



Dave Yost • Auditor of State

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget Basis (Non-GAAP) and Actual – General Fund	19
Statement of Fiduciary Funds – Assets and Liabilities – Agency Funds	20
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Receipts and Expenditures.....	47
Notes to the Schedule of Federal Awards Receipts and Expenditures	48
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required By OMB Circular A-133.....	51
Schedule of Findings.....	53
Independent Accountants' Report on Applying Agreed-Upon Procedure	57

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Sheffield-Sheffield Lake City School District, Lorain County, Ohio, (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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 major fund, and the aggregate remaining fund information of the Sheffield-Sheffield Lake City School District, Lorain County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2B, the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the June 30, 2010 fund balances of the Governmental Funds due to a change in fund structure.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The schedule of federal awards receipts and expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 19, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

UNAUDITED

The discussion and analysis of Sheffield-Sheffield Lake City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2011 are as follows:

- In total, net assets increased by \$867,514.
- Revenues for governmental activities totaled \$ 21,994,970 in 2011. Of this total, 85.4 percent consisted of General revenues while Program revenues accounted for the balance of 14.6 percent.
- Program expenses totaled \$21,127,456. Instructional expenses made up 57.9 percent of this total while support services accounted for 36.3 percent. Other expenses rounded out the remaining 5.8 percent.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Sheffield-Sheffield Lake City School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2011?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

UNAUDITED

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

In the Statement of Net Assets and the Statement of Activities, the School District is classified as governmental activities. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 15. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the General Fund.

Governmental Funds

All of the School District's activities are reported as governmental funds, which focus on how money flows into and out from those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps the reader determine the amount of financial resources available to be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011

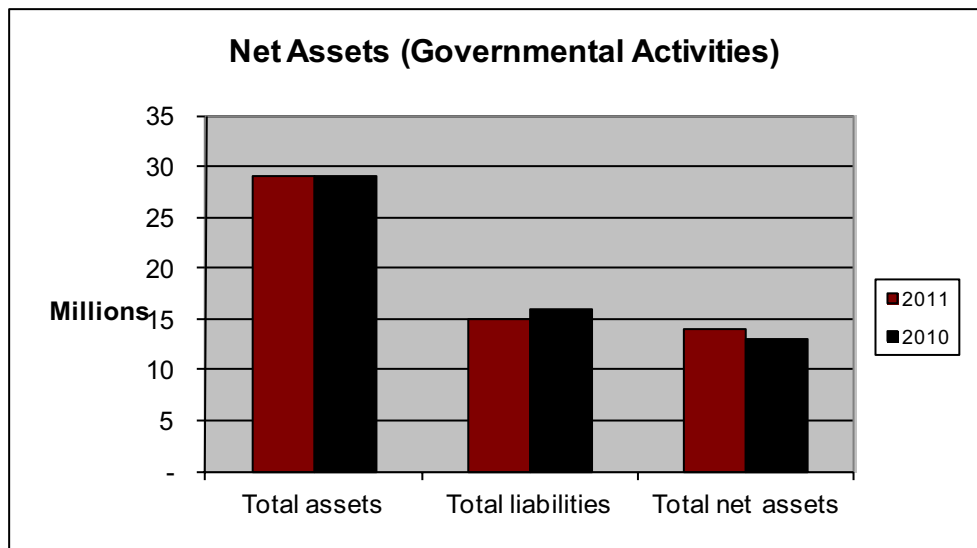
UNAUDITED

The School District as a Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

Table 1
Net Assets
Governmental Activities

	2011	2010	Change
Assets			
Current assets	\$ 24,829,227	\$ 25,199,203	\$ (369,976)
Capital assets, net	4,366,306	3,549,660	816,646
Total assets	<u>29,195,533</u>	<u>28,748,863</u>	<u>446,670</u>
Liabilities			
Other liabilities	13,294,315	13,887,709	(593,394)
Long-term liabilities	1,949,067	1,776,517	172,550
Total liabilities	<u>15,243,382</u>	<u>15,664,226</u>	<u>(420,844)</u>
Net assets			
Invested in capital assets, net of related debt	3,838,208	2,894,660	943,548
Restricted	392,330	1,106,421	(714,091)
Unrestricted	9,721,613	9,083,556	638,057
Total net assets	<u>\$ 13,952,151</u>	<u>\$ 13,084,637</u>	<u>\$ 867,514</u>



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

UNAUDITED

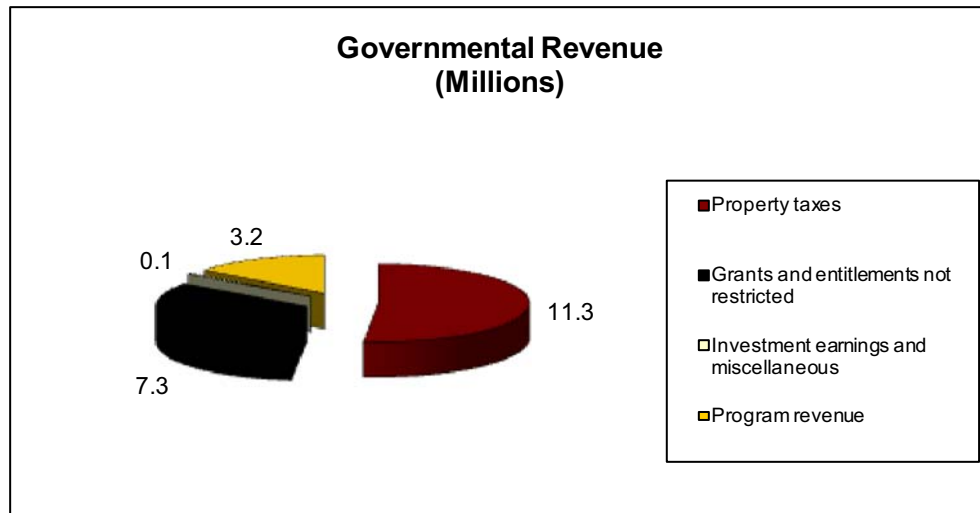
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the net assets were \$13,952,151.

