

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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

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, 2008, 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, 2008, and the respective changes in financial position and where applicable, cash flows, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2009, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 31, 2009

**Sheffield-Sheffield Lake City School District
Lorain County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Unaudited

The discussion and analysis of Sheffield-Sheffield Lake City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- In total, net assets increased by \$1,918,648.
- Revenues for governmental activities totaled \$21,092,724 in 2008. Of this total, 89.43 percent consisted of General revenues while Program revenues accounted for the balance of 10.57 percent.
- Program expenses totaled \$19,174,076. Instructional expenses made up 60.36 percent of this total while support services accounted for 34.27 percent. Other expenses rounded out the remaining 5.37 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 2008?" The *Statement of Net Assets* and the *Statement of Activities* answers 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 the Fiscal Year Ended June 30, 2008

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 into 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 reports 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 the Fiscal Year Ended June 30, 2008

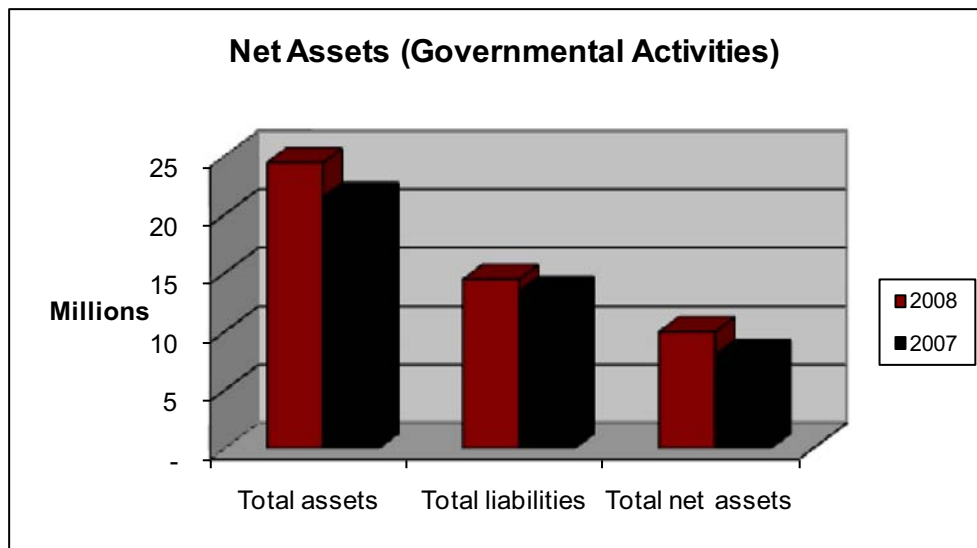
Unaudited

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 2008 compared to 2007.

Table 1
Net Assets
Governmental Activities

	2008	2007	Change
Assets			
Current assets	\$ 21,656,555	\$ 19,510,580	\$ 2,145,975
Capital assets, net	2,171,718	1,988,769	182,949
Total assets	<u>23,828,273</u>	<u>21,499,349</u>	<u>2,328,924</u>
Liabilities			
Other liabilities	12,654,735	12,265,495	389,240
Long-term liabilities	1,207,653	1,186,617	21,036
Total liabilities	<u>13,862,388</u>	<u>13,452,112</u>	<u>410,276</u>
Net assets			
Invested in capital assets, net of related debt	2,171,718	1,988,769	182,949
Restricted	1,265,329	292,063	973,266
Unrestricted	6,528,838	5,766,405	762,433
Total net assets	<u>\$ 9,965,885</u>	<u>\$ 8,047,237</u>	<u>\$ 1,918,648</u>



**Sheffield-Sheffield Lake City School District
Lorain County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Unaudited

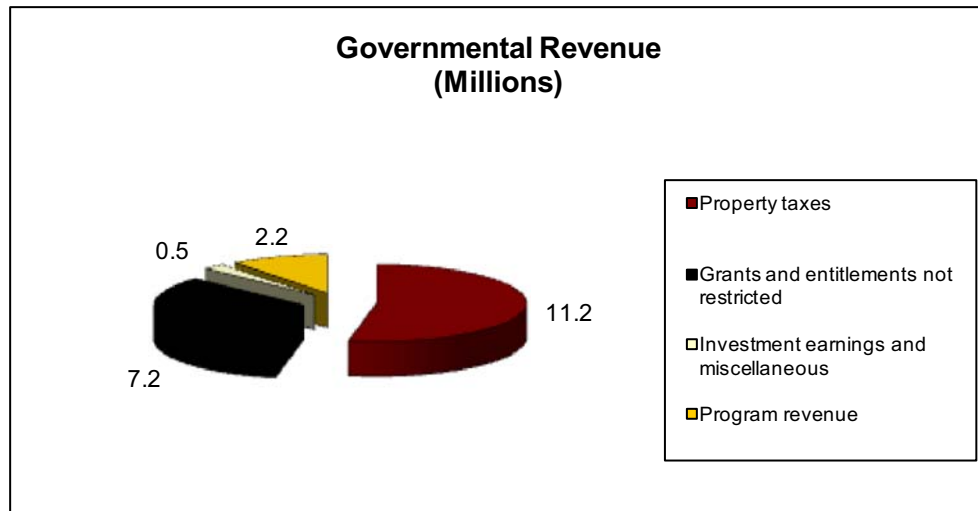
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the net assets were \$9,965,885.

