



Dave Yost • Auditor of State

**CITY OF SHEFFIELD LAKE
LORAIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Sheffield Lake
Lorain County
609 Harris Road
Sheffield Lake, Ohio 44054

To the City Council:

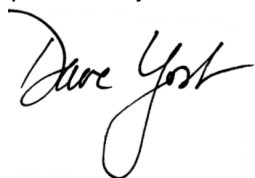
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, Ohio (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Roads–Income Tax funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 5, 2011

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED

The management's discussion and analysis of the City of Sheffield Lake's (the City) financial performance presents a narrative overview and analysis of the City's financial activities for the year ended December 31, 2010. The intent of the discussion and analysis is to present the City's financial performance as a whole. Readers are encouraged to consider this information in conjunction with the basic financial statements and notes to financial statements for an enhanced understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2010 were as follows.

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$ 21,338,467 (net assets). Of this amount, \$ 2,018,584 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.

Total net assets increased by \$ 228,793. This was comprised of a decrease in invested in capital assets, net of related debt of \$ 401,279, which was offset by increases in restricted net assets of \$ 26,083 and unrestricted net assets of \$ 603,989.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 2,162,313, an increase of \$ 434,681 in comparison with the prior year. Approximately 93 percent of this amount, \$ 2,004,535, is available for spending at the City's discretion (unreserved fund balance).

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$ 596,288, or 18 percent of total General Fund expenditures.

The City's total debt decreased by \$ 500,565 (5 percent) during the current year.

Overview of Financial Statements

This annual report includes the City's basic financial statements, which consist of government-wide financial statements and fund financial statements, and notes to the basic financial statements. The government-wide financial statements provide information about the City as a whole, providing an aggregate view of the City's finances. The fund financial statements provide an additional level of detail.

Government-wide Financial Statements

The government-wide financial statements provide a broad overview of the City's finances in a manner similar to a private-sector business. The *Statement of Net Assets* presents information on all the City's assets and liabilities, with the difference between total assets and total liabilities reported as net assets. Increases or decreases in net assets over time serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The *Statement of Activities* presents information reflecting the City's financial activities and changes in net assets during the year. These two statements use the accrual basis of accounting, under which revenue is generally recognized when earned and expenses recognized when incurred, regardless of when cash is received or paid. These statements distinguish between governmental activities, which are those that are principally supported by taxes and intergovernmental revenues, and business-type activities, which are those that are intended to recover their costs through user fees and charges. The City's business-type activities consist of water system operations, sanitary sewer system operations and storm water system operations.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED

Fund Financial Statements

Governmental fund financial statements focus on the City's most significant, or major funds. The City's major governmental funds are the General Fund, Roads – Income Tax Fund and Shoreway Capital Project Fund. The remaining non-major funds are combined and reflected in one single column. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at year end. This information can be useful in determining what financial resources are available to finance the City's activities. A reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities for the year ended December 31, 2010 is presented. The City, similar to other local governments, uses fund accounting to ensure and demonstrate finance related legal requirements.

Fund Categories

The City's funds can be divided into three categories consisting of *governmental* funds, *proprietary* funds and *fiduciary* funds.

Governmental funds

Most of the City's activities are reported in governmental funds, which are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds use the modified accrual method of accounting, which measures cash and other financial assets readily convertible to cash.

Proprietary funds

Proprietary funds are generally used to account for activities for which the City will charge customers and users. Proprietary funds of the City consist of enterprise funds which are used to account for those functions reported as business-type activities in the government-wide financial statements. The City's enterprise funds account for water system operations, sanitary sewer system operations and storm water system operations. Proprietary funds use the accrual basis of accounting.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City and are not included in the government-wide financial statements since the resources held are not available to support City programs. The City uses only agency funds included under the fiduciary funds category. Agency funds are reported on a full accrual basis, for which only a statement of assets and liabilities is presented.

Notes to the Basic Financial Statements

Notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. These should be read in connection with those financial statements.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED

The City of Sheffield Lake as a Whole

Analysis of Net Assets

The *Statement of Net Assets* presents the City as a whole. Following is a summary of the City's net assets for 2010 compared to 2009.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$ 8,822,822	\$ 8,901,323	\$ 1,069,374	\$ 784,619	\$ 9,892,196	\$ 9,685,942
Capital assets, net	14,928,901	15,352,156	6,951,728	7,196,074	21,880,629	22,548,230
Total assets	23,751,723	24,253,479	8,021,102	7,980,693	31,772,825	32,234,172
Liabilities						
Current liabilities	4,918,129	5,390,433	128,199	100,470	5,046,328	5,490,903
Long-term liabilities	3,379,083	3,451,684	2,008,947	2,181,911	5,388,030	5,633,595
Total liabilities	8,297,212	8,842,117	2,137,146	2,282,381	10,434,358	11,124,498
Net assets						
Invested in capital assets, net of related debt	12,118,135	12,433,947	4,989,472	5,074,939	17,107,607	17,508,886
Restricted	2,212,276	2,186,193	-	-	2,212,276	2,186,193
Unrestricted	1,124,100	791,222	894,484	623,373	2,018,584	1,414,595
Total net assets	\$ 15,454,511	\$ 15,411,362	\$ 5,883,956	\$ 5,698,312	\$ 21,338,467	\$ 21,109,674

Investment in capital assets (land, construction in progress, buildings and improvements, equipment and vehicles and infrastructure) less any related debt to acquire those assets still outstanding represents the largest portion of net assets. Capital assets are used to provide services to the City's citizens, however, are not available for future spending. Total assets decreased by \$ 461,347 to \$ 31,772,825. Current and other assets increased by \$ 206,254 to \$ 9,892,196. Current liabilities decreased by \$ 444,575 to \$ 5,046,328 primarily due to a decrease of notes payable due within one year. Long-term liabilities decreased by \$ 245,565 to \$ 5,388,030. Total net assets increased by \$ 228,793 to \$ 21,338,467 with governmental net assets comprising \$ 15,454,511 and business-type net assets comprising \$ 5,883,956 of that amount.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED

Analysis of Changes in Net Assets

To understand what makes up changes in net assets, following are results of activities for the current year compared to the prior year.

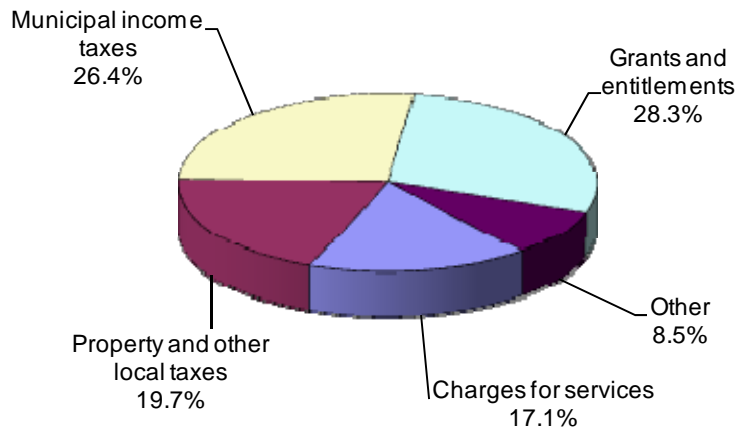
	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for services	\$ 1,156,507	\$ 1,150,604	\$ 1,919,133	\$ 1,865,096	\$ 3,075,640	\$ 3,015,700
Capital grants and contributions	220,237	3,039,666	-	-	220,237	3,039,666
Total program revenues	<u>1,376,744</u>	<u>4,190,270</u>	<u>1,919,133</u>	<u>1,865,096</u>	<u>3,295,877</u>	<u>6,055,366</u>
General revenues						
Property and other local taxes	1,328,025	1,272,920	-	-	1,328,025	1,272,920
Municipal income taxes	1,782,353	1,877,677	-	-	1,782,353	1,877,677
Grants and entitlements	1,690,831	148,418	-	-	1,690,831	148,418
Other	566,576	505,492	-	802	566,576	506,294
Total general revenues	<u>5,367,785</u>	<u>3,804,507</u>	<u>-</u>	<u>802</u>	<u>5,367,785</u>	<u>3,805,309</u>
Total revenues	<u>6,744,529</u>	<u>7,994,777</u>	<u>1,919,133</u>	<u>1,865,898</u>	<u>8,663,662</u>	<u>9,860,675</u>
Program expenses						
Security of persons and property	2,806,099	2,831,824	-	-	2,806,099	2,831,824
Public health and welfare	22,205	37,171	-	-	22,205	37,171
Leisure time activities	182,404	167,487	-	-	182,404	167,487
Community environment	139,827	523,525	-	-	139,827	523,525
Basic utility services	720,625	718,206	-	-	720,625	718,206
Transportation	1,501,187	1,512,324	-	-	1,501,187	1,512,324
General government	1,220,478	1,276,864	-	-	1,220,478	1,276,864
Interest	108,555	135,710	-	-	108,555	135,710
Water	-	-	589,116	591,260	589,116	591,260
Sewer	-	-	845,013	869,552	845,013	869,552
Storm water	-	-	299,360	325,585	299,360	325,585
Total program expenses	<u>6,701,380</u>	<u>7,203,111</u>	<u>1,733,489</u>	<u>1,786,397</u>	<u>8,434,869</u>	<u>8,989,508</u>
Increase in net assets	43,149	791,666	185,644	79,501	228,793	871,167
Net assets, beginning of year	<u>15,411,362</u>	<u>14,619,696</u>	<u>5,698,312</u>	<u>5,618,811</u>	<u>21,109,674</u>	<u>20,238,507</u>
Net assets, end of year	<u>\$ 15,454,511</u>	<u>\$ 15,411,362</u>	<u>\$ 5,883,956</u>	<u>\$ 5,698,312</u>	<u>\$ 21,338,467</u>	<u>\$ 21,109,674</u>

