



Dave Yost • Auditor of State

**CITY OF SHEFFIELD LAKE
LORAIN COUNTY**

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LORAIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, Ohio (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, Ohio, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Roads-Income Tax Fund and Refuse Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The previously-issued auditors' report for the year ended December 31, 2009 dated August 18, 2010 has been restated. The report is not to be relied on because the previously-issued financial statements omitted certain federal grant receipts and expenditures and related capital assets. Refer to Note 3 for further information on the restatement.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

As described in Note C in the Notes to the Schedule of Federal Awards Expenditures (the Schedule), the accompanying Schedule replaces the Schedule for the City of Sheffield Lake for the year ended December 31, 2009 previously issued with our report dated August 18, 2010. You should rely on this report rather than our report dated August 18, 2010. The Schedule was revised to include additional expenditures for the Highway Planning and Construction Grants CFDA #20.205 which were previously omitted from the Schedule. We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Federal Awards 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 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.



Dave Yost
Auditor of State

August 18, 2010, except for the restatement described above for which the date is January 11, 2011

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

The management's discussion and analysis of the City of Sheffield Lake's (the City) financial performance presents a narrative overview and analysis of the City's financial activities for the year ended December 31, 2009. The intent of the discussion and analysis is to present the City's financial performance as a whole. Readers are encouraged to consider this information in conjunction with the basic financial statements and notes to financial statements for an enhanced understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2009 were as follows.

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$ 21,109,674 (net assets). Of this amount, \$ 1,414,595 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

Total net assets increased by \$ 871,167. This was comprised of an increase in invested in capital assets, net of related debt of \$ 1,332,674, which was offset by decreases in restricted net assets of \$ 378,263 and unrestricted net assets of \$ 83,244.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 1,727,632, a decrease of \$ 328,336 in comparison with the prior year. Approximately 90 percent of this amount, \$ 1,534,670, is available for spending at the government's discretion (unreserved fund balance).

At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 194,113, or 6 percent of total general fund expenditures.

The City's total debt decreased by \$ 325,981 (3 percent) during the current year.

Overview of Financial Statements

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

Government-wide Financial Statements

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

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

Fund Financial Statements

Governmental fund financial statements focus on the City's most significant, or major funds. The City's major governmental funds are the General Fund, Roads – Income Tax Fund, Refuse Fund and Shoreway Capital Project Fund. The remaining non-major funds are combined and reflected in one single column. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at year end. This information can be useful in determining what financial resources are available to finance the City's activities. A reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities for the year ended December 31, 2009 is presented. The City, similar to other local governments, uses fund accounting to ensure and demonstrate finance related legal requirements.

Fund Categories

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

Governmental funds

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

Proprietary funds

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

Fiduciary funds

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

Notes to the Basic Financial Statements

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

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

The City of Sheffield Lake as a Whole

Analysis of Net Assets

The *Statement of Net Assets* presents the City as a whole. Following is a summary of the City's net assets for 2009 compared to 2008.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current and other assets	\$ 8,901,323	\$ 9,492,348	\$ 784,619	\$ 675,307	\$ 9,685,942	\$ 10,167,655
Capital assets, net	15,352,156	14,063,462	7,196,074	7,469,452	22,548,230	21,532,914
Total assets	24,253,479	23,555,810	7,980,693	8,144,759	32,234,172	31,700,569
Liabilities						
Current liabilities	5,390,433	5,533,960	100,470	118,526	5,490,903	5,652,486
Long-term liabilities	3,451,684	3,402,154	2,181,911	2,407,422	5,633,595	5,809,576
Total liabilities	8,842,117	8,936,114	2,282,381	2,525,948	11,124,498	11,462,062
Net assets						
Invested in capital assets, net of related debt	12,433,947	11,063,069	5,074,939	5,113,143	17,508,886	16,176,212
Restricted	2,186,193	2,564,456	-	-	2,186,193	2,564,456
Unrestricted	791,222	992,171	623,373	505,668	1,414,595	1,497,839
Total net assets	\$ 15,411,362	\$ 14,619,696	\$ 5,698,312	\$ 5,618,811	\$ 21,109,674	\$ 20,238,507

Investment in capital assets (land, construction in progress, buildings and improvements, equipment and vehicles and infrastructure) less any related debt to acquire those assets still outstanding represents the largest portion of net assets. Capital assets are used to provide services to the City's citizens, however, are not available for future spending. Total assets increased by \$ 533,603 to \$ 32,234,172. Current and other assets decreased by \$ 481,713 to \$ 9,685,942. Current liabilities decreased by \$ 161,583 to \$ 5,490,903 primarily due to an increase of notes payable due within one year. Long-term liabilities decreased by \$ 175,981 to \$ 5,633,595. Total net assets increased by \$ 871,167 to \$ 21,109,674 with governmental net assets comprising \$ 15,411,362 and business-type net assets comprising \$ 5,698,312 of that amount.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
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Analysis of Changes in Net Assets