At year-end, capital assets represented 15.0% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment and vehicles. Invested in capital assets, net of related debt at June 30, 2011 was \$3,838,208. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$392,330, represents resources that are subject to external restriction on how they are spent. The remaining balance of unrestricted net assets of \$9,721,613 may be used to meet the District's ongoing obligations to the students and creditors.

By comparing assets and liabilities, one can see the overall position of the School District has improved over the past year as evidenced by the increase in total net assets.

The vast majority of revenue supporting all Governmental Activities is General revenue. General revenue totaled \$ 18,792,736 or 85.4 percent of the total revenue. The most significant portion of the General revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$ 3,202,234 or 14.6 percent of total revenue.



Clearly, the Sheffield-Sheffield Lake community is by far the greatest source of financial support for the students of the Sheffield-Sheffield Lake City School District.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

UNAUDITED

Table 2 shows the changes in net assets for fiscal year 2011. A comparative analysis of government-wide for fiscal year 2010 data is also presented.

**Table 2
Governmental Activities**

	2011	%	2010	%
		of Total		of Total
General revenues				
Property taxes levied for:				
General purpose	\$10,997,084	50.00%	\$10,066,573	47.90%
Capital improvements	319,339	1.45%	309,051	1.47%
Grants and entitlements not restricted to specific purpose	7,343,218	33.39%	7,515,647	35.77%
Investment earnings	14,176	0.06%	14,436	0.07%
Miscellaneous	118,919	0.54%	162,555	0.77%
Total general revenues	<u>18,792,736</u>	<u>85.44%</u>	<u>18,068,262</u>	<u>85.98%</u>
Program revenues	<u>3,202,234</u>	<u>14.56%</u>	<u>2,945,438</u>	<u>14.02%</u>
Total revenue	<u>21,994,970</u>	<u>100.00%</u>	<u>21,013,700</u>	<u>100.00%</u>
Governmental activities				
Instruction				
Regular	9,167,659	43.40%	8,124,999	41.45%
Special	2,876,358	13.61%	2,712,465	13.84%
Vocational	169,705	0.80%	89,167	0.45%
Adult/continuing	-	0.00%	-	0.00%
Other instruction	25,102	0.12%	-	0.00%
Supporting services				
Pupil	1,244,572	5.89%	1,080,076	5.51%
Instructional staff	1,013,846	4.80%	791,675	4.04%
Board of education	35,274	0.17%	35,332	0.18%
Administration	1,497,169	7.09%	1,599,279	8.16%
Fiscal services	589,323	2.79%	581,830	2.97%
Business	262,938	1.24%	196,692	1.00%
Operation and maintenance	1,742,403	8.25%	1,590,134	8.11%
Pupil transportation	1,001,388	4.74%	922,109	4.70%
Central services	279,042	1.32%	713,454	3.64%
Operation of non-instructional services				
Food service operation	695,868	3.29%	632,148	3.22%
Community services	29,998	0.14%	21,115	0.11%
Extracurricular activities	472,972	2.24%	511,318	2.61%
Interest	23,839	0.11%	1,968	0.01%
Totals	<u>21,127,456</u>	<u>100.00%</u>	<u>19,603,761</u>	<u>100.00%</u>
Change in net assets	<u>\$ 867,514</u>		<u>\$ 1,409,939</u>	

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

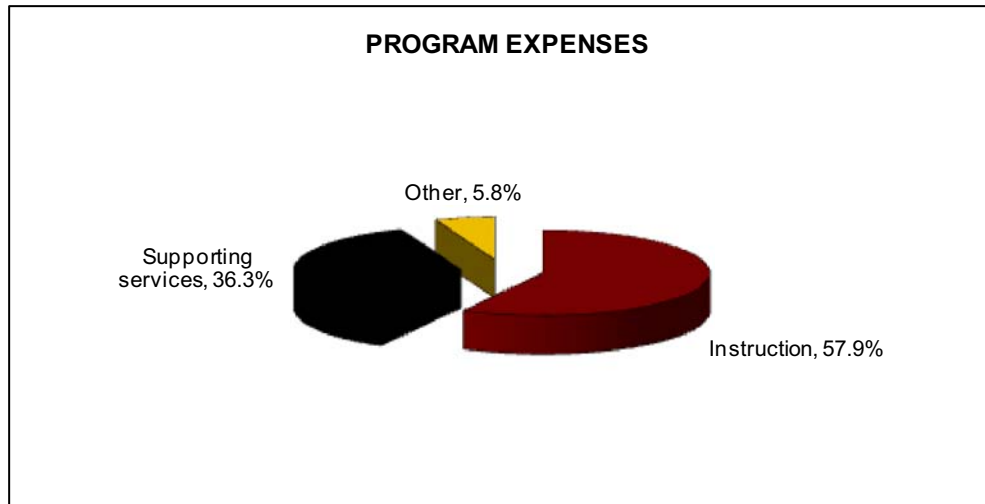
UNAUDITED

Governmental Activities

The unusual nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As a result of legislation enacted in 1976, the overall revenue generated by a voted tax levy does not increase as a result of inflation. As an example, a homeowner with a home value at \$100,000 (assessed value of \$35,000) and taxed at 1.0 mill would pay \$35.00 annually in taxes. If, three years later, the home value were to be reappraised and increased to \$200,000 (assessed value of \$70,000) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

The primary source of revenue for governmental activities is derived from property taxes. Property taxes made up 51.5 percent of revenues for governmental activities for the Sheffield-Sheffield Lake City School District in fiscal year 2011.

