concerning which to apply first varies with the intended use, and with associated legal requirements. The School District has established the following restricted fund balances:

- ***Retirement Contribution Reserve***

This reserve is used for the purpose of financing retirement contributions in accordance with Section 6-R of New York State General Municipal Law. This reserve is accounted for in the General Fund.

- ***Property Loss and Liability Reserve***

Property Loss Reserve and Liability Reserves (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. These reserves are accounted for in the General Fund.

- ***Tax Certiorari Reserve***

Tax Certiorari Reserve (Education Law §3651.1-a) is used to pay anticipated judgments and claims arising out of tax certiorari proceedings. Voter approval is not required provided that the monies held do not exceed the anticipated needs of the School District. If no voter approval is obtained, then any excess resources must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the General Fund.

- ***Reserve for Employee Benefit Accrued Liability***

Reserve for Employee Benefit Accrued Liability is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

- ***Reserve for Repairs***

Repair Reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund.

- ***Unemployment Insurance Reserve***

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

**SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

- ***Tax Reduction***

Tax Reduction Reserve (Education Law §1604(36), 1709 (37)) is gradually used to reduce real property taxes over a period not to exceed ten years. The Board of Education, without voter approval, has established this reserve with proceeds from the sale of a building with no outstanding debt. Funds may be expended without voter approval. This reserve is accounted for in the General Fund.

- ***Capital Fund***

This fund is used to account for and report the financial resources that are restricted by a voter approved proposition for acquisition, construction or major repair of capital facilities.

- ***Debt Service Fund***

This fund is used to account for and report the financial resources that are restricted to pay debt service. The funds include unused debt proceeds and interest and earnings on the temporary investment of debt proceeds.

- ***Reserve for Endowment Scholarship Awards***

The School District maintains funds restricted by donors for the benefit of the school and its students in a Private Purpose Trust.

Unrestricted Resources

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless School District has provided otherwise in its commitment or assignment actions.

- ***Committed*** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2011.
- ***Assigned*** – Includes amounts that are constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Board of Education or (b) the designated official, such as the District’s Purchasing Agent, to which the Board has delegated the authority to assign amounts to be used for specific purposes. All encumbrances, other than Capital Fund, are classified as Assigned Fund Balance in the applicable fund. The amount appropriated for the subsequent year’s budget of the General Fund is also classified as Assigned Fund Balance in the General Fund.
- ***Unassigned*** – Includes all other fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the respective fund.

2. DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource management focus of the Statement of Activities, compared with the current financial resource management focus of the governmental funds.

Total Fund Balances of Governmental Funds Compared To Net Assets of Governmental Activities

Total fund balances of the School District’s governmental funds differs from “net assets” of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance Sheet.

**SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

Statement of Revenues, Expenditures, and Changes In Fund Balance Compared To Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories.

(a) Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

(b) Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

(c) Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

(d) Employee Benefit Allocation

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Equity based on the requirements of New York State. These costs have been allocated based on total salary for each function.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Fund – Statutory Unassigned Fund Balance Limit

NYS Real Property Tax Law 138 limits the amount of unexpected surplus funds a school district can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

At June 30, 2011, the School District's unassigned fund balance was 4.2% of the 2011-2012 budget.

Budgetary Procedures and Budgetary Accounting

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund, the only fund with a legally adopted budget.

The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

**SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented assigned of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

4. CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District polices for custodial credit risk are New York State statutes govern the School District's investment policies, as discussed previously in these notes.

As of June 30, 2011, the School District's bank balances of \$13,479,796 were fully collateralized by securities held by an agent of the pledging financial institution in the School District's name or insured by the Federal Deposit Insurance Corporation.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents of \$4,709,728 in the General Fund represents the following:

Reserve for Property Loss	\$ 115,011
Reserve for Tax Certiorari	412,674
Reserve for Employees' Retirement System	876,005
Unemployment Insurance Reserve	377,499
Repair Reserve	159,670
Liability Reserve	631,439
Reserve for Employee Benefit Accrued Liability	2,580,358
Reserve for Tax Reduction	<u>57,072</u>
Total	<u>\$ 5,209,728</u>

Restricted cash and cash equivalents of \$3,411,441 in the Debt Service Fund is restricted for future debt service. In addition, \$83,613 due from other funds is also restricted for this purpose.

Restricted cash of \$6,966 in the Private Purpose Trust Fund has been restricted for future scholarships and special activities.