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

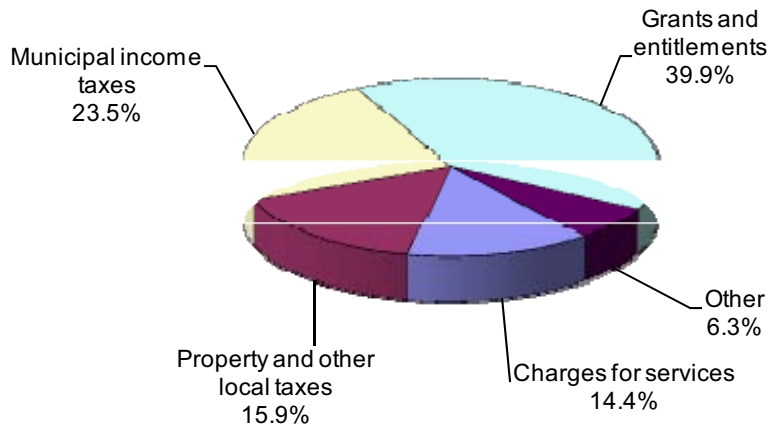
	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues						
Charges for services	\$ 1,150,604	\$ 846,793	\$ 1,865,096	\$ 1,894,123	\$ 3,015,700	\$ 2,740,916
Operating grants and contributions	-	10,220	-	-	-	10,220
Capital grants and contributions	3,039,666	2,337,545	-	6,000	3,039,666	2,343,545
Total program revenues	<u>4,190,270</u>	<u>3,194,558</u>	<u>1,865,096</u>	<u>1,900,123</u>	<u>6,055,366</u>	<u>5,094,681</u>
General revenues						
Property and other local taxes	1,272,920	1,301,238	-	-	1,272,920	1,301,238
Municipal income taxes	1,877,677	2,286,117	-	-	1,877,677	2,286,117
Grants and entitlements	148,418	524,538	-	-	148,418	524,538
Other	505,492	1,289,948	802	7,454	506,294	1,297,402
Total general revenues	<u>3,804,507</u>	<u>5,401,841</u>	<u>802</u>	<u>7,454</u>	<u>3,805,309</u>	<u>5,409,295</u>
Total revenues	<u>7,994,777</u>	<u>8,596,399</u>	<u>1,865,898</u>	<u>1,907,577</u>	<u>9,860,675</u>	<u>10,503,976</u>
Program expenses						
Security of persons and property	2,831,824	2,799,676	-	-	2,831,824	2,799,676
Public health and welfare	37,171	58,279	-	-	37,171	58,279
Leisure time activities	167,487	142,531	-	-	167,487	142,531
Community environment	523,525	376,925	-	-	523,525	376,925
Basic utility services	718,206	620,240	-	-	718,206	620,240
Transportation	1,512,324	1,707,779	-	-	1,512,324	1,707,779
General government	1,276,864	906,254	-	-	1,276,864	906,254
Interest	135,710	157,835	-	-	135,710	157,835
Water	-	-	591,260	583,214	591,260	583,214
Sewer	-	-	869,552	852,820	869,552	852,820
Storm water	-	-	325,585	354,136	325,585	354,136
Total program expenses	<u>7,203,111</u>	<u>6,769,519</u>	<u>1,786,397</u>	<u>1,790,170</u>	<u>8,989,508</u>	<u>8,559,689</u>
Increase (decrease) in net assets	791,666	1,826,880	79,501	117,407	871,167	1,944,287
Net assets, beginning of year	<u>14,619,696</u>	<u>12,792,816</u>	<u>5,618,811</u>	<u>5,501,404</u>	<u>20,238,507</u>	<u>18,294,220</u>
Net assets, end of year	<u>\$ 15,411,362</u>	<u>\$ 14,619,696</u>	<u>\$ 5,698,312</u>	<u>\$ 5,618,811</u>	<u>\$ 21,109,674</u>	<u>\$ 20,238,507</u>

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
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Governmental activities

Revenues by source of governmental activities for 2009 were comprised of:

Revenues by Source, Governmental Activities

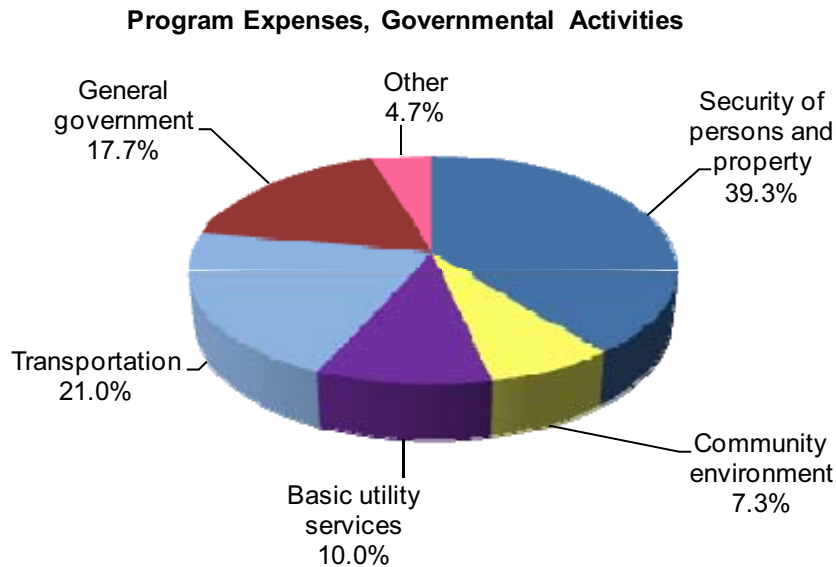


Revenues

For 2009, grants and entitlements representing 39.9% of total revenue, was the largest portion of revenue for governmental activities. Municipal income taxes, property and other local taxes, and charges for services represented the next three largest sources of revenue at 23.5%, 15.9%, and 14.4% respectively.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
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Program expenses of governmental activities for 2009 were comprised of:



Program expenses

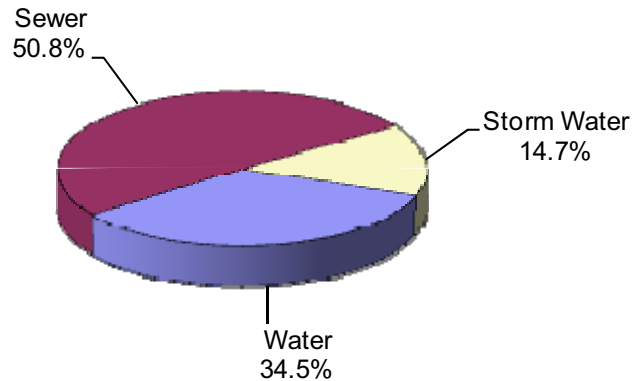
Program expenses amounted to \$ 7,203,111 in 2009, of which \$ 4,220,270 was supported by program revenue. Security of persons and property, which includes police, fire and paramedic services, represented \$ 2,831,824 or 39.3% of total program expenses. Community environment represented \$ 523,525 or 7.3%. Basic utilities services of \$ 718,206 or 10.0% includes refuse collections. Transportation, which includes street maintenance and snow removal, represented \$ 1,512,324 or 21.0% of program expenses. General government represented \$ 1,276,864 or 17.7% of program expenses. General government expenses include legislative and administrative services such as council, mayor, finance, law and computer services departments, utilities and maintenance of buildings. Other expenses include public health and welfare, leisure time activities, including recreation activities and maintenance of the City's park system, and interest amounted to \$ 340,368 or 4.7%.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
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Business-type activities

Revenues for business-type activities for 2009 were comprised of:

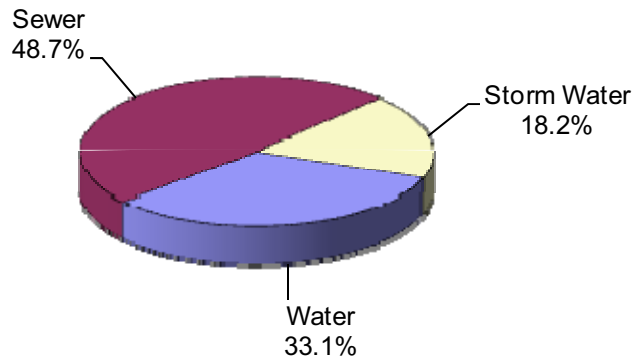
Revenue, Business-type Activities



Revenues

Charges for services represented 99.9% of total revenues for business-type activities in 2009. Other revenues represented the remaining .1% of total revenues.

Expenses, Business-type Activities



Expenses

Water operations expenses amounted to \$ 591,260 or 33.1%. Sanitary sewer operations expenses amounted to \$ 869,552 or 48.7% of total program expenses and storm water operation expenses amounted to \$ 325,585 or 18.2% for business-type activities. Water operations, sanitary sewer operations and storm water operations have historically been self-supporting through user fees and charges.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

The City's Funds

The City's governmental funds financial information begins at page 16. Total governmental assets decreased by \$ 591,025, while total governmental liabilities decreased by \$ 262,689 resulting in a decrease in governmental total fund balances of \$ 328,336 to \$ 1,727,632 at year-end 2009. Total governmental funds revenues decreased by \$ 191,764 in 2009, while total expenditures increased by \$ 920,735. Total other financing sources decreased by \$ 248,026. The City's major funds in 2009 consisted of the General Fund, Roads - Income Tax Fund, Refuse Fund and Shoreway Capital Projects Fund. General Fund revenues were \$ 190,985 or 6.1% higher in 2009 than 2008. General fund total expenditures increased by \$ 334,858 or 11.0%. Other financing sources (uses) changed to (\$ 43,930) in 2009 from (\$ 85,325) in 2008. Accordingly, the General Fund balance decreased by \$ 91,228 to \$ 222,677 at year-end 2009. The Roads - Income Tax (Special Revenue) Fund revenues were \$ 1,584,160 higher in 2009 than 2008. Roads - Income Tax fund total expenditures increased by \$ 2,165,831. Other financing sources (uses) changed to \$ 93,930 in 2009 from (\$ 90,502) in 2008. Accordingly, the Roads - Income Tax Fund balance decreased by \$ 340,249 to \$ 346,359 at year-end 2009. The Refuse (Special Revenue) Fund revenues were \$ 5,163 higher in 2009 than 2008. Refuse fund total expenditures increased by \$ 33,850. Accordingly, the Refuse Fund balance increased by \$ 3,868 to \$ 121,772 at year-end 2009.

