



**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Sheffield-Sheffield Lake City School District  
Lorain County  
1824 Harris Road  
Sheffield, Ohio 44054

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Sheffield-Sheffield Lake City School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Sheffield-Sheffield Lake City School District, Lorain County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5 to the financial statements, the District changed its policy for capitalizing certain fixed assets that are reported in the General Fixed Asset Account Group.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures 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 not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

February 20, 2002

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**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2001  
(With Comparative Totals at June 30, 2000)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$199,201	\$460,788		\$47,197
Restricted Cash Assets:				
Equity in Pooled Cash and Cash Equivalents	114,270			
Receivables:				
Taxes	6,154,346	2,248,520		274,281
Accounts	425	450		
Intergovernmental	21,164			
Inventory	45,789			
Fixed Assets (Net of Accumulated Depreciation In Enterprise Funds)				
<b>Other Debits:</b>				
Amount to be Provided for Retirement of General Long-Term Obligations				
<b>Total Assets</b>	<b><u>\$6,535,195</u></b>	<b><u>\$2,709,758</u></b>		<b><u>\$321,478</u></b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Liabilities</b>				
Accounts and Contracts Payable	\$18,347	\$15,849		\$24,163
Accrued Wages and Benefits	1,335,231	41,548		
Deferred Revenue	5,309,390	1,874,710		232,747
Intergovernmental Payable	273,060	26,857		
Due to Students				
Due to Others				
Notes Payable		105,000		
Capital Leases Payable				
<b>Total Liabilities</b>	<b><u>6,936,028</u></b>	<b><u>2,063,964</u></b>		<b><u>256,910</u></b>
<b>Equity and Other Credits</b>				
Investment in General Fixed Assets				
Unreserved Retained Earnings				
Fund Balance (Deficit):				
Reserved for Encumbrances	13,265	15,393		
Reserved for Inventory	45,789			
Reserved for Taxes	844,956	373,810		41,534
Reserved for Endowments				
Reserved for Budget Stabilization	114,270			
Unreserved, Undesignated	(1,419,113)	256,591		23,034
<b>Total Fund Equity (Deficit)</b>	<b><u>(400,833)</u></b>	<b><u>645,794</u></b>		<b><u>64,568</u></b>
<b>Total Liabilities, Equity and Other Credits</b>	<b><u>\$6,535,195</u></b>	<b><u>\$2,709,758</u></b>		<b><u>\$321,478</u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
		General Fixed Assets	General Long-Term Obligations	2001	2000
Enterprise	Trust and Agency				
\$64,510	\$85,812			\$857,508	\$1,314,434
				114,270	114,270
				8,677,147	7,719,170
1,916	1,607			4,398	17,620
13,298				34,462	112,971
9,086				54,875	60,446
9,304		\$8,870,519		8,879,823	9,946,803
			2,117,317	2,117,317	2,317,478
<b>\$98,114</b>	<b>\$87,419</b>	<b>\$8,870,519</b>	<b>\$2,117,317</b>	<b>\$20,739,800</b>	<b>\$21,603,192</b>
				\$58,359	\$55,960
\$40,582			\$1,322,424	2,739,785	2,876,621
3,122				7,419,969	6,440,509
6,380			138,828	445,125	296,835
	\$74,996			74,996	61,668
	8,984			8,984	10,166
			618,000	723,000	1,146,000
			38,065	38,065	63,096
50,084	83,980		2,117,317	11,508,283	10,950,855
		\$8,870,519		8,870,519	9,936,529
48,030				48,030	32,632
				28,658	84,188
				45,789	52,321
				1,260,300	1,351,061
	104			104	104
				114,270	114,270
	3,335			(1,136,153)	(918,768)
48,030	3,439	8,870,519		9,231,517	<b>10,652,337</b>
<b>\$98,114</b>	<b>\$87,419</b>	<b>\$8,870,519</b>	<b>\$2,117,317</b>	<b>\$20,739,800</b>	<b>\$21,603,192</b>

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2001  
(With Comparative Totals at June 30, 2000)**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues</b>		
Taxes	\$5,397,780	\$2,049,219
Tuition	104,881	
Earnings on Investments	106,032	1,736
Extracurricular Activities		107,311
Intergovernmental	5,598,342	841,899
Other	32,452	24,660
Total Revenues	<u>11,239,487</u>	<u>3,024,825</u>
<b>Expenditures</b>		
Current:		
Regular Instruction	5,242,344	1,048,663
Special Instruction	1,230,667	534,486
Vocational and Other Instruction	546,842	24,434
Support Services:		
Pupil Services	798,315	130,457
Instructional Staff	238,613	164,113
Administration	1,201,136	64,941
Business and Fiscal Services	419,909	91,292
Plant Operation and Maintenance	753,498	672,409
Pupil Transportation	624,454	115,623
Central	61,215	48,972
Community Services		102,536
Extracurricular	287,321	86,525
Capital Outlay	719	
Debt Service:		
Principal		
Interest and Fiscal Charges		12,870
Total Expenditures	<u>11,405,033</u>	<u>3,097,321</u>
Excess Revenues Over (Under) Expenditures	<u>(165,546)</u>	<u>(72,496)</u>
<b>Other Financing Sources (Uses)</b>		
Sale of Assets	1,499	
Operating Transfers In		502,870
Operating Transfers Out	(664,134)	
Inception of Capital Lease		
Total Other Financing Sources (Uses)	<u>(662,635)</u>	<u>502,870</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(828,181)	430,374
Fund Balances (Deficit) Beginning of Year	433,880	215,420
Increase (Decrease) in Reserve for Inventory	(6,532)	
<b>Fund Balances (Deficit) End of Year</b>	<u><b>(\$400,833)</b></u>	<u><b>\$645,794</b></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
Debt Service	Capital Projects	Expendable Trust	2001	2000
	\$147,261		\$7,594,260	\$7,877,269
			104,881	65,711
			107,768	125,780
	115,631		107,311	88,086
			6,555,872	6,654,496
			57,112	102,830
	262,892		14,527,204	14,914,172
	34,148		6,325,155	6,210,491
			1,765,153	1,528,222
			571,276	546,034
	108,304		928,772	807,924
	29,472		511,030	351,538
	1,537		1,295,549	1,143,779
	55,300		512,738	498,200
			1,481,207	1,622,854
			740,077	606,876
			110,187	107,636
			102,536	89,279
			373,846	385,248
			719	21,289
\$68,000			68,000	65,414
33,054			45,924	67,224
101,054	228,761		14,832,169	14,052,008
(101,054)	34,131		(304,965)	862,164
101,054			1,499	1,555
			603,924	169,062
			(664,134)	(199,062)
				20,595
101,054			(58,711)	(7,850)
	34,131		(363,676)	854,314
	30,437	\$3,335	683,072	(161,625)
			(6,532)	(9,617)
	<b>\$64,568</b>	<b>\$3,335</b>	<b>\$312,864</b>	<b>\$683,072</b>