5. PARTICIPATION IN BOCES

During the year, the School District was billed \$4,551,405 for BOCES' administrative and program costs. The School District received \$1,795,370 as its share of BOCES aid for the year ended June 30, 2011.

During the year ended June 30, 2011, the School District issued no debt on behalf of BOCES. However, during 2007, the BOCES issued \$47,755,000 in Revenue Lease Bonds with the Dormitory Authority of the State of New York (DASNY). These bonds will be repaid by the component districts of the BOCES as a lease payment included in the administrative budget of the BOCES over the term of the bonds. During 2011, \$1,590,000 in principal payments were made and the outstanding balance at June 30, 2011, was \$43,115,000.

Financial statements for the BOCES are available from the Delaware-Chenango BOCES' administrative office located in Norwich, New York.

SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 77,488	\$ _____	\$ 2,006	\$ 75,482
Totals	<u>77,488</u>	<u>_____</u>	<u>2,006</u>	<u>75,482</u>
Capital Assets Being Depreciated				
Buildings and Improvements	45,237,562	49,737	2,552,482	42,734,817
Furniture, Equipment and Vehicles	<u>6,321,373</u>	<u>137,058</u>	<u>311,113</u>	<u>6,147,318</u>
Total Capital Assets Being Depreciated	<u>51,558,935</u>	<u>186,795</u>	<u>2,863,595</u>	<u>48,882,135</u>
Accumulated Depreciation				
Buildings and Improvements	12,430,246	863,311	832,100	12,461,457
Furniture, Equipment and Vehicles	<u>4,857,770</u>	<u>246,044</u>	<u>310,103</u>	<u>4,793,711</u>
Total Accumulated Depreciation	<u>17,288,016</u>	<u>1,109,355</u>	<u>1,142,203</u>	<u>17,255,168</u>
Net Capital Assets Being Depreciated	<u>34,770,919</u>	<u>(922,560)</u>	<u>1,721,392</u>	<u>31,626,967</u>
Net Capital Assets	<u>\$ 34,348,407</u>	<u>\$ (922,560)</u>	<u>\$ 1,723,398</u>	<u>\$ 31,702,449</u>

Depreciation expense of \$1,109,355 was allocated based on estimated usage by function and is charged as follows:

Function/Program	
General Support	\$ 258,501
Instruction	765,669
Pupil Transportation	55,055
Food Service Program	<u>30,130</u>
Total Depreciation	<u>\$ 1,109,355</u>

7. BUILDING LEASE

The School District, as lessor, leases a building to Broome DDSO for use as a regional office day habilitation program for adults, for monthly payments of \$8,366. During the year ended June 30, 2011, the School District received \$100,386 in lease revenue. The term is 5 years and expires on December 31, 2011, with an option to renew for an additional 5 years. Minimum annual rentals for each of the remaining years of the non-cancellable portion of the lease for the fiscal years ended June 30 are:

2012 \$ 50,196

8. NONCURRENT LIABILITIES

Noncurrent liability balances and activity are as follows:

	<u>Beginning Balance</u>	<u>Additions/ Issued</u>	<u>Deletions/ Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds and Notes Payable					
Serial Bonds	\$ 25,325,000	\$ _____	\$ 2,030,000	\$ 23,295,000	\$ 2,100,000
Other Liabilities					
Compensated Absences	782,961	275,232	78,841	979,352	
OPEB Liability	<u>499,416</u>	<u>359,852</u>	<u>373,463</u>	<u>485,805</u>	
Total Other Liabilities	<u>1,282,377</u>	<u>635,084</u>	<u>452,304</u>	<u>1,465,157</u>	
Total Noncurrent Liabilities	<u>\$ 26,607,377</u>	<u>\$ 635,084</u>	<u>\$ 2,482,304</u>	<u>\$ 24,760,157</u>	<u>\$ 2,100,000</u>

SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

Serial Bonds

The School District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. The long-term liabilities are full faith and credit debt of the local government. The provision to be made in the General Fund's future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

Details relating to general obligation (serial) bonds of the School District outstanding at June 30, 2011, are summarized as follows:

<u>Payable from/Description</u>	<u>Original Issue</u>	<u>Original Amount</u>	<u>Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Outstanding Amount</u>
Serial Bond C	04/15/04	\$ 16,110,000	06/15/24	4.00-4.50	\$ 10,325,000
Serial Bond D	05/15/05	\$ 13,330,000	06/05/23	3.50-4.00	8,965,000
2011 Refunding	02/25/10	\$ 4,645,000	06/05/30	2.00-4.25	4,005,000
Total					<u>\$ 23,295,000</u>

