

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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheffield-Sheffield Lake City School District, Lorain County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheffield-Sheffield Lake City School District, Lorain County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

February 3, 2010

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

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Unaudited

The discussion and analysis of Sheffield-Sheffield Lake City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2009 are as follows:

- In total, net assets increased by \$1,708,813.
- Revenues for governmental activities totaled \$ 20,537,505 in 2009. Of this total, 87.4 percent consisted of General revenues while Program revenues accounted for the balance of 12.6 percent.
- Program expenses totaled \$18,828,692. Instructional expenses made up 58.90 percent of this total while support services accounted for 35.74 percent. Other expenses rounded out the remaining 5.36 percent.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2009?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

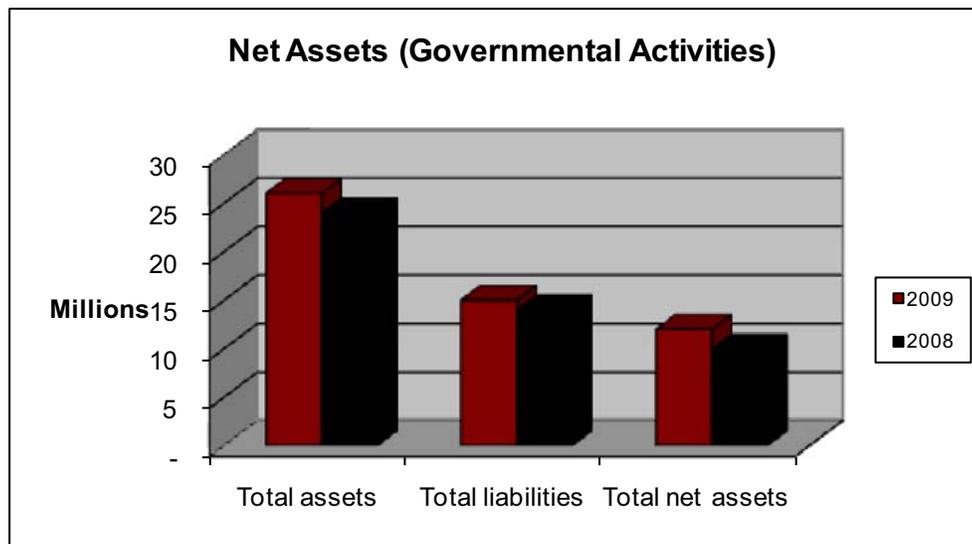
Unaudited

The School District as a Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2009 compared to 2008.

Table 1
Net Assets
Governmental Activities

	2009	2008	Change
Assets			
Current assets	\$ 23,260,043	\$ 21,656,555	\$ 1,603,488
Capital assets, net	2,969,286	2,171,718	797,568
Total assets	<u>26,229,329</u>	<u>23,828,273</u>	<u>2,401,056</u>
Liabilities			
Other liabilities	13,428,332	12,654,735	773,597
Long-term liabilities	1,126,299	1,207,653	(81,354)
Total liabilities	<u>14,554,631</u>	<u>13,862,388</u>	<u>692,243</u>
Net assets			
Invested in capital assets, net of related debt	2,969,286	2,171,718	797,568
Restricted	651,188	1,265,329	(614,141)
Unrestricted	8,054,224	6,528,838	1,525,386
Total net assets	<u>\$ 11,674,698</u>	<u>\$ 9,965,885</u>	<u>\$ 1,708,813</u>



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

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Unaudited

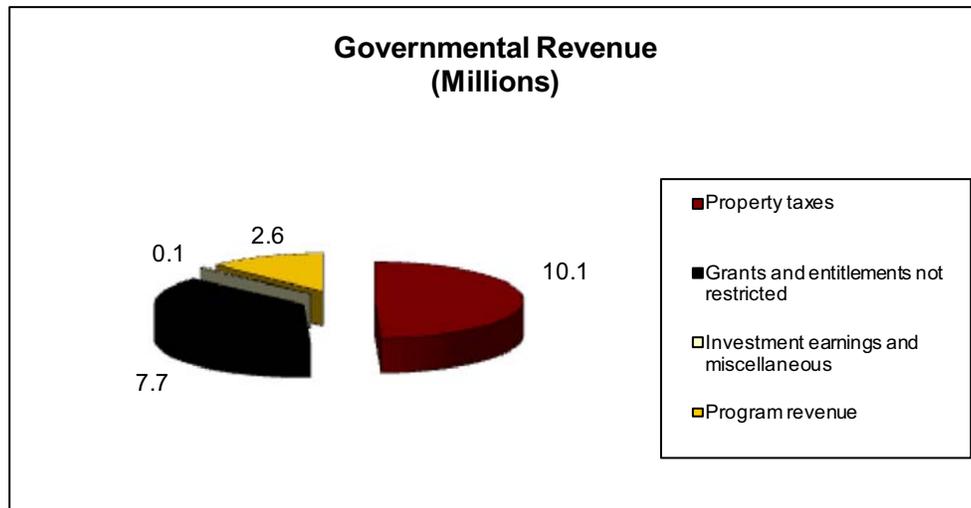
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the net assets were \$11,674,698.

