

**CITY OF SHEFFIELD LAKE
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2008



Mary Taylor, CPA
Auditor of State

**CITY OF SHEFFIELD LAKE
LORAIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, Ohio, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, Ohio, as of December 31, 2008 and the respective changes in financial position and cash flows thereof and the respective budgetary comparisons for the General and Roads-Income Tax Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 16, 2009

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED

The management's discussion and analysis of the City of Sheffield Lake's financial performance presents a narrative overview and analysis of the City's financial activities for the year ended December 31, 2008. The intent of the discussion and analysis is to present the City's financial performance as a whole. Readers are encouraged to consider this information in conjunction with the basic financial statements and notes to financial statements for an enhanced understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2008 were as follows.

- Total net assets increased by 10.6% to \$ 20,238,507 at December 31, 2008.
- Total invested in capital assets, net of related debt, increased by 4.4% to \$ 16,176,212.
- Total assets increased by 14.7% to \$ 31,700,569 at December 31, 2008.
- Total liabilities increased by 22.6% to \$ 11,462,062 at December 31, 2008.
- Equity in pooled cash increased by 11.6% to \$ 2,575,767.

Overview of Financial Statements

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

Government-wide Financial Statements

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

Fund Financial Statements

Governmental fund financial statements focus on the City's most significant, or major funds. The City's major governmental funds are the General Fund, Roads – Income Tax Fund, Capital Projects Fund and Shoreway Capital Project Fund. The remaining non-major funds are combined and reflected in one single column. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at year end. This information can be useful in determining what financial resources are available to finance the City's activities. A reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities for the year ended December 31, 2008 is presented. The City, similar to other local governments, uses fund accounting to ensure and demonstrate finance related legal requirements.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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Fund Categories

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

Governmental funds

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

Proprietary funds

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

Fiduciary funds

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

Notes to the Basic Financial Statements

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

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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The City of Sheffield Lake as a Whole

Analysis of Net Assets

The *Statement of Net Assets* presents the City as a whole. Following is a summary of the City's net assets for 2008 compared to 2007.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 9,492,348	\$ 5,712,152	\$ 675,307	\$ 611,080	\$ 10,167,655	\$ 6,323,232
Capital assets, net	14,063,462	13,568,133	7,469,452	7,752,873	21,532,914	21,321,006
Total assets	<u>23,555,810</u>	<u>19,280,285</u>	<u>8,144,759</u>	<u>8,363,953</u>	<u>31,700,569</u>	<u>27,644,238</u>
Liabilities						
Current liabilities	5,533,960	2,551,993	118,526	198,104	5,652,486	2,750,097
Long-term liabilities	3,402,154	3,935,476	2,407,422	2,664,445	5,809,576	6,599,921
Total liabilities	<u>8,936,114</u>	<u>6,487,469</u>	<u>2,525,948</u>	<u>2,862,549</u>	<u>11,462,062</u>	<u>9,350,018</u>
Net assets						
Invested in capital assets, net of related debt	11,063,069	10,340,630	5,113,143	5,160,084	16,176,212	15,500,714
Restricted	2,564,456	1,918,468	-	-	2,564,456	1,918,468
Unrestricted	992,171	533,718	505,668	341,320	1,497,839	875,038
Total net assets	<u>\$ 14,619,696</u>	<u>\$ 12,792,816</u>	<u>\$ 5,618,811</u>	<u>\$ 5,501,404</u>	<u>\$ 20,238,507</u>	<u>\$ 18,294,220</u>

Investment in capital assets (land, construction in progress, buildings and improvements, equipment and vehicles and infrastructure) less any related debt to acquire those assets still outstanding represents the largest portion of net assets. Capital assets are used to provide services to the City's citizens, however, are not available for future spending. Total assets increased by \$ 4,056,331 to \$ 31,700,569. Current and other assets increased by \$ 3,844,423 to \$ 10,167,655, which included the acquisition of property held for resale, in the amount of \$ 3,570,722. Current liabilities increased by \$ 2,902,389 to \$ 5,652,486 primarily due to an increase of notes payable due within one year, related to the acquisition of property held for resale. Long-term liabilities decreased by \$ 790,354 to \$ 5,809,576. Total net assets increased by \$ 1,944,287 to \$ 20,238,507, with governmental net assets comprising \$ 14,619,696 and business-type net assets comprising \$ 5,618,811 of that amount.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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Analysis of Changes in Net Assets

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

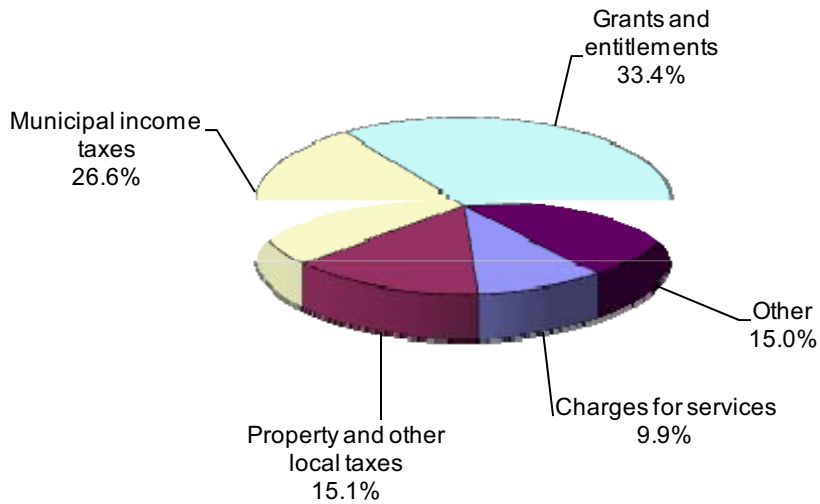
	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Charges for services	\$ 846,793	\$ 1,108,759	\$ 1,894,123	\$ 1,813,211	\$ 2,740,916	\$ 2,921,970
Operating grants and contributions	10,220	80,235	-	-	10,220	80,235
Capital grants and contributions	2,337,545	536,393	6,000	21,141	2,343,545	557,534
Total program revenues	<u>3,194,558</u>	<u>1,725,387</u>	<u>1,900,123</u>	<u>1,834,352</u>	<u>5,094,681</u>	<u>3,559,739</u>
General revenues						
Property and other local taxes	1,301,238	1,453,681	-	-	1,301,238	1,453,681
Municipal income taxes	2,286,117	2,746,892	-	-	2,286,117	2,746,892
Grants and entitlements	524,538	1,195,874	-	-	524,538	1,195,874
Other	1,289,948	88,469	7,454	22,164	1,297,402	110,633
Total general revenues	<u>5,401,841</u>	<u>5,484,916</u>	<u>7,454</u>	<u>22,164</u>	<u>5,409,295</u>	<u>5,507,080</u>
Total revenues	<u>8,596,399</u>	<u>7,210,303</u>	<u>1,907,577</u>	<u>1,856,516</u>	<u>10,503,976</u>	<u>9,066,819</u>
Program expenses						
Security of persons and property	2,799,676	3,092,317	-	-	2,799,676	3,092,317
Public health and welfare	58,279	32,453	-	-	58,279	32,453
Leisure time activities	142,531	75,277	-	-	142,531	75,277
Community environment	376,925	640,536	-	-	376,925	640,536
Basic utility services	620,240	591,115	-	-	620,240	591,115
Transportation	1,707,779	1,352,578	-	-	1,707,779	1,352,578
General government	906,254	727,638	-	-	906,254	727,638
Interest	157,835	124,643	-	-	157,835	124,643
Water	-	-	583,214	608,684	583,214	608,684
Sewer	-	-	852,820	990,168	852,820	990,168
Storm water	-	-	354,136	311,037	354,136	311,037
Total program expenses	<u>6,769,519</u>	<u>6,636,557</u>	<u>1,790,170</u>	<u>1,909,889</u>	<u>8,559,689</u>	<u>8,546,446</u>
Increase (decrease) in net assets	1,826,880	573,746	117,407	(53,373)	1,944,287	520,373
Net assets, beginning of year	<u>12,792,816</u>	<u>12,219,070</u>	<u>5,501,404</u>	<u>5,554,777</u>	<u>18,294,220</u>	<u>17,773,847</u>
Net assets, end of year	<u>\$ 14,619,696</u>	<u>\$ 12,792,816</u>	<u>\$ 5,618,811</u>	<u>\$ 5,501,404</u>	<u>\$ 20,238,507</u>	<u>\$ 18,294,220</u>