The largest Governmental Activities program expense remains instruction, comprising 57.9 percent of total expenses. When combined with pupil, staff and business operations, these categories encompass 94.2 percent. The remaining program expenses of 5.8 percent are budgeted to facilitate other obligations of the School District, such as food service programs, community services activities, numerous extracurricular activities and interest payments.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011

UNAUDITED

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost Of Services	Net Cost Of Services
Governmental activities		
Instruction		
Regular	\$ 9,167,659	\$ (7,712,635)
Special	2,876,358	(2,197,926)
Vocational	169,705	(169,705)
Other instruction	25,102	(25,102)
Supporting services		
Pupil	1,244,572	(994,822)
Instructional staff	1,013,846	(840,210)
Board of education	35,274	(35,274)
Administration	1,497,169	(1,497,169)
Fiscal services	589,323	(589,323)
Business	262,938	(262,938)
Operation and maintenance	1,742,403	(1,742,403)
Pupil transportation	1,001,388	(1,001,388)
Central services	279,042	(260,392)
Operation of non-instructional services		
Food service operation	695,868	(149,932)
Community services	29,998	(29,998)
Extracurricular activities	472,972	(392,166)
Interest	23,839	(23,839)
Totals	\$ 21,127,456	\$(17,925,222)

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 53.6 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 34.8 percent, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues fund 15.2 percent of all governmental expenses.

School District Funds

Information regarding the School District's funds can be found on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 21,523,892 and expenditures of \$ 21,825,717. The net change in fund balance for the year was a decrease of \$ 301,825, which was the result of an increase of \$ 531,887 in the General Fund and a decrease of \$ 833,712 in the Other Governmental Funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011

UNAUDITED

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the School District amended its General Fund budget several times to allow for additional advances to its Food Service Fund and other less significant amendments. Fluctuations among the budget base expenditures categories are due to the School District's site-based style of budgeting that is designed to tightly control expenses but provide flexibility for managers to redirect funds as conditions develop during the year.

For the General Fund, final budget estimated revenue was \$18,483,029. The actual revenue received was \$ 18,602,015.

Total final budget estimated expenditures were \$ 19,816,201. The actual expenditures on the budget basis (cash outlays plus encumbrances) were \$ 19,164,900.

Capital Assets and Debt Administration

At the end of fiscal 2011 the School District had \$4.4 million invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2011 values compared to 2010.

Table 4
Capital Assets at June 30
Governmental Activities
(Net of Depreciation)

	2011	2010
Land	\$ 540,878	\$ 461,310
Construction in progress	558,165	278,946
Buildings and improvements	2,122,649	1,782,530
Furniture and equipment	706,687	560,525
Vehicles	437,927	466,349
	\$ 4,366,306	\$ 3,549,660

All capital assets, except land and construction in progress, are reported net of depreciation. For more information about the School District's capital assets, see Notes to the Basic Financial Statements.

Debt

At June 30, 2011, the School District had \$ 385,000 in various purpose bond debt. The School District has not had outstanding bonds for over ten years; therefore, the School District has no official bond rating.

	2011	2010
Various purpose bond (2010) 3.74%, 12/1/2014	\$ 385,000	\$ 480,000

For more information about the School District's debt, see Notes to the Basic Financial Statements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011**

UNAUDITED

School District Outlook

The Board of Education and the Administration closely monitor the School District's revenues and expenditures in accordance with its financial forecast and the School District's Strategic Plan.

The School District relies heavily upon real estate taxes and state funding as sources of revenue. The School District's financial future took a turn for the better with the passage of a 5.99 mill five-year Emergency Operating Levy in November 2005. This and an older Emergency Levy were both renewed in May of 2009.

The community showed its continuing support in May 2011 by passing a \$31,000,000 Bond Issue to construct a new 7 – 12 building. We will break ground for the new facility in 2012 and move in during 2014. This is the first phase of a two to three phase program to upgrade all district facilities on one campus at 1824 Harris Road.

State funding continues to be a challenge not only for Sheffield-Sheffield Lake City School District but statewide. Significant changes are not expected any time soon. Until the State provides an adequate/equitable system of funding education, the School District will continue to depend on the residents of the School District to bear the cost of educating our children.

The financial statements represent our continued efforts to keep the School District informed of the use of their tax dollars and the cost of the School District to maintain the excellence in education provided our students and expected of our community.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Donald J. Breon, Treasurer, Sheffield-Sheffield Lake City School District, 1824 Harris Road, Sheffield, Ohio 44054, or e-mail dbreon@sheffield.k12.oh.us.

THIS PAGE INTENTIONALLY LEFT BLANK.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
Assets	
Equity in pooled cash	\$ 12,212,595
Accounts receivable	3,265
Due from other governments	1,301,703
Inventories and supplies	39,325
Taxes receivable	11,272,339
Capital assets	
Nondepreciable capital assets	1,099,043
Depreciable capital assets, net	3,267,263
Total assets	29,195,533
 Liabilities	
Accounts and contracts payable	327,926
Retainage payable	16,013
Accrued salaries, wages and benefits	1,686,173
Due to other governments	547,600
Accrued interest payable	1,471
Unearned revenue	10,715,132
Long-term liabilities	
Due within one year	196,271
Due in more than one year	1,752,796
Total liabilities	15,243,382
 Net assets	
Invested in capital assets, net of related debt	3,838,208
Restricted for:	
Capital projects	58,140
Extracurricular activities	26,756
State grants	15,539
Federal grants	63,253
Other purposes	228,642
Unrestricted	9,721,613
Total net assets	\$ 13,952,151

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Interest and Contributions	
Governmental activities				
Instruction				
Regular	\$ 9,167,659	\$ 1,011,227	\$ 443,797	\$ (7,712,635)
Special	2,876,358	30,000	648,432	(2,197,926)
Vocational	169,705	-	-	(169,705)
Other instruction	25,102	-	-	(25,102)
Supporting services				
Pupil	1,244,572	-	249,750	(994,822)
Instructional staff	1,013,846	-	173,636	(840,210)
Board of education	35,274	-	-	(35,274)
Administration	1,497,169	-	-	(1,497,169)
Fiscal services	589,323	-	-	(589,323)
Business	262,938	-	-	(262,938)
Operation and maintenance	1,742,403	-	-	(1,742,403)
Pupil transportation	1,001,388	-	-	(1,001,388)
Central services	279,042	-	18,650	(260,392)
Operation of non-instructional services				
Food service operation	695,868	205,510	340,426	(149,932)
Community services	29,998	-	-	(29,998)
Extracurricular activities	472,972	80,806	-	(392,166)
Interest	23,839	-	-	(23,839)
Totals	<u>\$ 21,127,456</u>	<u>\$ 1,327,543</u>	<u>\$ 1,874,691</u>	<u>(17,925,222)</u>