At year-end capital assets represented 11.3% of total assets. Capital assets include land, construction in process, buildings and improvements, furniture and equipment and vehicles. Invested in capital assets at June 30, 2009 was \$2,969,286. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$651,188, represents resources that are subject to external restriction on how they are spent. The remaining balance of unrestricted net assets of \$8,054,224 may be used to meet the District's ongoing obligations to the students and creditors.

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

The vast majority of revenue supporting all Governmental Activities is General revenue. General revenue totaled \$ 17,950,593 or 87.4 percent of the total revenue. The most significant portion of the General revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$ 2,586,912 or 12.6 percent of total revenue.



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

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

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Unaudited

Table 2 shows the changes in net assets for fiscal year 2009. A comparative analysis of government-wide for fiscal year 2008 data is also presented.

**Table 2
Governmental Activities**

	2009	%	2008	%
		of Total		of Total
General revenues				
Property taxes levied for:				
General purpose	\$ 9,766,575	47.55%	\$10,855,863	51.47%
Capital improvements	291,204	1.42%	318,801	1.51%
Grants and entitlements not restricted to specific purpose	7,667,280	37.33%	7,190,545	34.09%
Investment earnings	143,706	0.70%	337,944	1.60%
Miscellaneous	81,828	0.40%	160,109	0.76%
Total general revenues	<u>17,950,593</u>	<u>87.40%</u>	<u>18,863,262</u>	<u>89.43%</u>
Program revenues	<u>2,586,912</u>	<u>12.60%</u>	<u>2,229,462</u>	<u>10.57%</u>
Total revenue	<u>20,537,505</u>	<u>100.00%</u>	<u>21,092,724</u>	<u>100.00%</u>
Governmental activities				
Instruction				
Regular	8,510,314	45.19%	9,005,906	46.99%
Special	1,202,534	6.39%	2,163,355	11.28%
Vocational	184,689	0.98%	198,017	1.03%
Other instruction	1,193,471	6.34%	204,438	1.07%
Supporting services				
Pupil	1,177,431	6.25%	1,183,240	6.17%
Instructional staff	782,397	4.15%	710,879	3.71%
Board of education	46,053	0.24%	32,284	0.17%
Administration	1,342,637	7.13%	1,361,508	7.10%
Fiscal services	533,807	2.84%	487,783	2.54%
Business	189,917	1.01%	152,095	0.79%
Operation and maintenance	1,396,457	7.42%	1,522,805	7.94%
Pupil transportation	894,884	4.75%	905,772	4.72%
Central services	366,987	1.95%	215,455	1.12%
Operation of non-instructional services				
Food service operation	596,591	3.17%	587,334	3.06%
Community services	19,820	0.11%	84,422	0.44%
Extracurricular activities	390,703	2.08%	358,783	1.87%
Totals	<u>18,828,692</u>	<u>100.00%</u>	<u>19,174,076</u>	<u>100.00%</u>
Change in net assets	<u>\$ 1,708,813</u>		<u>\$ 1,918,648</u>	