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED

Governmental activities

Revenues by source of governmental activities for 2010 were comprised of:

Revenues by Source, Governmental Activities

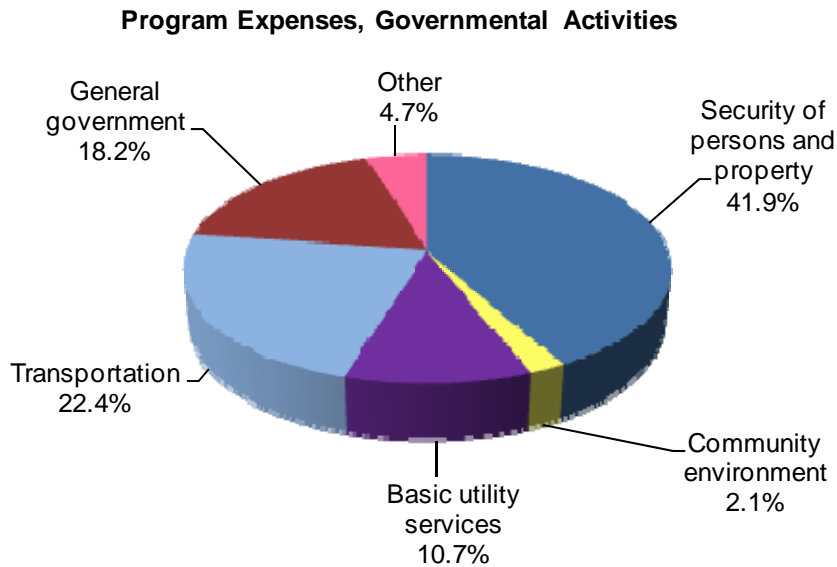


Revenues

For 2010, grants and entitlements representing 28.3% of total revenue, was the largest portion of revenue for governmental activities. Municipal income taxes, property and other local taxes, and charges for services represented the next three largest sources of revenue at 26.4%, 19.7%, and 17.1% respectively.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
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Program expenses of governmental activities for 2010 were comprised of:



Program expenses

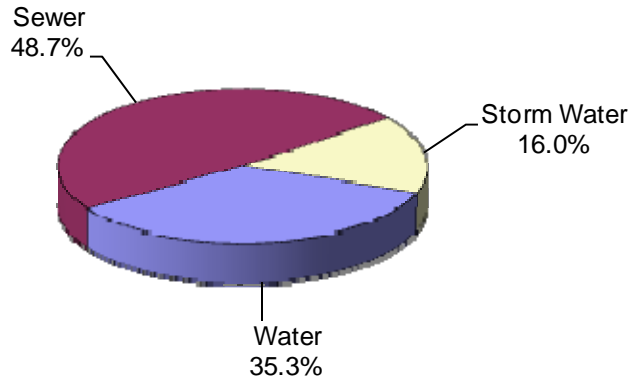
Program expenses amounted to \$ 6,701,380 in 2010, of which \$ 1,376,744 was supported by program revenue. Security of persons and property, which includes police, fire and paramedic services, represented \$ 2,806,099 or 41.9% of total program expenses. Community environment represented \$ 139,827 or 2.1%. Basic utilities services of \$ 720,625 or 10.7% includes refuse collections. Transportation, which includes street maintenance and snow removal, represented \$ 1,501,187 or 22.4% of program expenses. General government represented \$ 1,220,478 or 18.2% of program expenses. General government expenses include legislative and administrative services such as council, mayor, finance, law and computer services departments, utilities and maintenance of buildings. Other expenses include public health and welfare, leisure time activities, including recreation activities and maintenance of the City's park system, and interest amounted to \$ 313,164 or 4.7%.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED

Business-type activities

Revenues for business-type activities for 2010 were comprised of:

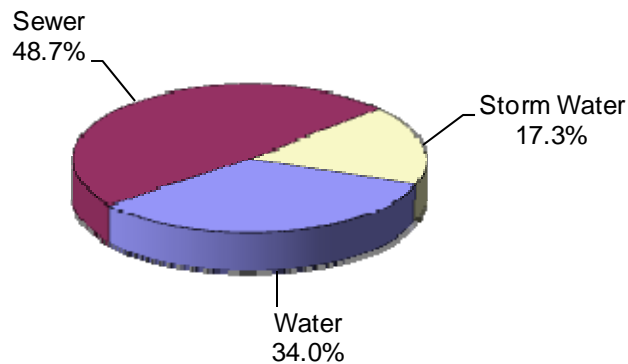
Revenue, Business-type Activities



Revenues

Charges for services represented 100.0% of total revenues for business-type activities in 2010.

Expenses, Business-type Activities



Expenses

Water operations expenses amounted to \$ 589,116 or 34.0%. Sanitary sewer operations expenses amounted to \$ 845,013 or 48.7% of total program expenses and storm water operation expenses amounted to \$ 299,360 or 17.3% for business-type activities. Water operations, sanitary sewer operations and storm water operations have historically been self-supporting through user fees and charges.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED

The City's Funds

The City's governmental funds financial information begins at page 16. Total governmental assets decreased by \$ 78,501, while total governmental liabilities decreased by \$ 513,182 resulting in an increase in governmental total fund balances of \$ 434,681 to \$ 2,162,313 at year-end 2010. Total governmental funds revenues decreased by \$ 1,305,076 in 2010, while total expenditures decreased by \$ 1,982,279. Total other financing sources (uses) increased by \$ 85,814. The City's major governmental funds in 2010 consisted of the General Fund, Roads - Income Tax Fund and Shoreway Capital Projects Fund. General Fund revenues were \$ 357,452 or 10.7% higher in 2010 than 2009. General Fund total expenditures decreased by \$ 99,924 or 2.9%. Other financing sources (uses) changed to \$ 2,613 in 2010 from (\$ 43,930) in 2009. Accordingly, the General Fund balance increased by \$ 412,691 to \$ 635,368 at year-end 2010. The Roads - Income Tax (Special Revenue) Fund revenues were \$ 1,481,130 lower in 2010 than 2009. Roads - Income Tax fund total expenditures decreased by \$ 1,452,782. Other financing sources (uses) changed to \$ 470,825 in 2010 from \$ 93,930 in 2009. Accordingly, the Roads - Income Tax Fund balance increased by 8,298 to \$ 354,657 at year-end 2010.

The City's proprietary funds information begins at page 22. Water Fund, Sewer Fund and Storm Water Fund net assets increased by \$ 88,840, \$ 88,449 and \$ 8,355, respectively. The City's proprietary funds have historically been self-sufficient.

Budgetary Highlights

The City prepares its budget in accordance with Ohio law on the basis of cash receipts, disbursements and encumbrances. The City's original budget and amendments are enacted by City Council upon recommendation of Council's Finance Committee. Budgetary expenditure modifications at the legal level of control may only be made by ordinance of City Council. The City's final budget differs from the original budget due to various amendments during the year to reflect changes in unanticipated revenue receipts.