The City's proprietary funds information begins at page 26. Water Fund, Sewer Fund and Storm Water Fund net assets increased (decreased) by \$ 52,358, \$ 77,699 and (\$ 50,556), respectively. The City's proprietary funds have historically been self-sufficient.

Budgetary Highlights

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

The general fund is the City's most significant budgeted fund. Original budgeted receipts (excluding other sources) for the general fund were \$ 3,216,971 and final budgeted receipts were \$ 3,358,225. Original appropriations (excluding other uses) were \$ 3,272,415. The City actually expended \$ 3,389,929 which was \$ 51,667 less than final appropriations.

The City historically spends less than appropriated. For 2009, actual expenditures were 98.5% of final appropriations.

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

Capital Assets

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

	Governmental Activities		Business type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 484,539	\$ 484,539	\$ 153,910	\$ 153,910	\$ 638,449	\$ 638,449
Construction in progress	135,036	566,883	-	94,688	135,036	661,571
Buildings and improvements	2,440,729	2,491,505	122,163	125,179	2,562,892	2,616,684
Equipment and vehicles	664,278	718,081	313,422	355,226	977,700	1,073,307
Infrastructure	11,627,574	9,802,654	6,606,579	6,740,449	18,234,153	16,543,103
	<u>\$ 15,352,156</u>	<u>\$ 14,063,662</u>	<u>\$ 7,196,074</u>	<u>\$ 7,469,452</u>	<u>\$ 22,548,230</u>	<u>\$ 21,533,114</u>

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

The City's total capital assets, net of depreciation, under governmental activities were \$ 15,352,156 at December 31, 2009, which was \$ 1,288,494 higher than the previous year. Business-type capital assets, net of depreciation, decreased by \$ 273,378 to \$ 7,196,074, primarily due to depreciation expense.

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

Debt

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

	Governmental Activities		Business type Activities		Total	
	2009	2008	2009	2008	2009	2008
Notes payable	\$ 4,932,905	\$ 4,913,905	\$ 150,000	\$ 180,000	\$ 5,082,905	\$ 5,093,905
Highway improvement note payable	112,240	112,240	-	-	112,240	112,240
OPWC loans	139,227	151,379	289,495	313,233	428,722	464,612
General obligation bonds	1,185,000	1,290,000	1,625,000	1,750,000	2,810,000	3,040,000
Capital leases	48,837	32,869	56,640	113,076	105,477	145,945
Accrued leave benefits	533,475	551,761	60,776	51,113	594,251	602,874
	<u>\$ 6,951,684</u>	<u>\$ 7,052,154</u>	<u>\$ 2,181,911</u>	<u>\$ 2,407,422</u>	<u>\$ 9,133,595</u>	<u>\$ 9,459,576</u>

As of December 31, 2009, the City had \$ 9,133,595 of total debt outstanding with \$ 4,839,207 due within one year.

The general obligation bonds include various purposes including road improvements, city hall improvement, storm water improvements and construction. Sources for debt service payments include property tax collections and transfers from various funds. The City's general obligation bonds under governmental activities will be fully paid by 2027. The OPWC loans consist of several no interest loans with terms between eight and twenty years, used primarily for street reconstruction, which are repaid from the City's capital projects, street funds and sanitary sewer capital improvement funds.

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

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

CITY OF SHEFFIELD LAKE, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED

Economic Factors and Next Year's Budget

As the economic climate remains unstable, the City will continue conservative budget forecasting for 2010 which will persist through 2011. As such, the City will forecast for flat revenue growth and a zero-based approach to controllable expenditures.

The City continues to strive for economic growth and revitalization of the Shoreway Shopping center redevelopment. Revitalization of the center will result in prospective redevelopment that, in time, will supplement our tax base and business growth to better the community as a whole. To continue the path to ecological responsibility, along with our current wind turbines installed at our boat launch, the City has planned the construction of a 160 ft wind turbine set for summer of 2010. This project comes at no cost to its citizens and provides sound ecological technology for the future.

In light of ever rising compensation costs, the City reduced budget appropriations over controllable expenses for 2010 without interruption of services. In preparation of its 2011 budget, the City will be utilizing a very conservative economic forecast for revenue growth and a zero-based approach to expenditure appropriations. Accordingly, the City will continue to monitor revenue receipts very closely for 2010 and will make any necessary adjustments with respect to situations and conditions.