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental activities

Revenues by source of governmental activities for 2008 were comprised of:

Revenues by Source, Governmental Activities



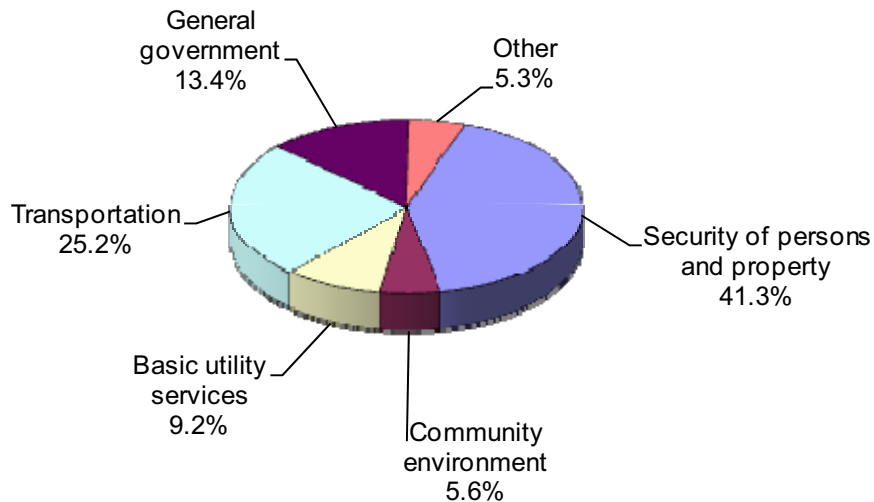
Revenues

For 2008 grants and entitlements, representing 33.4% of total revenue, was the largest portion of revenue for governmental activities. Municipal income taxes and property and other local taxes represented the next two largest sources of revenue at 26.6% and 15.1% respectively. Other revenue, representing 15.0% of governmental activities revenue, includes \$ 700,000 of property donated to the City in 2008.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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Program expenses of governmental activities for 2008 were comprised of:

Program Expenses, Governmental Activities



Program expenses

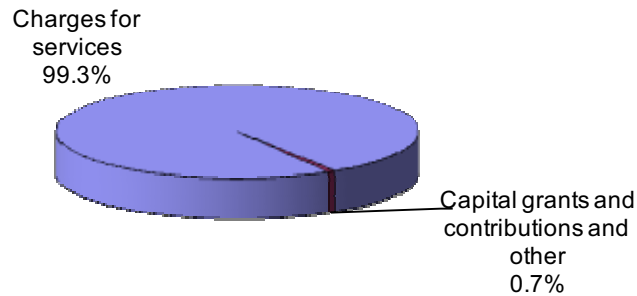
Program expenses amounted to \$ 6,769,519 in 2008, of which \$ 3,194,558 was supported by program revenue. Security of persons and property, which includes police, fire and paramedic services, represented \$ 2,799,676 or 41.3% of total program expenses. Community environment represented \$ 376,925 or 5.6%. Basic utilities services of \$ 620,240 or 9.2% includes refuse collections. Transportation, which includes street maintenance and snow removal, represented \$ 1,707,779 or 25.2% of program expenses. General government represented \$ 906,254 or 13.4% of program expenses. General government expenses include legislative and administrative services such as council, mayor, finance, law and computer services departments, utilities and maintenance of buildings. Other expenses include public health and welfare, leisure time activities, including recreation activities and maintenance of the City's park system, and interest amounted to \$ 358,645 or 5.3%.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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Business-type activities

Revenues by source for business-type activities for 2008 were comprised of:

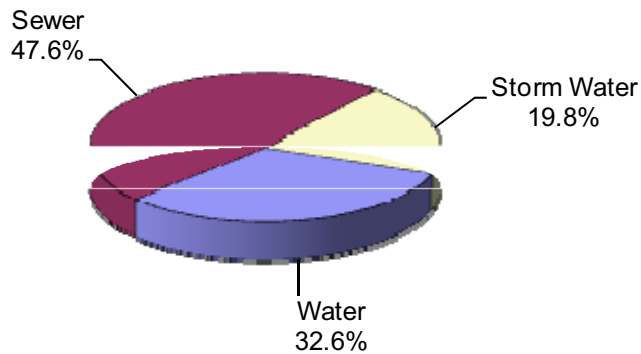
Revenue by Source, Business-type Activities



Revenues

Charges for services represented 99.3% of total revenues for business-type activities in 2008. Other revenues represented the remaining .7% of total revenues.

Expenses, Business-type Activities



Expenses

Water operations expenses amounted to \$ 583,214 or 32.6%. Sanitary sewer operations expenses amounted to \$ 852,820 or 47.6% of total program expenses and storm water operation expenses amounted to \$ 354,136 or 19.8% for business-type activities. Water operations, sanitary sewer operations and storm water operations have historically been self-supporting through user fees and charges.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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The City's Funds

The City's governmental funds financial information begins at page 16. Total governmental assets increased by \$ 3,788,079, while total governmental liabilities increased by \$ 3,251,942 resulting in an increase in governmental total fund balances of \$ 536,137 to \$ 2,055,968 at year-end 2008. Total governmental funds revenues increased by \$ 1,777,911 in 2008, while total expenditures increased by \$ 1,019,307. Total other financing sources decreased by \$ 1,131,339. Decreases in property taxes, municipal income taxes, were offset by increases in intergovernmental revenue, charges for services, fines, licenses and permits and miscellaneous income. The City's major funds in 2008 consisted of the General Fund, Roads - Income Tax Fund, Capital Projects Fund and Shoreway Capital Projects Fund. General Fund revenues were \$ 38,955 or 1% lower in 2008 than 2007. General fund total expenditures increased by \$ 43,738 or 1%. Other financing sources (uses) changed to (\$ 85,325) in 2008 from (\$ 26,379) in 2007. Accordingly, the General Fund balance increased by \$ 11,250 or 4% to \$ 313,905 at year-end 2008. The Roads - Income Tax (Special Revenue) Fund revenues were \$ 1,725 lower in 2008 than 2007. Roads - Income Tax fund total expenditures decreased by \$ 382,652 or 53%. Other financing sources (uses) changed to (\$ 90,502) in 2008 from \$933,031 in 2007. Accordingly, the Roads - Income Tax Fund balance increased by \$ 56,990 or 9% to \$ 686,608 at year-end 2008

The City's proprietary funds information begins at page 25. Water Fund, Sewer Fund and Storm Water net assets increased (decreased) by \$ 29,044, \$ 100,785 and (\$ 12,422), respectively. The City's proprietary funds have historically been self-sufficient.