The General Fund is the City's most significant budgeted fund. Original budgeted receipts (excluding other sources) for the General Fund were \$ 3,420,256 and final budgeted receipts were \$ 3,716,759. Original appropriations (excluding other uses) were \$ 3,410,936. The City actually expended \$ 3,361,920 which was \$ 188,469 less than final appropriations.

The City historically spends less than appropriated. For 2010, actual expenditures were 94.7% of final appropriations.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED

Capital Assets

Capital assets, net of depreciation, at December 31, consisted of:

	Governmental Activities		Business type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 484,539	\$ 484,539	\$ 153,910	\$ 153,910	\$ 638,449	\$ 638,449
Construction in progress	-	135,036	-	-	-	135,036
Buildings and improvements	2,366,659	2,440,729	119,448	122,163	2,486,107	2,562,892
Equipment and vehicles	617,540	664,278	278,560	313,422	896,100	977,700
Infrastructure	11,460,163	11,627,574	6,399,810	6,606,579	17,859,973	18,234,153
	<u>\$ 14,928,901</u>	<u>\$ 15,352,156</u>	<u>\$ 6,951,728</u>	<u>\$ 7,196,074</u>	<u>\$ 21,880,629</u>	<u>\$ 22,548,230</u>

Capital assets are major assets that benefit more than one fiscal year. The City's capitalization threshold is \$ 5,000, that is, asset cost must equal \$ 5,000 or more to be capitalized. Infrastructure assets are long-lived capital assets that are normally stationary in nature with a useful life significantly greater than most capital assets. The City's governmental infrastructure includes streets, bridges, culverts, and sidewalks.

The City's total capital assets, net of depreciation, under governmental activities were \$ 14,928,901 at December 31, 2010, which was \$ 423,255 lower than the previous year. Business-type capital assets, net of depreciation, decreased by \$ 244,346 to \$ 6,951,728, primarily due to depreciation expense.

For more information about the City's capital assets, see Note 7 to the Basic Financial Statements.

Debt

Outstanding debt obligations of the City at December 31 consisted of:

	Governmental Activities		Business type Activities		Total	
	2010	2009	2010	2009	2010	2009
Notes payable	\$ 4,480,905	\$ 4,932,905	\$ 120,000	\$ 150,000	\$ 4,600,905	\$ 5,082,905
Highway improvement note payable	133,188	112,240	-	-	133,188	112,240
OPWC loans	342,293	139,227	267,256	289,495	609,549	428,722
General obligation bonds	1,075,000	1,185,000	1,560,050	1,625,000	2,635,050	2,810,000
Capital leases	24,380	48,837	-	56,640	24,380	105,477
Accrued leave benefits	568,317	533,475	61,641	60,776	629,958	594,251
	<u>\$ 6,624,083</u>	<u>\$ 6,951,684</u>	<u>\$ 2,008,947</u>	<u>\$ 2,181,911</u>	<u>\$ 8,633,030</u>	<u>\$ 9,133,595</u>

As of December 31, 2010, the City had \$ 8,633,030 of total debt outstanding with \$ 4,363,091 due within one year.

The general obligation bonds include various purposes including road improvements, city hall improvement, storm water improvements and construction. Sources for debt service payments include property tax collections and transfers from various funds. The City's general obligation bonds under governmental activities will be fully paid by 2018. The OPWC loans consist of several no interest loans with terms between eight and twenty years, used primarily for street reconstruction, which are repaid from the City's capital projects, street funds and sanitary sewer capital improvement funds.

The State of Ohio statute limits the amount of general obligation debt, including both voted and unvoted debt, but excluding certain exempt debt, that may be issued to 10 ½ % of the total tax valuation of all property within the City.

For more information about the City's debt, see Notes 8 and 9 to the Basic Financial Statements.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED

Economic Factors and Next Year's Budget

Due to the slow growth rate of the economy and the pending cuts at the State level, the City will continue conservative budget forecasting for 2011 which will persist through 2012. The City will forecast for flat revenue growth and a zero-based approach to controllable expenditures.

The City continues to develop renewable and sustainable energy with the installation of solar panels on our Community Center building to be completed in 2011. Local, State and Federal funding has allowed us to invest in our future with such projects. This is a continuation on the path of environmental responsibility along with our current wind turbines installed at our boat launch and the 160 ft wind turbine at the Shoreway Shopping Center. Sheffield Lake leads Lorain County with sound ecological technology for the future.

The foresight of our administration has controlled expenses for 2011 without interruption of services. In preparation of its 2012 budget, the City will be utilizing a very conservative economic forecast for revenue growth and a zero-based approach to expenditure appropriations. Accordingly, the City will continue to monitor revenue receipts very closely for 2011 and will make any necessary adjustments with respect to situations and conditions.

Requests for Information

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the City's finances and show the City's accountability for the money it receives and spends. If you have any questions about this report or need additional financial information, contact the Finance Department, City of Sheffield Lake, 609 Harris Rd., Sheffield Lake, Ohio 44054; telephone (440) 949-7141.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash	\$ 1,541,035	\$ 772,451	\$ 2,313,486
Accounts receivable	99,534	240,557	340,091
Due from other governments	551,150	-	551,150
Inventories and supplies	14,388	-	14,388
Prepaid expenses	22,000	1,800	23,800
Income taxes receivable	1,263,900	-	1,263,900
Taxes receivable - property and other	1,439,000	-	1,439,000
Accrued interest receivable	49,800	-	49,800
Property held for resale	3,842,015	-	3,842,015
Deferred bond issuance costs	-	54,566	54,566
Capital assets			
Nondepreciable capital assets	484,539	153,910	638,449
Depreciable capital assets, net	14,444,362	6,797,818	21,242,180
Total assets	23,751,723	8,021,102	31,772,825
Liabilities			
Accounts and contracts payable	136,013	13,086	149,099
Accrued salaries, wages and benefits	43,376	11,102	54,478
Accrued interest payable	25,155	4,665	29,820
Matured bonds and coupons payable	749	-	749
Due to other governments	166,736	99,346	266,082
Deferred revenue	1,301,100	-	1,301,100
Notes payable	3,245,000	-	3,245,000
Long term liabilities			
Due within one year	805,853	312,238	1,118,091
Due in more than one year	2,573,230	1,696,709	4,269,939
Total liabilities	8,297,212	2,137,146	10,434,358
Net assets			
Invested in capital assets, net of related debt	12,118,135	4,989,472	17,107,607
Restricted for:			
Debt service	210,419	-	210,419
Capital projects	694,417	-	694,417
Highways and streets	935,422	-	935,422
Public safety	199,099	-	199,099
Recreation	4,827	-	4,827
Community environment	146,400	-	146,400
Other purposes	21,692	-	21,692
Unrestricted	1,124,100	894,484	2,018,584
Total net assets	\$ 15,454,511	\$ 5,883,956	\$ 21,338,467

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants Interest and Contributions	Capital Grants and Contributions
Governmental activities				
Security of persons and property	\$ 2,806,099	\$ 652	\$ -	\$ -
Public health and welfare	22,205	-	-	-
Leisure time activities	182,404	39,411	-	-
Community environment	139,827	-	-	26,010
Basic utility services	720,625	666,861	-	-
Transportation	1,501,187	32,229	-	194,227
General government	1,220,478	417,354	-	-
Interest	108,555	-	-	-
Total governmental activities	6,701,380	1,156,507	-	220,237
Business-type activities:				
Water	589,116	677,956	-	-
Sewer	845,013	933,462	-	-
Storm Water	299,360	307,715	-	-
Total business-type activities	1,733,489	1,919,133	-	-
Total	\$ 8,434,869	\$ 3,075,640	\$ -	\$ 220,237

General revenues
Property taxes levied for:
 General purpose
 Debt service
 Other
Municipal income taxes levied for:
 General purpose
 Roads
Grants and entitlements not restricted to specific purposes
Investment earnings
Miscellaneous
Total general revenues