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Basis)  
All Governmental Fund Types  
General Fund  
For the Fiscal Year Ended June 30, 2001**

	<b>Revised Budget</b>	<b>Actual</b>	<b>Encumbrances</b>	<b>Actual Plus Encumbrances</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>					
Taxes	\$5,567,060	\$5,457,841		\$5,457,841	(\$109,219)
Tuition	97,246	97,246		97,246	
Earnings on Investments	106,032	106,032		106,032	
Intergovernmental	5,592,172	5,592,172		5,592,172	
Classroom Materials and Fees	1,352	1,352		1,352	
Other	37,352	37,352		37,352	
Total Revenues	<u>11,401,214</u>	<u>11,291,995</u>		<u>11,291,995</u>	<u>(109,219)</u>
<b>Expenditures</b>					
Current:					
Regular Instruction	5,195,075	5,067,715	\$15,464	5,083,179	111,896
Special Instruction	1,175,393	1,171,657	300	1,171,957	3,436
Vocational and Other Instruction	548,990	545,559		545,559	3,431
Supporting Services:					
Pupil Services	821,265	797,276	7,238	804,514	16,751
Instructional Staff	306,664	255,836	25,945	281,781	24,883
Administration	1,159,509	1,156,284	629	1,156,913	2,596
Business and Fiscal Services	442,360	428,980	9,500	438,480	3,880
Plant Operation and Maintenance	782,398	769,818	5,006	774,824	7,574
Pupil Transportation	619,247	613,545		613,545	5,702
Central	61,686	60,608		60,608	1,078
Extracurricular	294,107	294,248		294,248	(141)
Total Expenditures	<u>11,406,694</u>	<u>11,161,526</u>	<u>64,082</u>	<u>11,225,608</u>	<u>181,086</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,480)</u>	<u>130,469</u>	<u>(64,082)</u>	<u>66,387</u>	<u>71,867</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Assets		1,499		1,499	1,499
Operating Transfer In		114,270		114,270	114,270
Operating Transfers Out	(664,134)	(778,404)		(778,404)	(114,270)
Total Other Financing Sources (Uses)	<u>(664,134)</u>	<u>(662,635)</u>		<u>(662,635)</u>	<u>1,499</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(669,614)</u>	<u>(532,166)</u>	<u>(\$64,082)</u>	<u>(\$596,248)</u>	<u>\$73,366</u>
Fund Balance Beginning of Year	<u>845,635</u>	<u>845,635</u>			
<b>Fund Balance End of Year</b>	<b><u>\$176,021</u></b>	<b><u>\$313,469</u></b>			

(Continued)

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Basis)  
All Governmental Fund Types - Continued  
Special Revenue Funds  
For the Fiscal Year Ended June 30, 2001**

	<b>Revised Budget</b>	<b>Actual</b>	<b>Encumbrances</b>	<b>Actual Plus Encumbrances</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>					
Taxes	\$2,360,304	\$2,121,453		\$2,121,453	(\$238,851)
Earnings on Investments	1,736	1,736		1,736	
Intergovernmental	870,961	870,961		870,961	
Extracurricular	107,311	107,311		107,311	
Other	24,210	24,210		24,210	
Total Revenues	<u>3,364,522</u>	<u>3,125,671</u>		<u>3,125,671</u>	<u>(238,851)</u>
<b>Expenditures</b>					
Current:					
Regular Instruction	1,380,423	1,148,419		1,148,419	232,004
Special Instruction	550,760	550,687	\$24,146	574,833	(24,073)
Vocational and Other Instruction	15,000	11,435	1,920	13,355	1,645
Supporting Services:					
Pupil Services	150,000	126,640	582	127,222	22,778
Instructional Staff	172,000	168,522	4,160	172,682	(682)
Administration	75,230	74,729		74,729	501
Business and Fiscal Services	109,434	93,669		93,669	15,765
Plant Operation and Maintenance	797,441	691,123	111,111	802,234	(4,793)
Pupil Transportation	139,842	123,944		123,944	15,898
Central	55,900	48,988	300	49,288	6,612
Community Services	100,000	99,502	7,972	107,474	(7,474)
Extracurricular	90,000	86,525	1,362	87,887	2,113
Total Expenditures	<u>3,636,030</u>	<u>3,224,183</u>	<u>151,553</u>	<u>3,375,736</u>	<u>260,294</u>
Excess of Revenues Over (Under) Expenditures	<u>(271,508)</u>	<u>(98,512)</u>	<u>(151,553)</u>	<u>(250,065)</u>	<u>21,443</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Notes	105,000	105,000		105,000	
Operating Transfer In	60,597	60,597		60,597	
Operating Transfers Out	(30,597)	(30,597)		(30,597)	
Total Other Financing Sources (Uses)	<u>135,000</u>	<u>135,000</u>		<u>135,000</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(136,508)</u>	<u>36,488</u>	<u>(\$151,553)</u>	<u>(\$115,065)</u>	<u>\$21,443</u>
Fund Balances Beginning of Year	<u>424,298</u>	<u>424,298</u>			
<b>Fund Balances End of Year</b>	<b><u>\$287,790</u></b>	<b><u>\$460,786</u></b>			