Budgetary Highlights

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

The general fund is the City's most significant budgeted fund. Original budgeted receipts (excluding other sources) for the general fund were \$ 3,233,690 and final budgeted receipts were \$ 3,229,826. Original appropriations (excluding other uses) were \$ 3,228,281. The City actually expended \$ 3,046,879 which was \$ 128,802 less than final appropriations.

The City historically spends less than appropriated. For 2008 actual expenditures were 95.9% of final appropriations.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
UNAUDITED

Capital Assets

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

	Governmental Activities		Business type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 484,539	\$ 484,539	\$ 153,910	\$ 153,910	\$ 638,449	\$ 638,449
Construction in progress	566,883	1,177,566	94,688	94,688	661,571	1,272,254
Buildings and improvements	2,491,505	628,197	125,179	128,195	2,616,684	756,392
Equipment and vehicles	718,081	473,375	355,226	365,792	1,073,307	839,167
Infrastructure	9,802,654	10,804,656	6,740,449	7,010,288	16,543,103	17,814,944
	<u>\$ 14,063,662</u>	<u>\$ 13,568,333</u>	<u>\$ 7,469,452</u>	<u>\$ 7,752,873</u>	<u>\$ 21,533,114</u>	<u>\$ 21,321,206</u>

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

The City's total capital assets, net of depreciation, under governmental activities were \$ 14,063,662 at December 31, 2008, which was \$ 495,329 higher than the previous year. Business-type capital assets, net of depreciation, decreased by \$ 283,421 to \$ 7,469,452, primarily due to depreciation expense.

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

Debt

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

	Governmental Activities		Business type Activities		Total	
	2008	2007	2008	2007	2008	2007
Notes payable	\$ 4,913,905	\$ 1,469,905	\$ 180,000	\$ 210,000	\$ 5,093,905	\$ 1,679,905
Highway improvement note payable	112,240	133,600	-	-	112,240	133,600
OPWC loans	151,379	163,530	313,233	338,471	464,612	502,001
General obligation bonds	1,290,000	1,395,000	1,750,000	1,875,000	3,040,000	3,270,000
Capital leases	32,869	65,468	113,076	169,318	145,945	234,786
Accrued leave benefits	551,761	707,973	51,113	71,656	602,874	779,629
	<u>\$ 7,052,154</u>	<u>\$ 3,935,476</u>	<u>\$ 2,407,422</u>	<u>\$ 2,664,445</u>	<u>\$ 9,459,576</u>	<u>\$ 6,599,921</u>

As of December 31, 2008, the City had \$ 9,459,576 of total debt outstanding with \$ 4,787,573 due within one year.

The general obligation bonds include various purposes including road improvements, city hall improvement, storm water improvements and construction. Sources for debt service payments include property tax collections and transfers from various funds. The City's general obligation bonds under governmental activities will be fully paid by 2021. The OPWC loans consist of several no interest loans with twenty-year terms, used primarily for street reconstruction, which are repaid from the City's capital projects, street funds and sanitary sewer capital improvement funds.

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

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008
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For more information about the City's debt, see Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budget

Due to the current volatile economic climate, the City continues to implement a conservative budget for 2009 which will persist through 2010 budgeting. As such, the City will forecast for flat revenue growth and a zero-based approach to controllable expenditures. The City continues to utilize federal and state grants to supplement our roadway revitalizations such as Ferndale Phase II and Walker Rd Phase III for 2009 and into 2010.

With the recent purchase of the Shoreway Shopping center, redevelopment to spur economic growth is on the horizon. Revitalization of the Shoreway Shopping center will result in prospective redevelopment that, in time, will supplement our tax base and business growth to better the community as a whole. Increased interest in energy conservation has initiated the installation of two wind turbines to be installed at our new boat launch early summer 2009. With the completion of the new boat launch facility in 2008, the traffic and renewed interest in the heart of our City has spawned new excitement in an otherwise stagnant economy.

Due to ever rising wage compensation costs and in reaction to uncontrollable fuel costs, the City reduced budget appropriations over controllable expenses for 2008. In preparation of its 2009 budget, the City will be utilizing a very conservative economic forecast for revenue growth and a zero-based approach to expenditure appropriations. Accordingly, the City will continue to monitor revenue receipts very closely for 2009 and will adjust the budget as deemed necessary. This action has allowed City services to not be adversely affected at this time.

The City continues to proceed with ongoing road projects funded by a prior tax increase, specific to road improvements. The City obtained funding from several local and state grants for construction of a boat launch project which opened in the summer of 2008. This project should generate future economic growth for the business area, as well as the entire City.

Requests for Information

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

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash	\$ 2,133,077	\$ 442,690	\$ 2,575,767
Accounts receivable	122,922	230,917	353,839
Due from other governments	757,134	-	757,134
Inventories and supplies	6,885	-	6,885
Prepaid and deferred expenses	21,200	1,700	22,900
Income taxes receivable	1,408,200	-	1,408,200
Taxes receivable - property and other	1,426,200	-	1,426,200
Accrued interest receivable	46,008	-	46,008
Property held for resale	3,570,722	-	3,570,722
Capital assets			
Nondepreciable capital assets	1,051,422	248,598	1,300,020
Depreciable capital assets, net	13,012,040	7,220,854	20,232,894
Total assets	23,555,810	8,144,759	31,700,569
Liabilities			
Accounts and contracts payable	204,472	12,943	217,415
Accrued salaries, wages and benefits	124,099	21,681	145,780
Accrued interest payable	31,516	11,081	42,597
Matured bonds and coupons payable	749	-	749
Due to other governments	192,724	72,821	265,545
Deferred revenue	1,330,400	-	1,330,400
Notes payable	3,650,000	-	3,650,000
Long term liabilities			
Due within one year	744,399	393,174	1,137,573
Due in more than one year	2,657,755	2,014,248	4,672,003
Total liabilities	8,936,114	2,525,948	11,462,062
Net assets			
Invested in capital assets, net of related debt	11,063,069	5,113,143	16,176,212
Restricted for:			
Debt service	197,818	-	197,818
Capital projects	688,362	-	688,362
Highways and streets	1,283,674	-	1,283,674
Public safety	159,101	-	159,101
Recreation	4,827	-	4,827
Community environment	201,736	-	201,736
Other purposes	28,938	-	28,938
Unrestricted	992,171	505,668	1,497,839
Total net assets	\$ 14,619,696	\$ 5,618,811	\$ 20,238,507

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants Interest and Contributions	Capital Grants and Contributions
Governmental activities				
Security of persons and property	\$ 2,799,676	\$ 3,193	\$ 6,720	\$ -
Public health and welfare	58,279	-	-	-
Leisure time activities	142,531	24,070	-	-
Community environment	376,925	57,380	-	2,251,834
Basic utility services	620,240	664,908	3,500	-
Transportation	1,707,779	4,732	-	85,711
General government	906,254	92,510	-	-
Interest	157,835	-	-	-
Total governmental activities	6,769,519	846,793	10,220	2,337,545
Business-type activities:				
Water	583,214	612,258	-	-
Sewer	852,820	953,605	-	-
Storm Water	354,136	328,260	-	6,000
Total business-type activities	1,790,170	1,894,123	-	6,000
Total	\$ 8,559,689	\$ 2,740,916	\$ 10,220	\$ 2,343,545