At year-end capital assets represented 9.1% of total assets. Capital assets include land, construction in process, buildings and improvements, furniture and equipment and vehicles. Invested in capital assets at June 30, 2008 was \$2,171,718. 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, \$1,265,329, represents resources that are subject to external restriction on how they are spent. The remaining balance of unrestricted net assets of \$6,528,838 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 \$ 18,863,262 or 89.43 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 \$ 2,229,462 or only 10.57 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 the Fiscal Year Ended June 30, 2008

Unaudited

Table 2 shows the changes in net assets for fiscal year 2008. A comparative analysis of government-wide for fiscal year 2007 data is also presented.

Table 2
Governmental Activities

	2008	%	2007	%
		of Total		of Total
General revenues				
Property taxes levied for:				
General purpose	\$ 10,855,863	51.47%	\$ 11,431,650	53.92%
Capital improvements	318,801	1.51%	317,361	1.50%
Grants and entitlements not restricted to specific purpose	7,190,545	34.09%	6,888,627	32.50%
Investment earnings	337,944	1.60%	347,017	1.64%
Miscellaneous	160,109	0.76%	115,172	0.54%
Total general revenues	<u>18,863,262</u>	<u>89.43%</u>	<u>19,099,827</u>	<u>90.10%</u>
Program revenues	<u>2,229,462</u>	<u>10.57%</u>	<u>2,097,476</u>	<u>9.90%</u>
Total revenue	<u>21,092,724</u>	<u>100.00%</u>	<u>21,197,303</u>	<u>100.00%</u>
Governmental activities				
Instruction				
Regular	9,005,906	46.99%	7,587,863	43.88%
Special	2,163,355	11.28%	2,074,221	12.00%
Vocational	198,017	1.03%	230,365	1.33%
Other instruction	204,438	1.07%	4,922	0.03%
Supporting services				
Pupil	1,183,240	6.17%	1,019,101	5.89%
Instructional staff	710,879	3.71%	783,098	4.53%
Board of education	32,284	0.17%	32,046	0.19%
Administration	1,361,508	7.10%	1,389,841	8.04%
Fiscal services	487,783	2.54%	593,868	3.43%
Business	152,095	0.79%	127,694	0.74%
Operation and maintenance	1,522,805	7.94%	1,446,360	8.37%
Pupil transportation	905,772	4.72%	799,744	4.63%
Central services	215,455	1.12%	221,435	1.28%
Operation of non-instructional services				
Food service operation	587,334	3.06%	520,612	3.01%
Community services	84,422	0.44%	80,954	0.47%
Extracurricular activities	358,783	1.87%	370,622	2.14%
Interest	-	0.00%	7,708	0.04%
Totals	<u>19,174,076</u>	<u>100.00%</u>	<u>17,290,454</u>	<u>100.00%</u>
Change in net assets	<u>\$ 1,918,648</u>		<u>\$ 3,906,849</u>	

**Sheffield-Sheffield Lake City School District
Lorain County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

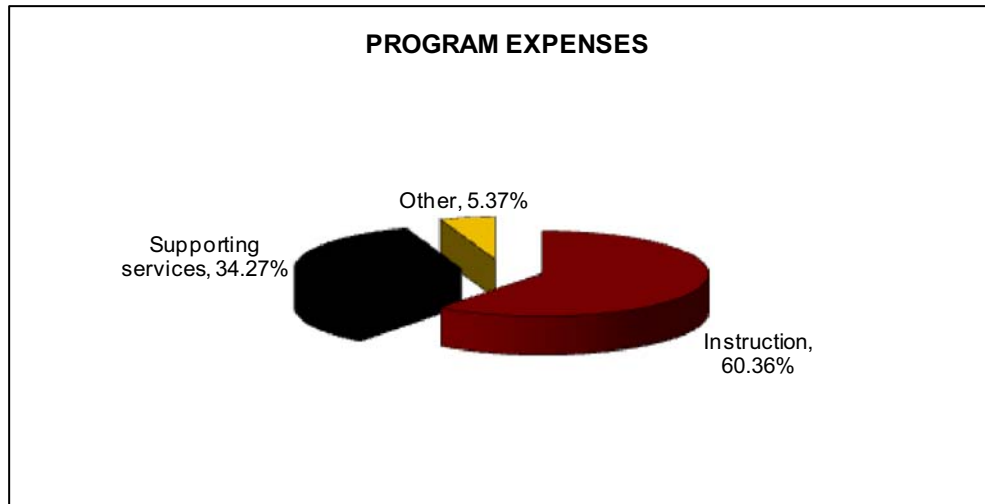
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Governmental Activities

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 52.98 percent of revenues for governmental activities for the Sheffield-Sheffield Lake City School District in fiscal year 2008.

The largest Governmental Activities program expense remains instruction, comprising 60.36 percent of total expenses. When combined with pupil, staff and business operations, these categories encompass 94.63 percent. The remaining program expenses of 5.37 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 the Fiscal Year Ended June 30, 2008

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	\$ 9,005,906	\$ (7,922,799)
Special	2,163,355	(1,878,220)
Vocational	198,017	(198,017)
Other instruction	204,438	(188,972)
Pupil	1,183,240	(1,039,240)
Instructional staff	710,879	(691,288)
Board of education	32,284	(32,284)
Administration	1,361,508	(1,361,508)
Fiscal services	487,783	(487,783)
Business	152,095	(152,095)
Operation and maintenance	1,522,805	(1,522,805)
Pupil transportation	905,772	(905,772)
Central services	215,455	(190,872)
Operation of non-instructional services		
Food service operation	587,334	(79,172)
Community services	84,422	107
Extracurricular activities	358,783	(293,894)
Totals	\$ 19,174,076	\$(16,944,614)

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 58.28 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 37.50 percent, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues fund only 11.63 percent of all governmental expenses.