Change in net assets
Net assets at beginning of year
Net assets at end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,805,447)	\$ -	\$ (2,805,447)
(22,205)	-	(22,205)
(142,993)	-	(142,993)
(113,817)	-	(113,817)
(53,764)	-	(53,764)
(1,274,731)	-	(1,274,731)
(803,124)	-	(803,124)
(108,555)	-	(108,555)
<u>(5,324,636)</u>	<u>-</u>	<u>(5,324,636)</u>
-	88,840	88,840
-	88,449	88,449
-	8,355	8,355
<u>-</u>	<u>185,644</u>	<u>185,644</u>
<u>(5,324,636)</u>	<u>185,644</u>	<u>(5,138,992)</u>
364,312	-	364,312
81,641	-	81,641
882,072	-	882,072
1,439,868	-	1,439,868
342,485	-	342,485
1,690,831	-	1,690,831
2,825	-	2,825
563,751	-	563,751
<u>5,367,785</u>	<u>-</u>	<u>5,367,785</u>
43,149	185,644	228,793
15,411,362	5,698,312	21,109,674
<u>\$ 15,454,511</u>	<u>\$ 5,883,956</u>	<u>\$ 21,338,467</u>

CITY OF SHEFFIELD LAKE, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General	Roads - Income Tax	Shoreway Capital Project	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash	\$ 569,380	\$ 321,834	\$ 106,132	\$ 542,940	\$ 1,540,286
Cash and investments with fiscal agents	-	-	-	749	749
Income taxes receivables	1,011,120	252,780	-	-	1,263,900
Property taxes receivable	396,000	-	-	1,043,000	1,439,000
Accrued interest receivable	-	-	-	49,800	49,800
Due from other governments	197,912	-	-	353,238	551,150
Accounts and other	16,272	-	-	83,262	99,534
Interfund receivable	10,000	-	-	-	10,000
Inventories and supplies	4,568	-	-	9,820	14,388
Prepaid expenses	20,100	-	-	1,900	22,000
Property held for resale	-	-	3,842,015	-	3,842,015
Total assets	\$ 2,225,352	\$ 574,614	\$ 3,948,147	\$ 2,084,709	\$ 8,832,822
Liabilities and fund balances					
Liabilities					
Accounts and contracts payable	\$ 37,646	\$ 10,057	\$ -	\$ 88,310	\$ 136,013
Accrued wages and benefits	38,712	-	-	4,664	43,376
Accrued interest	-	-	9,081	-	9,081
Matured bonds and coupons payable	-	-	-	749	749
Due to other governments	75,472	-	-	91,264	166,736
Interfund payable	-	-	-	10,000	10,000
Unearned revenue	1,433,514	209,900	-	1,411,500	3,054,914
Notes payable	-	-	3,245,000	-	3,245,000
Accrued leave benefits	4,640	-	-	-	4,640
Total liabilities	1,589,984	219,957	3,254,081	1,606,487	6,670,509
Fund balances					
Reserved for inventory	4,568	-	-	9,820	14,388
Reserved for prepaids	20,100	-	-	1,900	22,000
Reserved for encumbrances	14,412	85,781	-	21,197	121,390
Unreserved, reported in					
General fund	596,288	-	-	-	596,288
Special revenue funds	-	268,876	-	298,935	567,811
Debt service funds	-	-	-	146,019	146,019
Capital projects funds	-	-	694,066	351	694,417
Total fund balances	635,368	354,657	694,066	478,222	2,162,313
Total liabilities and fund balances	\$ 2,225,352	\$ 574,614	\$ 3,948,147	\$ 2,084,709	\$ 8,832,822

See accompanying to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
 TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

DECEMBER 31, 2010

Total governmental funds balances		\$	2,162,313
Amount reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.			14,928,901
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds:			
Property and other local taxes	1,187,402		
Intergovernmental	516,612		
Interest	49,800		
Total	1,753,814		1,753,814
In the statement of activities, interest is accrued on outstanding long-term obligations, whereas in governmental funds, an interest expenditure is reported when due.			(16,074)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Notes payable	(1,369,093)		
OPWC loans payable	(342,293)		
General obligation bonds	(1,075,000)		
Capital leases	(24,380)		
Accrued leave benefits	(563,677)		
	(3,374,443)		(3,374,443)
Net assets of governmental activities		\$	15,454,511

See accompanying to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General	Roads - Income Tax	Shoreway Capital Project	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and other local taxes	\$ 342,512	\$ -	\$ -	\$ 911,213	\$ 1,253,725
Municipal income taxes	1,532,996	365,768	-	-	1,898,764
Intergovernmental revenue	801,266	227,096	-	880,484	1,908,846
Special assessments	-	-	-	9,206	9,206
Charges for services	287,810	-	-	664,861	952,671
Fines, licenses, and permits	220,015	-	-	652	220,667
Interest	2,384	-	-	441	2,825
Miscellaneous	506,760	-	-	40,160	546,920
Total revenues	3,693,743	592,864	-	2,507,017	6,793,624
Expenditures					
Current					
Security of persons and property	1,705,200	-	-	989,763	2,694,963
Public health and welfare	22,205	-	-	-	22,205
Leisure time activities	120,202	-	-	-	120,202
Community environment	121,265	-	-	52,720	173,985
Basic utility services	-	-	-	674,524	674,524
Transportation	-	524,452	-	485,773	1,010,225
General government	1,219,352	-	-	18,332	1,237,684
Capital outlay	9,500	-	1,853	194,227	205,580
Debt service					
Note principal	-	362,720	-	471,000	833,720
Bond principal	35,000	75,000	-	-	110,000
OPWC loan principal	2,358	12,748	-	-	15,106
Capital lease principal	24,457	-	-	-	24,457
Interest and fiscal charges	24,126	80,471	-	7,535	112,132
Total expenditures	3,283,665	1,055,391	1,853	2,893,874	7,234,783
Excess (deficiency) of revenues over expenditures	410,078	(462,527)	(1,853)	(386,857)	(441,159)
Other financing sources (uses)					
Transfers-in	-	-	360,303	18,402	378,705
Loan proceeds	21,015	260,825	-	-	281,840
Note proceeds	-	210,000	-	384,000	594,000
Capital lease proceeds	-	-	-	-	-
Transfers-out	(18,402)	-	-	(360,303)	(378,705)
Total other financing sources (uses)	2,613	470,825	360,303	42,099	875,840
Excess (deficiency) of revenues over expenditures and other sources (uses)	412,691	8,298	358,450	(344,758)	434,681
Fund balances, beginning of year	222,677	346,359	335,616	822,980	1,727,632
Fund balances, end of year	\$ 635,368	\$ 354,657	\$ 694,066	\$ 478,222	\$ 2,162,313

See accompanying to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in fund balances - total governmental funds	\$	434,681
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded net capital outlay in the current period.		
	Capital outlay, net	538,916
	Depreciation expense	<u>(962,171)</u>
		(423,255)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
	Municipal income tax	(116,411)
	Property and other local taxes	74,300
	Interest	3,792
	Intergovernmental revenue	<u>(10,776)</u>
		(49,095)
Debt proceeds are an other financing source in the funds, but increase long-term liabilities in the Statement of Net Assets.		
		(875,840)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
	Note principal paid	833,720
	OPWC loan principal paid	15,106
	Bond principal paid	110,000
	Capital lease principal paid	<u>24,457</u>
		983,283
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		
		3,577
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
	Accrued leave benefits	<u>(30,202)</u>
Change in net assets of governmental activities	\$	<u><u>43,149</u></u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Property and other local taxes	\$ 315,188	\$ 342,512	\$ 342,512	-
Municipal income taxes	1,409,443	1,531,628	1,531,628	-
Intergovernmental revenue	737,345	801,266	801,266	-
Charges for services	271,132	294,636	294,636	-
Fines, licenses, and permits	200,747	218,150	220,015	1,865
Interest	2,054	2,232	2,384	152
Miscellaneous	484,347	526,335	506,760	(19,575)
Total revenues	3,420,256	3,716,759	3,699,201	(17,558)
Expenditures				
Current				
Security of persons and property	1,783,071	1,855,971	1,757,448	98,523
Public health and welfare	41,598	43,298	41,000	2,298
Leisure time activities	123,562	128,613	121,786	6,827
Community environment	129,007	134,281	127,153	7,128
General government	1,264,069	1,315,750	1,245,904	69,846
Capital outlay	9,639	10,033	9,500	533
Debt service				
Bond principal	35,510	36,962	35,000	1,962
OPWC loan principal	2,392	2,490	2,358	132
Interest and fiscal charges	22,088	22,991	21,771	1,220
Total expenditures	3,410,936	3,550,389	3,361,920	188,469
Excess (deficiency) of revenues over expenditures	9,320	166,370	337,281	170,911
Other financing sources (uses)				
Transfers-out	(18,670)	(90,014)	(18,402)	71,612
Total other financing sources (uses)	(18,670)	(90,014)	(18,402)	71,612
Excess (deficiency) of revenues over expenditures and other sources (uses)	(9,350)	76,356	318,879	242,523
Prior year encumbrances	35,418	35,418	35,418	-
Fund balances, beginning of year	194,068	194,068	194,068	-
Fund balances, end of year	\$ 220,136	\$ 305,842	\$ 548,365	\$ 242,523