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

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

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (2,789,763)	\$ -	\$ (2,789,763)
(58,279)	-	(58,279)
(118,461)	-	(118,461)
1,932,289	-	1,932,289
48,168	-	48,168
(1,617,336)	-	(1,617,336)
(813,744)	-	(813,744)
(157,835)	-	(157,835)
<u>(3,574,961)</u>	<u>-</u>	<u>(3,574,961)</u>
-	29,044	29,044
-	100,785	100,785
-	(19,876)	(19,876)
-	109,953	109,953
<u>(3,574,961)</u>	<u>109,953</u>	<u>(3,465,008)</u>
366,544	-	366,544
83,167	-	83,167
851,527	-	851,527
1,825,663	-	1,825,663
460,454	-	460,454
524,538	-	524,538
42,779	7,454	50,233
1,247,169	-	1,247,169
<u>5,401,841</u>	<u>7,454</u>	<u>5,409,295</u>
1,826,880	117,407	1,944,287
12,792,816	5,501,404	18,294,220
<u>\$ 14,619,696</u>	<u>\$ 5,618,811</u>	<u>\$ 20,238,507</u>

CITY OF SHEFFIELD LAKE, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General	Roads - Income Tax	Capital Projects	Shoreway Capital Project
Assets				
Equity in pooled cash	\$ 308,723	\$ 644,174	\$ 19,862	\$ 303,278
Cash and investments with fiscal agents	-	-	-	-
Income taxes receivables	1,126,560	281,640	-	-
Property taxes receivable	405,700	-	-	-
Accrued interest receivable	-	-	-	-
Due from other governments	249,548	-	86,500	-
Accounts and other	39,260	-	-	-
Interfund receivable	10,000	-	-	-
Inventories and supplies	3,241	-	-	-
Prepaid expenses	19,300	-	-	-
Property held for resale	-	-	-	3,570,722
Total assets	\$ 2,162,332	\$ 925,814	\$ 106,362	\$ 3,874,000
Liabilities and fund balances				
Liabilities				
Accounts and contracts payable	\$ 26,517	\$ 312	\$ 63,226	\$ 24,000
Accrued wages and benefits	111,044	-	-	-
Accrued interest	-	-	1,173	11,638
Matured bonds and coupons payable	-	-	-	-
Due to other governments	102,286	-	-	-
Interfund payable	-	-	-	-
Unearned revenue	1,608,580	238,894	-	-
Notes payable	-	-	150,000	3,150,000
Accrued leave benefits	-	-	-	-
Total liabilities	1,848,427	239,206	214,399	3,185,638
Fund balances				
Reserved for inventory	3,241	-	-	-
Reserved for prepaids	19,300	-	-	-
Reserved for encumbrances	4,160	57,473	-	20,000
Unreserved, reported in				
General fund	287,204	-	-	-
Special revenue funds	-	629,135	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	(108,037)	668,362
Total fund balances	313,905	686,608	(108,037)	688,362
Total liabilities and fund balances	\$ 2,162,332	\$ 925,814	\$ 106,362	\$ 3,874,000

See accompanying notes and accountant's compilation report.

Other Governmental Funds	Total Governmental Funds
\$ 856,291	\$ 2,132,328
749	749
-	1,408,200
1,020,500	1,426,200
46,008	46,008
421,086	757,134
83,662	122,922
-	10,000
3,644	6,885
1,900	21,200
-	3,570,722
<u>\$ 2,433,840</u>	<u>\$ 9,502,348</u>

\$ 90,417	\$ 204,472
13,055	124,099
1,293	14,104
749	749
90,438	192,724
10,000	10,000
1,394,758	3,242,232
350,000	3,650,000
8,000	8,000
<u>1,958,710</u>	<u>7,446,380</u>

3,644	6,885
1,900	21,200
35,616	117,249
-	287,204
294,360	923,495
139,610	139,610
-	560,325
<u>475,130</u>	<u>2,055,968</u>
<u>\$ 2,433,840</u>	<u>\$ 9,502,348</u>

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

DECEMBER 31, 2008

Total governmental funds balances		\$	2,055,968
Amount reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.			14,063,462
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds:			
Property and other local taxes	95,800		
Municipal income tax	1,194,470		
Intergovernmental	575,554		
Interest	46,008		
Total	1,911,832		1,911,832
In the statement of activities, interest is accrued on outstanding long-term obligations, whereas in governmental funds, an interest expenditure is reported when due.			(17,412)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:			
Notes payable	(1,376,145)		
OPWC loans payable	(151,379)		
General obligation bonds	(1,290,000)		
Capital leases	(32,869)		
Accrued leave benefits	(543,761)		
	(3,394,154)		(3,394,154)
Net assets of governmental activities		\$	14,619,696

See accompanying notes to the basic financial statements.

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CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Roads - Income Tax	Capital Projects	Shoreway Capital Project
Revenues				
Property and other local taxes	\$ 366,544	\$ -	\$ -	\$ -
Municipal income taxes	1,600,339	404,123	-	-
Intergovernmental revenue	506,188	85,711	865,000	-
Special assessments	-	-	-	-
Charges for services	309,507	-	-	-
Fines, licenses, and permits	189,595	-	-	-
Interest	38,039	-	-	-
Miscellaneous	135,094	-	380	700,000
Total revenues	3,145,306	489,834	865,380	700,000
Expenditures				
Current				
Security of persons and property	1,867,162	-	-	-
Public health and welfare	58,279	-	-	-
Leisure time activities	93,226	-	-	-
Community environment	150,226	-	-	-
Basic utility services	-	-	-	-
Transportation	-	184,910	-	-
General government	840,571	-	-	-
Capital outlay	-	-	1,206,709	-
Debt service				
Note principal	-	141,360	-	-
Bond principal	-	-	-	-
OPWC loan principal	2,358	9,793	-	-
Capital lease principal	32,599	-	-	-
Interest and fiscal charges	4,310	6,279	1,173	11,638
Total expenditures	3,048,731	342,342	1,207,882	11,638
Excess (deficiency) of revenues over expenditures	96,575	147,492	(342,502)	688,362
Other financing sources (uses)				
Transfers-in	-	-	-	-
Note proceeds	-	100,000	-	-
Transfers-out	(85,325)	(190,502)	-	-
Total other financing sources (uses)	(85,325)	(90,502)	-	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	11,250	56,990	(342,502)	688,362
Fund balances, beginning of year	302,655	629,618	234,465	-
Fund balances, end of year	\$ 313,905	\$ 686,608	\$ (108,037)	\$ 688,362

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 936,494	\$ 1,303,038
-	2,004,462
1,385,510	2,842,409
11,635	11,635
654,564	964,071
1,893	191,488
4,740	42,779
95,108	930,582
<u>3,089,944</u>	<u>8,290,464</u>
1,032,103	2,899,265
-	58,279
100	93,326
646,974	797,200
628,215	628,215
530,646	715,556
4,853	845,424
6,972	1,213,681
603,000	744,360
105,000	105,000
-	12,151
-	32,599
127,871	151,271
<u>3,685,734</u>	<u>8,296,327</u>
<u>(595,790)</u>	<u>(5,863)</u>
275,827	275,827
442,000	542,000
-	(275,827)
<u>717,827</u>	<u>542,000</u>
122,037	536,137
353,093	1,519,831
<u>\$ 475,130</u>	<u>\$ 2,055,968</u>