Requests for Information

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

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash	\$ 1,548,596	\$ 560,686	\$ 2,109,282
Accounts receivable	108,024	222,133	330,157
Due from other governments	595,021	-	595,021
Inventories and supplies	14,610	-	14,610
Prepaid and deferred expenses	22,100	1,800	23,900
Income taxes receivable	1,378,600	-	1,378,600
Taxes receivable - property and other	1,365,200	-	1,365,200
Accrued interest receivable	46,008	-	46,008
Property held for resale	3,823,164	-	3,823,164
Capital assets			
Nondepreciable capital assets	619,575	153,910	773,485
Depreciable capital assets, net	14,732,581	7,042,164	21,774,745
Total assets	24,253,479	7,980,693	32,234,172
Liabilities			
Accounts and contracts payable	251,234	12,676	263,910
Accrued salaries, wages and benefits	105,866	16,357	122,223
Accrued interest payable	34,035	9,843	43,878
Matured bonds and coupons payable	749	-	749
Due to other governments	196,949	61,594	258,543
Deferred revenue	1,301,600	-	1,301,600
Notes payable	3,500,000	-	3,500,000
Long term liabilities			
Due within one year	980,329	358,878	1,339,207
Due in more than one year	2,471,355	1,823,033	4,294,388
Total liabilities	8,842,117	2,282,381	11,124,498
Net assets			
Invested in capital assets, net of related debt	12,433,947	5,074,939	17,508,886
Restricted for:			
Debt service	535,919	-	535,919
Capital projects	335,967	-	335,967
Highways and streets	966,655	-	966,655
Public safety	138,406	-	138,406
Recreation	4,827	-	4,827
Community environment	168,082	-	168,082
Other purposes	36,337	-	36,337
Unrestricted	791,222	623,373	1,414,595
Total net assets	\$ 15,411,362	\$ 5,698,312	\$ 21,109,674

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants Interest and Contributions	Capital Grants and Contributions
Governmental activities				
Security of persons and property	\$ 2,831,824	\$ 1,014	\$ -	\$ -
Public health and welfare	37,171	-	-	-
Leisure time activities	167,487	32,464	-	-
Community environment	523,525	-	-	334,307
Basic utility services	718,206	665,699	-	-
Transportation	1,512,324	5,082	-	2,705,359
General government	1,276,864	446,345	-	-
Interest	135,710	-	-	-
Total governmental activities	7,203,111	1,150,604	-	3,039,666
Business-type activities:				
Water	591,260	643,618	-	-
Sewer	869,552	947,251	-	-
Storm Water	325,585	274,227	-	-
Total business-type activities	1,786,397	1,865,096	-	-
Total	\$ 8,989,508	\$ 3,015,700	\$ -	\$ 3,039,666

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

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

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,830,810)	\$ -	\$ (2,830,810)
(37,171)	-	(37,171)
(135,023)	-	(135,023)
(189,218)	-	(189,218)
(52,507)	-	(52,507)
1,198,117	-	1,198,117
(830,519)	-	(830,519)
(135,710)	-	(135,710)
<u>(3,012,841)</u>	<u>-</u>	<u>(3,012,841)</u>
-	52,358	52,358
-	77,699	77,699
-	(51,358)	(51,358)
-	78,699	78,699
<u>(3,012,841)</u>	<u>78,699</u>	<u>(2,934,142)</u>
362,553	-	362,553
80,938	-	80,938
829,429	-	829,429
1,508,940	-	1,508,940
368,737	-	368,737
148,418	-	148,418
5,876	802	6,678
499,616	-	499,616
<u>3,804,507</u>	<u>802</u>	<u>3,805,309</u>
791,666	79,501	871,167
14,619,696	5,618,811	20,238,507
<u>\$ 15,411,362</u>	<u>\$ 5,698,312</u>	<u>\$ 21,109,674</u>

CITY OF SHEFFIELD LAKE, OHIO
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General	Roads - Income Tax	Refuse	Shoreway Capital Project
Assets				
Equity in pooled cash	\$ 229,486	\$ 398,077	\$ 142,325	\$ 26,836
Cash and investments with fiscal agents	-	-	-	-
Income taxes receivables	1,102,880	275,720	-	-
Property taxes receivable	374,900	-	-	-
Accrued interest receivable	-	-	-	-
Due from other governments	203,238	-	-	-
Accounts and other	20,399	-	87,625	-
Interfund receivable	10,000	-	-	-
Inventories and supplies	4,683	-	-	-
Prepaid expenses	20,200	-	-	-
Property held for resale	-	-	-	3,823,164
Total assets	\$ 1,965,786	\$ 673,797	\$ 229,950	\$ 3,850,000
Liabilities and fund balances				
Liabilities				
Accounts and contracts payable	\$ 31,737	\$ 94,255	\$ 107,827	\$ -
Accrued wages and benefits	94,152	-	308	-
Accrued interest	-	-	-	14,384
Matured bonds and coupons payable	-	-	-	-
Due to other governments	106,352	-	43	-
Interfund payable	-	-	-	-
Unearned revenue	1,510,868	233,183	-	-
Notes payable	-	-	-	3,500,000
Total liabilities	1,743,109	327,438	108,178	3,514,384
Fund balances				
Reserved for inventory	4,683	-	-	-
Reserved for prepaids	20,200	-	-	-
Reserved for encumbrances	3,681	121,891	-	6,132
Unreserved, reported in				
General fund	194,113	-	-	-
Special revenue funds	-	224,468	121,772	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	329,484
Total fund balances	222,677	346,359	121,772	335,616
Total liabilities and fund balances	\$ 1,965,786	\$ 673,797	\$ 229,950	\$ 3,850,000