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	Roads - Income Tax Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Municipal income taxes	\$ 558,152	\$ 365,425	\$ 365,425	\$ -
Intergovernmental revenue	51,848	33,945	33,945	-
Total revenues	<u>610,000</u>	<u>399,370</u>	<u>399,370</u>	<u>-</u>
Expenditures				
Current				
Transportation	403,970	633,628	506,337	127,291
Debt service				
Note principal	244,161	382,968	380,468	2,500
Bond principal	47,816	75,000	75,000	-
Interest and fiscal charges	53,406	83,768	80,471	3,297
Total expenditures	<u>749,353</u>	<u>1,175,364</u>	<u>1,042,276</u>	<u>133,088</u>
Excess (deficiency) of revenues over expenditures	<u>(139,353)</u>	<u>(775,994)</u>	<u>(642,906)</u>	<u>133,088</u>
Other financing sources (uses)				
Note proceeds	-	470,825	470,825	-
Total other financing sources (uses)	<u>-</u>	<u>470,825</u>	<u>470,825</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(139,353)</u>	<u>(305,169)</u>	<u>(172,081)</u>	<u>133,088</u>
Prior year encumbrances	216,146	216,146	216,146	-
Fund balances, beginning of year	<u>181,931</u>	<u>181,931</u>	<u>181,931</u>	<u>-</u>
Fund balances, end of year	<u>\$ 258,724</u>	<u>\$ 92,908</u>	<u>\$ 225,996</u>	<u>\$ 133,088</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF FUND NET ASSETS -
PROPRIETARY FUNDS
DECEMBER 31, 2010

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Assets				
Current assets				
Equity in pooled cash	\$ 257,039	\$ 501,325	\$ 14,087	\$ 772,451
Accounts and other	72,852	112,817	54,888	240,557
Prepaid expenses	1,200	600	-	1,800
Total current assets	<u>331,091</u>	<u>614,742</u>	<u>68,975</u>	<u>1,014,808</u>
Noncurrent assets				
Deferred bond issuance costs	-	-	54,566	54,566
Nondepreciable capital assets	-	33,500	120,410	153,910
Depreciable capital assets, net	519,542	587,155	5,691,121	6,797,818
Total noncurrent assets	<u>519,542</u>	<u>620,655</u>	<u>5,866,097</u>	<u>7,006,294</u>
Total assets	<u>850,633</u>	<u>1,235,397</u>	<u>5,935,072</u>	<u>8,021,102</u>
Liabilities				
Current				
Accounts and contracts payable	6,245	6,841	-	13,086
Accrued wages and benefits	3,832	5,748	1,522	11,102
Accrued interest payable	1,830	-	2,835	4,665
Due to other governments	37,186	56,312	5,848	99,346
Notes payable	120,000	-	-	120,000
OPWC loans payable	-	-	22,238	22,238
General obligation bonds payable	-	-	170,000	170,000
Total current liabilities	<u>169,093</u>	<u>68,901</u>	<u>202,443</u>	<u>440,437</u>
Long-term liabilities				
OPWC loans payable	-	-	245,018	245,018
General obligation bonds payable	-	-	1,390,050	1,390,050
Accrued leave benefits	24,546	36,819	276	61,641
Total long-term liabilities	<u>24,546</u>	<u>36,819</u>	<u>1,635,344</u>	<u>1,696,709</u>
Total liabilities	<u>193,639</u>	<u>105,720</u>	<u>1,837,787</u>	<u>2,137,146</u>
Net assets				
Investment in capital assets, net of related debt	399,542	620,655	3,969,275	4,989,472
Unrestricted	257,452	509,022	128,010	894,484
Total net assets	<u>\$ 656,994</u>	<u>\$ 1,129,677</u>	<u>\$ 4,097,285</u>	<u>\$ 5,883,956</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-Type Activities - Enterprise Funds			Total
	Water	Sewer	Storm Water	
Operating revenues				
Charges for services	\$ 677,956	\$ 933,462	\$ 307,715	\$ 1,919,133
Total operating revenues	<u>677,956</u>	<u>933,462</u>	<u>307,715</u>	<u>1,919,133</u>
Operating expenses				
Personal services	219,489	294,580	40,378	554,447
Contractual services	311,676	441,371	9,244	762,291
Supplies and materials	26,904	28,773	3,397	59,074
Other operating	9,553	5,047	-	14,600
Depreciation	16,628	75,030	152,688	244,346
Total operating expenses	<u>584,250</u>	<u>844,801</u>	<u>205,707</u>	<u>1,634,758</u>
Operating income	<u>93,706</u>	<u>88,661</u>	<u>102,008</u>	<u>284,375</u>
Nonoperating revenues (expenses)				
Interest and fiscal charges	(4,866)	(212)	(93,653)	(98,731)
Net nonoperating revenues (expenses)	<u>(4,866)</u>	<u>(212)</u>	<u>(93,653)</u>	<u>(98,731)</u>
Change in net assets	88,840	88,449	8,355	185,644
Net assets, beginning of year	<u>568,154</u>	<u>1,041,228</u>	<u>4,088,930</u>	<u>5,698,312</u>
Net assets, end of year	<u>\$ 656,994</u>	<u>\$ 1,129,677</u>	<u>\$ 4,097,285</u>	<u>\$ 5,883,956</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-Type Activities - Enterprise Funds			Total
	Water	Sewer	Storm Water	
Cash flows from operating activities:				
Receipts from customers and users	\$ 676,518	\$ 933,750	\$ 291,178	\$ 1,901,446
Cash paid to suppliers for materials and supplies	(28,032)	(27,334)	(3,397)	(58,763)
Cash paid for employee services and benefits	(220,121)	(284,902)	(40,685)	(545,708)
Cash paid for contractual services	(314,774)	(412,194)	(10,990)	(737,958)
Other operating expenses	(9,168)	(5,043)	-	(14,211)
Net cash provided by operating activities	<u>104,423</u>	<u>204,277</u>	<u>236,106</u>	<u>544,806</u>
Cash flows from capital and related financing activities:				
Issuance of notes	120,000	-	-	120,000
Issuance of bonds	-	-	1,575,000	1,575,000
Payment on capital lease	-	(56,640)	-	(56,640)
Note principal payment	(150,000)	-	-	(150,000)
OPWC loans payments	-	-	(22,239)	(22,239)
Bond principal payments	-	-	(1,625,000)	(1,625,000)
Payment of interest and fiscal charges	(5,443)	(212)	(168,507)	(174,162)
Net cash (used in) capital and related financing activities	<u>(35,443)</u>	<u>(56,852)</u>	<u>(240,746)</u>	<u>(333,041)</u>
Net increase (decrease) in cash and equivalents	68,980	147,425	(4,640)	211,765
Equity in pooled cash and equivalents, beginning of year	<u>188,059</u>	<u>353,900</u>	<u>18,727</u>	<u>560,686</u>
Equity in pooled cash and equivalents, end of year	<u>\$ 257,039</u>	<u>\$ 501,325</u>	<u>\$ 14,087</u>	<u>\$ 772,451</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Concluded)

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	\$ 93,706	\$ 88,661	\$ 102,008	\$ 284,375
Adjustments:				
Depreciation	16,628	75,030	152,688	244,346
Changes in net assets (increase) decrease and liabilities increase (decrease)				
Accounts receivable and other	(1,438)	288	(16,537)	(17,687)
Accounts and contracts payable	(2,044)	2,495	(41)	410
Accrued salaries, wages and benefits	(1,570)	(2,354)	(1,331)	(5,255)
Due to other governments	(2,021)	38,414	1,359	37,752
Accrued leave benefits	1,162	1,743	(2,040)	865
Net cash provided by operating activities	<u>\$ 104,423</u>	<u>\$ 204,277</u>	<u>\$ 236,106</u>	<u>\$ 544,806</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2010

	Agency Funds
Assets	
Equity in pooled cash	\$ 40,072
Cash and investments w ith fiscal agents	6,587
Property taxes receivable	331,700
Due from other governments	20,000
Total assets	<u>\$ 398,359</u>
Liabilities	
Due to others	\$ 46,659
Due to other governments	351,700
Total liabilities	<u>\$ 398,359</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 1 DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Sheffield Lake, Ohio was founded in 1815. The voters originally adopted the Sheffield Lake Charter in November 1961, in order to secure the benefits of municipal home rule. Under the Ohio Constitution, the City may exercise all powers of local self-government to the extent not in conflict with applicable general laws. The City, under its charter, operates with an elected Council/Mayor form of government. The responsibilities for the major financial functions of the City are divided among the Mayor, Council, Finance Director, and Treasurer. The City's fiscal year corresponds with the calendar year.