General revenues	
Property taxes levied for:	
General purpose	10,997,084
Capital improvements	319,339
Grants and entitlements not restricted to specific purposes	7,343,218
Investment earnings	14,176
Miscellaneous	118,919
Total general revenues	<u>18,792,736</u>

Change in net assets	867,514
Net assets at beginning of year	13,084,637
Net assets at end of year	<u>\$ 13,952,151</u>

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in pooled cash	\$ 11,443,008	\$ 769,587	\$ 12,212,595
Receivables, net of allowance			
Taxes, current	10,172,717	295,434	10,468,151
Taxes, delinquent	781,510	22,678	804,188
Accounts and other	3,265	-	3,265
Due from other governments	1,234,581	67,122	1,301,703
Interfund receivable	423,333	-	423,333
Inventories and supplies	14,041	25,284	39,325
Total assets	\$ 24,072,455	\$ 1,180,105	\$ 25,252,560
Liabilities and fund balances			
Liabilities			
Accounts and contracts payable	\$ 156,742	\$ 171,184	\$ 327,926
Retainage payable	-	16,013	16,013
Accrued salaries, wages and benefits	1,554,076	132,097	1,686,173
Due to other governments	498,083	49,517	547,600
Interfund payable	-	423,333	423,333
Deferred revenue	11,202,778	355,585	11,558,363
Compensated absences payable	62,287	-	62,287
Total liabilities	13,473,966	1,147,729	14,621,695
Fund balances			
Nonspendable	14,041	25,284	39,325
Restricted	-	143,592	143,592
Committed	230,553	-	230,553
Assigned	87,101	-	87,101
Unassigned (deficit)	10,266,794	(136,500)	10,130,294
Total fund balances	10,598,489	32,376	10,630,865
Total liabilities and fund balances	\$ 24,072,455	\$ 1,180,105	\$ 25,252,560

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$ 10,630,865
Amounts 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.		4,366,306
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes and due from other governments.		843,231
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		(1,358,682)
Bond payable		(385,000)
Capital lease payable		(143,098)
Interest payable		(1,471)
		(1,988,251)
Net assets of governmental activities		\$ 13,952,151

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 10,569,186	\$ 306,997	\$ 10,876,183
Tuition and fees	1,034,319	-	1,034,319
Interest	14,150	26	14,176
Intergovernmental	7,276,448	1,910,623	9,187,071
Charges for services	-	204,032	204,032
Extracurricular	48,777	67,408	116,185
Other	77,026	14,900	91,926
Total revenues	19,019,906	2,503,986	21,523,892
Expenditures			
Current			
Instruction			
Regular	8,590,446	431,396	9,021,842
Special	2,314,463	522,071	2,836,534
Vocational	164,802	-	164,802
Other instruction	19,421	-	19,421
Supporting services			
Pupil	977,163	217,231	1,194,394
Instructional staff	655,220	328,131	983,351
Board of education	33,959	-	33,959
Administration	1,460,527	-	1,460,527
Fiscal services	581,508	4,097	585,605
Business	252,828	9,109	261,937
Operation and maintenance	1,533,732	143,420	1,677,152
Pupil transportation	975,778	150	975,928
Central services	253,680	20,424	274,104
Operation of non-instructional services			
Food service operation	-	679,779	679,779
Community services	-	29,251	29,251
Extracurricular activities	396,690	66,364	463,054
Capital outlay	82,439	930,400	1,012,839
Debt service			
Principal	31,902	95,000	126,902
Interest	7,323	17,013	24,336
Total expenditures	18,331,881	3,493,836	21,825,717
Excess (deficiency) of revenues over expenditures	688,025	(989,850)	(301,825)
Other financing sources (uses)			
Transfers-in	-	233,146	233,146
Transfers-out	(156,138)	(77,008)	(233,146)
Total other financing sources (uses)	(156,138)	156,138	-
Net change in fund balances	531,887	(833,712)	(301,825)
Fund balances, beginning of year, restated	10,066,602	866,088	10,932,690
Fund balances, end of year	\$ 10,598,489	\$ 32,376	\$ 10,630,865

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds \$ (301,825)

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 capital outlay exceeded depreciation in the current period.

Capital outlay, net	\$	1,099,574	
Depreciation expense		<u>(282,928)</u>	
Total			816,646

Revenues in the statement of activities (ie. property taxes) that do not
provide current financial resources are not reported as revenue
in the funds.

Property taxes	\$	440,240	
Intergovernmental		<u>30,838</u>	
			471,078

Repayment of interest is an expenditure in the governmental funds, but the
repayment reduces accrued interest in the statement of net assets. 497

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.

Compensated absences	\$	(245,784)	
Bond payable		95,000	
Capital lease payable		<u>31,902</u>	
			<u>(118,882)</u>

Change in net assets of governmental activities \$ 867,514

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues and other financing sources	\$ 21,405,460	\$ 18,483,029	\$ 18,602,015	\$ 118,986
Expenditures and other financing uses	19,330,001	19,816,201	19,164,900	651,301
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	2,075,459	(1,333,172)	(562,885)	770,287
Fund balance, beginning of year	11,070,303	11,070,303	11,070,303	-
Prior year encumbrances	316,201	316,201	316,201	-
Fund balance, end of year	<u>\$ 13,461,963</u>	<u>\$ 10,053,332</u>	<u>\$ 10,823,619</u>	<u>\$ 770,287</u>

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF FIDUCIARY FUNDS -
ASSETS AND LIABILITIES - AGENCY FUNDS

JUNE 30, 2011

	<u>Agency Funds</u>
Assets	
Equity in pooled cash	<u>\$ 82,520</u>
Total assets	<u><u>82,520</u></u>
Liabilities	
Accounts and contracts payable	3,544
Due to students	69,553
Due to others	<u>9,423</u>
Total liabilities	<u><u>\$ 82,520</u></u>

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Sheffield-Sheffield Lake City School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2010 was 1,915. The District employs 150 certificated and 127 non-certificated employees.