Principal and interest payments due on serial bonds debt is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,100,000	\$ 936,487	\$ 3,036,487
2013	2,145,000	862,175	3,007,175
2014	2,210,000	783,012	2,993,012
2015	2,285,000	699,438	2,984,438
2016	2,280,000	608,688	2,888,688
2017 – 2021	8,675,000	1,738,108	10,413,108
2022 – 2026	3,235,000	349,000	3,584,000
2027 – 2031	365,000	31,662	396,662
Total	<u>\$ 23,295,000</u>	<u>\$ 6,008,570</u>	<u>\$ 29,303,570</u>

Interest paid on serial bonds for the year ended June 30, 2011, was \$1,008,888.

Interest expense on the District-wide financial statements is calculated as follows:

Interest Paid	\$ 1,008,888
Interest Accrued at June 30, 2011	30,094
Interest Accrued at June 30, 2010	<u>(29,078)</u>
Total	<u>\$ 1,009,904</u>

Prior-Year Defeasance of Debt

In prior years, the School District defeased certain general obligation bonds of which the proceeds were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. At June 30, 2011, \$4,055,000 of defeased bonds were still outstanding.

**SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

Debt Limit

Pursuant to the Local Finance Law, the School District has the power to contract indebtedness for any school district purpose authorized by the legislature of the State of New York provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the School District and subject to certain enumerated deductions such as State aid for building purposes. The Constitutional and statutory method for determining full valuation consist of taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Board of Real Property Services. The Legislature also is required to prescribe the manner by which such ratio shall be determined by such authority.

The following table sets forth the computation of the debt limit of the School District and its debt contracting margin:

Full Valuation of Taxable Real Property		\$ <u>432,372,896</u>
Debt Limit (10% of Full Valuation)		<u>43,237,290</u>
Outstanding Indebtedness (Principal Only)		
Bonds	\$ 23,295,000	
Bonds Refunded	<u>4,055,000</u>	
Total Indebtedness		<u>27,350,000</u>
Debt Contracting Margin		<u>\$ 15,887,290</u>
Percentage of Debt Contracting Power Exhausted		63.26%

Compensated Absences

Compensated absences represent the value of earned and unused portion of the liability for compensated absences.

9. PENSION PLANS

The School District participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

The School District is required to contribute at an actuarially determined rate. The NYSERS bills the School District based on a fiscal year end of March 31. All required contributions for the NYSERS fiscal year ended March 31, 2011, were paid. The required contributions for the next System fiscal year will be made in 2011-2012. The amount below for 2011-2012 represents the three months of the School District's fiscal year that will be covered in the NYSERS 2011-2012 billing cycle. The TRS contribution for the 2010-2011 year will be made in 2011-2012. The required contributions for the current year and two preceding years were:

	For the Years Ended June 30,			
	2012	2011	2010	2009
<u>ERS</u>				
District Contribution Rate	12.8-15.9%	9.2-15.3%	7.1-9.3%	8.1-10.8%
District Contributions	\$ 72,630	\$ 227,613	\$ 134,541	\$ 169,825
<u>TRS</u>				
District Contribution Rate		8.62%	6.19%	7.63%
District Contributions		\$ 552,848	\$ 496,061	\$ 535,255

10. POSTEMPLOYMENT HEALTH CARE BENEFITS

(a) *Plan Description*

The School District offers eligible actives, retirees, and some dependents' medical coverage in a fully-insured indemnity medical plan administered by Excellus BlueCross BlueShield. Currently, there are 247 current and former employees participating in the District's Other Postemployment Benefit (OPEB) plan. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the School District subject to applicable collective bargaining and employment agreements as follows:

Eligibility	All active employees and retirees who reach age 55 with a minimum of 7-20 years of service to the District, depending on bargaining group.
Benefit Cost Sharing	The School District pays 50-100% of the plan premium.
Spouse Cost Sharing	Not covered by most employee groups. The School District pays 50-100% of the plan premium in cases where they are covered.
Surviving Spouse Cost Sharing	Surviving spouse pays full cost.
Annual Premiums for Administrators and Superintendent:	
Annual Premiums for Individual Pre-65	\$ 7,000.32
Annual Premiums for Individual Post-65	\$ 9,054.84
Annual Premiums for Family Pre-65	\$ 18,944.28
Annual Premiums for Family Post 65	\$ 19,504.56
Annual Premiums for Other Retirees:	
Annual Premiums for Individual Pre-65	\$ 6,979.92
Annual Premiums for Family Pre-65	None
Annual Premiums for Individual Post-65	None
Annual Premiums for Family Post-65	None

(b) *Funding Policy*

The obligations of the Plan members, employers, and other entities are established by action of the School District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement, as stated above. The employer currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you go basis. The costs of administering the Plan are included in the premiums paid by the District.

SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

(c) Annual OPEB Cost

The School District's other postemployment benefit (OPEB) cost for all employee health insurance benefits is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the School District's net OPEB obligation.

	<u>2011</u>
Normal Cost	\$ 144,469
Amortization of UAL	216,576
Interest	<u>7,150</u>
ARC	368,195
Interest on OPEB Obligation	19,977
Adjustment to ARC	<u>28,320</u>
OPEB Expense	<u>\$ 359,852</u>

(d) Reconciliation of Net OPEB Obligation

	<u>2011</u>
Net OPEB Obligation at the Beginning of the Year	\$ 499,416
OPEB Expense	359,852
Net OPEB Contributions Made During the Fiscal Year	<u>(373,463)</u>
Net OPEB Obligation at the End of the Year	<u>\$ 485,805</u>
Percentage of Expense Contributed	103.8%

(e) Trend Information

Fiscal Year <u>Ending</u>	Annual Net OPEB <u>Expense</u>	OPEB Expense <u>Contributed</u>	% of Expense <u>Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2011	\$ 359,852	\$ 373,463	103.8%	\$ 485,805
June 30, 2010	\$ 581,082	\$ 293,025	50.4%	\$ 499,416
June 30, 2009	\$ 530,598	\$ 319,229	58.2%	\$ 211,359

(f) Funded Status

Actuarial Accrued Liability (AAL)	\$ 3,894,845
Actuarial Value of Assets	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 3,894,845</u>
Funded Ratio (Assets as a Percentage of AAL)	0.0%
Covered Payroll	\$ 7,847,686
UAAL as of Percentage of Covered Payroll	49.63%

(g) Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. For this reason, the results in this report should be viewed as estimates. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and Plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and Plan members in the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

Actuarial Valuation Date	July 1, 2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Projected Payroll
Amortization Discount	4%
Mortality	RP-2000 Mortality Table for Males and Females
Medical Trend	See Below
Retirement Rates and Termination	Based on experience under the NYS and Local Retirement System and NYS Teacher's Retirement System
Per Capita Claim Costs	Based on Premium Levels of the Plans Utilized
Participation Rate	100% of Future Retirees will Elect the Benefit
Spousal Coverage	80% Married Retirees, Male 3 Years Older Than Female
Amortization Period In Remaining Years	27.0

(h) Health Care Trend Factors

Medical care costs are assumed to increase in accordance with the following schedule:

<u>Year</u>	<u>Medical Trend</u>
2012	9.00%
2013	8.00%
2014	7.00%
2015	6.00%
2016	5.00%

11. FUND BALANCE

(a) The following is a summary of the change in General Fund restricted fund balance during the year ended June 30, 2011:

<u>Reserve</u>	<u>Balance at 07/01/10</u>	<u>Additions</u>	<u>Balance at 06/30/11</u>
General Fund			
Retirement Contribution	\$ 474,135	\$ 401,870	\$ 876,005
Property Loss	114,538	473	115,011
Liability	628,928	2,511	631,439
Tax Certiorari	410,975	1,699	412,674
Employee Benefit Accrued Liability	2,570,784	9,574	2,580,358
Repairs	59,613	100,057	159,670
Unemployment Insurance	375,247	2,252	377,499
Tax Reduction		<u>57,072</u>	<u>57,072</u>
Total General Fund Restricted	<u>\$ 4,634,220</u>	<u>\$ 575,508</u>	<u>\$ 5,209,728</u>

SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

(b) The following is the disaggregation of the fund balance that is reported in summary on the Governmental Fund's Balance Sheet at June 30, 2011:

	General	School Lunch	Special Aid	Debt Service	Total
Nonspendable	\$	\$ 15,628	\$	\$	\$ 15,628
Restricted					
Retirement Contribution	876,005				876,005
Property Loss	115,011				115,011
Liability	631,439				631,439
Tax Certiorari Reserve	412,674				412,674
Employee Benefit Accrued Liability	2,580,358				2,580,358
Repairs	159,670				159,670
Unemployment Insurance Reserve	377,499				377,499
Tax Reduction	57,072				57,072
Debt Service				3,495,054	3,495,054
Total Restricted	<u>5,209,728</u>	<u></u>	<u></u>	<u>3,495,054</u>	<u>8,704,782</u>
Assigned					
General Support	24,836				24,836
Instruction	1,899		155,080		156,979
Pupil Transportation	13,417				13,417
School Lunch	377,889				377,889
Appropriated for Capital Project	500,000				500,000
Appropriated for Subsequent Year's Budget	500,000				500,000
Total Assigned	<u>1,040,152</u>	<u>377,889</u>	<u>155,080</u>	<u></u>	<u>1,573,121</u>
Unassigned	<u>983,292</u>	<u></u>	<u></u>	<u></u>	<u>983,292</u>
Total Fund Balance	<u>\$ 7,233,172</u>	<u>\$ 393,517</u>	<u>\$ 155,080</u>	<u>\$ 3,495,054</u>	<u>\$ 11,276,823</u>

12. CONTINGENCIES AND COMMITMENTS

General Liability

The Sidney Central School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Potential Grantor Liability

The School District has received grants, which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District's administration believes disallowances, if any, will be immaterial.

Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital projects funds. At June 30, 2011, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. The General Fund encumbrances are reflected as part of the assigned fund balance. The Capital Projects Fund had no outstanding encumbrances at June 30, 2011. The other encumbrances are not reflected on the fund financial statements because the assignment would result in a negative unassigned fund balance. Significant encumbrances included in governmental fund balances are as follows:

	Assigned General
Encumbrances	
General Support	\$ 24,836
Instruction	1,899
Pupil Transportation	13,417
Total Encumbrances	<u>\$ 40,152</u>

**SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

13. INTERFUND TRANSACTIONS

Fund	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General	\$ 246,341	\$ 22,282	\$ 184,853	\$ 34,171
School Lunch	22,282	103,612		
Special Aid				47,037
Debt Service	83,613		83,613	
Trust and Agency		4,683		
Capital Projects		221,659	34,171	221,429
Total Government Activities	\$ 352,236	\$ 352,236	\$ 302,637	\$ 302,637

The School District made a transfer of \$34,171 of local appropriations from the General Fund to the Capital Fund to fund the local portion of 2011 capital projects.

The School District made a transfer of \$83,613 from the Capital Projects Fund to Debt Service to close out the 2000 capital project.

The School District made a transfer of \$137,816 from the Capital Projects Fund to the General Fund as a reimbursement for unexpended monies on local projects prior to the current year.

The School District made a transfer of \$47,037 from the Special Aid Fund to the General Fund to close out and reimburse local grant monies spent in prior years.

14. PRIOR PERIOD ADJUSTMENT

Beginning with fiscal year ending June 30, 2011, the School District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." As stated in Note 1, this Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The beginning fund balances for the School District's governmental funds have been restated to reflect the new classifications.

	General	School Lunch	Special Aid	Debt Service	Capital	Total
Nonspendable	\$	\$ 15,877	\$	\$	\$	\$ 15,877
Restricted	4,634,220			3,395,720	230,495	8,260,435
Assigned	654,283	399,826	155,080			1,209,189
Unassigned	1,408,945					1,408,945
Total Fund Balance	\$ 6,697,448	\$ 415,703	\$ 155,080	\$ 3,395,720	\$ 230,495	\$10,894,446

15. SPECIAL ITEM – LOSS ON SALE OF BUILDING

During the year ending June 30, 2011, the School District sold a former school district building that was no longer in use. The net loss on the sale of the building is calculated as follows:

Sales Price	\$ 50,000
Original Cost of Building Plus Improvements	(2,554,488)
Accumulated Depreciation	832,100
Net (Loss) on Sale of Building	\$ (1,672,388)

SIDNEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual		Final Budget Variance With Actual
Revenues					
Local Sources					
Real Property Taxes	\$ 6,754,000	\$ 5,425,486	\$ 5,423,846		\$ (1,640)
STAR and Other Real Property Tax Items	38,780	1,367,294	1,356,108		(11,186)
Charges for Services	91,950	91,950	123,220		31,270
Use of Money and Property	192,686	192,686	163,820		(28,866)
Sale of Property and Compensation for Loss	2,239	2,239	63,898		61,659
Miscellaneous	164,625	164,625	222,643		58,018
Interfund Revenues	22,500	22,500	8,189		(14,311)
State Aid	14,864,041	14,864,041	14,420,404		(443,637)
Federal Aid	480,792	480,792	392,313		(88,479)
Total Revenues	<u>22,611,613</u>	<u>22,611,613</u>	<u>22,174,441</u>		<u>(437,172)</u>
Other Financing Sources					
Transfers from Other Funds	263,693	263,693	184,853		(78,840)
Appropriated Reserve	355,151	355,151			(355,151)
Appropriated Fund Balance	654,283	654,283			(654,283)
Total Revenues and Other Financing Sources	<u>\$ 23,884,740</u>	<u>\$ 23,884,740</u>	<u>22,359,294</u>		<u>\$ (1,525,446)</u>
Expenditures					
General Support					
Board of Education	\$ 44,152	\$ 47,552	40,011		\$ 7,541
Central Administration	210,569	231,179	215,104	2,466	13,609
Finance	370,760	364,754	348,642		16,112
Staff	121,905	184,670	166,341		18,329
Central Services	2,798,308	2,563,914	2,335,621	4,196	224,097
Special Items	667,860	686,360	625,953	18,174	42,233
Total General Support	<u>4,213,554</u>	<u>4,078,429</u>	<u>3,731,672</u>	<u>24,836</u>	<u>321,921</u>
Instruction					
Instruction, Administration, and Improvement	561,598	593,464	575,385	180	17,899
Teaching - Regular School	5,182,803	5,240,517	5,091,115	922	148,480
Programs for Children With Special Needs	2,688,255	2,766,248	2,571,396	197	194,655
Occupational Education	657,385	666,685	666,663		22
Teaching - Special School	52,485	18,213	18,213		
Instructional Media	688,111	724,242	708,858		15,384
Pupil Services	763,130	826,121	757,798	600	67,723
Total Instruction	<u>10,593,767</u>	<u>10,835,490</u>	<u>10,389,428</u>	<u>1,899</u>	<u>444,163</u>
Pupil Transportation	931,198	902,097	783,894	13,417	104,786
Community Services	24,548	16,248	6,218		10,030
Employee Benefits	5,064,092	4,889,895	3,839,299		1,050,596
Debt Service - Principal	2,075,000	2,048,693	2,030,000		18,693
Debt Service - Interest	982,581	1,008,888	1,008,888		
Total Expenditures	<u>23,884,740</u>	<u>23,779,740</u>	<u>21,789,399</u>	<u>40,152</u>	<u>1,950,189</u>
Other Financing Uses					
Transfers to Other Funds		105,000	34,171		70,829
Total Expenditures and Other Financing Uses	<u>\$ 23,884,740</u>	<u>\$ 23,884,740</u>	<u>21,823,570</u>	<u>\$ 40,152</u>	<u>\$ 2,021,018</u>
Net Change in Fund Balance			535,724		
Fund Balance - Beginning of Year			<u>6,697,448</u>		
Fund Balance - End of Year			<u>\$ 7,233,172</u>		

Notes to Required Supplementary Information:

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund, the only fund with a legally adopted budget.

The budget is adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

SIDNEY CENTRAL SCHOOL DISTRICT
SCHEDULES OF FUNDING PROGRESS OF THE OTHER POSTEMPLOYMENT BENEFITS
For the Year Ended June 30, 2011

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability-Projected Unit Credit	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
	(a)	(b)	(b)-(a)	(a)/(b)	(c)	[(b)-(a)]/(c)
June 30, 2011	\$ 0	\$ 3,894,845	\$ 3,894,845	0%	\$ 7,847,686	49.63%
June 30, 2010	\$ 0	\$ 5,329,808	\$ 5,329,808	0%	\$ 8,773,772	60.75%
June 30, 2009	\$ 0	\$ 4,695,173	\$ 4,695,173	0%	\$ 8,563,913	54.83%

SIDNEY CENTRAL SCHOOL DISTRICT
SCHEDULES OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
AND USE OF UNRESTRICTED FUND BALANCE - GENERAL FUND
For the Year Ended June 30, 2011

Change from Adopted Budget to Revised Budget

Adopted Budget	\$ 23,730,457
Add: Prior Year's Encumbrances	154,283
Original Budget	23,884,740
Final Budget	\$ 23,884,740
2011-2012 Voter Approved Budget	\$ 23,229,344