(Continued)

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Basis)  
All Governmental Fund Types - Continued  
*Debt Service Fund*  
For the Fiscal Year Ended June 30, 2001**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Actual Plus Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Expenditures</b>					
Debt Service:					
Principal	\$528,000	\$528,000		\$528,000	
Interest	45,924	45,924		45,924	
Total Expenditures	<u>573,924</u>	<u>573,924</u>		<u>573,924</u>	
Excess of Expenditures Over Revenues	(573,924)	(573,924)		(573,924)	
<b>Other Financing Sources</b>					
Operating Transfers In	<u>573,924</u>	<u>573,924</u>		<u>573,924</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures			=====	=====	=====
Fund Balance Beginning of Year	_____	_____			
<b>Fund Balance End of Year</b>	=====	=====			

(Continued)

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Basis)  
All Governmental Fund Types - Continued  
*Capital Projects Funds*  
For the Fiscal Year Ended June 30, 2001**

	<b>Revised Budget</b>	<b>Actual</b>	<b>Encumbrances</b>	<b>Actual Plus Encumbrances</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>					
Taxes	\$121,581	\$105,727		\$105,727	(\$15,854)
Intergovernmental	115,631	115,631		115,631	
Total Revenues	<u>237,212</u>	<u>221,358</u>		<u>221,358</u>	<u>(15,854)</u>
<b>Expenditures</b>					
Current:					
Regular Instruction	81,297	34,148		34,148	47,149
Supporting Services:					
Instructional Staff	108,438	108,843	\$334	109,177	(739)
Administration	29,472	29,472	13,000	42,472	(13,000)
Fiscal Services	1,537	1,537		1,537	
Plant Operation and Maintenance	54,270	37,963	33,692	71,655	(17,385)
Total Expenditures	<u>275,014</u>	<u>211,963</u>	<u>47,026</u>	<u>258,989</u>	<u>16,025</u>
Excess of Revenues Over (Under) Expenditures	(37,802)	9,395	<u>(\$47,026)</u>	<u>(\$37,631)</u>	<u>\$171</u>
Fund Balances Beginning of Year	<u>37,802</u>	<u>37,802</u>			
<b>Fund Balances End of Year</b>		<b><u>\$47,197</u></b>			

*The notes to the general-purpose financial statements are an integral part of this statement.*

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Combined Statement of Revenues, Expenses and Changes in Fund Equity  
Proprietary and Similar Fiduciary Fund Types  
For the Fiscal Year Ended June 30, 2001  
(With Comparative Totals at June 30, 2000)**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Nonexpendable Trust	2001	2000
<b>Operating Revenues</b>				
Food Services	\$225,820		\$225,820	\$214,918
Classroom Materials and Fees	52,510		52,510	49,976
Total Operating Revenues	<u>278,330</u>		<u>278,330</u>	<u>264,894</u>
<b>Operating Expenses</b>				
Salaries and Wages	181,504		181,504	172,516
Employees' Retirement and Insurance	62,714		62,714	58,519
Purchased Services	796		796	509
Supplies and Materials	198,195		198,195	191,765
Depreciation	970		970	939
Total Operating Expenses	<u>444,179</u>		<u>444,179</u>	<u>424,248</u>
Operating (Loss)	(165,849)		(165,849)	(159,354)
<b>Non-Operating Revenues</b>				
Intergovernmental	92,740		92,740	95,174
Donated Commodities	27,415		27,415	36,952
Earnings on Investments	1,092		1,092	393
Total Non-Operating Revenues	<u>121,247</u>		<u>121,247</u>	<u>132,519</u>
Net Loss Before Operating Transfers	(44,602)		(44,602)	(26,835)
Operating Transfers In	60,000		60,000	30,000
Net Income	15,398		15,398	3,165
Retained Earnings/Fund Balance Beginning of Year	32,632	\$104	32,736	29,571
<b>Retained Earnings/Fund Balance End of Year</b>	<u><b>\$48,030</b></u>	<u><b>\$104</b></u>	<u><b>\$48,134</b></u>	<u><b>\$32,736</b></u>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Combined Statement of Cash Flows  
Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2001  
(With Comparative Totals at June 30, 2000)**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Nonexpendable Trust	2001	2000
<b>Cash Flows From Operating Activities</b>				
Operating Loss	(\$165,849)		(\$165,849)	(\$159,354)
Adjustments To Reconcile Net Loss to Net Cash Used in Operating Activities:				
Depreciation	970		970	939
(Increase) Decrease In Assets:				
Accounts Receivable	(1,764)		(1,764)	2,142
Intergovernmental Receivable	1,334		1,334	
Inventories	(961)		(961)	(324)
Increase (Decrease) In Liabilities:				
Accrued Wages and Benefits Payable	(5,972)		(5,972)	(3,371)
Intergovernmental Payable	6,380		6,380	
Deferred Revenue				(33)
Total Adjustments	(13)		(13)	(647)
Net Cash Used in Operating Activities	(165,862)		(165,862)	(160,001)
<b>Cash Flows From Non-Capital Financing Activities</b>				
Intergovernmental	92,740		92,740	92,453
Donated Commodities	27,415		27,415	36,952
Operating Transfers In	60,000		60,000	30,000
<b>Cash Flows From Capital and Related Financing Activities</b>				
Contribution from other fund				970
<b>Cash Flows From Investing Activities</b>				
Earnings on Investments	1,092		1,092	393
Net Increase in Cash and Cash Equivalents	15,385		15,385	767
Cash and Cash Equivalents, Beginning of Year	49,125	\$104	49,229	48,462
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$64,510</b>	<b>\$104</b>	<b>\$64,614</b>	<b>\$49,229</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