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

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

The District is associated with the Lake Erie Educational Computer Association, the Lake Erie Regional Council of Governments (LERC), the Lorain County Joint Vocational School District and the Ohio Schools Council. These organizations and their relationships with the District are described in more detail in Note 16 to these financial statements.

B. BASIS OF PRESENTATION

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The following are the more significant of the District's accounting policies.

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. 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 for the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

C. FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds focus 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 is the District's major governmental fund:

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

Governmental Funds (continued)

General Fund - the General Fund is the operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund.

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

Proprietary Funds

Proprietary fund focus on the determination of the changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has no enterprise or internal service funds.

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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no Trust Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities.

D. MEASUREMENT FOCUS

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

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.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District 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 fiscal year end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

Unearned/Deferred Revenue

Unearned 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 June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as unearned 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.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING (continued)

Expenditures/Expenses

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.

F. BUDGETARY PROCESS

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amount reported as the original budgeted amount in the budgetary statement reflects the amount in the certificate when the original appropriations were adopted. The amount reported as the final budgeted amount in the budgetary statement reflects the amount in the final amended certificate that was in effect at the time the final appropriations were passed by the Board of Education.

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

G. CASH AND INVESTMENTS

Cash received by the District is deposited in one central bank account with individual fund balance integrity maintained through District records. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (STAR Ohio). Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest income earned in the General Fund for the year ended June 30, 2011 was \$ 14,150 of which \$1,647 was assigned from other funds.

The District has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

Investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. INVENTORY

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental funds when used.

I. RESTRICTED ASSETS

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of another government or imposed by enabling legislation.

J. CAPITAL ASSETS

General capital assets 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

K. INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable". These amounts are eliminated in the governmental activities column of the statement of net assets.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District 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. The liability includes employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

M. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, 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. Long-term notes, loans, and capital leases are recognized as a liability on the governmental fund financial statements when due.

N. 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 and debt related to those capital assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The government-wide statement of net assets reports \$ 392,330 of restricted net assets, of which none is restricted by enabling legislation.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. FUND BALANCE

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

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted

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

Committed

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

Assigned

Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board of Education.

Unassigned

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

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. INTERFUND TRANSACTIONS

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Q. ESTIMATES

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

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

A. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District's financial statements.

GASB Statement No. 59 will update and improve existing standards regarding financial reporting and disclosure requirements by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards of certain financial instruments and external investment pools.

B. RESTATEMENT OF FUND BALANCE

The implementation of GASB 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported on modified accrual basis.

	General Fund	Other Governmental Funds	Total Governmental Funds
Fund Balance at			
June 30, 2010	\$ 9,993,852	\$ 938,838	\$ 10,932,690
Change in Fund Structure	72,750	(72,750)	-
Adjusted Fund Balance at June 30, 2010	\$ 10,066,602	\$ 866,088	\$ 10,932,690

The District also restated their beginning budget basis General Fund balance to reflect only the legally adopted budget for the general fund, as clarified by GASB Statement No. 54. This resulted in a decrease of beginning fund balance of \$5,304.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the District 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 Basis (Non-GAAP) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Some funds are included in the General Fund (GAAP basis), but have a separate legally adopted budget (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund.

Net Change in Fund Balance	
	General Fund
Budget basis	\$ (562,885)
Adjustments, increase (decrease)	
Revenue accruals	(175,791)
Expenditure accruals	866,743
Encumbrances	164,220
Funds budgeted separately	239,600
GAAP basis, as reported	\$ 531,887

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 4 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Inventory	\$ 14,041	\$ 25,284	\$ 39,325
Restricted			
Capital improvements	-	35,462	35,462
Other grants	-	7,089	7,089
Athletics	-	26,756	26,756
MIS	-	3,587	3,587
Onenet	-	1,650	1,650
Poverty assistance	-	690	690
Miscellaneous state grants	-	9,612	9,612
Fiscal stabilization	-	58,070	58,070
Early childhood education	-	369	369
Miscellaneous federal grants	-	307	307
	<u>-</u>	<u>143,592</u>	<u>143,592</u>
Committed			
Termination benefits	<u>230,553</u>	<u>-</u>	<u>230,553</u>
Assigned			
Other purposes	<u>87,101</u>	<u>-</u>	<u>87,101</u>
Unassigned (deficit)	<u>10,266,794</u>	<u>(136,500)</u>	<u>10,130,294</u>
Total fund balance	<u>\$ 10,598,489</u>	<u>\$ 32,376</u>	<u>\$ 10,630,865</u>

NOTE 5 – COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT BALANCES

At June 30, 2011, the following funds had deficit fund balances: the Title I Fund of \$ 33,856, the IDEA Part B Fund of \$ 39,333, the Title VI R Fund of \$ 15,682, and the Food Service Fund of \$ 22,338. The General Fund is liable for deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

Interim monies may be 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper and bankers' acceptances (if authorized by the Board of Education), and;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS(continued)

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

Investments 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 District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the District's deposits was \$ 31,506. The bank balance was \$ 50,860 of which \$ 50,860 was covered by federal depository insurance.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2011, the District had the following investments:

	Maturity	Fair Value
Investment in State Treasurer's Investment Pool	n/a	\$ 12,263,609

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 District follows the Ohio Revised Code that limits its investment choices. As of June 30, 2011, the District's investments in Star Ohio were rated AAAM by Standard & Poor's.