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

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

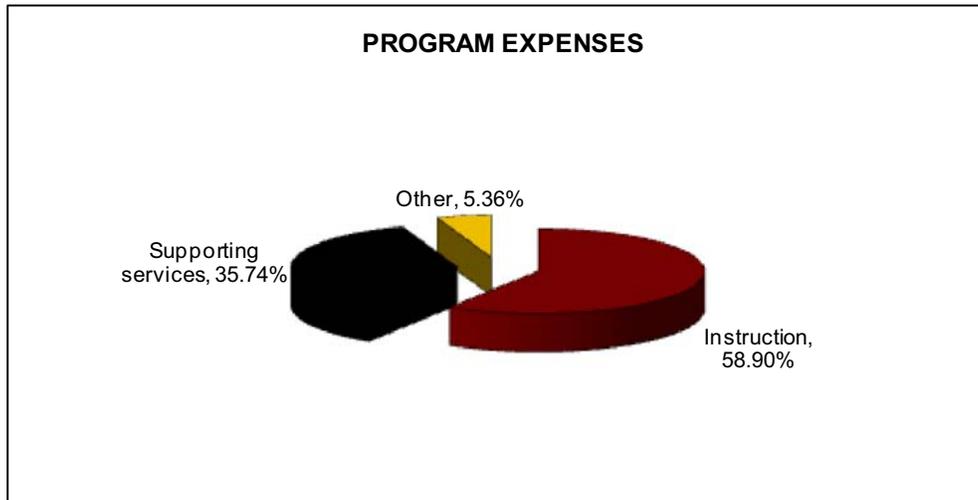
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Governmental Activities

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

The primary source of revenue for governmental activities is derived from property taxes. Property taxes made up 49.0 percent of revenues for governmental activities for the Sheffield-Sheffield Lake City School District in fiscal year 2009.

The largest Governmental Activities program expense remains instruction, comprising 58.90 percent of total expenses. When combined with pupil, staff and business operations, these categories encompass 94.64 percent. The remaining program expenses of 5.36 percent are budgeted to facilitate other obligations of the School District, such as food service programs, community services activities, numerous extracurricular activities and interest payments.



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

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

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

Table 3
Governmental Activities

	Total Cost Of Services	Net Cost Of Services
Governmental activities		
Instruction		
Regular	\$ 8,510,314	\$ (7,506,584)
Special	1,202,534	(522,742)
Vocational	184,689	(184,689)
Other instruction	1,193,471	(1,165,434)
Supporting services		
Pupil	1,177,431	(977,010)
Instructional staff	782,397	(749,827)
Board of education	46,053	(46,053)
Administration	1,342,637	(1,342,637)
Fiscal services	533,807	(533,807)
Business	189,917	(189,917)
Operation and maintenance	1,396,457	(1,396,457)
Pupil transportation	894,884	(894,884)
Central services	366,987	(343,348)
Operation of non-instructional services		
Food service operation	596,591	(44,543)
Community services	19,820	(17,887)
Extracurricular activities	390,703	(325,961)
Totals	\$ 18,828,692	\$(16,241,780)

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 53.4 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 40.7 percent, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues fund 13.7 percent of all governmental expenses.

School District Funds

Information regarding the School District's funds can be found on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 20,630,518 and expenditures of \$ 19,593,184. The net change in fund balance for the year was most significant in the General Fund, an increase of \$ 1,528,955 with a decrease in the Other Governmental Funds totaling \$ 491,621.

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

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal year 2009, the School District amended its General Fund budget several times to allow for additional advances to its Food Service Fund and other less significant amendments. Fluctuations among the budget base expenditures categories are due to the School District's site-based style of budgeting that is designed to tightly control expenses but provide flexibility for managers to redirect funds as conditions develop during the year.

For the General Fund, final budget estimated revenue was \$19,261,355. The actual revenue received was \$ 19,505,338.

Total final budget estimated expenditures were \$ 18,611,130. The actual expenditures on the budget basis (cash outlays plus encumbrances) were \$ 17,594,290.

Capital Assets and Debt Administration

At the end of fiscal 2009 the School District had \$3.0 million invested in land, construction in progress, building and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2009 values compared to 2008.

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

	2009	2008
Land	\$ 461,310	\$ 461,310
Construction in progress	13,025	16,405
Building and improvements	1,657,230	1,146,403
Furniture and equipment	561,969	370,057
Vehicles	275,752	177,543
	<u>\$ 2,969,286</u>	<u>\$ 2,171,718</u>

Debt

At June 30, 2009, the School District had no outstanding debt. The School District has not had outstanding bonds for over ten years; therefore, the School District has no official bond rating.

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

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Unaudited

School District Outlook

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

The District relies heavily upon real estate taxes, personal property taxes and state funding as sources of revenue. The School District's financial future took a turn for the better with the passage of a 5.99 mill five-year Emergency Operating Levy on November 8, 2005 and renewed in May 2009.