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**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2001**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Sheffield-Sheffield Lake City School District is a school district corporation governed by an elected Board of Education. As required by generally accepted accounting principles, these financial statements present all funds and account groups of the primary government. The primary government consists of all funds, departments, boards, organizations, and agencies that are not legally separate for financial reporting purposes.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units.

The District is involved with Lake Erie Educational Computer Association (LEECA), Lake Erie Regional Council (LERC), and Lorain County Joint Vocational School District, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 4.

Management believes the general-purpose financial statements included in the report represent all of the funds of the District over which the District has the ability to exercise direct operation control.

**Measurement Focus, Basis of Accounting and Basis of Presentation**

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The District has the following fund types and account groups:

Governmental funds are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

Property tax revenues, grant revenues and interest revenues are susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, if any, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Governmental funds include the following fund types:

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The debt service fund accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The capital projects funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements.

Proprietary funds include the following fund type:

The enterprise funds account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement.

The expendable trust fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

The nonexpendable trust fund is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. Nonexpendable trust funds account for assets of which the principal may not be spent.

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

Account groups: The general fixed assets account group is used to account for fixed assets not accounted for in proprietary or trust funds. The general long-term debt account group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

**Assets, Liabilities and Equity**

Deposits and Investments: For the purposes of the statement of cash flows, the District's cash and cash equivalents are considered to be investments of the cash management pool and short-term investments with original maturities of three months or less from the date of acquisition.

Investment procedures are restricted by provisions of the Ohio Revised Code.

Purchased investments are valued at cost and do not effect fund equity when purchased or redeemed. (See Note 3.)

Receivables and Payables: Property taxes are levied and assessed on a calendar year basis. Property taxes include amounts levied against real, public utility, and tangible personal property located in the District.

Restricted Assets: Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for specific purchases.

Inventories: Inventories are valued at cost or market using the first in/first out method. The costs of governmental fund type inventory are recorded as expenditures when purchased. Governmental fund-type inventories, on hand at year-end, are offset by a fund balance reserve which indicates they do not constitute available spendable resources even though they are a component of assets.

Proprietary fund type inventory costs are charged to operations when consumed. Inventories of proprietary funds consist of donated food, purchased food and school supplies held for resale. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

Fixed Assets: Fixed assets used in governmental fund types are recorded in the general fixed assets account group at cost or estimated historical cost when purchased or constructed. Assets in the general fixed assets account group are not depreciated. Proprietary fund assets are depreciated using the straight-line method over various estimated useful lives.

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

Donated fixed assets are recorded at fair market value as of the date donated. The District maintains a capitalization threshold of \$500 with the exception of student furniture and fixtures which are capitalized without consideration to threshold.

Library books and computer software are recorded as an adjustment to historical cost for value of disposal at time of acquisition.

Infrastructure, such as driveways, parking lots, landscaping, and other assets that are immovable and of value only to the District are not capitalized.

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are not included in the general fixed assets account group.

Accrued Liabilities and Long-term Obligations: The District reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term account group. The tax and revenue anticipation notes are fund liabilities of the fund receiving the proceeds.

Compensated Absences: Employees earn vacation in accordance with the following:

Administrators	Up to twenty-five days per year
Certificated	Ineligible for vacation
Non-Certificated	Ten to twenty-five days per year Depending on years of service

Accumulated unpaid vacation is limited to the amount earned during one year. Employees earn sick leave at the rate of one and one-quarter days per month and unlimited sick leave may be accumulated.

Employees are paid one hundred percent of their accumulated unpaid vacation when they terminate their employment for any reason. Certificated employees with ten or more years of service are paid one-fourth of their accumulated sick leave up to a maximum of seventy days upon termination of employment. Non-certificated employees are paid one-fourth of their accumulated sick leave up to a maximum of seventy days only upon retirement.

Compensated absences are absences for which employees will be paid, such as vacation or sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the District and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in the general long-term debt account group. In the proprietary funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

Fund Balance Reserves: The District records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriation for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, property taxes and budget stabilization. The reserve for property taxes represents accrued tax revenue not available for appropriation according to Ohio law.

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Textbook and Instructional Material Reserve	Capital Improvement and Maintenance Reserve	Budget Stabilization Reserve
Balance July 1, 2000	(\$94,131)		\$114,270
Required Set-Aside	334,013	\$334,013	
Off-sets		(71,654)	
Qualifying Expenditures	(375,106)	(660,716)	
Totals	(\$135,224)	(\$398,357)	\$114,270
 Reserve Balance Carried Forward to July 1, 2001	 (\$135,224)	 	 \$114,270

Although the District has offsets and qualifying disbursements during the year that reduced the set-aside requirement below zero, the amount for capital acquisitions may not be used to reduce the set-aside requirements of future years.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. S.B. 345 places special restrictions of the use of Bureau of Workers Compensation (BWC) rebate money remaining in the budget stabilization as of April 10, 2001, which is \$114,270 at June 30, 2001. Other non-BWC monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the General Fund. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

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

Memorandum Only - Total Columns: Total columns on the Notes to General-Purpose Financial Statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund elimination's have not been made in the aggregation of this data.