F. CONCENTRATION OF CREDIT RISK

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes for 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder due June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2011 were levied after April 1, 2010, on the assessed values as of December 31, 2009, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenue received during calendar 2011 (other than public utility property tax) represents the collection of 2011 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 calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however this year the settlement was late.

The District receives property taxes from Lorain County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2011 operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2011, was \$ 986,030 in the General Fund and \$ 28,955 in the Capital Projects Fund. The amount available as an advance at June 30, 2010, was \$ 418,119 in the General Fund and \$ 12,272 in the Capital Projects Fund.

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 7 - PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second - Half Collections			2011 First - Half Collections	
	Amount	%		Amount	%
Agricultural/Residential	\$ 223,235,670	67.56	%	\$ 223,025,630	67.94 %
Commercial/Industrial	101,695,710	30.78		99,760,350	30.39
Public Utilities	5,222,650	1.58		5,474,020	1.67
Tangible Personal Property	279,103	0.08		-	-
Total Assessed Value	<u>\$ 330,433,133</u>	<u>100.00</u>	%	<u>\$ 328,260,000</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 57.02</u>			<u>\$ 57.10</u>	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2011, consisted of property taxes, accounts, interfund, and amounts due from other governments. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items due from other governments follows:

	<u>Amount</u>
Governmental Funds:	
General Fund	\$ 1,234,581
Nonmajor Funds	
IDEA	6,268
Title I	28,268
ECSE	4,507
Title II D Technology	694
Capital Projects	27,385
Total due from other governments	<u>\$ 1,301,703</u>

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 9 – INTERFUND ADVANCES

Interfund receivables and payables at June 30, 2011 are as follows:

Major Fund:	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 423,333	\$ -
Non-major funds:		
Capital Projects	-	260,000
Title II D Technology	-	702
Title VI B	-	37,703
Title I	-	109,004
Drug Free Schools	-	1,632
ECSE Preschool	-	5,773
Title II A	-	8,519
Total non-major funds	<u>-</u>	<u>423,333</u>
Total	<u>\$ 423,333</u>	<u>\$ 423,333</u>

NOTE 10 - CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 461,310	\$ 79,568	\$ -	\$ 540,878
Construction in progress	278,946	558,165	278,946	558,165
Total nondepreciable capital assets	<u>740,256</u>	<u>637,733</u>	<u>278,946</u>	<u>1,099,043</u>
Depreciable capital assets				
Buildings and improvements	5,637,440	443,957	-	6,081,397
Furniture and equipment	1,618,680	257,050	-	1,875,730
Vehicles	1,460,909	39,780	-	1,500,689
Total capital assets being depreciated	<u>8,717,029</u>	<u>740,787</u>	<u>-</u>	<u>9,457,816</u>
Less accumulated depreciation				
Buildings and improvements	3,854,910	103,838	-	3,958,748
Furniture and equipment	1,058,155	110,888	-	1,169,043
Vehicles	994,560	68,202	-	1,062,762
Total accumulated depreciation	<u>5,907,625</u>	<u>282,928</u>	<u>-</u>	<u>6,190,553</u>
Depreciable capital assets, net of accumulated depreciation	<u>2,809,404</u>	<u>457,859</u>	<u>-</u>	<u>3,267,263</u>
Governmental activities capital assets, net	<u>\$ 3,549,660</u>	<u>\$ 1,095,592</u>	<u>\$ 278,946</u>	<u>\$ 4,366,306</u>

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 10 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction		
Regular	\$	35,934
Special		14,962
Vocational education		3,369
Supporting services		
Pupil		3,174
Instructional staff		26,192
Board of education		1,315
Administration		4,346
Fiscal services		2,077
Business		837
Operation and maintenance		102,956
Pupil transportation		63,885
Central services		740
Operation of non-instructional services		
Food service operation		12,662
Community service		747
Extracurricular activities		9,732
Total depreciation expense	<u>\$</u>	<u>282,928</u>

NOTE 11 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2011, the District contracted with the Ohio Casualty Company for property and casualty insurance. Professional liability is covered by the Ohio School Council with a \$ 1,000,000 per occurrence and a \$ 3,000,000 aggregate limit. Settled claims have not exceeded this commercial coverage in any of the past several years.

Travelers Casualty & Surety Company of America maintains performance bonds of \$ 20,000 for the superintendent and the board president. A surety bond in the amount of \$ 100,000 also covers the Treasurer. The remaining employees who handle money are covered with a public employee's dishonesty insurance bond in the amount of \$ 50,000.

B. WORKERS' COMPENSATION

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$ 373,005, \$ 337,185, and \$ 340,209, respectively; 54 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

Plan options - New members have a choice of three retirement plans options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DB plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) (continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest as specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Members contributions are allocated by the members, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB plan participants.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) (continued)

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% of member and 14% for employers. Contribution requirements and contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$ 1,129,424, \$ 1,096,018, and \$1,025,143, respectively; 81 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2010 and 2009.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Postemployment Benefits

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$ 96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is 0.76%. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009, were \$ 20,249, \$ 20,052, and \$ 18,225, respectively. 54 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$ 38,100, \$50,483, and \$ 119,316, respectively. 54 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009, were \$ 86,879, \$ 84,309, and \$ 78,857, respectively; 81 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2011 were as follows:

	Balance June 30, 2010	Additions	Retired	Balance June 30, 2011	Amounts Due In One Year
Various purpose bonds (2010)					
3.74%, 12-1-2014	\$ 480,000	\$ -	\$ 95,000	\$ 385,000	\$ 95,000
Capital leases	175,000	-	31,902	143,098	33,381
Compensated absences	1,121,517	381,739	82,287	1,420,969	67,890
	<u>\$ 1,776,517</u>	<u>\$ 381,739</u>	<u>\$ 209,189</u>	<u>\$ 1,949,067</u>	<u>\$ 196,271</u>

The Various purpose bonds Series 2010 were for the purpose of rehabilitating, renovating, reconstructing and improving the District's buildings and facilities and for the purchase of buses. The debt will be repaid from the Permanent Improvement Fund. The capital lease will be repaid from the General Fund. The compensated absences will be repaid from the funds from which employee's salaries are paid.