School District Funds

Information regarding the School District's major fund can be found on page 15. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 20,965,199 and expenditures of \$ 18,053,759. The net change in fund balance for the year was most significant in the General Fund, an increase of \$ 2,009,198 with a increase in the Other Governmental Funds totaling \$ 902,242.

**Sheffield-Sheffield Lake City School District
Lorain County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

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 2008, 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 \$19,666,231. The actual revenue received was \$ 19,748,875.

Total budget estimated expenditures were \$ 18,128,543. The actual expenditures on the budget basis (cash outlays plus encumbrances) were \$ 18,125,772.

Capital Assets and Debt Administration

At the end of fiscal 2008 the School District had \$2.2 million invested in land, construction in progress, building and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2008 values compared to 2007.

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

	2008	2007
Land	\$ 461,310	\$ 461,310
Construction in progress	16,405	-
Building and improvements	1,146,403	990,282
Furniture and equipment	370,057	323,525
Vehicles	177,543	213,653
	<u>\$ 2,171,718</u>	<u>\$ 1,988,770</u>

Debt

At June 30, 2008, the School District had no outstanding debt. The School District has not had outstanding bonds for over ten years; therefore, the School District has no official bond rating.

**Sheffield-Sheffield Lake City School District
Lorain County**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Unaudited

School District Outlook

The Board of Education and the administration closely monitor the District's revenues and expenditures in accordance with its financial forecast and the School District's Continuous Improvement Plan

The District relies heavily upon real estate taxes, personal property 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 on November 8, 2005.

State funding continues to be a challenge not only in the 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 District will continue to depend on the residents of the District to bear the cost of educating our children.

The financial statements represent our continued effort to keep the District informed of the use of their tax dollars and the cost to the 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 Lake, Ohio 44054, or e-mail dbreon@sheffield.k12.oh.us.

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SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities
Assets	
Equity in pooled cash	\$ 9,320,449
Accounts receivable	
Due from other governments	1,018,407
Due from agency fund	1,727
Inventories and supplies	44,726
Taxes receivable	11,271,246
Capital assets	
Nondepreciable capital assets	477,715
Depreciable capital assets, net	1,694,003
Total assets	23,828,273
 Liabilities	
Accounts and contracts payable	136,877
Accrued salaries, wages and benefits	1,405,883
Due to other governments	858,994
Unearned revenue	10,252,981
Long-term liabilities	
Due within one year	187,638
Due in more than one year	1,020,015
Total liabilities	13,862,388
 Net assets	
Invested in capital assets	2,171,718
Restricted for:	
Capital projects	1,062,241
School support	73,778
Extracurricular activities	23,220
State grants	25,031
Federal grants	5,020
Other purposes	76,039
Unrestricted	6,528,838
Total net assets	\$ 9,965,885

See the accompanying notes to the Basic Financial Statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Interest and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction					
Regular	\$ 9,005,906	\$ 995,330	\$ 87,777	\$ -	\$ (7,922,799)
Special	2,163,355	-	285,135	-	(1,878,220)
Vocational	198,017	-	-	-	(198,017)
Other instruction	204,438	-	15,466	-	(188,972)
Supporting services					
Pupil	1,183,240	-	144,000	-	(1,039,240)
Instructional staff	710,879	-	7,045	12,546	(691,288)
Board of education	32,284	-	-	-	(32,284)
Administration	1,361,508	-	-	-	(1,361,508)
Fiscal services	487,783	-	-	-	(487,783)
Business	152,095	-	-	-	(152,095)
Operation and maintenance	1,522,805	-	-	-	(1,522,805)
Pupil transportation	905,772	-	-	-	(905,772)
Central services	215,455	-	24,583	-	(190,872)
Operation of non-instructional services					
Food service operation	587,334	250,218	257,944	-	(79,172)
Community services	84,422	-	84,529	-	107
Extracurricular activities	358,783	64,889	-	-	(293,894)
Totals	<u>\$ 19,174,076</u>	<u>\$ 1,310,437</u>	<u>\$ 906,479</u>	<u>\$ 12,546</u>	<u>(16,944,614)</u>
General revenues					
Property taxes levied for:					
General purpose					10,855,863
Capital improvements					318,801
Grants and entitlements not restricted to specific purposes					7,190,545
Investment earnings					337,944
Miscellaneous					160,109
Total general revenues					<u>18,863,262</u>
Change in net assets					1,918,648
Net assets at beginning of year					8,047,237
Net assets at end of year					<u>\$ 9,965,885</u>