CITY OF SHEFFIELD LAKE, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Net change in fund balances - total governmental funds	\$	536,137
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded net capital outlay in the current period.</p>		
	Capital outlay, net	1,683,889
	Depreciation expense	<u>(1,188,560)</u>
		495,329
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
	Municipal income tax	281,655
	Property and other local taxes	(1,800)
	Interest	(13,366)
	Intergovernmental revenue	<u>31,625</u>
		298,114
<p>Debt proceeds are an other financing source in the funds, but increase long-term liabilities in the Statement of Net Assets</p>		
		(542,000)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
	Note principal paid	744,360
	OPWC loan principal paid	12,151
	Bond principal paid	105,000
	Capital lease principal paid	<u>32,599</u>
		894,110
<p>In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		(6,564)
<p>Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
	Accrued leave benefits	<u>151,754</u>
Change in net assets of governmental activities	\$	<u><u>1,826,880</u></u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Property and other local taxes	\$ 373,198	\$ 372,752	\$ 366,544	(6,208)
Municipal income taxes	1,625,605	1,623,663	1,623,663	-
Intergovernmental revenue	554,126	553,464	574,336	20,872
Charges for services	302,917	302,555	302,555	-
Fines, licenses, and permits	189,822	189,595	189,595	-
Interest	38,085	38,039	38,039	-
Miscellaneous	149,937	149,758	135,094	(14,664)
Total revenues	3,233,690	3,229,826	3,229,826	-
Expenditures				
Current				
Security of persons and property	1,941,153	1,910,116	1,832,076	78,040
Public health and welfare	64,943	63,855	61,294	2,561
Leisure time activities	100,800	99,111	95,136	3,975
Community environment	159,550	156,877	150,585	6,292
General government	959,337	943,265	905,430	37,835
Debt service				
OPWC loan principal	2,498	2,457	2,358	99
Total expenditures	3,228,281	3,175,681	3,046,879	128,802
Excess (deficiency) of revenues over expenditures	5,409	54,145	182,947	128,802
Other financing sources (uses)				
Transfers-out	(90,405)	(85,325)	(85,325)	-
Advances-out	(10,595)	(12,500)	(10,000)	2,500
Total other financing sources (uses)	(101,000)	(97,825)	(95,325)	2,500
Excess (deficiency) of revenues over expenditures and other sources (uses)	(95,591)	(43,680)	87,622	131,302
Prior year encumbrances	65,710	65,710	65,710	-
Fund balances, beginning of year	124,739	124,739	124,739	-
Fund balances, end of year	\$ 94,858	\$ 146,769	\$ 278,071	\$ 131,302

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Roads - Income Tax Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Municipal income taxes	\$ 440,000	\$ 409,954	\$ 409,954	\$ -
Intergovernmental revenue	-	85,711	85,711	-
Total revenues	<u>440,000</u>	<u>495,665</u>	<u>495,665</u>	<u>-</u>
Expenditures				
Current				
Transportation	253,711	694,236	237,384	456,852
Debt service				
Note principal	181,153	181,153	181,153	-
Interest and fiscal charges	6,890	6,890	6,890	-
Total expenditures	<u>441,754</u>	<u>882,279</u>	<u>425,427</u>	<u>456,852</u>
Excess (deficiency) of revenues over expenditures	<u>(1,754)</u>	<u>(386,614)</u>	<u>70,238</u>	<u>456,852</u>
Other financing sources (uses)				
Note proceeds	-	100,000	100,000	-
Transfers-out	-	(190,502)	(190,502)	-
Total other financing sources (uses)	<u>-</u>	<u>(90,502)</u>	<u>(90,502)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(1,754)</u>	<u>(477,116)</u>	<u>(20,264)</u>	<u>456,852</u>
Prior year encumbrances	52,626	52,626	52,626	-
Fund balances, beginning of year	<u>554,026</u>	<u>554,026</u>	<u>554,026</u>	<u>-</u>
Fund balances, end of year	<u>\$ 604,898</u>	<u>\$ 129,536</u>	<u>\$ 586,388</u>	<u>\$ 456,852</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF FUND NET ASSETS -
PROPRIETARY FUNDS
DECEMBER 31, 2008

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
	Water	Sewer	Water	Total
Assets				
Equity in pooled cash	\$ 146,510	\$ 266,313	\$ 29,867	\$ 442,690
Accounts and other	63,172	114,337	53,408	230,917
Prepaid expenses	1,100	600	-	1,700
Nondepreciable capital assets	-	62,753	185,845	248,598
Depreciable capital assets, net	554,646	718,998	5,947,210	7,220,854
Total assets	765,428	1,163,001	6,216,330	8,144,759
Liabilities				
Current				
Accounts and contracts payable	3,769	8,995	179	12,943
Accrued wages and benefits	7,539	11,308	2,834	21,681
Accrued interest payable	3,069	-	8,012	11,081
Due to other governments	34,423	35,345	3,053	72,821
Notes payable	180,000	-	-	180,000
OPWC loans payable	-	1,500	22,238	23,738
General obligation bonds payable	-	-	125,000	125,000
Capital leases	-	56,436	-	56,436
Accrued leave benefits	4,000	4,000	-	8,000
Total current liabilities	232,800	117,584	161,316	511,700
Long-term liabilities				
OPWC loans payable	-	-	289,495	289,495
General obligation bonds payable	-	-	1,625,000	1,625,000
Capital leases	-	56,640	-	56,640
Accrued leave benefits	16,832	25,248	1,033	43,113
Total long-term liabilities	16,832	81,888	1,915,528	2,014,248
Total liabilities	249,632	199,472	2,076,844	2,525,948
Net assets				
Investment in capital assets, net of related debt	374,646	667,175	4,071,322	5,113,143
Unrestricted	141,150	296,354	68,164	505,668
Total net assets	\$ 515,796	\$ 963,529	\$ 4,139,486	\$ 5,618,811

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Operating revenues				
Charges for services	\$ 612,258	\$ 953,605	\$ 298,894	\$ 1,864,757
Miscellaneous	-	-	35,366	35,366
Total operating revenues	<u>612,258</u>	<u>953,605</u>	<u>334,260</u>	<u>1,900,123</u>
Operating expenses				
Personal services	195,503	242,813	70,858	509,174
Contractual services	258,376	481,763	8,249	748,388
Supplies and materials	54,599	23,069	4,639	82,307
Other operating	16,431	4,549	-	20,980
Depreciation	47,884	100,016	168,018	315,918
Total operating expenses	<u>572,793</u>	<u>852,210</u>	<u>251,764</u>	<u>1,676,767</u>
Operating income	<u>39,465</u>	<u>101,395</u>	<u>82,496</u>	<u>223,356</u>
Nonoperating revenues (expenses)				
Interest income	-	-	7,454	7,454
Interest and fiscal charges	(10,421)	(610)	(102,372)	(113,403)
Net nonoperating (expenses)	<u>(10,421)</u>	<u>(610)</u>	<u>(94,918)</u>	<u>(105,949)</u>
Change in net assets	29,044	100,785	(12,422)	117,407
Retained earnings, beginning of year	<u>486,752</u>	<u>862,744</u>	<u>4,151,908</u>	<u>5,501,404</u>
Retained earnings, end of year	<u>\$ 515,796</u>	<u>\$ 963,529</u>	<u>\$ 4,139,486</u>	<u>\$ 5,618,811</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 614,273	\$ 956,945	\$ 294,360	\$ 1,865,578
Cash paid to suppliers for materials and supplies	(52,936)	(91,102)	(10,232)	(154,270)
Cash paid for employee services and benefits	(205,334)	(246,817)	(72,687)	(524,838)
Cash paid for contractual services	(277,412)	(473,470)	(7,650)	(758,532)
Other operating revenues	-	-	35,366	35,366
Other operating expenses	(15,984)	(4,102)	-	(20,086)
Net cash provided by operating activities	<u>62,607</u>	<u>141,454</u>	<u>239,157</u>	<u>443,218</u>
Cash flows from capital and related financing activities:				
Issuance of notes	180,000	-	-	180,000
Payment on capital lease	-	(56,242)	-	(56,242)
Note principal payment	(210,000)	-	-	(210,000)
OPWC loans payments	-	(3,000)	(22,238)	(25,238)
Bond principal payments	-	-	(125,000)	(125,000)
Interest payments	(12,487)	(610)	(102,950)	(116,047)
Acquisition of fixed assets	(24,455)	(8,042)	-	(32,497)
Net cash (used in) capital and related financing activities	<u>(66,942)</u>	<u>(67,894)</u>	<u>(250,188)</u>	<u>(385,024)</u>
Cash flows from investing activities:				
Interest income	-	-	7,454	7,454
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>7,454</u>	<u>7,454</u>
Net increase (decrease) in cash and equivalents	(4,335)	73,560	(3,577)	65,648
Equity in pooled cash and equivalents, beginning of year	<u>150,845</u>	<u>192,753</u>	<u>33,444</u>	<u>377,042</u>
Equity in pooled cash and equivalents, end of year	<u>\$ 146,510</u>	<u>\$ 266,313</u>	<u>\$ 29,867</u>	<u>\$ 442,690</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
(Concluded)