Principal and interest requirements to retire bonds outstanding at June 30, 2011 were as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$ 95,000	\$ 12,623	\$ 107,623
2013	95,000	9,070	104,070
2014	95,000	5,517	100,517
2015	100,000	1,870	101,870
	<u>\$ 385,000</u>	<u>\$ 29,080</u>	<u>\$ 414,080</u>

NOTE 15 - SET-ASIDES

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2011.

	Textbook	Capital Maintenance
Balance, July 1, 2010	\$ (226,174)	\$ -
Required set aside	294,726	294,726
Offset credits	-	(336,168)
Qualifying expenditures	(312,288)	(894,226)
Totals	<u>\$ (243,736)</u>	<u>\$ (935,668)</u>
Carry forward at June 30, 2011	<u>\$ -</u>	

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 15 – SET-ASIDES (continued)

Expenditures and offset credits for textbooks and capital maintenance during the year were \$ 312,288 and \$ 1,230,394, respectively. Effectively July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. Although the District had qualifying expenditures during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future fiscal years.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty-one school districts. The jointly governed organization was formed to provide data processing services for accounting, administrative and instructional functions of member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software packages utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent.

LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2011, the District paid \$ 199,926 to LEECA.

B. LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS (LERC)

The Lake Erie Regional Council of Governments (LERC) is a jointly governed organization among 17 school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, food service and insurance. Each member provided operating resources to LERC on a per-pupil or actual usage charge, except for insurance.

The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. A board of directors chosen from the general membership governs LERC. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County located at 1885 Lake Avenue, Elyria, Ohio 44035.

C. LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

The Lorain County Joint Vocational School District is a jointly governed organization. The jointly governed organization was formed for the purpose of providing vocational and special education needs of the students. The Lorain County Joint Vocational School Board is comprised of representatives from each participating school district and is responsible for approving its own budgets, appointing personnel, and accounting and financing related activities.

The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Lorain County Joint Vocational School District located at 15181 State Route 58, Oberlin, Ohio 44074.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. OHIO SCHOOLS COUNCIL

The Ohio Schools' Council Association (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Associations. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2011, the School District paid \$ 218,863 to the Council. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 143 participants in the program including the Sheffield-Sheffield Lake City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

NOTE 17 - INTERFUND TRANSFERS

During the year ended June 30, 2011, interfund transfers were made to fund operating activities in various governmental funds. The Permanent Improvement transferred \$77,008 to the Building and Renovation Fund for the payment of principal and interest.

	Transfer from:		
	General Fund	Nonmajor Governmental Funds	Total Transfer in
Transfer to:			
Nonmajor Governmental Funds	\$ 156,138	\$ 77,008	\$ 233,146
Total transfer out	\$ 156,138	\$ 77,008	\$ 233,146

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 18 – CAPITAL LEASE

The School District has entered into a lease agreement as lessee for financing district wide equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through capital lease is as follows:

<u>Asset</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
VOIP phone/telecom system	\$ 188,785	\$ 21,875	\$ 166,910

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2011 were as follows:

	Year ending June 30,	Amount
	2012	\$ 39,188
	2013	39,188
	2014	39,188
	2015	39,188
Total minimum lease payments		156,752
Less amount representing interest		13,654
Net present value of minimum lease payments		\$ 143,098

NOTE 19 – OPERATING LEASES

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. During 2011, expenditures for operating leases totaled \$ 79,812.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2011.

	Year ending June 30,	Amount
	2012	\$ 79,812
	2013	77,574
	2014	75,336
	2015	50,224
Total minimum lease payments		\$ 282,946

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 20 – CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 2011.

NOTE 21 – CONTRACTUAL COMMITMENTS

At June 30, 2011, the District had contractual commitments for renovations projects as follows:

	Contract Amount	Expended	Remaining Liability
BHS track renovation	\$ 396,792	\$ 320,260	\$ 76,532
BHS exercise room	172,819	172,819	-
	\$ 569,611	\$ 493,079	\$ 76,532

NOTE 22 – SUBSEQUENT EVENTS

In August 2011, the District issued General Obligation School Improvement Bonds in the amount of \$ 31,000,000 for the construction of new facilities. The District has also entered into contract commitments with various companies for the construction of the new facilities in the amount of \$2,323,770.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$71,166	\$0	\$71,166	\$0
National School Lunch Program	10.555	262,471	16,977	262,471	16,977
Total Child Nutrition Cluster		333,637	16,977	333,637	16,977
Total U.S. Department of Agriculture		333,637	16,977	333,637	16,977
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Special Education Cluster (IDEA):					
Special Education - Grants to States (IDEA, Part B) - 2010	84.027	(384)	0	1,350	0
Special Education - Grants to States (IDEA, Part B) - 2011	84.027	365,255	0	359,268	0
ARRA - Special Education - Grants to States (IDEA, Part B) - 2010	84.391	(10,435)	0	0	0
ARRA - Special Education - Grants to States (IDEA, Part B) - 2011	84.391	289,044	0	269,742	0
Total Special Education - Grants to States (IDEA, Part B)		643,480	0	630,360	0
Special Education - Preschool Grants (IDEA Preschool) - 2010	84.173	(916)	0	4,066	0
Special Education - Preschool Grants (IDEA Preschool) - 2011	84.173	6,373	0	6,166	0
ARRA - Special Education - Preschool Grants (IDEA Preschool) - 2010	84.392	(1,297)	0	0	0
ARRA - Special Education - Preschool Grants (IDEA Preschool) - 2011	84.392	5,193	0	4,115	0
Total Special Education - Preschool Grants (IDEA Preschool)		9,353	0	14,347	0
Total Special Education Cluster (IDEA)		652,833	0	644,707	0
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) - 2010	84.010	(22,313)	0	(4,315)	0
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) - 2011	84.010	309,414	0	296,650	0
ARRA - Title I Grants to Local Educational Agencies - 2010	84.389	9,989	0	0	0
ARRA - Title I Grants to Local Educational Agencies - 2011	84.389	84,129	0	78,715	0
Total Title I, Part A Cluster		381,219	0	371,050	0
Safe and Drug-Free Schools and Communities - State Grants - 2010	84.186	3,293	0	2,654	0
Career and Technical Education - Basic Grants to States - 2011	84.048	180	0	0	0
Educational Technology State Grants - 2010	84.318	2,496	0	2,496	0
Educational Technology State Grants - 2011	84.318	447	0	1,148	0
ARRA - Education Technology State Grants - 2010	84.386	0	0	242	0
Total Educational Technology State Grants		2,943	0	3,886	0
Improving Teacher Quality State Grants - 2010	84.367	(3,219)	0	73,468	0
Improving Teacher Quality State Grants - 2011	84.367	74,397	0	74,398	0
Total Improving Teacher Quality State Grants		71,178	0	147,866	0
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	367,318	0	469,633	0
Total U.S. Department of Education		1,478,964	0	1,639,796	0
Total		\$1,812,601	\$16,977	\$1,973,433	\$16,977