See the accompanying notes to the Basic Financial Statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in pooled cash	\$ 7,781,496	\$ 1,538,953	\$ 9,320,449
Receivables, net of allowance			
Taxes, current	10,521,194	316,181	10,837,375
Taxes, delinquent	421,857	12,014	433,871
Due from other governments	946,000	72,407	1,018,407
Interfund receivable	53,474	-	53,474
Inventories and supplies	35,113	9,613	44,726
Total assets	\$ 19,759,134	\$ 1,949,168	\$ 21,708,302
Liabilities and fund balances			
Liabilities			
Accounts and contracts payable	88,814	48,063	136,877
Accrued salaries, wages and benefits	1,322,269	83,614	1,405,883
Due to other governments	840,044	18,950	858,994
Interfund payable	-	51,747	51,747
Deferred revenue	10,384,134	354,441	10,738,575
Compensated absences payable	-	184,480	184,480
Total liabilities	12,635,261	741,295	13,376,556
Fund balances			
Reserved for inventories	35,113	9,613	44,726
Reserved for property taxes	1,504,917	46,161	1,551,078
Reserved for encumbrances	356,143	116,350	472,493
Unreserved, reported in			
General Fund	5,227,700	-	5,227,700
Special Revenue Funds	-	86,745	86,745
Capital Projects Funds	-	949,004	949,004
Total fund balances	7,123,873	1,207,873	8,331,746
 Total liabilities and fund balances	 \$ 19,759,134	 \$ 1,949,168	 \$ 21,708,302

See the 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, 2008

Total governmental fund balances	\$ 8,331,746
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.	2,171,718
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.	485,594
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: Compensated absences	<u>(1,023,173)</u>
Net assets of governmental activities	<u><u>\$ 9,965,885</u></u>

See the 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, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 10,766,604	\$ 316,229	\$ 11,082,833
Tuition and fees	916,913	74,250	991,163
Interest	336,907	1,037	337,944
Intergovernmental	7,170,167	903,708	8,073,875
Charges for services	-	245,265	245,265
Extracurricular	3,756	85,190	88,946
Other	103,779	41,394	145,173
Total revenues	19,298,126	1,667,073	20,965,199
Expenditures			
Current			
Instruction			
Regular	7,642,023	333,045	7,975,068
Special	1,692,613	306,432	1,999,045
Vocational	194,167	-	194,167
Other instruction	168,311	16,498	184,809
Supporting services			
Pupil	887,438	241,062	1,128,500
Instructional staff	561,935	95,432	657,367
Board of education	29,979	-	29,979
Administration	1,298,702	5,648	1,304,350
Fiscal services	498,764	5,456	504,220
Business	155,208	-	155,208
Operation and maintenance	1,640,038	241,132	1,881,170
Pupil transportation	823,878	316	824,194
Central services	185,534	23,920	209,454
Operation of non-instructional services			
Food service operation	-	572,698	572,698
Community services	-	82,374	82,374
Extracurricular activities	282,365	61,862	344,227
Capital outlay	-	6,929	6,929
Total expenditures	16,060,955	1,992,804	18,053,759
Excess (deficiency) of revenues over expenditures	3,237,171	(325,731)	2,911,440
Other financing sources (uses)			
Transfers-in	-	1,229,473	1,229,473
Transfers-out	(1,227,973)	(1,500)	(1,229,473)
Total other financing sources (uses)	(1,227,973)	1,227,973	-
Net change in fund balances	2,009,198	902,242	2,911,440
Fund balances, beginning of year	5,114,675	305,631	5,420,306
Fund balances, end of year	\$ 7,123,873	\$ 1,207,873	\$ 8,331,746

See the 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, 2008

Net change in fund balances - total governmental funds \$ 2,911,440

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their useful lives and reported as
depreciation expense. This is the amount by which depreciation
exceeded capital outlay in the current period.

	Capital outlay, net	379,178	
	Depreciation expense	<u>(196,230)</u>	
	Total		182,948

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	91,831	
	Intergovernmental	<u>35,695</u>	
			127,526

Some expenses reported in the statement of activities, such as
compensated absences, do not require the use of current
financial resources and therefore are not reported as
expenditures in governmental funds.

19,480

The internal service fund used by management to charge the
costs of insurance to individual funds is not reported in
the district-wide statement of activities. Governmental
fund expenditures and the related internal service fund
revenues are eliminated. The net revenue (expense) of
the internal service fund is allocated among the
governmental activities.

(1,322,746)

Change in net assets of governmental activities

\$ 1,918,648

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues and other financing sources	\$ 18,965,851	\$ 19,666,231	\$ 19,748,875	\$ 82,644
Expenditures and other financing uses	17,665,400	18,128,543	18,125,772	2,771
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	1,300,451	1,537,688	1,623,103	85,415
Fund balances, beginning of year	5,497,923	5,497,923	5,497,923	-
Prior year encumbrances	150,774	150,774	150,774	-
Fund balances, end of year	<u>\$ 6,949,148</u>	<u>\$ 7,186,385</u>	<u>\$ 7,271,800</u>	<u>\$ 85,415</u>

See the accompanying notes to the Basic Financial Statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUND
FOR THE YEAR JUNE 30, 2008

	Internal Service Fund - Self Insurance
Operating revenues	
Charges for services	\$ 1,090,538
Operating expenses	
Purchased services	2,413,284
Operating loss	(1,322,746)
Net assets, beginning of year	1,322,746
Net assets, end of year	\$ -

See the accompanying notes to the Basic Financial Statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND

FOR THE YEAR JUNE 30, 2008

	<u>Internal Service Fund - Self Insurance</u>
Cash flows from operating activities	
Cash received from interfund services	\$ 1,090,538
Cash payments for goods and services	<u>(2,413,284)</u>
Net cash used for operating activities	<u>(1,322,746)</u>
Net decrease in cash and cash equivalents	(1,322,746)
Cash and cash equivalents, beginning of year	<u>1,322,746</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>

See the 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, 2008

	<u>Agency Funds</u>
Assets	
Equity in pooled cash	\$ 82,968
Total assets	<u>82,968</u>
Liabilities	
Accounts and contracts payable	9,842
Due to other funds	1,727
Due to students	59,548
Due to others	11,851
Total liabilities	<u>\$ 82,968</u>

See the 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, 2008

NOTE 1 - 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, 2007 was 1,771. The District employs 125 certificated and 129 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 Notes 11 and 16 to these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The following are the more significant of the District's accounting policies.