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 751,123	\$ 1,547,847
749	749
-	1,378,600
990,300	1,365,200
46,008	46,008
391,783	595,021
-	108,024
-	10,000
9,927	14,610
1,900	22,100
-	3,823,164
<u>\$ 2,191,790</u>	<u>\$ 8,911,323</u>

\$ 17,415	\$ 251,234
11,406	105,866
-	14,384
749	749
90,554	196,949
10,000	10,000
1,360,458	3,104,509
-	3,500,000
<u>1,490,582</u>	<u>7,183,691</u>

9,927	14,610
1,900	22,100
24,548	156,252
-	194,113
184,471	530,711
480,011	480,011
351	329,835
<u>701,208</u>	<u>1,727,632</u>
<u>\$ 2,191,790</u>	<u>\$ 8,911,323</u>

CITY OF SHEFFIELD LAKE, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009

Total governmental funds balances		\$ 1,727,632
Amount reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		15,352,156
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds:		
Property and other local taxes	63,600	
Municipal income tax	1,165,913	
Intergovernmental	527,388	
Interest	46,008	
Total	1,802,909	1,802,909
In the statement of activities, interest is accrued on outstanding long-term obligations, whereas in governmental funds, an interest expenditure is reported when due.		(19,651)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Notes payable	(1,545,145)	
OPWC loans payable	(139,227)	
General obligation bonds	(1,185,000)	
Capital leases	(48,837)	
Accrued leave benefits	(533,475)	
	(3,451,684)	(3,451,684)
Net assets of governmental activities		\$ 15,411,362

See accompanying notes to the basic financial statements.

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CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General	Roads - Income Tax	Refuse	Shoreway Capital Project
Revenues				
Property and other local taxes	\$ 371,853	\$ -	\$ -	\$ -
Municipal income taxes	1,531,786	374,448	-	-
Intergovernmental revenue	460,832	1,699,546	-	-
Special assessments	-	-	-	-
Charges for services	259,359	-	665,699	-
Fines, licenses, and permits	200,333	-	-	-
Interest	4,349	-	234	-
Miscellaneous	507,779	-	-	-
Total revenues	3,336,291	2,073,994	665,933	-
Expenditures				
Current				
Security of persons and property	1,737,228	-	-	-
Public health and welfare	37,171	-	-	-
Leisure time activities	98,698	-	-	-
Community environment	160,572	-	-	-
Basic utility services	-	-	662,065	-
Transportation	-	834,390	-	-
General government	1,296,890	-	-	-
Capital outlay	23,859	1,558,733	-	-
Debt service				
Note principal	-	100,000	-	350,000
Bond principal	-	-	-	-
OPWC loan principal	2,358	9,794	-	-
Capital lease principal	23,058	-	-	-
Interest and fiscal charges	3,755	5,256	-	2,746
Total expenditures	3,383,589	2,508,173	662,065	352,746
Excess (deficiency) of revenues over expenditures	(47,298)	(434,179)	3,868	(352,746)
Other financing sources (uses)				
Transfers-in	-	-	-	-
Note proceeds	-	280,000	-	-
Capital lease proceeds	39,026	-	-	-
Transfers-out	(82,956)	(186,070)	-	-
Total other financing sources (uses)	(43,930)	93,930	-	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	(91,228)	(340,249)	3,868	(352,746)
Fund balances, beginning of year	313,905	686,608	117,904	688,362
Fund balances, end of year	\$ 222,677	\$ 346,359	\$ 121,772	\$ 335,616

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 933,267	\$ 1,305,120
-	1,906,234
1,060,969	3,221,347
9,903	9,903
-	925,058
1,014	201,347
1,293	5,876
16,036	523,815
<u>2,022,482</u>	<u>8,098,700</u>

1,070,024	2,807,252
-	37,171
-	98,698
363,101	523,673
-	662,065
470,945	1,305,335
4,920	1,301,810
42,785	1,625,377
132,000	582,000
105,000	105,000
-	12,152
-	23,058
121,714	133,471
<u>2,310,489</u>	<u>9,217,062</u>

<u>(288,007)</u>	<u>(1,118,362)</u>
------------------	--------------------

269,026	269,026
471,000	751,000
-	39,026
-	(269,026)
<u>740,026</u>	<u>790,026</u>