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

New Accounting Pronouncements: The District has adopted Governmental Accounting Standards Board Statement No. 33 (GASBS 33), *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement No. 36 (GASBS 36), *Recipient Reporting for Certain Nonexchange Transactions*. GASBS 33 and 36 establish accounting and financial reporting standards for nonexchange transactions including financial or capital resources and was adopted by the District for the fiscal year ended June 30, 2001. For the District, the implementation of GASBS 33 and 36 had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The Board of Education is required, by Ohio Revised Code, to adopt an annual budget for all funds, except agency funds.

Budget: A budget of estimated cash receipts and disbursements is adopted by January 15 and submitted to the county auditor, as secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 Fiscal Year.

Estimated Resources: The County Budget Commission certifies its actions to the District. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year.

Prior to fiscal year end, the District must revise its budget so that the total contemplated expenditures from a fund during the year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - All Governmental Fund Types", do not include July 1, 2000 unencumbered fund balances. However, those fund balances are available for appropriations. The amounts reported in the budgetary statements reflect the final budget figures.

Appropriations: Appropriations may be defined as expenditure authorization and are synonymous with budget within the Budget and Actual presentations. A temporary appropriation measure to control the cash disbursements may be passed prior to passage of the annual appropriation measure. An annual appropriation measure must be passed for the current fiscal year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Several amendments and supplements were enacted during the fiscal year. The amounts reported in the budgetary statements reflect final amended appropriations. Appropriations may not exceed estimated resources and expenditures plus encumbrances may not exceed appropriations at the fund level, which is the legal level of control.

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

Encumbrances: The District is required to use, by Ohio law, the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. Encumbrances at year-end have been presented as reserves of fund balances.

Budgetary Basis of Accounting: The District's budgetary process is based upon accounting for transactions on the budget basis. The difference between budget basis and the accrual and modified accrual (GAAP) basis are that revenues are recorded when received in budget as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid or encumbered (budget) as opposed to when incurred (GAAP). Also, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis). Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

	General	Special Revenue	Capital Project
GAAP Basis	(\$828,181)	\$430,374	\$34,131
Net Adjustments for:			
Revenue Accruals	166,778	(236,427)	(41,534)
Expenditure Accruals	129,237	(157,459)	16,798
Encumbrances	(64,082)	(151,553)	(47,026)
Budget Basis	(\$596,248)	(\$115,065)	(\$37,631)

**Deficit Fund Equity**

On June 30, 2001, the General Fund reflected a deficit fund balance in the amount of \$400,833. This deficit resulted from adjustments for accrued liabilities.

**NOTE 3: CASH AND INVESTMENTS**

Cash and Cash Equivalents and Investments: The District maintains a cash and investment pool used by all funds. Each fund type's portion is displayed on the "Combined Balance Sheet - All Fund Types and Account Groups" as cash and cash equivalents.

Legal Requirements: Deposits and investments are restricted by provisions of the Ohio Revised Code. Statutes require the classification of monies held by the District into three categories.

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

Inactive deposits are public deposits that are not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Inactive monies are permitted to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuance's of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.
7. Certain Banker's acceptances and commercial paper notes for a period not to exceed 180 days, in an amount not to exceed twenty-five percent of the interim monies available for investment at any on time.

The District may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons.

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

3. Obligations of the District.

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

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$48,505 which includes \$700 petty cash and the bank balance was \$185,646. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining \$85,646 was uninsured and unregistered as it was secured by a collateral pool held at the Federal Reserve Bank in the name of the respective depository bank which pledges a pool of collateral against all public deposits it holds.

Investments: The District invests in STAR Ohio which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form. The carrying value and market value of STAR Ohio investments is \$923,273.

Earnings on Investments: Interest revenue credited to the General Fund during 2001 amounted to \$106,032 which includes interest assigned from other District funds.

**NOTE 4: JOINTLY GOVERNED ORGANIZATIONS**

**A. Lake Erie Education Computer Association (LEECA)**

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating school districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County which serves as fiscal agent at 1885 Lake Avenue, Elyria, Ohio

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

44035. The District's fiscal 2001 contributions to LEECA were approximately \$14,579 for basic service charges.

**B. Lake Erie Regional Council (LERC)**

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of thirteen school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, driver education, food service and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge except for insurance.

The LERC's shared risk pool premiums are billed to each participating school district based on actuarially determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program for any fiscal year, each participating member is notified of the deficiency and billed for its share of the additional cost.

The LERC assembly consists of a superintendent or designated representative from each participating school district and the fiscal agent. LERC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County at 1885 Lake Avenue, Elyria, Ohio 44035. During fiscal year 2001, the District contributed approximately \$975,256 to LERC.

**C. Lorain County Joint Vocational School District**

The Lorain County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each participating school district's elected board, which possesses its own budgeting and taxing authority. Accordingly, the Lorain County Joint Vocational School District is not part of the District and its operations are not included as part of the reporting entity. Financial information can be obtained by contacting the Treasurer at the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44035. The District did not make any contributions during fiscal 2001.

**NOTE 5: FIXED ASSETS**

A summary of changes in general fixed assets is as follows:

	Balance June 30, 2000	Restated Balance July 1, 2000	Additions	Reductions	Balance June 30, 2001
Land	\$11,310	\$11,310			\$11,310
Building and Improvements	4,517,138	4,517,138		(\$38,899)	4,478,239
Furniture, Fixtures and Equipment	2,729,776	2,393,194	\$280,558	(70,741)	2,603,011
Vehicles	1,247,612	1,247,612	116,668	(32,400)	1,331,880
Textbooks and Library Books	1,430,693	397,469	48,610		446,079
<b>Total</b>	<u>\$9,936,559</u>	<u>\$8,566,724</u>	<u>\$445,836</u>	<u>(\$142,040)</u>	<u>\$8,870,549</u>

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

**Restatement of Fund Equity**

During the fiscal year 2001, the District determined that it would no longer capitalize textbooks. The effect of this change resulted in a decrease to the beginning balance for Textbooks and Library Books from \$1,430,693 to \$397,469.