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Sheffield-Sheffield Lake City School District's (the District's) federal award programs' receipts and expenditures. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The District transferred the following amount from 2010 to 2011 program:

<u>Program Title</u>	<u>CFDA</u> <u>Number</u>	<u>Amount</u> <u>Transferred from</u> <u>2010 to 2011</u>
Special Education – Grants to States (IDEA, Part B)	84.027	\$384
ARRA Special Education - Grants to States (IDEA, Part B)	84.391	10,435
Special Education – Preschool Grants (IDEA Preschool)	84.173	916
ARRA Special Education – Preschool Grants (IDEA Preschool)	84.392	1,297
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	27,225
Improving Teacher Quality State Grants	84.367	3,219



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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Sheffield-Sheffield Lake City School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 19, 2012, wherein we noted the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the June 30, 2010 fund balances of the Governmental Funds due to a change in fund structure. 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 District'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 District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, 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 District'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 District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 19, 2012.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

March 19, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Sheffield-Sheffield Lake City School District, Lorain County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Sheffield-Sheffield Lake City School District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

As described in finding 2011-01 in the accompanying schedule of findings, the District did not comply with requirements regarding Cash Management applicable to its State Fiscal Stabilization Fund major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Sheffield-Sheffield Lake City School District, Lorain County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2011-01 to be a material weakness.

The District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 19, 2012

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified for all major programs except for the State Fiscal Stabilization Fund Grant, which we qualified compliance over Cash Management.
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	<p>1. Special Education Cluster: Special Education – Grants to States (IDEA, Part B), CFDA #84.027; ARRA – Special Education – Grants to States (IDEA, Part B), CFDA #84.391; Special Education – Preschool Grants (IDEA Preschool), CFDA #84.173; ARRA – Special Education – Preschool Grants (IDEA Preschool), CFDA #84.392.</p> <p>2. Title I, Part A Cluster: Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA), CFDA #84.010; ARRA – Title I Grants to Local Educational Agencies, CFDA #84.389.</p> <p>3. ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, CFDA #84.394.</p>
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(CONTINUED)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

State Fiscal Stabilization Fund - Cash Management

Finding Number	2011-01
CFDA Title and Number	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, CFDA #84.394
Federal Award Number / Year	2011
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance & Material Weakness

The District received State Fiscal Stabilization Funds (SFSF) which were passed through the Ohio Department of Education (ODE). These SFSF monies were advanced bi-monthly to the District along with State Foundation Payments as indicated in the ODE Pathway to Student Success (PASS) form, a new form in fiscal year 2010 that shows funding information for the components of the Evidenced Based Funding Model (EBM). The PASS form breaks out the individual components of the EBM, including the amount representing SFSF. 34 CFR 80.21 (b)(7) states in part, "when advances are made by letter of credit or electronic transfer of funds methods, the grantee must make draw downs as close as possible to the time of making disbursement." ODE subsequently stated local educational agencies must have formal control systems in place to ensure advance SFSF payments are spent timely (i.e., within 30 days or by the end of the month in which the monies were received, whichever occurs first).

The District began receiving SFSF funding in July 2009. In total, the District received \$668,499 and as of June 30, 2011 had only spent \$473,433. Furthermore, the District only spent \$15,200 of its \$301,181 received in the prior fiscal year. The level of this accumulating balance in the District's accounts allowed the District to earn interest on these funds. Based on the United States Treasury's Cash Management Improvement Act Interest Rates for State Fiscal Year 2011, we determined the District earned an estimated \$313 of interest from these excess funds during fiscal year 2011. Additional interest was earned on the SFSF balance in the prior and subsequent fiscal years as well. The interest earned on the unspent SFSF grant monies must be remitted to the U.S. Department of Education through ODE. An amount of \$100 per entity may be retained under 34 CFR 80.21 for administrative expenses per year. As an LEA, it is the responsibility of District management to be aware of federal compliance over its grants. This material noncompliance is considered a material weakness and qualification over the cash management compliance requirement of the State Fiscal Stabilization Fund grant.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011
(CONTINUED)**

State Fiscal Stabilization Fund - Cash Management (Continued)

We recommend the District's management review the requirements of 34 CFR 80 in order to be aware of all reporting compliance requirements over its grants to prevent such noncompliance in the future. Specifically, we recommend the District monitor available cash fund balances to ensure advanced grant monies are spent timely. We also recommend the District contact ODE so they can review the calculation of interest earned and remit the additional estimated interest earned on the excess SFSF balances to the United States Department of Education.

Officials Response:

In the future when the District receives state fiscal stabilization funds (SFSF), we will review the requirements and monitor cash balances in an attempt to spend the monies in a timely manner.

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Sheffield-Sheffield Lake City School District, Lorain County, Ohio, (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 22, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

March 19, 2012



Dave Yost • Auditor of State

SHEFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 29, 2012**