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

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

Contacting the School District's Financial Management

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

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SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities
Assets	
Equity in pooled cash	\$ 10,908,957
Due from other governments	1,398,095
Inventories and supplies	87,122
Taxes receivable	10,865,869
Capital assets	
Nondepreciable capital assets	474,335
Depreciable capital assets, net	2,494,951
Total assets	26,229,329
 Liabilities	
Accounts and contracts payable	38,048
Accrued salaries, wages and benefits	1,494,390
Due to other governments	857,362
Unearned revenue	11,038,532
Long-term liabilities	
Due within one year	50,573
Due in more than one year	1,075,726
Total liabilities	14,554,631
 Net assets	
Invested in capital assets	2,969,286
Restricted for:	
Capital projects	500,100
School support	47,725
Extracurricular activities	36,770
State grants	19,326
Federal grants	6,714
Other purposes	40,553
Unrestricted	8,054,224
Total net assets	\$ 11,674,698

See accompanying notes to the Basic Financial Statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Interest and Contributions	
Governmental activities				
Instruction				
Regular	\$ 8,510,314	\$ 935,606	\$ 68,124	\$ (7,506,584)
Special	1,202,534	128,157	551,635	(522,742)
Vocational	184,689	-	-	(184,689)
Other instruction	1,193,471	-	28,037	(1,165,434)
Supporting services				
Pupil	1,177,431	-	200,421	(977,010)
Instructional staff	782,397	-	32,570	(749,827)
Board of education	46,053	-	-	(46,053)
Administration	1,342,637	-	-	(1,342,637)
Fiscal services	533,807	-	-	(533,807)
Business	189,917	-	-	(189,917)
Operation and maintenance	1,396,457	-	-	(1,396,457)
Pupil transportation	894,884	-	-	(894,884)
Central services	366,987	-	23,639	(343,348)
Operation of non-instructional services				
Food service operation	596,591	245,531	306,517	(44,543)
Community services	19,820	-	1,933	(17,887)
Extracurricular activities	390,703	64,742	-	(325,961)
Totals	<u>\$ 18,828,692</u>	<u>\$ 1,374,036</u>	<u>\$ 1,212,876</u>	<u>(16,241,780)</u>

General revenues	
Property taxes levied for:	
General purpose	9,766,575
Capital improvements	291,204
Grants and entitlements not restricted to specific purposes	7,667,280
Investment earnings	143,706
Miscellaneous	81,828
Total general revenues	<u>17,950,593</u>
Change in net assets	1,708,813
Net assets at beginning of year	9,965,885
Net assets at end of year	<u>\$ 11,674,698</u>

See accompanying notes to the Basic Financial Statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in pooled cash	\$ 10,014,531	\$ 894,426	\$ 10,908,957
Receivables, net of allowance			
Taxes, current	10,153,034	294,250	10,447,284
Taxes, delinquent	406,710	11,875	418,585
Due from other governments	1,218,370	179,725	1,398,095
Interfund receivable	185,500	-	185,500
Inventories and supplies	60,581	26,541	87,122
Total assets	\$ 22,038,726	\$ 1,406,817	\$ 23,445,543
Liabilities and fund balances			
Liabilities			
Accounts and contracts payable	30,534	7,514	38,048
Accrued salaries, wages and benefits	1,404,736	89,654	1,494,390
Due to other governments	807,266	50,096	857,362
Interfund payable	-	185,500	185,500
Deferred revenue	11,143,362	313,755	11,457,117
Compensated absences payable	-	44,046	44,046
Total liabilities	13,385,898	690,565	14,076,463
Fund balances			
Reserved for inventories	60,581	26,541	87,122
Reserved for property taxes	634,752	19,379	654,131
Reserved for encumbrances	282,639	134,764	417,403
Unreserved, reported in			
General Fund	7,674,856	-	7,674,856
Special Revenue Funds	-	107,008	107,008
Capital Projects Funds	-	428,560	428,560
Total fund balances	8,652,828	716,252	9,369,080
Total liabilities and fund balances	\$ 22,038,726	\$ 1,406,817	\$ 23,445,543

See accompanying notes to the Basic Financial Statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental fund balances		\$ 9,369,080
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		2,969,286
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes.		418,585
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		<u>(1,082,253)</u>
Net assets of governmental activities		<u>\$ 11,674,698</u>

See accompanying notes to the Basic Financial Statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