Also, the general fixed asset account group category furniture, fixtures and equipment was adjusted to correct an overstatement due to the inclusion of certain items that have been discarded or sold by the District. The effect of this correction resulted in a decrease to the beginning balance of furniture, fixtures and equipment from \$2,729,776 to \$2,393,194.

A summary of enterprise fund fixed assets as of June 30, 2001 is as follows:

Furniture, fixtures and equipment	\$145,512
Vehicles	<u>10,800</u>
Total	156,312
Less: Accumulated Depreciation	<u>(147,008)</u>
Net Assets	<u><u>\$9,304</u></u>

There was no significant construction in progress on June 30, 2001.

**NOTE 6: CURRENT OBLIGATIONS**

Notes: 2000 Series Tax Anticipation Notes were issued on December 28, 2000 to provide operating revenues. These notes are obligations of the District for which portions of its future Emergency Tax Levy receipts are pledged for repayment. Since these notes are tax anticipation notes, they are recognized as a liability in the fund in which the proceeds were received. The notes bear interest at 5.8%.

Annual requirements to amortize current notes payable, as of June 30, 2001, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2002	<u>\$105,000</u>	<u>\$3,042</u>	<u>\$108,042</u>

Principal amounts of this Note may be drawn down by the District from time to time in increments of \$10,000 and integral multiples of \$1,000 in excess thereof. No principal drawing shall be permitted if the amount of the drawing would cause the aggregate outstanding principal amount to exceed the Maximum Permitted Principal Amount, as set forth in the following table.

This Note shall mature on December 1, 2005. The Maximum Permitted Principal Amount of this Note that may be outstanding at any time prior to December 1, 2005 shall be:

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
June 30, 2001  
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Period	Maximum Permitted Principal Amount
Through November 30, 2001	\$2,300,000
December 1, 2001 through November 30, 2002	1,840,000
December 1, 2002 through November 30, 2003	1,380,000
December 1, 2003 through November 30, 2004	920,000
December 1, 2004 through November 30, 2005	460,000

On December 1 of each of the years 2001 through 2004, inclusive, the District shall make a mandatory sinking fund payment of principal on this Note in an amount equal to the positive difference, if any, between the then outstanding principal amount of this Note and the Maximum Permitted Principal Amount of this Note that may be outstanding on that date, as reflected in the above table.

The principal of and interest on this Note are payable at the office of the District's authenticating agent, paying agent and note registrar, presently the Treasurer of the School District (the "Note Registrar"). Interest is payable on each Interest Payment Date by check or draft mailed to the Registered Owner hereof, as shown on the registration books of the District maintained by the Note Registrar, at the close of business on the 15<sup>th</sup> day next preceding that Interest Payment Date (the "Record Date").

**NOTE 7: LONG-TERM OBLIGATIONS**

Outstanding notes were issued to finance improvements for school buildings. These notes are general obligations of the District for which its full faith, credit, and resources are pledged for repayment. Accordingly, obligations resulting from this note indebtedness are represented within the general long-term debt account group.

Annual requirements to amortize long-term notes outstanding on June 30, 2001, including interest payments, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2002	\$72,000	\$29,497	\$101,497
2003	76,000	25,740	101,740
2004	80,000	21,777	101,777
2005	84,000	17,613	101,613
2006 and Thereafter	306,000	26,202	332,202
Total	<u>\$618,000</u>	<u>\$120,829</u>	<u>\$738,829</u>

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

Changes in Long-Term Obligations: Changes in General Long-Term Obligations are as follows:

	Balance July 1, 2000	Additions	Reductions	Balance June 30, 2001
General Obligation Notes:				
Energy Conservation Notes, 5.15% & 4.85 % Interest Rates	\$686,000		(\$68,000)	\$618,000
Capital Leases	63,096		(25,031)	38,065
Compensated Absences and Retirement	1,319,564	\$2,860		1,322,424
Intergovernmental Payable	248,818		(109,990)	138,828
Totals	<u>\$2,317,478</u>	<u>\$2,860</u>	<u>(\$203,021)</u>	<u>\$2,117,317</u>

**NOTE 8: LEASES**

Capital Leases: The District entered into lease agreements to finance the acquisition of photocopiers and a networking system in prior years. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present values of the future minimum lease payments, as of the inception dates in the General Fixed Assets Account Group and the General Long-Term Account Group.

The future minimum lease obligations and the net present values of these minimum lease payments, as of June 30, 2001, were as follows:

Year Ending June 30	General Long Term Debt
2002	\$28,877
2003	6,259
2004	5,216
Total Minimum Lease Payments	40,352
Less: Amount Representing Interest	(2,287)
Present Value of Minimum Lease Payments	<u>\$38,065</u>

**NOTE 9: PROPERTY TAXES**

Property taxes include amounts levied annually, on all real and public utility property and business tangible personal property which is located within the District. The Lorain County Auditor is responsible for assessing and remitting these property taxes to the District. The Lorain County Treasurer is responsible for collecting property taxes.

Real property taxes collected were based on assessed value equal to thirty-five percent (35%) of appraised value. The County Auditor reappraises real property every six years, which was last completed for 2000.

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

Real property taxes are levied on assessed valuations as of December 31, which is the lien date. Real property taxes, billed one year in arrears, are payable annually or semi-annually. The first payment is due January 20, and the remainder is payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes collected were based on assessed values that represent varying percentages of cost. Tangible personal property taxes are levied on January 1, which is the lien date, of the current year and are due by April 30. Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date.