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. The primary government of the City consists of all funds, agencies, departments, boards and offices that are not legally separate from the City. The primary government includes the City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, sanitation, building inspection, parks and recreation, water and sewer, and mayor's court.

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

The City is associated with the Lorain County General Health District, a jointly governed organization, which provides health services to the members of the Health District. The City does not have any financial interest in or responsibility for the Health District. The County Auditor serves as fiscal agent. See Note 18.

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed with an aggregation program for the purchase of electricity. See Note 18.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sheffield Lake have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the City's accounting policies are described below.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

B. FUND ACCOUNTING

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

Governmental Funds

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

General Fund - The General fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.

Roads - Income Tax Fund - This fund accounts for the portion of income tax receipts used for the construction, reconstruction, resurfacing, maintenance and repair of roads, streets and bridges in the City and paying debt charges for securities issued for the foregoing purpose.

Shoreway Capital Project Fund - This fund accounts for the cleaning up, remediation of and redevelopment of the Shoreway Shopping Center.

Proprietary Funds

Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City has no internal service funds.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water Fund - The Water fund accounts for the operation of the City's drinking water distribution system.

Sewer Fund - The Sewer fund accounts for the operation of the City's sewer collection system.

Storm Water Fund - The Storm Water fund accounts for the operation of the City's storm water system.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. The City's agency funds account for assets of the Domonkas Library, mayor's court collections, and deposits from citizens, contractors and developers.

C. MEASUREMENT FOCUS

Government-wide Financial Statements

The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in net assets.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS (continued)

Fund Financial Statements

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

Amounts reported as program revenues include: charges to customers for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues, as are taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in accordance with the proprietary fund's principle on going operations. The principle operating revenue of the City's water fund, sewer fund and storm water fund are charges for services. These funds also recognize fees intended to recover the cost of connecting new customers to the City's water and sewer utility systems as operating revenue. Operating expenses for the enterprise funds include the cost of services, administrative expenses and overhead and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

As with the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that 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 City, available means expected to be received within thirty-one days of year-end.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Revenues - Exchange and Non-exchange Transactions (continued)

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, fees and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2010, but which were levied to finance year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or decreased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations ordinance is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS (continued)

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

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

F. CASH AND CASH EQUIVALENTS

The City pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. For purposes of the statement of cash flows, the City considers all investments to be cash equivalents.

G. INVESTMENTS

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

During the year, the City invested funds in the State Treasury Assets Reserve (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within Ohio 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 December 31, 2010.

H. INVENTORIES

Inventories are valued at the lower of cost (first-in, first-out) or market. The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds.

I. CAPITAL ASSETS

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

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. CAPITAL ASSETS (continued)

Capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of streets, bridges, culverts, curbs, sidewalks, storm sewers, and water and sanitary sewer systems. Improvements are capitalized; whereas the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and improvements	30 to 50 years
Infrastructure	10 to 50 years
Equipment and vehicles	3 to 20 years

L. PROPERTY HELD FOR RESALE

Property held for resale is recorded at the lower of cost or fair market value.

K. INTERFUND BALANCES

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund loans, which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

L. UNPAID COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

M. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES

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

Generally, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the governmental fund financial statements when due.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. FUND BALANCE RESERVES

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. As a result, inventories, prepaids and encumbrances are recorded as a reservation of fund balance.

O. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets for the governmental activities reports \$ 2,212,276 of restricted net assets, none of which is restricted by enabling legislation. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

P. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services primarily for water, sanitary sewer and storm water services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

Q. CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

R. INTERFUND ACTIVITY

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

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

S. EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

T. USE OF ESTIMATES

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

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 3 COMPLIANCE AND ACCOUNTABILITY

Not apparent in the basic financial statements, the following funds also had deficit fund balances:

Special Revenue Funds	
Fire Operating Fund	\$ (23,552)
Police Pension Fund	\$ (13,717)
Fire Pension Fund	\$ (13,717)

These deficits result from reflecting expenditures in accordance with the modified accrual basis of accounting, which are larger than amounts recognized on the budget basis. The City in accordance with its budget basis, will appropriate such expenditures from resources of the subsequent year.

NOTE 4 BUDGETARY BASIS OF ACCOUNTING

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

Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).

Expenditures are recorded when paid or encumbered (budget basis), rather than when the liability is incurred (GAAP basis).

Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than balance sheet transactions (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and the Roads-Income Tax Fund.

	Net Change in Fund Balance	
	General Fund	Roads - Income Tax Fund
Budget basis	\$ 318,879	\$ (172,081)
Adjustments, increase (decrease)		
Revenue accruals	15,557	193,494
Expenditure accruals	28,716	(108,953)
Encumbrances	49,539	95,838
GAAP basis, as reported	\$ 412,691	\$ 8,298

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 5 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

State statutes classify monies held by the City 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 City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

Interim monies may be invested in the following securities:

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

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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 City, and must be purchased with the expectation that it will be held to maturity.

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

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the City's deposits was \$ 1,026,788 and the bank balance was \$ 1,061,011. Of the bank balance, \$ 402,930 was covered by federal depository insurance and \$ 658,081 by collateral held by third party trustees in accordance with the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions, which amount is considered uncollateralized as defined by the Government Accounting Standards Board.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2010, the City had the following investments:

	Maturities	Fair Value
STAR Ohio	n/a	\$ 1,333,357

D. INTEREST RATE RISK

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

E. CREDIT RISK

The City follows the Ohio Revised Code that limits its investment choices. As of December 31, 2010, the City's investments in Star Ohio were rated AAAM by Standard & Poor's.

F. CONCENTRATION OF CREDIT RISK

The City places no limit on the amount that may be invested in any one issuer.

NOTE 6 RECEIVABLES

Receivables at December 31, 2010, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, interest, and accounts (billings for utility service).

No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 6 RECEIVABLES (continued)

A. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) is for 2010 taxes.

2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2010 was \$ 18.65 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Property valuation consisted of:	
Real property	
Residential/agricultural	\$ 143,324,250
Commercial/industrial	14,857,320
Tangible personal property	
Public utilities	1,564,140
Total valuation	\$ 159,745,710

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Sheffield Lake. The County Auditor periodically remits to the City its portion of the taxes collected.

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 6 RECEIVABLES (continued)

B. INCOME TAXES

The City levies an income tax of 1.25% on substantially all income earned within the City. In addition, residents are required to pay City income tax on income earned outside the City with a certain credit for income taxes paid to other municipalities. Employers within the City are required to withhold income tax on employee compensation and remit at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and file a final return annually.

Of the income taxes collected, 80% is credited to the General Fund and 20% is credited to the Roads – Income Tax Fund, a special revenue fund. This distribution was determined by a 2004 vote of the people.