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	\$ 39,465	\$ 101,395	\$ 82,496	\$ 223,356
Adjustments:				
Depreciation	47,884	100,016	168,018	315,918
Changes in net assets (increase) decrease and liabilities increase (decrease)				
Accounts receivable and other	2,015	3,340	(4,534)	821
Prepaid expenses	400	200	-	600
Accounts and contracts payable	(20,024)	(900)	(896)	(21,820)
Accrued salaries, wages and benefits	1,313	2,280	(7)	3,586
Due to other governments	(704)	(51,264)	(6,732)	(58,700)
Accrued leave benefits	(7,742)	(13,613)	812	(20,543)
Net cash provided by operating activities	<u>\$ 62,607</u>	<u>\$ 141,454</u>	<u>\$ 239,157</u>	<u>\$ 443,218</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2008

	Agency Funds
Assets	
Equity in pooled cash	\$ 38,692
Cash and investments w ith fiscal agents	14,843
Property taxes receivable	320,000
Due from other governments	20,200
Total assets	<u>\$ 393,735</u>
Liabilities	
Due to others	\$ 51,175
Due to other governments	342,560
Total liabilities	<u>\$ 393,735</u>

See accompanying notes to the basic financial statements.

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CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1 DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. FUND ACCOUNTING

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

Governmental Funds

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

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

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

Capital Projects Fund - This fund accounts for resources used for the acquisition and construction of major capital assts.

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

Proprietary Funds

Proprietary fund reporting focuses on changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

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

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

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

Fiduciary Funds

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

C. MEASUREMENT FOCUS

Government-wide Financial Statements

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS (continued)

Fund Financial Statements

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

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

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

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

D. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Revenues - Exchange and Non-exchange Transactions (continued)

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. BUDGETARY PROCESS

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS (continued)

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

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

F. CASH AND CASH EQUIVALENTS

The City pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

G. INVESTMENTS

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

During the year, the City invested funds in the State Treasury Assets Reserve (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within Ohio to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2008.

H. INVENTORIES

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

I. CAPITAL ASSETS

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

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. CAPITAL ASSETS (continued)

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

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

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

J. INTERFUND BALANCES

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

K. UNPAID COMPENSATED ABSENCES

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

L. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES

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

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

M. FUND BALANCE RESERVES

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets for the governmental activities reports \$ 2,564,456 of restricted net assets, of which \$ 1,150,399 is restricted by enabling legislation.

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

O. OPERATING REVENUES AND EXPENSES

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

P. CONTRIBUTIONS OF CAPITAL

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

Q. INTERFUND ACTIVITY

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

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

R. EXTRAORDINARY AND SPECIAL ITEMS

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

S. USE OF ESTIMATES

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

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 3 COMPLIANCE AND ACCOUNTABILITY

At December 31, 2008, the Capital Projects Fund had a deficit fund balance of \$ 108,037. Not apparent in the basic financial statements, the following funds also had deficit fund balances:

Special Revenue Funds	
Fire Operating Fund	\$ (32,385)
Police Pension Fund	\$ (19,462)
Fire Pension Fund	\$ (19,462)

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

NOTE 4 BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

	Net Change in Fund Balance	
	General Fund	Roads - Income Tax Fund
Budget basis	\$ 87,622	\$ (20,264)
Adjustments, increase (decrease)		
Revenue accruals	(84,520)	(5,831)
Expenditure accruals	(22,504)	25,300
Encumbrances	30,652	57,785
GAAP basis, as reported	\$ 11,250	\$ 56,990

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

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

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

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

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the City's deposits was \$ 453,094 and the bank balance was \$ 599,687. Of the bank balance, \$ 428,085 was covered by federal depository insurance and \$ 171,602 by collateral held by third party trustees in accordance with the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions, which amount is considered uncollateralized as defined by the Government Accounting Standards Board.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2008, the City had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
STAROhio	<u>n/a</u>	<u>\$ 2,176,208</u>

D. INTEREST RATE RISK

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

E. CREDIT RISK

The City follows the Ohio Revised Code that limits its investment choices. As of December 31, 2008, the City's investments in StarOhio were rated AAAM by Standard & Poor's.

F. CONCENTRATION OF CREDIT RISK

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

NOTE 6 RECEIVABLES

Receivables at December 31, 2008, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, special assessments, and accounts (billings for utility service).

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

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 6 RECEIVABLES (continued)

A. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007 on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out. The assessment percentage for all property including inventory for 2008 is 6.25 percent and will be reduced to zero for 2009.

The full tax rate for all City operations for the year ended December 31, 2008 was \$ 18.65 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Property valuation consisted of:	
Real property	
Residential/agricultural	\$ 152,747,290
Commercial/industrial	15,434,270
Tangible personal property	
Public utilities	1,512,129
Total valuation	\$ 169,693,689

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

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

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 6 RECEIVABLES (continued)

B. INCOME TAXES

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

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

C. INTERGOVERNMENTAL RECEIVABLES

A summary of the principal items of intergovernmental receivables follows:

	Amount
Local government assistance	\$ 180,950
Gasoline tax	214,975
Permissive tax	52,011
Homestead and rollback	90,400
Commercial activities tax	47,200
Estate tax	39,454
CHIPS Grant	63,600
ODNR Grant	86,500
Miscellaneous	2,244
	\$ 777,334

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 7 CAPITAL ASSETS

A summary of changes in capital assets during 2008 follows:

	Balance January 1	Additions	Disposals	Balance December 31
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 484,539	\$ -	\$ -	\$ 484,539
Construction in progress	1,177,566	1,291,252	1,901,935	566,883
Total capital assets, not being depreciated	<u>1,662,105</u>	<u>1,291,252</u>	<u>1,901,935</u>	<u>1,051,422</u>
Capital assets, being depreciated				
Buildings and improvements	1,583,112	1,927,609	-	3,510,721
Equipment and vehicles	2,015,585	381,216	248,576	2,148,225
Infrastructure	34,870,961	-	-	34,870,961
Total capital assets being depreciated	<u>38,469,658</u>	<u>2,308,825</u>	<u>248,576</u>	<u>40,529,907</u>
Less accumulated depreciation				
Buildings and improvements	954,915	64,301	-	1,019,216
Equipment and vehicles	1,542,210	122,257	234,323	1,430,144
Infrastructure	24,066,305	1,002,002	-	25,068,307
Total accumulated depreciation	<u>26,563,430</u>	<u>1,188,560</u>	<u>234,323</u>	<u>27,517,667</u>
Total capital assets being depreciated, net	<u>11,906,228</u>	<u>1,120,265</u>	<u>14,253</u>	<u>13,012,240</u>
Total governmental capital assets, net	<u>\$ 13,568,333</u>	<u>\$ 2,411,517</u>	<u>\$ 1,916,188</u>	<u>\$ 14,063,662</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated				
Land	\$ 153,910	\$ -	\$ -	\$ 153,910
Construction in progress	94,688	-	-	94,688
Total capital assets, not being depreciated	<u>248,598</u>	<u>-</u>	<u>-</u>	<u>248,598</u>
Capital assets, being depreciated				
Buildings and improvements	150,818	-	-	150,818
Equipment and vehicles	717,072	32,497	122,586	626,983
Infrastructure	11,955,355	-	-	11,955,355
Total capital assets being depreciated	<u>12,823,245</u>	<u>32,497</u>	<u>122,586</u>	<u>12,733,156</u>
Less accumulated depreciation				
Buildings and improvements	22,623	3,016	-	25,639
Equipment and vehicles	351,280	43,063	122,586	271,757
Infrastructure	4,945,067	269,839	-	5,214,906
Total accumulated depreciation	<u>5,318,970</u>	<u>315,918</u>	<u>122,586</u>	<u>5,512,302</u>
Total capital assets being depreciated, net	<u>7,504,275</u>	<u>(283,421)</u>	<u>-</u>	<u>7,220,854</u>
Total business-type capital assets, net	<u>\$ 7,752,873</u>	<u>\$ (283,421)</u>	<u>\$ -</u>	<u>\$ 7,469,452</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 7 CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Security of persons and property	\$ 70,197
General government	66,916
Leisure time activities	49,445
Transportation	1,002,002
	<u>\$ 1,188,560</u>