Certain public utility tangible personal property currently is assessed at 88 percent (88%) of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Lorain County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Since Lorain County assesses and levies property taxes on a calendar basis, the District receives property taxes from two (2) taxing years during the District's fiscal year.

The assessed values of real and tangible personal property, upon which property tax receipts for the Fiscal Year Ended June 30, 2001 were based, are as follows:

	Assessed Values 2001	Assessed Values 2000
Real Property:		
Residential / Agricultural	\$167,414,540	\$137,364,490
Commercial / Industrial	54,574,930	39,236,160
Public Utilities	1,419,390	1,475,260
Tangible Personal Property:		
General	34,780,050	34,832,870
Public Utilities	9,435,910	9,738,940
Total Assessed Valuation	<u>\$267,624,820</u>	<u>\$222,647,720</u>

**NOTE 10: DEFINED BENEFIT PENSION PLANS**

**State Teachers Retirement System**

A. State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

B. STRS Ohio is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the state or any political subdivision thereof. Any member

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age may retire. The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The annual allowance is calculated by using a base percentage of 2.1% multiplied by the total number of years of service (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached.

Legislation passed in April 2000 with a July 1999 effective date provided an adjustment for retirees whose benefits have not kept pace with the rate of inflation. The legislation also changed the formula for calculating the formula benefit. The formula benefit increased to 2.2% from 2.1% per year for all years up to 30 years. For members with 35 or more years of earned Ohio service, the first 30 years will be calculated at 2.5% instead of 2.2%. For earned Ohio service over 30 years, the formula will remain as current law, which provides an escalating formula of 2.5% for the 31<sup>st</sup> year, 2.6% for the 32<sup>nd</sup> year, 2.7% for the 33<sup>rd</sup> year, etc., until 100% of final average salary is reached.

Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Full-time faculty with less than five years of service credit have a one-time option to select an ARP instead of STRS Ohio. Employees hired after the ARP is established have 90 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or other Ohio public retirement system is eligible for re-employment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the re-employed member and employer during the re-employment. Upon termination of re-employment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Retirement benefits are annually increased by the greater of the amount of the change in the Consumer Price Index (CPI) or the cumulative CPI increases since retirement, less previous cost-of-living increases, up to a maximum of 3% of the original base benefit. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums.

A member with five or more years' credited service who becomes disabled is entitled to a disability benefit. Survivor benefits are available to eligible spouses and dependents of active members who die before retirement. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member. Additional death benefit coverage of \$1,000 or \$2,000 can be purchased. Various other benefits are available to members' beneficiaries.

Benefits are established by Chapter 3307, Revised Code.

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

C. Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

D. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2001, were 9.3% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ending June 30, 2001, 2000, and 1999 were \$1,011,477, \$992,525, and \$938,266, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$176,304, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

E. STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2000 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090.

**School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 45 N. Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions to SERS for the years ending June 30, 2001, 2000, and 1999 were \$288,586, \$284,065, and \$272,040, respectively; 45 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$158,604, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-term Obligations Account Group.

**NOTE 11: POST EMPLOYMENT BENEFITS**

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System, and to retired non-certified employees and their dependents through the School Employees Retirement System.

**State Teachers Retirement System (STRS)**

A. State Teachers Retirement System of Ohio (STRS Ohio) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the health care costs will be

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. This system is funded on a pay-as-you-go basis.

B. The R.C. grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

C. The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001, and after, will be 4.5% of covered payroll. For the District, this amount equaled \$325,118 during the 2001 fiscal year.

D. For the year ended June 30, 2000, net health care costs paid by STRS Ohio were \$283,137,000. There were 99,011 eligible benefit recipients.

June 30, 2000 is the latest date for which information is available.

**School Employees Retirement System (SERS)**

A. The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

B. After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2001, the allocation rate is 9.8%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

C. Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$252.3 million.

D. The number of benefit recipients currently receiving health care benefits is approximately 50,000.

E. The portion of the District's contributions that were used to fund postemployment benefits, including the surcharge, is \$235,102.

**NOTE 12: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

The District has a comprehensive property and casualty policy with the Travelers Aetna Insurance Company which includes boiler coverage. The deductible is \$1,000 per incident. All vehicles are insured with Nationwide Insurance Company and have a \$100 deductible. All Board Members, Administrators and employees are covered under a school district liability with OSBA/BASA Nationwide Insurance. The limits of this coverage are \$2,000,000 per occurrence and \$5,000,000 aggregate.

The Board President and the Superintendent are covered with surety bonds for \$20,000. The Treasurer also is covered by a surety bond in the amount of \$100,000. These bonds are all with Nationwide Mutual Insurance Company.

Remaining employees who handle money are covered with a public employees blanket bond in the amount of \$5,000. This coverage is also provided by the American Employers Insurance Company.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year's.

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The District provides life insurance and accidental death and disbursement insurance to its employees based on year of service.

The District contracts with the Lake Erie Regional Council organization (LERC) to provide employee medical/surgical, dental, and vision benefits. The LERC is a shared risk pool comprised of thirteen Lorain County school districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flows. Upon termination, all District claims would be paid without regard to the District's account balance. The LERC Board of Directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. This plan provides a medical/surgical, dental, and vision plan with deductibles of \$50 for single and \$100 for family coverage.

**NOTE 13: SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains the following enterprise funds:

Food Service Fund: Established to account for the purchase and sale of food to students.

Uniform School Supplies Fund: Established to account for the purchase and sale of school supplies that are ultimately purchased by students.

Community Education Fund: Established for the purchases of services for programs for adults and children for recreational activity within the community.