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

FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 9,781,722	\$ 291,343	\$ 10,073,065
Tuition and fees	985,517	74,300	1,059,817
Interest	142,747	959	143,706
Intergovernmental	7,612,774	1,319,105	8,931,879
Charges for services	-	245,531	245,531
Extracurricular	-	83,783	83,783
Other	58,938	33,799	92,737
Total revenues	18,581,698	2,048,820	20,630,518
Expenditures			
Current			
Instruction			
Regular	8,214,687	231,477	8,446,164
Special	740,816	418,365	1,159,181
Vocational	152,503	21,004	173,507
Other instruction	1,161,681	31,790	1,193,471
Supporting services			
Pupil	898,091	263,458	1,161,549
Instructional staff	641,678	112,691	754,369
Board of education	44,243	-	44,243
Administration	1,334,370	324	1,334,694
Fiscal services	524,327	8,062	532,389
Business	189,058	-	189,058
Operation and maintenance	1,413,159	834,543	2,247,702
Pupil transportation	987,373	313	987,686
Central services	338,888	26,510	365,398
Operation of non-instructional services			
Food service operation	-	583,041	583,041
Community services	-	18,935	18,935
Extracurricular activities	292,215	100,175	392,390
Capital outlay	-	9,407	9,407
Total expenditures	16,933,089	2,660,095	19,593,184
Excess (deficiency) of revenues over expenditures	1,648,609	(611,275)	1,037,334
Other financing sources (uses)			
Transfers-in	-	119,654	119,654
Transfers-out	(119,654)	-	(119,654)
Total other financing sources (uses)	(119,654)	119,654	-
Net change in fund balances	1,528,955	(491,621)	1,037,334
Fund balances, beginning of year	7,123,873	1,207,873	8,331,746
Fund balances, end of year	\$ 8,652,828	\$ 716,252	\$ 9,369,080

See accompanying notes to the Basic Financial Statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds \$ 1,037,334

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

Governmental funds report capital outlays as expenditures.

How ever, in the statement of activities, the cost of those
assets is allocated over their useful lives and reported as
depreciation expense. This is the amount by which depreciation
exceeded capital outlay in the current period.

	Capital outlay, net	1,030,856	
	Depreciation expense	<u>(233,288)</u>	
	Total		797,568

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

	Property taxes	(15,286)	
	Intergovernmental	<u>(51,723)</u>	
			(67,009)

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

(59,080)

Change in net assets of governmental activities

\$ 1,708,813

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

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

FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues and other financing sources	\$ 19,262,300	\$ 19,261,355	\$ 19,505,338	\$ 243,983
Expenditures and other financing uses	18,611,131	18,611,130	17,594,290	1,016,840
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	651,169	650,225	1,911,048	1,260,823
Fund balances, beginning of year	7,271,800	7,271,800	7,271,800	-
Prior year encumbrances	509,331	509,331	509,331	-
Fund balances, end of year	<u>\$ 8,432,300</u>	<u>\$ 8,431,356</u>	<u>\$ 9,692,179</u>	<u>\$ 1,260,823</u>

See accompanying notes to the Basic Financial Statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF FIDUCIARY FUNDS -
ASSETS AND LIABILITIES - AGENCY FUNDS

JUNE 30, 2009

	<u>Agency Funds</u>
Assets	
Equity in pooled cash	<u>\$ 71,368</u>
Total assets	<u><u>71,368</u></u>
Liabilities	
Accounts and contracts payable	751
Due to students	57,409
Due to others	<u>13,208</u>
Total liabilities	<u><u>\$ 71,368</u></u>

See accompanying notes to the Basic Financial Statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Sheffield-Sheffield Lake City School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2008 was 1,974. The District employs 139 certificated and 101 non-certificated employees.

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF PRESENTATION

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION (continued)

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. FUND ACCOUNTING

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

Governmental Funds

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

Governmental Funds (continued)

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

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

Proprietary Fund

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

Fiduciary Funds

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

C. MEASUREMENT FOCUS

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

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

Unearned/Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Expenditures/Expenses

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

E. BUDGETARY PROCESS

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

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

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

F. CASH AND INVESTMENTS

Cash received by the District is deposited in one central bank account with individual fund balance integrity maintained through District records. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (STAROhio). Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest income earned for the year ended June 30, 2009, totaled \$ 143,706.

The District has invested in the State Treasury Asset Reserve of Ohio (STAROhio) during the year. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2009.