A. BASIS OF PRESENTATION

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, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. 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.

B. 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, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. 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 Fund

The proprietary fund focuses 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's self insurance fund is classified as an internal service fund. The District has no enterprise 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 fund accounts for student activities.

C. 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.

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual 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 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, 2008, but which were levied to finance fiscal year 2009 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 unearned revenue.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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.

E. 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 amounts 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.

F. 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 (STAROhio). Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest income earned for the year ended June 30, 2008, totaled \$ 337,944.

The District has invested in the State Treasury Asset Reserve of Ohio (STAROhio) during the year. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2008.

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, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. 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.

H. 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.

I. 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

J. 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, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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.

L. 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.

M. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The government-wide statement of net assets reports \$ 1,265,329 of restricted net assets, of which \$ 1,092,292 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.

N. FUND BALANCE RESERVES AND DESIGNATIONS

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, encumbrances and inventory.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of this fund. Revenues and expenses not meeting those definitions are reported as non-operating.

P. INTERFUND TRANSACTIONS

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses 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 3 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension. GASB 45 establishes standards for disclosure of information on postemployment benefits other than pension. This statement applies to all state and local governments.

NOTE 4 – COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT BALANCES

At June 30, 2008, the MIS Fund had a deficit fund balance of \$491, the IDEA Fund had a deficit fund balance of \$ 66,142, the Title I Fund had a deficit fund balance of \$ 6,666, the Title VI Fund had a deficit fund balance of \$ 1,863, the Drug Free School Fund had a deficit fund balance of \$ 1,887, the Preschool Disability Fund had a deficit fund balance of \$ 585, the Title VI R Fund had a deficit fund balance of \$ 11,855 and the Food Service Fund had a deficit fund balance of \$ 12,751. 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, 2008

NOTE 4 – COMPLIANCE AND ACCOUNTABILITY(continued)

B. COMPLIANCE

Expenditures in Excess of Appropriation Authority

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. On June 30, 2008, the following funds had expenditures plus encumbrances exceeding authorized appropriations at the legal level of control:

<u>Fund</u>	<u>Appropriations Plus Prior Year Encumbrances</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Nonmajor Funds:			
018 School Support	\$ 47,233	\$ 53,835	\$ (6,602)
401 Auxiliary Services Fund	46,166	81,574	(35,408)
432 Management Information Systems	1,574	7,211	(5,637)
440 Entry Year Grant	-	5,600	(5,600)
022 Agency Fund	3,234	6,203	(2,969)
200 Student Activities	83,905	117,107	(33,202)

Appropriations Exceeding Estimated Resources

Ohio Rev. Cod Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of estimated resources available for expenditure from the fund. The following funds had appropriations exceeding estimated resources plus the unencumbered balance at the fund level at June 30, 2008:

<u>Fund</u>	<u>Appropriations</u>	<u>Estimated Resources Plus Unencumbered Fund Balance</u>	<u>Variance</u>
Nonmajor Funds:			
300 Athletics	\$ 85,500	\$ 66,271	\$ (19,229)
461 High Schools That Work	21,712	17,061	(4,651)
516 IDEA Grant Fund	375,555	323,644	(51,911)
587 Preschool Disabilities	7,530	6,266	(1,264)
599 Title II-D	2,290	1,335	(955)

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 5 - 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).

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	\$ 1,623,103
Adjustments, increase (decrease)	
Revenue accruals	(450,749)
Expenditure accruals	836,844
GAAP basis, as reported	\$ 2,009,198

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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 (STAROhio);
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, 2008

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 \$ 173,595. The bank balance was \$ 517,972 of which \$ 100,000 was covered by federal depository insurance and \$ 417,972 was uninsured. Of the remaining balance, \$ 417,972 was collateralized with securities held by the pledging institution's trust department not in the District's name. Although the amounts were held by the pledging institution's trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the district to a successful claim by the FDIC.

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, 2008, the District had the following investments:

	Maturity	Fair Value
Investment in State Treasurer's Investment Pool	n/a	\$ 9,229,822

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, 2008, the District's investments in StarOhio 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, 2008

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 2008 represent the collection of calendar year 2007 taxes. Real property taxes for 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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. The first payment is due January 20, with the remainder payable by June 20.

Public utility real and tangible personal property taxes for 2008 were levied after April 1, 2007, on the assessed values as of December 31, 2006, 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.

Taxes collected from tangible personal property, other than public utility, in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value of inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory is reduced to 6.25 for 2008 and zero for 2009. Amounts paid 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.