452,019	(328,336)
249,189	2,055,968
<u>\$ 701,208</u>	<u>\$ 1,727,632</u>

CITY OF SHEFFIELD LAKE, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Net change in fund balances - total governmental funds		\$ (328,336)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded net capital outlay in the current period.</p>		
	Capital outlay, net	2,417,316
	Depreciation expense	<u>(1,167,648)</u>
		1,249,668
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
	Municipal income tax	(28,557)
	Property and other local taxes	(32,200)
	Intergovernmental revenue	<u>(48,166)</u>
		(108,923)
<p>Debt proceeds are an other financing source in the funds, but increase long-term liabilities in the Statement of Net Assets</p>		
		(751,000)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
	Note principal paid	582,000
	OPWC loan principal paid	12,152
	Bond principal paid	105,000
	Capital lease principal paid	<u>23,058</u>
		722,210
<p>In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.</p>		
		(2,239)
<p>Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
	Accrued leave benefits	<u>10,286</u>
Change in net assets of governmental activities		<u>\$ 791,666</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Property and other local taxes	\$ 356,212	\$ 371,853	\$ 371,853	-
Municipal income taxes	1,468,155	1,532,620	1,532,620	-
Intergovernmental revenue	443,598	463,076	463,076	-
Charges for services	266,517	278,220	278,220	-
Fines, licenses, and permits	191,907	200,333	200,333	-
Interest	4,161	4,344	4,349	5
Miscellaneous	486,421	507,779	507,779	-
Total revenues	3,216,971	3,358,225	3,358,230	5
Expenditures				
Current				
Security of persons and property	1,737,396	1,827,218	1,799,787	27,431
Public health and welfare	18,487	19,443	19,151	292
Leisure time activities	97,476	102,515	100,976	1,539
Community environment	153,808	161,759	159,331	2,428
General government	1,239,940	1,304,044	1,284,467	19,577
Capital outlay	23,032	24,223	23,859	364
Debt service				
OPWC loan principal	2,276	2,394	2,358	36
Total expenditures	3,272,415	3,441,596	3,389,929	51,667
Excess (deficiency) of revenues over expenditures	(55,444)	(83,371)	(31,699)	51,672
Other financing sources (uses)				
Transfers-out	(80,080)	(87,956)	(82,956)	5,000
Total other financing sources (uses)	(80,080)	(87,956)	(82,956)	5,000
Excess (deficiency) of revenues over expenditures and other sources (uses)	(135,524)	(171,327)	(114,655)	56,672
Prior year encumbrances	30,652	30,652	30,652	-
Fund balances, beginning of year	278,071	278,071	278,071	-
Fund balances, end of year	\$ 173,199	\$ 137,396	\$ 194,068	\$ 56,672

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Roads - Income Tax Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Municipal income taxes	\$ 174,438	\$ 374,657	\$ 374,657	\$ -
Intergovernmental revenue	65,562	140,813	1,699,546	1,558,733
Total revenues	<u>240,000</u>	<u>515,470</u>	<u>2,074,203</u>	<u>1,558,733</u>
Expenditures				
Current				
Transportation	582,843	1,046,938	930,233	116,705
Capital outlay	-	-	1,558,733	(1,558,733)
Debt service				
Note principal	136,154	136,154	136,154	-
Interest and fiscal charges	5,226	5,256	5,256	-
Total expenditures	<u>724,223</u>	<u>1,188,348</u>	<u>2,630,376</u>	<u>(1,442,028)</u>
Excess (deficiency) of revenues over expenditures	<u>(484,223)</u>	<u>(672,878)</u>	<u>(556,173)</u>	<u>116,705</u>
Other financing sources (uses)				
Note proceeds	280,000	280,000	280,000	-
Transfers-out	-	(111,562)	(186,070)	(74,508)
Total other financing sources (uses)	<u>280,000</u>	<u>168,438</u>	<u>93,930</u>	<u>(74,508)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(204,223)	(504,440)	(462,243)	42,197
Prior year encumbrances	57,786	57,786	57,786	-
Fund balances, beginning of year	<u>586,388</u>	<u>586,388</u>	<u>586,388</u>	<u>-</u>
Fund balances, end of year	<u>\$ 439,951</u>	<u>\$ 139,734</u>	<u>\$ 181,931</u>	<u>\$ 42,197</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

	Refuse Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Charges for services	\$ 667,300	\$ 661,097	\$ 661,736	\$ 639
Interest	-	-	234	234
Total revenues	<u>667,300</u>	<u>661,097</u>	<u>661,970</u>	<u>873</u>
Expenditures				
Current				
Basic utility services	649,225	664,019	661,090	2,929
Total expenditures	<u>649,225</u>	<u>664,019</u>	<u>661,090</u>	<u>2,929</u>
Excess (deficiency) of revenues over expenditures	<u>18,075</u>	<u>(2,922)</u>	<u>880</u>	<u>3,802</u>
Prior year encumbrances	3,534	3,534	3,534	-
Fund balances, beginning of year	<u>81,393</u>	<u>81,393</u>	<u>81,393</u>	<u>-</u>
Fund balances, end of year	<u>\$ 103,002</u>	<u>\$ 82,005</u>	<u>\$ 85,807</u>	<u>\$ 3,802</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF FUND NET ASSETS -
PROPRIETARY FUNDS
DECEMBER 31, 2009