NOTE 8 NOTES PAYABLE

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

	Balance, 12/31/07	Additions	Reductions	Balance, 12/31/08
Governmental activities				
Short-term notes payable				
Bond anticipation notes				
Capital improvements fund				
4.08% issued 10/21/08, due 6/09/09	\$ -	\$ 150,000	\$ -	\$ 150,000
Debt service fund				
7.00% issued 12/11/08, due 12/2/09	-	350,000	-	350,000
Shoreway capital project fund				
7.00% issued 12/11/08, due 12/2/09	-	3,150,000	-	3,150,000
	-	3,650,000	-	3,650,000
Long-term notes payable				
Tax anticipation note				
Roads - income tax fund				
4.78% issued 4/12/07, due 4/1/27	761,905	-	40,000	721,905
Bond anticipation notes				
Roads - income tax fund				
4.89% issued 6/22/07, due 6/21/08	25,000	-	25,000	-
4.53% issued 10/18/07, due 6/21/08	120,000	-	120,000	-
3.23% issued 6/20/08, due 6/19/09	-	100,000	-	100,000
Capital improvements fund				
4.89% issued 6/22/07, due 6/21/08	63,000	-	63,000	-
4.09% issued 12/20/07, due 6/21/08	500,000	-	500,000	-
3.23% issued 6/20/08, due 6/19/09	-	442,000	-	442,000
	1,469,905	542,000	748,000	1,263,905
Total governmental activities	1,469,905	4,192,000	748,000	4,913,905
Business-type activities				
Long-term notes payable				
Bond anticipation notes				
Water fund				
4.89% issued 6/22/07, due 6/21/08	210,000	-	210,000	-
3.23% issued 6/20/08, due 6/19/09	-	180,000	-	180,000
	210,000	180,000	210,000	180,000
Total long-term business-type activities	210,000	180,000	210,000	180,000
Total notes payable	\$ 1,679,905	\$ 4,372,000	\$ 958,000	\$ 5,093,905

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 9 LONG-TERM DEBT

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

<u>Debt Issue</u>	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
<u>Governmental activities</u>				
General obligation bonds				
Building improvements	1996	2016	6.20%	200,000
Street improvements	2003	2018	3.60 - 5.00%	1,200,000
Street improvements	1998	2018	5.00 - 5.20%	500,000
Street improvements	2007	2027	4.78%	800,000
Bond anticipation note	2008	2009	3.23%	100,000
Bond anticipation note	2008	2009	7.00%	350,000
Bond anticipation note	2008	2009	7.00%	3,150,000
Bond anticipation note	2008	2009	4.08%	150,000
Bond anticipation note	2008	2009	3.23%	442,000
Highway improvement note	2006	2017	0.00%	133,600
Ohio Public Works loan	2001	2017	0.00%	35,371
Ohio Public Works loan	2004	2013	0.00%	28,566
Ohio Public Works loan	2007	2028	0.00%	99,190
Ohio Public Works loan	2007	2028	0.00%	25,264
<u>Business-type activities</u>				
General obligation bonds				
Storm water improvements	2002	2021	5.30 - 5.75%	2,500,000
Bond anticipation note	2008	2009	3.23%	180,000
Ohio Public Works loan	2000	2009	0.00%	30,000
Ohio Public Works loan	2000	2020	0.00%	124,842
Ohio Public Works loan	2003	2024	0.00%	140,949
Ohio Public Works loan	2003	2024	0.00%	81,187
Ohio Public Works loan	2003	2024	0.00%	97,793

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 9 LONG-TERM DEBT (continued)

Changes in the City's long-term obligations during 2008 were as follows:

	Outstanding 12/31/07	Additions	Reductions	Outstanding 12/31/08	Due in One Year
<u>Governmental activities</u>					
General obligation bonds					
Building improvement (1996)					
6.20% through 2016	\$ 115,000	\$ -	\$ 10,000	\$ 105,000	\$ 10,000
Street improvement (2003)					
3.60% - 5.00%					
through 2018	950,000	-	70,000	880,000	70,000
Street improvement (1998)					
5.00% - 5.20%					
through 2018	330,000	-	25,000	305,000	25,000
	<u>1,395,000</u>	<u>-</u>	<u>105,000</u>	<u>1,290,000</u>	<u>105,000</u>
Tax anticipation notes	761,905	-	40,000	721,905	40,000
Bond anticipation notes	708,000	542,000	708,000	542,000	542,000
Highway improvement note	133,600	-	21,360	112,240	21,360
OPWC loans	163,530	-	12,151	151,379	12,152
Capital leases	65,468	-	32,599	32,869	15,887
Accrued leave benefits	707,973	-	156,212	551,761	8,000
Total governmental activities	<u>\$ 3,935,476</u>	<u>\$ 542,000</u>	<u>\$ 1,075,322</u>	<u>\$ 3,402,154</u>	<u>\$ 744,399</u>
<u>Business-type activities</u>					
General obligation bonds					
Storm water improvement					
5.30% - 5.75%					
through 2021	\$ 1,875,000	\$ -	\$ 125,000	\$ 1,750,000	\$ 125,000
Bond anticipation notes	210,000	180,000	210,000	180,000	180,000
OPWC loans	338,471	-	25,238	313,233	23,738
Capital leases	169,318	-	56,242	113,076	56,436
Accrued leave benefits	71,656	-	20,543	51,113	8,000
Total business-type activities	<u>\$ 2,664,445</u>	<u>\$ 180,000</u>	<u>\$ 437,023</u>	<u>\$ 2,407,422</u>	<u>\$ 393,174</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 9 LONG-TERM DEBT (continued)

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for payment. The general obligation bonds are paid from the general bond retirement debt service fund. The special assessment bonds are paid from proceeds of special assessments levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City. The storm water bonds are paid from Storm Water enterprise fund revenues.