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

Segment information for enterprise funds is as follows:

	Food Services	Uniform School Supplies	Community Education	Total
Operating Revenues	\$225,820	\$52,510		\$278,330
Operating Expenses	380,305	62,904		443,209
Depreciation Expense	970			970
Operating (Loss)	(155,455)	(10,394)		(165,849)
Intergovernmental	92,740			92,740
Donated Commodities	27,415			27,415
Earning on Investments	1,092			1,092
Operating Transfers In	60,000			60,000
Net Income (Loss)	25,792	(10,394)		15,398
Net Working Capital	17,139	20,405	1,182	38,726
Total Assets	76,527	20,405	1,182	98,114
Total Equity	26,443	20,405	1,182	48,030

**NOTE 14: CONTINGENCIES**

Grants: The District receives financial assistance from numerous federal and state agencies which is subjected to financial and compliance audits in accordance with the Single Audit Act Amendments of 1996. Such audits could lead to a request for reimbursement to the grantor agency for disallowed expenditures. Management believes that such disallowance, if any, would not materially affect the District's financial position.

State School Funding Decision: On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funded parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 20, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Notes to the General-Purpose Financial Statements  
June 30, 2001  
(Continued)**

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

During the fiscal year ended June 30, 2001, the District received \$4,940,228 of school foundation support for its general fund.

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**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

<b>Federal Program</b> <i>Pass through Grantor</i> Fund	CFDA #	Pass-through Agency Awarding Number
<b>United States Department of Health and Human Services</b>		
<i>Passed-through Ohio Department of Mental Retardation and Developmental Disabilities</i>		
Community Alternative Funding System (CAFS)	93.778	
<b>United States Department Of Education</b>		
<i>Passed-through Ohio Department of Education</i>		
<u>Special Education Cluster:</u>		
Special Education - Pre-school	84.173	044768 PG-S1-2001P 044768-PG-S1-00P
Special Education - Grants to States	84.027	044768 6B-SF-00P 044768 6B-SF-01P
Total Special Education Cluster		
Title 1 Grants to Local Educational Agencies	84.010	044768 C1-S1-2001 044768-C1-S1-2000
Total Title 1 Grants to Local Educational Agencies		
Vocational Education-Basic Grants	84.048	
Safe and Drug-Free Schools and Communities-State Grants	84.186	044768-DR-S1-2001 044768-DR-S1-2000
Total Safe and Drug-Free Schools and Communities - State Grants		
Eisenhower Professional Development State Grant	84.281	044768-MS-S1-2000 044768-MS-S1-2001
Total Eisenhower Professional Development State Grant		
Innovative Education Program Strategies	84.298	044768-C2-S1-00 044768-C2-S1-99C 044768-C2-S1-2001
Total Innovative Education Program Strategies		
Comprehensive School Reform Demo	84.332	048132 RF-S1-00
Class Size Reduction Subsidy	84.340	044768-CR-S1-2001 044768-CR-S1-00
Total Class Size Reduction Subsidy		
Total United States Department of Education		
<b>United States Department Of Agriculture</b>		
<i>Passed-through Ohio Department of Education</i>		
<u>Child Nutrition Cluster:</u>		
National School Lunch Program	10.555	N/A
Food Distribution Program	10.550	N/A
Total Nutrition Cluster/Total United States Department of Agriculture		
<b>Corporation for National and Community Service</b>		
<i>Passed-through Ohio Department of Education</i>		
Learn and Serve America	94.004	044768-SV-S4-00
<b>Total Federal Financial Assistance</b>		

*The accompanying notes are an integral part of this statement.*

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
\$2,840		\$7,520	
6,980		4,843	
12,612		4,851	
115,772		15,391	
135,364		114,223	
137,112		139,308	
29,061		122,805	
166,173		29,149	
		151,954	
		3,240	
7,798		5,016	
7,798		200	
4,731		5,216	
5,909		4,421	
10,640		5,193	
876		9,614	
4,717		4,736	
5,593		1,463	
50,000		2,747	
29,969		8,946	
4,695		86,441	
34,664		23,217	
		5,021	
		28,238	
410,232		432,957	
89,232		89,232	
	\$27,489		\$27,415
89,232	27,489	89,232	27,415
		5,021	
<b>\$502,304</b>	<b>\$27,489</b>	<b>\$534,730</b>	<b>\$27,415</b>

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**Notes to the Schedule of Federal Awards Receipts And Expenditures  
Fiscal Year Ended June 30, 2000**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (Schedule) includes the federal grant activity of the District and is presented on the basis of cash receipts and disbursements. 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 general-purpose financial statements.

**NOTE B - FOOD DISTRIBUTION AND LUNCH PROGRAM**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



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

Sheffield-Sheffield Lake City School District  
Lorain County  
1824 Harris Road  
Sheffield, Ohio 44054

To the Board of Education:

We have audited the financial statements of Sheffield-Sheffield Lake City School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated February 20, 2002, which noted that the District changed its policy for capitalizing certain fixed assets that are reported in the General Fixed Assets Account Group. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 20, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 20, 2002.

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

**Jim Petro**  
Auditor of State

February 20, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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

Sheffield-Sheffield Lake City School District  
Lorain County  
1824 Harris Road  
Sheffield, Ohio 44054

**Compliance**

We have audited the compliance of Sheffield-Sheffield Lake City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

**Internal Control Over Compliance**

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

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

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

**Jim Petro**  
Auditor of State

February 20, 2002

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: Special Education Grants to States CFDA # 84.027 Special Education - Preschool Grants CFDA # 84.173  Innovative Education Program Strategies CFDA # 84.298
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2000-10847-001	ORC § 5705.36 (3) Amounts transferred to retire debt not certified to the County Budget Commission.	Yes	Finding no longer valid.
2000-10847-002	ORC § 5705.41(B) Amounts expended to retire debt were not appropriated.	Yes	Finding no longer valid.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 18, 2002**