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. INVENTORY

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

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

H. RESTRICTED ASSETS

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

I. CAPITAL ASSETS

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

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

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

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

J. INTERFUND BALANCES

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit. The liability includes employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

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

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

M. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The government-wide statement of net assets reports \$ 651,188 of restricted net assets, of which \$ 526,140 is restricted by enabling legislation.

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

N. FUND BALANCE RESERVES AND DESIGNATIONS

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

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. INTERFUND TRANSACTIONS

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

P. ESTIMATES

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2009, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments" and GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." GASB 52 establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments which includes permanent and term endowments and permanent funds. The District does not currently have these types of funds. GASB 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. Per Ohio Revised Code (ORC) the District is prohibited from investing in this type of instrument.

NOTE 4 – COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT BALANCES

At June 30, 2009, the Poverty Aid Fund had a deficit fund balance of \$2,480, the Title II Fund had a deficit fund balance of \$ 11,234, the Drug Free School Fund had a deficit fund balance of \$ 125, and the Making Schools Work Fund had a deficit fund balance of \$ 1,502. The General Fund is liable for deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

Net Change in Fund Balance	
	General Fund
Budget basis	\$ 1,911,048
Adjustments, increase (decrease)	
Revenue accruals	(923,640)
Expenditure accruals	541,547
GAAP basis, as reported	\$ 1,528,955

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

Interim monies may be invested in the following securities:

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

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS(continued)

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

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

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the District's deposits was \$ 70,423. The bank balance was \$ 141,921 of which \$ 141,921 was covered by federal depository insurance.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2009, the District had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>
Investment in State Treasurer's Investment Pool	n/a	<u>\$ 10,909,902</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 District follows the Ohio Revised Code that limits its investment choices. As of June 30, 2009, the District's investments in StarOhio were rated AAAM by Standard & Poor's.

F. CONCENTRATION OF CREDIT RISK

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes for 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. The first payment is due January 20, with the remainder payable by June 20.

Public utility real and tangible personal property taxes for 2009 were levied after April 1, 2008, on the assessed values as of December 31, 2007, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Taxes collected from tangible personal property, other than public utility, in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value of inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory was reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single-county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

The District receives property taxes from Lorain County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2009 operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2009, was \$ 634,752 in the General Fund and \$ 19,379 in the Capital Projects Fund. The amount available as an advance at June 30, 2008, was \$ 1,504,917 in the General Fund and \$ 46,161 in the Capital Projects Fund.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 7 - PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second - Half Collections			2009 First - Half Collections	
	Amount	%		Amount	%
Agricultural/Residential	\$ 236,569,180	67.52	% \$	237,710,920	68.71 %
Commercial/Industrial	100,173,050	28.59		102,765,800	29.71
Public Utilities	5,139,260	1.47		5,157,430	1.49
Tangible Personal Property	8,487,177	2.42		295,420	0.09
Total Assessed Value	\$ 350,368,667	100.00	% \$	345,929,570	100.00 %
Tax rate per \$1,000 of assessed valuation	\$ 56.31			\$ 56.47	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2009, consisted of property taxes, interfund, and amounts due from other governments. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

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

	Amount
Governmental Funds:	
General Fund	\$ 1,218,370
Nonmajor Funds	
IDEA	117,394
Title I	27,038
Title VI	552
ECSE	690
Title II A	6,800
Title II D Technology	242
Capital Projects	27,009
Total due from other governments	\$ 1,398,095

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 9 – INTERFUND ADVANCES

Interfund receivables and payables at June 30, 2009 are as follows:

Major Fund:	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 185,500	\$ -
Non-major funds:		
High School That Works	-	6,500
Title VI B	-	140,000
Title I	-	20,000
Drug Free Schools	-	4,000
ECSE Preschool	-	5,000
Title II A	-	10,000
Total non-major funds	<u>-</u>	<u>185,500</u>
Total	<u>\$ 185,500</u>	<u>\$ 185,500</u>