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

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

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

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2008, excluding accrued leave benefits, are as follows:

Year	Governmental Activities				
	General Obligation Bonds		Bond Anticipation Notes		Highway Improvement Note
	Principal	Interest	Principal	Interest	Principal
2009	\$ 105,000	\$ 63,547	\$ 4,192,000	\$ 264,076	\$ 21,360
2010	110,000	58,614	-	-	21,360
2011	115,000	53,463	-	-	21,360
2012	125,000	48,093	-	-	21,360
2013	130,000	42,163	-	-	21,360
2014-2018	705,000	108,452	-	-	5,440
2019-2023	-	-	-	-	-
2024-2027	-	-	-	-	-
	\$ 1,290,000	\$ 374,332	\$ 4,192,000	\$ 264,076	\$ 112,240

Year	Governmental Activities				
	Tax Anticipation Note		OPWC Loans	Total	
	Principal	Interest	Principal	Principal	Interest
2009	\$ 40,000	\$ 34,507	\$ 12,152	\$ 4,370,512	\$ 362,130
2010	40,000	32,595	12,152	183,512	91,209
2011	40,000	30,683	12,152	188,512	84,146
2012	40,000	28,771	12,151	198,511	76,864
2013	40,000	26,859	8,581	199,941	69,022
2014-2018	200,000	105,615	38,188	948,628	214,067
2019-2023	200,000	57,815	31,111	231,111	57,815
2024-2027	121,905	11,775	24,892	146,797	11,775
	\$ 721,905	\$ 328,620	\$ 151,379	\$ 6,467,524	\$ 967,028

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 9 LONG-TERM DEBT (continued)

Year	Business-Type Activities			
	General Obligation Bonds		Bond Anticipation Notes	
	Principal	Interest	Principal	Interest
2009	\$ 125,000	\$ 96,139	\$ 180,000	\$ 5,879
2010	130,000	89,232	-	-
2011	135,000	82,066	-	-
2012	140,000	74,836	-	-
2013	145,000	67,688	-	-
2014-2018	695,000	217,981	-	-
2019-2023	380,000	44,729	-	-
	\$ 1,750,000	\$ 672,671	\$ 180,000	\$ 5,879

Year	Total		
	OPWC Loans	Business-Type Activities	
	Principal	Principal	Interest
2009	\$ 23,738	\$ 328,738	\$ 102,018
2010	22,238	152,238	89,232
2011	22,238	157,238	82,066
2012	22,238	162,238	74,836
2013	22,239	167,239	67,688
2014-2018	111,194	806,194	217,981
2019-2023	89,348	469,348	44,729
	\$ 313,233	\$ 2,243,233	\$ 678,550

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 10 CAPITAL LEASES

The City is obligated under certain leases accounted for as capital leases. The leased assets are included in capital assets and the related obligation is included under long-term debt. At December 31, 2008, assets under capital leases totaled \$ 134,889 in governmental activities and \$ 281,812 in business-type activities. The leases are in effect until 2010. The following is the schedule of future minimum lease payments under capital leases together with the net present value of the minimum lease payments as of December 31, 2008.

Year Ending December 31,	Governmental Activities	Business-type Activities
2009	\$ 18,155	\$ 56,852
2010	18,155	56,852
Total minimum lease payments	36,310	113,704
Less amount representing interest	(3,441)	(628)
Net present value of minimum lease payments	<u>\$ 32,869</u>	<u>\$ 113,076</u>

NOTE 11 OPERATING LEASES

The City is obligated under leases accounted for as operating leases. Total lease expense for the year ended December 31, 2008 was \$ 9,010. The following is a schedule of future minimum lease payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 2008.

Year ending December 31	Amount
2009	\$ 5,492
2010	5,115
2011	5,115
2012	1,024
Total minimum payments	<u>\$ 16,746</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 12 DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

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

For 2008, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2008 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 10.1%.

The 2008 employer contribution rate for members in state and local employers was 14.00% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2008 was 17.40%.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$ 93,060, \$ 107,000, and \$ 111,100, respectively. For 2008 \$ 71,130 (76%) has been contributed. The balance was subsequently contributed in 2009. The full amount has been contributed for 2007 and 2006.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 12 DEFINED BENEFIT PENSION PLANS (continued)

B. OHIO POLICE AND FIRE PENSION FUND

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for police and firefighters pensions, respectively, were \$ 95,594 and \$ 159,193 for the year ended December 31, 2008, \$ 89,400 and \$ 160,000 for the year ended December 31, 2007 and \$ 80,000 and \$ 133,400 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. For 2008, \$ 48,921 (51%) and \$ 96,922 (61%) has been contributed for police and firefighters pensions, respectively. The balance was subsequently paid in 2009.

NOTE 13 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

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

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

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

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 13 – POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employer units contributed at 17.40%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units, and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City contributions to fund postemployment benefits for the years ended December 31, 2007, 2006, and 2005 were \$ 93,060, \$ 42,500, and \$ 36,500, respectively. For 2008 \$ 71,130 (76%) has been contributed. The balance was subsequently contributed in 2008. The full amount has been contributed for 2006 and 2005.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. OHIO POLICE AND FIRE PENSION FUND

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

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

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 13 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's actual contributions for 2008 that were used to fund postemployment health care benefits were \$ 50,600 for police and \$ 62,300 for firefighters.

NOTE 14 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. For the past several years, settled claims from these risks have not exceeded coverage.

NOTE 15 FEDERAL GRANTS AND ENTITLEMENTS

For the year ended December 31, 2008, the City recognized federal grants and entitlements. These programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2008.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 16 CONTINGENCIES

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

NOTE 17 INTERFUND BALANCES AND TRANSFERS

At December 31, 2008 the Federal Grants fund owed \$ 10,000 to the General fund. The General fund advanced monies to the Federal Grants fund which will be repaid upon collection of grant proceeds.

Interfund transfers for the year ended December 31, 2008 consisted of the following:

	Transferred from:		
		Roads - Income Tax Fund	Total
Transferred to:	General Fund	Roads - Income Tax Fund	Total
Non-major governmental funds	\$ 85,325	\$ 190,502	\$ 275,827

Monies were transferred to the General Obligation Bond Retirement Fund from various funds for payment of debt principal and interest.

NOTE 18 JOINTLY GOVERNED ORGANIZATIONS

A. LORAIN COUNTY GENERAL HEALTH DISTRICT

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

B. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 90 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2008. Financial information can be obtained by contacting the Joseph Migliorini, Board Chairman, 175 South Main Street, Akron, Ohio 44308.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 19 SUBSEQUENT EVENTS

On June 9, 2009, the City passed an ordinance authorizing the issuance and sale of notes in a maximum principal amount of \$ 200,000 with an interest rate of 2.75%, in anticipation of the issuance of bonds, for the purpose of paying costs of improving and repairing Walker Road as a part of Phase III of the City's improvements to Walker Road.

Also on June 9, 2009, the City passed an ordinance authoring the issuance and sale of notes in a maximum principal amount of \$ 701,000 with an interest rate of 2.75%, in anticipation of the issuance of bonds, for the purpose of retiring notes issued to pay costs of various capital improvements.



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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, Ohio, (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 16, 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 City'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 City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A 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 City'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 City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

We noted certain matters that we reported to the City's management in a separate letter dated October 16, 2009.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the City's management in a separate letter dated October 16, 2009.

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

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

Mary Taylor, CPA
Auditor of State

October 16, 2009

**CITY OF SHEFFIELD LAKE
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-1	Accounts Payable- An audit adjustment was recorded to properly record accounts payable.	Yes	
2007-2	Capital Assets – Costs associated with labor on in-house projects were not capitalized.	Yes	
2007-3	Unresolved Findings for Recovery Database – City did not document this database was checked for vendor before awarding contract.	Yes	
2007-4	Ohio Rev. Code Section 5705.41(D) – City did not properly encumber for expenditures recorded as accounts payable at year-end.	Yes	



Mary Taylor, CPA
Auditor of State

CITY OF SHEFFIELD LAKE

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 1, 2009**