C. INTERGOVERNMENTAL RECEIVABLES

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Local government assistance	\$ 170,900
Gasoline tax	215,006
Permissive tax	50,532
Homestead and rollback	88,900
Commercial activities tax	39,500
Estate tax	1,812
Miscellaneous	4,500
	<u>\$ 571,150</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 7 CAPITAL ASSETS

A summary of changes in capital assets during 2010 follows:

	Balance January 1	Additions	Disposals	Balance December 31
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 484,539	\$ -	\$ -	\$ 484,539
Construction in progress	135,036	-	135,036	-
Total capital assets, not being depreciated	<u>619,575</u>	<u>-</u>	<u>135,036</u>	<u>484,539</u>
Capital assets, being depreciated				
Buildings and improvements	3,543,202	-	-	3,543,202
Equipment and vehicles	2,068,226	60,500	61,520	2,067,206
Infrastructure	37,650,444	613,452	-	38,263,896
Total capital assets being depreciated	<u>43,261,872</u>	<u>673,952</u>	<u>61,520</u>	<u>43,874,304</u>
Less accumulated depreciation				
Buildings and improvements	1,102,473	74,070	-	1,176,543
Equipment and vehicles	1,403,948	107,238	61,520	1,449,666
Infrastructure	26,022,870	780,863	-	26,803,733
Total accumulated depreciation	<u>28,529,291</u>	<u>962,171</u>	<u>61,520</u>	<u>29,429,942</u>
Total capital assets being depreciated, net	<u>14,732,581</u>	<u>(288,219)</u>	<u>-</u>	<u>14,444,362</u>
Total governmental capital assets, net	<u>\$ 15,352,156</u>	<u>\$ (288,219)</u>	<u>\$ 135,036</u>	<u>\$ 14,928,901</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated				
Land	\$ 153,910	\$ -	\$ -	\$ 153,910
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>153,910</u>	<u>-</u>	<u>-</u>	<u>153,910</u>
Capital assets, being depreciated				
Buildings and improvements	150,818	-	-	150,818
Equipment and vehicles	596,683	-	-	596,683
Infrastructure	11,880,736	-	-	11,880,736
Total capital assets being depreciated	<u>12,628,237</u>	<u>-</u>	<u>-</u>	<u>12,628,237</u>
Less accumulated depreciation				
Buildings and improvements	28,655	2,715	-	31,370
Equipment and vehicles	283,261	34,862	-	318,123
Infrastructure	5,274,157	206,769	-	5,480,926
Total accumulated depreciation	<u>5,586,073</u>	<u>244,346</u>	<u>-</u>	<u>5,830,419</u>
Total capital assets being depreciated, net	<u>7,042,164</u>	<u>(244,346)</u>	<u>-</u>	<u>6,797,818</u>
Total business-type capital assets, net	<u>\$ 7,196,074</u>	<u>\$ (244,346)</u>	<u>\$ -</u>	<u>\$ 6,951,728</u>

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 7 CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Security of persons and property	\$ 56,678
Leisure time activities	62,202
Basic utility services	46,101
Transportation	781,133
General government	16,057
	<u>\$ 962,171</u>

NOTE 8 NOTES PAYABLE

Notes payable during the year consisted of the following tax anticipation notes, general obligation bond anticipation notes and highway improvement note:

	Balance, 12/31/09	Additions	Reductions	Balance, 12/31/10
Governmental activities				
Short-term notes payable				
Bond anticipation notes				
Shoreway Capital Project fund				
5.00% issued 12/1/09, due 11/30/10	\$ 3,500,000	\$ -	\$ 3,500,000	\$ -
Shoreway Capital Project fund				
3.25% issued 11/29/10, due 11/28/11	-	3,245,000	-	3,245,000
	<u>\$ 3,500,000</u>	<u>\$ 3,245,000</u>	<u>\$ 3,500,000</u>	<u>\$ 3,245,000</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 9 LONG-TERM DEBT

The original issue date, interest rate, original issue amount and date of maturity of each of the City's bonds, loans and notes follow:

<u>Debt Issue</u>	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
<u>Governmental activities</u>				
General obligation bonds				
Building improvements	1996	2016	6.20%	\$ 200,000
Street improvements	2003	2018	3.60 - 5.00%	1,200,000
Street improvements	1998	2018	5.00 - 5.20%	500,000
Tax anticipation note	2007	2027	4.78%	800,000
Bond anticipation note	2010	2011	2.86%	210,000
Bond anticipation note	2010	2011	2.86%	384,000
Highway improvement note	2006	2017	0.00%	175,908
Ohio Public Works loan	2001	2017	0.00%	35,371
Ohio Public Works loan	2004	2013	0.00%	28,566
Ohio Public Works loan	2007	2028	0.00%	99,190
Ohio Public Works loan	2007	2028	0.00%	25,264
Ohio Public Works loan	2010	2030	0.00%	100,000
Ohio Public Works loan	2010	2030	0.00%	118,172
<u>Business-type activities</u>				
General obligation bonds				
Storm water improvements	2011	2021	1.00 - 3.70%	1,575,000
Bond anticipation note	2010	2011	2.86%	120,000
Ohio Public Works loan	2000	2009	0.00%	30,000
Ohio Public Works loan	2000	2020	0.00%	124,842
Ohio Public Works loan	2003	2024	0.00%	140,949
Ohio Public Works loan	2003	2024	0.00%	81,187
Ohio Public Works loan	2003	2024	0.00%	97,793

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 9 LONG-TERM DEBT (continued)

Changes in the City's long-term obligations during 2010 were as follows:

	Outstanding 12/31/09	Additions	Reductions	Outstanding 12/31/10	Due in One Year
<u>Governmental activities</u>					
General obligation bonds					
Building improvement (1996) 6.20% through 2016	\$ 95,000	\$ -	\$ 10,000	\$ 85,000	\$ 10,000
Street improvement (2003) 3.60% - 5.00% through 2018	810,000	-	75,000	735,000	80,000
Street improvement (1998) 5.00% - 5.20% through 2018	280,000	-	25,000	255,000	25,000
	<u>1,185,000</u>	<u>-</u>	<u>110,000</u>	<u>1,075,000</u>	<u>115,000</u>
Tax anticipation note	681,905	-	40,000	641,905	40,000
Bond anticipation notes	751,000	594,000	751,000	594,000	594,000
Highway improvement note	112,240	63,668	42,720	133,188	21,360
OPWC loans	139,227	218,172	15,106	342,293	23,061
Capital leases	48,837	-	24,457	24,380	7,792
Accrued leave benefits	533,475	34,842	-	568,317	4,640
Total governmental activities	<u>\$ 3,451,684</u>	<u>\$ 910,682</u>	<u>\$ 983,283</u>	<u>\$ 3,379,083</u>	<u>\$ 805,853</u>
<u>Business-type activities</u>					
General obligation bonds					
Storm water improvement 5.30% - 5.75% through 2021	\$ 1,625,000	\$ -	\$ 1,625,000	\$ -	\$ -
Storm water improvement 1.00% - 3.70% through 2021	-	1,575,000	-	1,575,000	170,000
Less deferred amount on refundings	-	(14,950)	-	(14,950)	-
Bond anticipation notes	150,000	120,000	150,000	120,000	120,000
OPWC loans	289,495	-	22,239	267,256	22,238
Capital leases	56,640	-	56,640	-	-
Accrued leave benefits	60,776	865	-	61,641	-
Total business-type activities	<u>\$ 2,181,911</u>	<u>\$ 1,680,915</u>	<u>\$ 1,853,879</u>	<u>\$ 2,008,947</u>	<u>\$ 312,238</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 9 LONG-TERM DEBT (continued)

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for payment. The general obligation bonds are paid from the General Fund and the Roads-Income Tax Fund. The storm water bonds are paid from Storm Water Fund revenues.

Long-term notes payable are paid from the Roads-Income Tax Fund, the Debt Service Fund, the Capital Improvements Fund, Shoreway Capital Project Fund and the Water Fund.

OPWC loan payments are paid from the General Fund and from the respective special revenue, capital project and enterprise funds.