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2009</u>
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 461,310	\$ -	\$ -	\$ 461,310
Construction in progress	16,405	13,025	16,405	13,025
Total nondepreciable capital assets	<u>477,715</u>	<u>13,025</u>	<u>16,405</u>	<u>474,335</u>
Depreciable capital assets				
Buildings and improvements	4,820,428	600,586	-	5,421,014
Furniture and equipment	1,291,097	309,259	61,702	1,538,654
Vehicles	1,357,089	142,304	281,178	1,218,215
Total capital assets being depreciated	<u>7,468,614</u>	<u>1,052,149</u>	<u>342,880</u>	<u>8,177,883</u>
Less accumulated depreciation				
Buildings and improvements	3,674,025	89,759	-	3,763,784
Furniture and equipment	921,040	99,434	43,789	976,685
Vehicles	1,179,546	44,095	281,178	942,463
Total accumulated depreciation	<u>5,774,611</u>	<u>233,288</u>	<u>324,967</u>	<u>5,682,932</u>
Depreciable capital assets, net of accumulated depreciation	<u>1,694,003</u>	<u>818,861</u>	<u>17,913</u>	<u>2,494,951</u>
Governmental activities capital assets, net	<u>\$ 2,171,718</u>	<u>\$ 831,886</u>	<u>\$ 34,318</u>	<u>\$ 2,969,286</u>

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 10 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction		
Regular	\$	53,688
Special		12,987
Vocational education		6,022
Supporting services		
Pupil		3,219
Instructional staff		26,259
Board of education		1,810
Administration		6,457
Fiscal services		1,619
Business		721
Operation and maintenance		46,964
Pupil transportation		45,782
Central services		1,331
Operation of non-instructional services		
Food service operation		14,235
Community service		885
Extracurricular activities		11,309
Total depreciation expense	<u>\$</u>	<u>233,288</u>

NOTE 11 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2009, the District contracted with the Ohio Casualty Company for property and casualty insurance. Professional liability is covered by the Ohio School Council with a \$ 1,000,000 per occurrence and a \$ 3,000,000 aggregate limit. Settled claims have not exceeded this commercial coverage in any of the past several years.

Travelers Casualty & Surety Company of America maintains performance bonds of \$ 20,000 for the superintendent and the board president. A surety bond in the amount of \$ 100,000 also covers the Treasurer. The remaining employees who handle money are covered with a public employees blanket bond in the amount of \$ 10,000. The Indiana Insurance Company also provides this coverage.

B. WORKERS' COMPENSATION

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$ 340,209, \$ 345,228, and \$ 247,412, respectively; 41 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,025,143, \$ 1,030,455, and \$ 983,480, respectively; 45 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2009, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Postemployment Benefits

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

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$ 96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75%. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007, were \$ 18,225, \$ 16,275, and \$ 15,753, respectively.

Health Care Plan

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

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007, were \$ 119,316, \$ 103,075, and \$ 76,911, respectively.

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

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

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$ 78,857, \$ 79,265, and \$ 75,652, respectively; 45 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2009 were as follows:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance June 30, 2009</u>	<u>Amounts Due In One Year</u>
Compensated absences	<u>\$ 1,207,653</u>	<u>\$ 103,126</u>	<u>\$ 184,480</u>	<u>\$ 1,126,299</u>	<u>\$ 50,573</u>

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

NOTE 15 – SET-ASIDES

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2009.

	<u>Textbook</u>	<u>Capital Maintenance</u>
Balance, July 1, 2008	\$ (305,891)	\$ -
Required set aside	297,139	297,139
Qualifying expenditures	(376,422)	(836,451)
Totals	<u>\$ (385,174)</u>	<u>\$ (539,312)</u>
Carry forward at June 30, 2009	<u>\$ (385,174)</u>	

Expenditures and offset credits for textbooks and capital maintenance during the year were \$ 376,422 and \$ 836,451, respectively. Textbook expenditures have exceeded statutory requirements by \$ 385,174 which may be used to offset future years' set aside requirements. Although the District had qualifying expenditures during the fiscal year that reduced the set-aside amount to below zero for the capital maintenance set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future fiscal years.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION

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

LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2009, the District paid \$ 73,078 to LEECA.

B. LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS (LERC)

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

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

C. LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

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

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

D. OHIO SCHOOLS COUNCIL

The Ohio Schools Council (Council) is a jointly governed organization among 109 school districts. The Council was formed to offer supplies and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee for the services provided. The Council's Board consists of seven superintendents of the participating districts whose term rotates every fiscal year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2009, the District paid \$ 266,549 to the Council. Financial information can be obtained by contacting the Executive Secretary at the Ohio Schools Council at 6133 Rockside Road, Independence, Ohio 44131.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. OHIO SCHOOLS COUNCIL(continued)