Use of Unrestricted Fund Balance

Unrestricted Fund Balance - As of the Beginning of the Year	\$ 2,063,228
Less: Assigned Fund Balance Used For Subsequent Year's Appropriations and Encumbrances	654,283
Unassigned Fund Balance - As of the Beginning of the Year	\$ 1,408,945

SIDNEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2011

PROJECT TITLE	Original Authorization	Revised Authorization	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2011	
			Prior Years	Current Year	Total		Proceeds of Obligations	Federal and State Aid	Local Sources		Total
Middle School Roof Replacement	\$ 102,000	\$ 102,000	\$ 85,085	\$	\$ 85,085	\$ 16,915	\$	\$	\$ 85,085	\$ 85,085	\$
Local Capital Projects 2008	99,090	99,090	61,765		61,765	37,325			61,765	61,765	
Local Capital Projects 2009	150,000	150,000	130,929	9,066	139,995	10,005			139,995	139,995	
Local Capital Projects 2010	135,000	135,000	61,429		61,429	73,571			61,429	61,429	
Local Capital Projects 2011	105,000	105,000		34,171	34,171	70,829			34,171	34,171	
Totals	<u>\$ 591,090</u>	<u>\$ 591,090</u>	<u>\$ 339,208</u>	<u>\$ 43,237</u>	<u>\$ 382,445</u>	<u>\$ 208,645</u>	<u>\$</u>	<u>\$</u>	<u>\$ 382,445</u>	<u>\$ 382,445</u>	<u>\$</u>

**SIDNEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES
COMPARED TO ST-3 DATA
For the Year Ended June 30, 2011**

	Code	ST-3 Amount	Audited Amount	
Revenues				
Real Property Taxes	A -1001	\$ 5,423,846	\$ 5,423,846	
State Aid	AT-3999	\$ 14,420,404	\$ 14,420,404	
Federal Aid	AT-4999	\$ 392,313	\$ 392,313	
Total Revenues	AT-5999	\$ 22,359,294	\$ 22,359,294	
Expenditures				
General Support	AT-1999	\$ 3,731,674	\$ 3,731,672	*
Pupil Transportation	AT-5599	\$ 783,894	\$ 783,894	
Debt Service - Principal	AT-9798.6	\$ 2,030,000	\$ 2,030,000	
Debt Service - Interest	AT-9798.7	\$ 1,008,888	\$ 1,008,888	
Total Expenditures	AT-9999	\$ 21,823,570	\$ 21,823,570	

* Differences due to rounding

SIDNEY CENTRAL SCHOOL DISTRICT
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
For the Year Ended June 30, 2011

Capital Assets, Net	\$ 31,702,449
Deduct:	
Serial Bonds Payable	<u>(23,295,000)</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ 8,407,449</u>

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300
315-336-9220 Fax: 315-336-0836

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

Independent Auditor's Report

Board of Education
Sidney Central School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sidney Central School District, as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Sidney Central School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sidney Central School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sidney Central School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sidney Central School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sidney Central School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Education, management, New York State Education Department, and the New York State Comptroller's Office, and Federal and other awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

D'Arcangelo & Co., LLP

October 11, 2011

Rome, New York

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300
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Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Independent Auditor's Report

Board of Education
Sidney Central School District

Compliance

We have audited Sidney Central School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Sidney Central School District's major federal programs for the year ended June 30, 2011. Sidney Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Sidney Central School District's management. Our responsibility is to express an opinion on Sidney Central School District's compliance based on our audit.

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

In our opinion, Sidney Central School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Sidney Central School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Sidney Central School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sidney Central School 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, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, New York State Education Department, and the New York State Comptroller's Office and Federal and other awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