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, 2008, are available to finance fiscal year 2008 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, 2008 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 2008 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, 2008, was \$ 1,504,917 in the General Fund and \$ 46,161 in the Capital Projects Fund. The amount available as an advance at June 30, 2007, was \$ 1,707,870 in the General Fund and \$ 52,920 in the Capital Projects Fund.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 7 - PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second - Half Collections			2008 First - Half Collections	
	Amount	%		Amount	%
Agricultural/Residential	\$ 234,253,210	66.08	%	\$ 236,569,180	67.52 %
Commercial/Industrial	96,288,800	27.16		100,173,050	28.59
Public Utilities	6,748,410	1.90		5,139,260	1.47
Tangible Personal Property	17,231,541	4.86		8,487,177	2.42
Total Assessed Value	<u>\$ 354,521,961</u>	<u>100.00</u>	%	<u>\$ 350,368,667</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 56.14</u>			<u>\$ 56.31</u>	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2008, consisted of property taxes, 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:

	Amount
Governmental Funds:	
General Fund	\$ 946,000
Nonmajor Funds	
IDEA	29,665
Title I	6,666
Title V	2,420
Title VI	2,404
ECSE	4,531
Title II A	6,037
Capital Projects	20,684
Total due from other governments	<u>\$ 1,018,407</u>

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 9 – INTERFUND ADVANCES

Interfund receivables and payables at June 30, 2008 are as follows:

Major Fund:	Receivable	Payable
General Fund	\$ 53,474	\$ -
Non-major funds:		
MIS	-	491
Title VI B	-	29,665
Title I	-	6,666
Title V	-	1,953
Drug Free Schools	-	2,404
Preschool Disabilities	-	4,531
Title II A	-	6,037
Total non-major funds	-	51,747
Agency Fund		1,727
Total	\$ 53,474	\$ 53,474

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Disposals	Balance June 30, 2008
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 461,310	\$ -	\$ -	\$ 461,310
Construction in progress	-	16,405	-	16,405
Total nondepreciable capital assets	461,310	16,405	-	477,715
Depreciable capital assets				
Buildings and improvements	4,588,553	231,875	-	4,820,428
Furniture and equipment	1,161,883	133,177	3,963	1,291,097
Vehicles	1,357,089	-	-	1,357,089
Total capital assets being depreciated	7,107,525	365,052	3,963	7,468,614
Less accumulated depreciation				
Buildings and improvements	3,598,271	75,754	-	3,674,025
Furniture and equipment	838,358	84,366	1,684	921,040
Vehicles	1,143,436	36,110	-	1,179,546
Total accumulated depreciation	5,580,065	196,230	1,684	5,774,611
Depreciable capital assets, net of accumulated depreciation	1,527,460	168,822	2,279	1,694,003
Governmental activities capital assets, net	\$ 1,988,770	\$ 185,227	\$ 2,279	\$ 2,171,718

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 10 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction		
Regular	\$	50,226
Special		11,307
Vocational education		6,022
Supporting services		
Pupil		3,328
Instructional staff		18,982
Board of education		2,305
Administration		5,223
Fiscal services		1,620
Business		721
Operation and maintenance		26,273
Pupil transportation		41,833
Central services		1,331
Operation of non-instructional services		
Food service operation		13,505
Community service		2,048
Extracurricular activities		11,506
Total depreciation expense	\$	<u>196,230</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 2008, the District contracted with the Indiana Insurance 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 employees blanket bond in the amount of \$ 10,000. The Indiana Insurance Company also provides this coverage.

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, 2008

NOTE 11 - RISK MANAGEMENT (continued)

C. EMPLOYEE MEDICAL BENEFITS

The District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits since December, 1988. The LERC operated as a claims-servicing pool through June 30, 2007. Rates were set through an annual calculation process. Monthly contributions were placed in a common fund from which claim payments were made for all participating school districts. Claims were paid for all participants regardless of claims flow or individual account balance.

As of July 1, 2007, LERC discontinued as a claims-servicing pool and began operating as an insurance purchasing pool. Accordingly, at June 30, 2008, there was no claims liability required to be reported based on the requirements of Governmental Accounting Standards Board Statements No. 10.

Changes in the balance of claims liability during the year ended June 30, 2008 are summarized below:

	June 30, 2008	June 30, 2007
Unpaid claims, beginning of year	\$ -	\$ 482,740
Incurred claims	-	1,438,046
Claims payment	-	(1,920,786)
Unpaid claims, end of year	\$ -	\$ -

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 at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$ 345,228, \$ 247,412, and \$227,116, respectively; 44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

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.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$ 1,030,455, \$ 983,480, and \$971,036, respectively; 50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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, 2008, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$ 37,330.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$ 103,075, \$ 76,911, and \$ 71,336, respectively; 50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$ 16,275, \$ 15,753, and \$ 12,462 respectively; 44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

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

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 2008, 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, 2008, 2007, and 2006 were \$ 79,265, \$ 75,652, and \$ 74,695, respectively; 50 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2008 were as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Amounts Due</u> <u>In One Year</u>
Compensated absences	\$ 1,186,617	\$ 216,805	\$ 195,769	\$ 1,207,653	\$ 184,480

The compensated absences will be repaid from the funds from which employee's salaries are paid.

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. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2008.

	<u>Textbook</u>	<u>Capital</u> <u>Maintenance</u>
Balance, July 1, 2007	\$ (258,390)	\$ -
Required set aside	290,465	290,465
Qualifying expenditures	(337,966)	(292,226)
Totals	<u>\$ (305,891)</u>	<u>\$ (1,761)</u>
Carry forward at June 30, 2008	<u>\$ (305,891)</u>	

Expenditures and offset credits for textbooks and capital maintenance during the year were \$ 337,966 and \$ 292,226, respectively. Textbook expenditures have exceeded statutory requirements by \$ 47,501 which may be used to offset future years' set aside requirements. 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.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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, 2008, the District paid \$ 59,709 to LEECA.

B. LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS (LERC)

The Lake Erie Regional Council of Governments (LERC) is a jointly governed organization among fourteen 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.

D. OHIO SCHOOLS COUNCIL

The Ohio Schools Council (Council) is a jointly governed organization among eighty-three school districts. The Council was formed to offer supplies and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee for the services provided. The Council's Board consists of seven superintendents of the participating districts whose term rotates every fiscal year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2008, the District paid \$245,630 to the Council. Financial information can be obtained by contacting the Executive Secretary at the Ohio Schools Council at 6133 Rockside Road, Independence, Ohio 44131.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. OHIO SCHOOLS COUNCIL(continued)

The School District participates in the Council's electric purchase program and natural gas program.

Electricity Program

In 2005, Energy Acquisition Corporation II, a non-profit corporation with a self-appointing board, issued \$ 246,355,000 in bonds and on the same date an electricity prepayment of \$ 241,685,363 covering the period May 2005 through December 2008 was made by Energy Acquisition Corporation II on behalf of 249 Ohio school districts and county boards of mental retardation and developmental disabilities (MR/DD) to the supplier, First Energy, Inc. This created a program for the Ohio Schools Council called Energy for Education II. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates if the school district committed to participating in either a thirty-six month (Cleveland Electric Illuminating Company) or a forty-four month (Ohio Edison and Toledo Edison) program beginning either May 1, 2005 or January 1, 2006 and ending December 31, 2008. Each month, the Council invoices participants based on estimated usage that was determined when the program was established. Each September, these estimated payments are compared to their actual usage for the year (July to June). Refund checks are issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced. A trustee uses the payments to make principal and interest payments on the bonds. If a participating school district terminates its agreement, the district is required to repay the savings to First Energy and First Energy will refund the remaining prepayment for that participant to Energy Acquisition Corporation II to be used to redeem a portion of the outstanding bonds.

Prepaid/Natural Gas Program

The Ohio Schools Council entered into a contract with CMS Energy Corporation, of Jackson, Michigan in 1999 to supply natural gas to participating school districts for 12 years. Under the agreement, the City of Hamilton, Ohio prepaid CMS for 44 billion cubic feet of gas to be delivered from November 1, 1999 to October 31, 2011 by issuing \$89,450,000 in bonds. This transaction locked in a twelve-year firm supply of natural gas at favorable market rates for the benefit of all participants. In August 2006 CMS Energy Corporation opted to no longer participate in the prepaid gas program and defeased the outstanding bonds. \$58,455,232 was placed on deposit with US Bank a sufficient amount of government securities to pay off all the outstanding bonds as they come due through November 2011. This prepaid gas program was terminated during fiscal year 2007. An interim supply agreement was approved with Exelon Energy for one year beginning August 2006 that was renewed in October 2007 and is effective until August 31, 2008.

The Council provides participating school districts the ability to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. There are currently 137 districts in the Program. 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.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 17 - INTERFUND TRANSFERS

During the year ended June 30, 2008, interfund transfers were made to fund operating activities in various funds and for debt service payments.

	Transfer from:		
	General Fund	Nonmajor Governmental Funds	Total
Transfer to:			
Nonmajor Governmental Funds	\$1,227,973	\$ 1,500	\$ 1,229,473

NOTE 18 - 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 2008, expenditures for operating leases totaled \$ 46,761.

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, 2008.

	Year ending June 30,	Amount
	2009	\$ 47,880
	2010	47,880
	2011	47,880
	2012	11,710
	2013	2,238
Total minimum lease payments		\$ 157,588

NOTE 19 - 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 is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, 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, 2008.

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SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

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 the Ohio Department of Education</i>					
Nutrition Cluster:					
School Breakfast Program	10.553	\$59,952		\$59,952	
National School Lunch Program - Commodities	10.555		\$10,435		\$10,435
National School Lunch Program	10.555	211,745		211,745	
Total U.S. Department of Agriculture - Nutrition Cluster		271,697	10,435	271,697	10,435
U.S. DEPARTMENT OF EDUCATION					
<i>Passed through the Ohio Department of Education</i>					
Special Education Cluster:					
Special Education Grants	84.027	343,555		360,593	
Preschool Special Education Grants	84.173	8,057		8,647	
Total Special Education Cluster		351,612		369,240	
Title I	84.010	111,772		114,226	
Safe and Drug-Free Schools and Communities State Grants	84.186	3,857		5,122	
Innovative Education Program Strategies	84.298	321		2,302	
Improving Teacher Quality State Grants	84.367	50,501		51,653	
Technology Literacy Challenge Fund Grants	84.318	1,334		1,334	
Total U.S. Department of Education		519,397	0	543,877	0
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		\$791,094	\$10,435	\$815,574	\$10,435

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, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.



Mary Taylor, CPA

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, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 31, 2009. 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 expressing our opinions on the financial statements, but not to opine 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiency described above, we believe finding number 2008-001 is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated March 31, 2009.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-004.

We also noted certain noncompliance or other matters that we reported to the District's management in a separate letter dated March 31, 2009.