Compensated absences will be paid from the funds from which employees' wages are paid.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2010, excluding accrued leave benefits, are as follows:

Year	Governmental Activities				
	General Obligation Bonds		Bond Anticipation Notes		Highway Improvement Note
	Principal	Interest	Principal	Interest	Principal
2011	\$ 115,000	\$ 53,463	\$ 594,000	\$ 16,988	\$ 21,360
2012	125,000	48,093	-	-	21,360
2013	130,000	42,163	-	-	21,360
2014	135,000	36,014	-	-	21,360
2015	140,000	29,084	-	-	21,360
2016-2020	430,000	43,354	-	-	26,388
2021-2025	-	-	-	-	-
2026-2030	-	-	-	-	-
	<u>\$ 1,075,000</u>	<u>\$ 252,171</u>	<u>\$ 594,000</u>	<u>\$ 16,988</u>	<u>\$ 133,188</u>

Year	Governmental Activities				
	Tax Anticipation Note	OPWC Loans	Total		
	Principal	Interest	Principal	Principal	Interest
2011	\$ 40,000	\$ 30,683	\$ 23,061	\$ 793,421	\$ 101,134
2012	40,000	28,771	23,060	209,420	76,864
2013	40,000	26,859	19,490	210,850	69,022
2014	40,000	24,947	19,489	215,849	60,961
2015	40,000	23,035	19,489	220,849	52,119
2016-2020	200,000	86,495	88,015	744,403	129,849
2021-2025	200,000	38,695	85,654	285,654	38,695
2026-2030	41,905	2,033	64,035	105,940	2,033
	<u>\$ 641,905</u>	<u>\$ 261,518</u>	<u>\$ 342,293</u>	<u>\$ 2,786,386</u>	<u>\$ 530,677</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 9 LONG-TERM DEBT (continued)

Year	Business-Type Activities			
	General Obligation Bonds		Bond Anticipation Notes	
	Principal	Interest	Principal	Interest
2011	\$ 170,000	\$ 34,017	\$ 120,000	\$ 3,432
2012	165,000	33,796	-	-
2013	165,000	31,650	-	-
2014	170,000	29,176	-	-
2015	170,000	26,116	-	-
2016-2020	610,000	77,584	-	-
2021-2025	125,000	4,624	-	-
	\$ 1,575,000	\$ 236,963	\$ 120,000	\$ 3,432

Year	Total		
	OPWC Loans	Business-Type Activities	
	Principal	Principal	Interest
2011	\$ 22,238	\$ 312,238	\$ 37,449
2012	22,238	187,238	33,796
2013	22,238	187,238	31,650
2014	22,240	192,240	29,176
2015	22,239	192,239	26,116
2016-2020	108,073	718,073	77,584
2021-2025	47,990	172,990	4,624
	\$ 267,256	\$ 1,962,256	\$ 240,395

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 10 CAPITAL LEASES

The City is obligated under a certain lease accounted for as a capital lease. The leased asset is included in capital assets and the related obligation is included under long-term debt. At December 31, 2010, assets under capital lease totaled \$ 39,026 in governmental activities, with related accumulated depreciation of \$ 10,927. The lease is in effect until 2013. The following is the schedule of future minimum lease payments under the capital lease together with the net present value of the minimum lease payments as of December 31, 2010.

Year Ending December 31,	Governmental Activities
2011	\$ 8,658
2012	8,658
2013	8,658
Total minimum lease payments	25,974
Less amount representing interest	(1,594)
Net present value of minimum lease payments	<u>\$ 24,380</u>

NOTE 11 OPERATING LEASES

The City is obligated under leases accounted for as operating leases. Total lease expense for the year ended December 31, 2010 was \$ 9,010. The following is a schedule of future minimum lease payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 2010.

Year ending December 31	Amount
2011	\$ 6,855
2012	2,764
2013	1,740
2014	1,305
Total minimum payments	<u>\$ 12,664</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 12 DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan—a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan—a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377. The Ohio Revised Code provides statutory authority for member and employer contributions.

For 2010, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2010 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 10.5% and 11.1%, respectively.

The City's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 percent of covered payroll.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008, were \$ 133,715, \$ 121,703, and \$ 93,060, respectively. For 2010, \$ 115,453 (86%) has been contributed. The balance was subsequently contributed in 2011. The full amount has been contributed for 2009 and 2008.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 12 DEFINED BENEFIT PENSION PLANS (continued)

B. OHIO POLICE AND FIRE PENSION FUND

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for police and firefighters pensions, respectively, were \$ 71,648 and \$ 139,570 for the year ended December 31, 2010, \$ 87,262 and \$ 162,665 for the year ended December 31, 2009, and \$ 95,594 and \$ 159,193 for the year ended December 31, 2008. The full amount has been contributed for 2009 and 2008. For 2010, \$ 33,994 (47%) and \$ 82,716 (59%) has been contributed for police and firefighters pensions, respectively. The balance was subsequently paid in 2011.

NOTE 13 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800- 222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 13 – POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employer units contributed at 17.87%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units, and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City contributions to fund postemployment benefits for the years ended December 31, 2010, 2009, and 2008, were \$ 76,141, \$ 88,013, and \$ 93,060 respectively. For 2010, \$ 65,742 (86%) has been contributed. The balance was subsequently contributed in 2011. The full amount has been contributed for 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. OHIO POLICE AND FIRE PENSION FUND

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 13 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's actual contributions to fund postemployment health care benefits for police and firefighters were \$ 37,932 and \$ 54,614 for the year ended December 31, 2010, \$ 46,200 and \$ 63,600 for the year ended December 31, 2009, and \$ 50,600 and \$ 62,300 for the year ended December 31, 2008. The full amount has been contributed for 2008 and 2009. For 2010, \$ 17,997 (47%) and \$ 32,367 (59%) has been contributed for police and firefighters, respectively. The balance was subsequently paid in 2011.

NOTE 14 RISK MANAGEMENT

The City 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. These risks are covered by commercial insurance purchased from independent third parties. For the past several years, settled claims from these risks have not exceeded coverage.

NOTE 15 FEDERAL GRANTS AND ENTITLEMENTS

For the year ended December 31, 2010, the City recognized federal grants and entitlements. These programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2010.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 16 CONTINGENCIES

The City is defendant in certain lawsuits, the outcome of which cannot be determined. It is the opinion of the City's management that any judgment against the City would not have a material adverse effect on the City's financial position.

NOTE 17 INTERFUND BALANCES AND TRANSFERS

At December 31, 2010, the Federal Grants fund owed \$ 10,000 to the General fund. The General fund advanced monies to the Federal Grants fund which will be repaid upon collection of grant proceeds.

Interfund transfers for the year ended December 31, 2010 were made to account for payment of short term anticipation notes and consisted of the following:

<u>Transferred to:</u>	Transferred from:		
	General Fund	Non-major Governmental Fund	Total
Shoreway Capital Project Fund	\$ -	\$ 360,303	\$ 360,303
Non-major governmental funds	18,402	-	18,402
	\$ 18,402	\$ 360,303	\$ 378,705

NOTE 18 JOINTLY GOVERNED ORGANIZATIONS

A. LORAIN COUNTY GENERAL HEALTH DISTRICT

The Lorain County General Health District, a jointly governed organization, provides health care services to the citizens within the Health District. The Health District is governed by the Board of Health which represents the area served by the Health District and oversees the operation of the Health District. The Board of Health members are appointed to staggered four year terms. One member is appointed by the City of North Ridgeville, one member is jointly appointed by the Cities of Avon and Sheffield Lake and one member is appointed jointly by the Cities of Amherst and Oberlin. The remaining four members are appointed by the various mayors of villages, chairmen of the township trustees and the County Commissioners. Financial information can be obtained by contacting the Health Commissioner, 9880 S. Murray Ridge Road, Elyria, Ohio 44035.

B. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 18 JOINTLY GOVERNED ORGANIZATIONS (continued)

B. NORTHEAST OHIO PUBLIC ENERGY COUNCIL (continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2009. Financial information can be obtained by contacting the Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139.

NOTE 19 SUBSEQUENT EVENTS

On May 31, 2011, the City issued \$ 520,000 of bond anticipation notes for the purpose of retiring notes issued to pay costs of various capital improvements.



Dave Yost • Auditor of State

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

City of Sheffield Lake
Lorain County
609 Harris Road
Sheffield Lake, Ohio 44054

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, Ohio (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

City of Sheffield Lake
Lorain County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 5, 2011.

We intend this report solely for the information and use of management, City Council, and others within the City. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 5, 2011

**CITY OF SHEFFIELD LAKE
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Material Noncompliance / Material Weakness / Significant Deficiency – The City was awarded funding as an LPA through the State Highway and Construction Cluster in the amount of \$1,698,796. The amount that was paid directly to the vendor totaled \$1,558,734 and was not posted as a receipt or disbursement to the City’s ledgers. In addition, \$1,146,589 of that amount as not included in the City’s Schedule of Federal Awards Expenditures. The City also failed to record the related capital assets acquired. All necessary audit adjustments were posted to the financial statements.	Yes	Corrected
2009-002	Material Noncompliance – ORC 5705.41(B): Budgetary expenditures exceeded appropriation authority at December 31, 2009 in the Roads-Income Tax fund by \$1,516,536.	Yes	Corrected

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Dave Yost • Auditor of State

CITY OF SHEFFIELD LAKE

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
AUGUST 25, 2011