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

Electricity Program

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

Prepaid/Natural Gas Program

The Ohio Schools Council entered into a contract with CMS Energy Corporation, of Jackson, Michigan in 1999 to supply natural gas to participating school districts for 12 years. Under the agreement, the City of Hamilton, Ohio prepaid CMS for 44 billion cubic feet of gas to be delivered from November 1, 1999 to October 31, 2011 by issuing \$89,450,000 in bonds. This transaction locked in a twelve-year firm supply of natural gas at favorable market rates for the benefit of all participants. In August 2006 CMS Energy Corporation opted to no longer participate in the prepaid gas program and defeased the outstanding bonds. \$58,455,232 was placed on deposit with US Bank a sufficient amount of government securities to pay off all the outstanding bonds as they come due through November 2011. This prepaid gas program was terminated during fiscal year 2007. An interim supply agreement was approved with Exelon Energy for one year beginning August 2006 that was renewed in October 2007 and is effective until September 30, 2008. The original members of the prepaid natural gas program continued to participate in the natural gas aggregation program with no new program agreement.

The Council provides participating school districts the ability to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. There are currently 137 districts in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in August until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the August monthly estimated billing.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 17 - INTERFUND TRANSFERS

During the year ended June 30, 2009, interfund transfers were made to fund operating activities in various governmental funds.

	Transfer from:
	General
	Fund
Transfer to:	
Nonmajor Governmental Funds	\$ 119,654

NOTE 18 – OPERATING LEASES

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. During 2009, expenditures for operating leases totaled \$ 47,880.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2009.

Year ending June 30,	Amount
2010	\$ 47,880
2011	47,880
2012	11,710
2013	2,238
Total minimum lease payments	\$ 109,708

NOTE 19 – CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed through the Ohio Department of Education</i>					
Nutrition Cluster:					
School Breakfast Program	10.553	\$ 55,759		\$ 55,759	
National School Lunch Program	10.555	217,301		217,301	
National School Lunch Program - Commodities	10.555		\$ 26,690		\$ 26,690
Total U.S. Department of Agriculture - Nutrition Cluster		273,060	26,690	273,060	26,690
U.S. DEPARTMENT OF EDUCATION					
<i>Passed through the Ohio Department of Education</i>					
Special Education Cluster:					
Special Education Grants	84.027	412,692		442,790	
Preschool Special Education Grants	84.173	9,066		7,564	
Total Special Education Cluster		421,758		450,354	
Title I	84.010	232,648		230,635	
Safe and Drug-Free Schools and Communities State Grants	84.186	3,949		2,738	
Innovative Education Program Strategies	84.298	4,092		1,451	
Improving Teacher Quality State Grants	84.367	78,189		81,895	
Technology Literacy Challenge Fund Grants	84.318	1,691		1,344	
Total U.S. Department of Education		742,327	0	768,417	0
TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES		\$ 1,015,387	\$ 26,690	\$ 1,041,477	\$ 26,690

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – NATIONAL SCHOOL LUNCH PROGRAM – COMMODITIES

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

CFDA – Catalog of Federal Domestic Assistance



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheffield-Sheffield Lake City School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Our consideration of 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.

Compliance and Other Matters

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

We intend this report solely for the information and use of management, the Audit Committee, Board of Education, and federal awarding agencies and pass-through entities. 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

February 3, 2010



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Sheffield-Sheffield Lake City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Sheffield-Sheffield Lake City School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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www.auditor.state.oh.us

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

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

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

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

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

February 3, 2010

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315(b)
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	20% of the purchase order transactions we reviewed were paid without the prior certification of revenue and had the invoice dated prior to the purchase order date contrary to ORC 5705.41(D).	Yes	N/A
2008-002	We noted certain transfers and advances were posted to the District's accounting system prior to fiscal year end, but were not approved by the Board until after fiscal year end, contrary to ORC 5705.14, 5705.15, and 5705.16.	Yes	N/A
2008-003	On June 30, 2008, the District had expenditures plus encumbrances exceeding authorized appropriations at the legal level of control in six funds contrary to ORC 5705.41(B).	Yes	N/A
2008-004	The District had appropriations exceeding estimated resources plus the unencumbered balance at the fund level at June 30, 2008 in five funds contrary to ORC 5705.39.	Yes	N/A



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Sheffield-Sheffield Lake City School District
Lorain County
1824 Harris Road
Sheffield, Ohio 440524

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on November 26, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

February 3, 2010



Mary Taylor, CPA
Auditor of State

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 23, 2010