The District's response to finding 2008-001, 2008-003 and 2008-004 are identified in our audit described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

March 31, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Sheffield-Sheffield Lake City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. 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 express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 those 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 those requirements.

In our opinion, the Sheffield-Sheffield Lake City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The District's 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 requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more than inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

March 31, 2009

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<p>Special Education Cluster: Special Education – Grants to States (IDEA, Part B) – CFDA 84.027 Special Education – Preschool Grants – CFDA 84.173</p> <p>Nutrition Cluster: National School Lunch Program – CFDA 10.555 National School Lunch Program-Commodities – CFDA 10.555 School Breakfast Program – CFDA 10.553</p>
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-001

Material Noncompliance/Material Weakness

Fiscal Officer Certification

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto.

The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- 1. "Then and Now" Certificate** – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

- 2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- 3. Super Blanket Certificate** - The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not extended beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Of the 60 purchase order transactions we reviewed for fiscal year 2008, 12 (or 20%) were paid without the prior certification of revenue and had the invoice dated prior to the purchase order date.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)**

FINDING NUMBER 2008-001 (Continued)

Material Noncompliance/Material Weakness (Continued)

Fiscal Officer Certification (Continued)

The use of purchase orders and blanket certificates are a means of controlling expenditures. The primary purpose of the certificates is to help ensure funds are available to fulfill the purchase commitment.

The District should utilize purchase orders, blanket certificates, and “then and now” certificates in the manner prescribed by the Ohio Revised Code.

Official’s Response: New personnel and procedures in place to correct.

FINDING NUMBER 2008-002

Material Noncompliance

Approval of Transfers and Advances

Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable inter-fund transfers. In certain circumstances, which are detailed in Ohio Revised Code Section 5705.14, transfers from funds other than the General Fund may be made by resolution of the taxing authority, passed with a two-thirds affirmative vote. In addition to transfers from the General Fund and those permitted by Ohio Revised Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to any other public funds under its supervision, with certain exceptions, which are detailed in Ohio Revised Code Section 5705.15.

Except in the case of transfers from the General Fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the General Fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for General Fund transfers though a resolution is required).

Transfers and advances must be approved and clearly labeled as such by a formal resolution of the taxing authority of the subdivision which must include: a specific statement that the transaction is a transfer/advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

During our audit, we noted the following transfers and advances were posted to the District’s accounting system at June 30, 2008, but were not approved by the Board until July 14, 2008:

- Transfer of \$1,166,096 from the General Fund to various special revenue funds;
- Transfer of \$2,327 from the School Support Fund (018) to the Trust Fund (022) and Student Activities Fund (200); and
- Advance of \$53,474 from the General Fund to various special revenue funds.

We recommend the Treasurer only make transfers and advances in accordance with the aforementioned Ohio Revised Code provisions. All transfers and advances should be approved by the Board prior to being entered into the District’s accounting system.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)**

FINDING NUMBER 2008-003

Material Noncompliance

Expenditures in Excess of Appropriation Authority

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

On June 30, 2008, the following funds had expenditures plus encumbrances exceeding authorized appropriations at the legal level of control:

Fund	Appropriations Plus Prior Year Carryover Encumbrances	Expenditures Plus Encumbrances	Variance
018 School Support	\$47,233	\$53,835	(\$6,602)
401 Auxiliary Services	46,166	81,574	(35,408)
432 Management Information Systems	1,574	7,211	(5,637)
440 Entry Year Grant	0	5,600	(5,600)
022 Agency Funds	3,234	6,203	(2,969)
200 Student Activities	83,905	117,107	(33,202)

Monitoring appropriations is vital for maintaining sound budgetary practices. By not monitoring appropriations, expenditures plus encumbrances could result in funds exceeding the total available fund balance.

We recommend the District verify that all expenditures and encumbrances have proper appropriation authority prior to expending funds or certifying encumbrances and compare appropriations to expenditures plus encumbrances in all funds which are legally required to be budgeted to main compliance with the above requirement.

Officials Response: *There were no deficit fund balances in the funds as a result of noncompliance.*

FINDING NUMBER 2008-004

Material Noncompliance

Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of estimated resources available for expenditure from the fund. In addition, Ohio Revised Code Section 5705.40 requires that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008
(Continued)**

FINDING NUMBER 2008-004 (Continued)

Material Noncompliance (Continued)

Appropriations Exceeding Estimated Resources (Continued)

The following funds had appropriations exceeding estimated resources plus the unencumbered balance at the fund level at June 30, 2008:

Fund	Appropriations	Estimated Resources Plus Unencumbered Fund Balance	Variance
300 Athletics	\$85,500	\$66,271	(\$19,229)
461 High Schools That Work	21,712	17,061	(4,651)
516 IDEA Grant	375,555	323,644	(51,911)
587 Preschool Disability	7,530	6,266	(1,264)
599 Title II-D	2,290	1,335	(955)

Monitoring annual appropriations is vital for maintaining sound budgetary practices. Not monitoring the estimated resources and unencumbered balance with appropriations could result in funds exceeding the total available fund balance.

We recommend the District verify that all appropriations do not exceed estimated resources in all legally budgeted funds to maintain compliance with the above requirement.

Officials Response: *There were no deficit fund balances in the funds as a result of noncompliance.*

For Audit Finding Number 2008-002, we did not receive an adequate response from officials.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Internal controls over year-end posting.	No	Appears in Management Letter



Mary Taylor, CPA
Auditor of State

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 28, 2009