D'Arcangelo & Co., LLP

October 11, 2011

Rome, New York

SIDNEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Current-Year Expenditures
<u>U.S. Department of Agriculture</u>		
(Passed Through the State Education Department of the State of New York - Pass-Through Grantor's No. 082001-04-0000)		
National School Lunch Program (Noncash)	10.555	\$ <u>20,564</u>
School Breakfast Program	10.553	48,854
National School Lunch Program	10.555	<u>231,192</u>
Total Cash Assistance		<u>280,046</u>
Total U.S. Department of Agriculture		<u>300,610</u>
<u>U.S. Department of Education</u>		
(Passed Through the State Education Department of the State of New York - Pass-Through Grantor's No. 082001-04-0000)		
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	392,220
Title I Grants to Local Education Agencies	84.010	305,389
Title I Grants to Local Education Agencies, Recovery Act	84.389	63,219
Special Education - Grants to States	84.027	283,568
Special Education - Grants to States, Recovery Act	84.391	114,649
Special Education - Preschool Grants	84.173	6,059
Special Education - Preschool Grants, Recovery Act	84.392	4,172
Safe and Drug-Free Schools and Communities - State Grants	84.186	5,532
Education Technology State Grants	84.318	52
Improving Teacher Quality State Grants	84.367	<u>65,113</u>
Total U.S. Department of Education		<u>1,239,973</u>
<u>Total Federal Financial Assistance</u>		<u>\$ 1,540,583</u>

See Notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report.

SIDNEY CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying Schedule of Expenditures of Federal Awards represents all Federal awards administered by the Sidney Central School District. The School District's organization is defined in Note 1 to the School District's financial statements.

Basis of Accounting

The expenditures in the accompanying schedule are presented on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Food Donation

Nonmonetary assistance is reported in the schedule at fair market value of the food commodities received. At June 30, 2011, the School District had food commodities totaling \$5,445 in inventory.

Cluster Programs

The following programs are identified by "OMB Circular A-133 Compliance Supplement" to be part of a cluster of programs:

Nutrition Cluster

CFDA #10.553	School Breakfast Program
CFDA #10.555	National School Lunch Program

Special Education Cluster

CFDA #84.027	Special Education - Grants to States
CFDA #84.173	Special Education - Preschool Grants
CFDA #84.391	Special Education - Grants to States, Recovery Act
CFDA #84.392	Special Education - Preschool Grants, Recovery Act

Title I Part A Cluster

CFDA #84.010	Title I Grants to Local Education Agencies
CFDA #84.389	Title I Grants to Local Education Agencies, Recovery Act

State Fiscal Stabilization Fund Cluster:

CFDA #84.394	State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
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SIDNEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2011

Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ü)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major Federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	<u>U.S. Department of Education</u> CFDA #84.394 State Fiscal Stabilization Fund Education State Grants, Recovery Act Title I Part A Cluster: CFDA #84.010 Title I Grants to Local Education Agencies CFDA #84.389 Title I Grants to Local Education Agencies, Recovery Act Special Education Cluster: CFDA #84.027 Special Education – Grants to States CFDA #84.391 Special Education – Grants to States, Recovery Act CFDA #84.173 Special Education – Preschool Grants CFDA #84.392 Special Education – Preschool Grants, Recovery Act
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

Findings - Financial Statements Audit

None noted.

Findings and Questioned Costs - Major Federal Award Programs Audit

None noted.

**SIDNEY CENTRAL SCHOOL DISTRICT
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2011**

No findings were noted in the audit for the year ended June 30, 2010.

FORM OF BOND COUNSEL'S OPINION

February 29, 2012

Sidney Central School District,
Counties of Delaware, Chenango, and Otsego,
State of New York

Re: Sidney Central School District, Delaware, Chenango, and Otsego Counties, New York
\$12,150,000* School District Refunding Serial Bonds-2012

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$12,150,000* School District Refunding Serial Bonds-2012 (the "Obligations"), of the Sidney Central School District, Counties of Delaware, Chenango, and Otsego, State of New York (the "Obligor"), dated February 29, 2012, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of ____ and ____ hundredths per centum (____%) per annum as to bonds maturing in each of the years 20__ to 20__, both inclusive, and at the rate of ____ per centum (____%) per annum as to bonds maturing in each of the years 20__ to 20__, both inclusive, payable on June 15, 2012 and semi-annually thereafter on December 15 and June 15, and maturing in the amount of \$100,000 on June 15, 2012, \$930,000 on June 15, 2015, \$1,860,000 on June 15, 2016, \$1,830,000 on June 15, 2017, \$1,610,000 on June 15, 2018, \$1,375,000 on June 15, 2019, \$1,070,000 on June 15, 2020, \$1,120,000 on June 15, 2021, \$1,165,000 on June 15, 2022, \$610,000 on June 15, 2023, and \$480,000 on June 15, 2024.

The Bonds shall not be subject to redemption prior to maturity.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

*Preliminary, subject to change.

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligations and interest thereon, without limitation as to rate or amount; provided, however, that the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, efforts or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

Orrick, Herrington & Sutcliffe LLP