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Assets				
Current assets				
Equity in pooled cash	\$ 188,059	\$ 353,900	\$ 18,727	\$ 560,686
Accounts and other	71,414	113,105	37,614	222,133
Prepaid expenses	1,200	600	-	1,800
Total current assets	<u>260,673</u>	<u>467,605</u>	<u>56,341</u>	<u>784,619</u>
Noncurrent assets				
Nondepreciable capital assets	-	33,500	120,410	153,910
Depreciable capital assets, net	536,170	662,185	5,843,809	7,042,164
Total noncurrent assets	<u>536,170</u>	<u>695,685</u>	<u>5,964,219</u>	<u>7,196,074</u>
Total assets	<u>796,843</u>	<u>1,163,290</u>	<u>6,020,560</u>	<u>7,980,693</u>
Liabilities				
Current				
Accounts and contracts payable	8,289	4,346	41	12,676
Accrued wages and benefits	5,402	8,102	2,853	16,357
Accrued interest payable	2,407	-	7,436	9,843
Due to other governments	39,207	17,898	4,489	61,594
Notes payable	150,000	-	-	150,000
OPWC loans payable	-	-	22,238	22,238
General obligation bonds payable	-	-	130,000	130,000
Capital leases	-	56,640	-	56,640
Total current liabilities	<u>205,305</u>	<u>86,986</u>	<u>167,057</u>	<u>459,348</u>
Long-term liabilities				
OPWC loans payable	-	-	267,257	267,257
General obligation bonds payable	-	-	1,495,000	1,495,000
Accrued leave benefits	23,384	35,076	2,316	60,776
Total long-term liabilities	<u>23,384</u>	<u>35,076</u>	<u>1,764,573</u>	<u>1,823,033</u>
Total liabilities	<u>228,689</u>	<u>122,062</u>	<u>1,931,630</u>	<u>2,282,381</u>
Net assets				
Investment in capital assets, net of related debt	386,170	639,045	4,049,724	5,074,939
Unrestricted	181,984	402,183	39,206	623,373
Total net assets	<u>\$ 568,154</u>	<u>\$ 1,041,228</u>	<u>\$ 4,088,930</u>	<u>\$ 5,698,312</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Operating revenues				
Charges for services	\$ 643,618	\$ 947,251	\$ 272,787	\$ 1,863,656
Miscellaneous	-	-	1,440	1,440
Total operating revenues	<u>643,618</u>	<u>947,251</u>	<u>274,227</u>	<u>1,865,096</u>
Operating expenses				
Personal services	219,872	286,316	43,367	549,555
Contractual services	309,499	469,286	9,055	787,840
Supplies and materials	27,298	23,862	1,754	52,914
Other operating	7,963	3,607	7,074	18,644
Depreciation	18,476	86,066	168,836	273,378
Total operating expenses	<u>583,108</u>	<u>869,137</u>	<u>230,086</u>	<u>1,682,331</u>
Operating income	<u>60,510</u>	<u>78,114</u>	<u>44,141</u>	<u>182,765</u>
Nonoperating revenues (expenses)				
Interest income	-	-	802	802
Interest and fiscal charges	(8,152)	(415)	(95,499)	(104,066)
Net nonoperating (expenses)	<u>(8,152)</u>	<u>(415)</u>	<u>(94,697)</u>	<u>(103,264)</u>
Change in net assets	52,358	77,699	(50,556)	79,501
Net assets, beginning of year	<u>515,796</u>	<u>963,529</u>	<u>4,139,486</u>	<u>5,618,811</u>
Net assets, end of year	<u>\$ 568,154</u>	<u>\$ 1,041,228</u>	<u>\$ 4,088,930</u>	<u>\$ 5,698,312</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 635,376	\$ 948,483	\$ 288,581	\$ 1,872,440
Cash paid to suppliers for materials and supplies	(25,667)	(24,639)	(1,933)	(52,239)
Cash paid for employee services and benefits	(214,582)	(279,569)	(41,187)	(535,338)
Cash paid for contractual services	(306,354)	(494,433)	(8,456)	(809,243)
Other operating revenues	-	-	1,440	1,440
Other operating expenses	(8,410)	(3,904)	(7,074)	(19,388)
Net cash provided by operating activities	<u>80,363</u>	<u>145,938</u>	<u>231,371</u>	<u>457,672</u>
Cash flows from capital and related financing activities:				
Issuance of notes	150,000	-	-	150,000
Payment on capital lease	-	(56,436)	-	(56,436)
Note principal payment	(180,000)	-	-	(180,000)
OPWC loans payments	-	(1,500)	(22,238)	(23,738)
Bond principal payments	-	-	(125,000)	(125,000)
Interest payments	(8,814)	(415)	(96,075)	(105,304)
Net cash (used in) capital and related financing activities	<u>(38,814)</u>	<u>(58,351)</u>	<u>(243,313)</u>	<u>(340,478)</u>
Cash flows from investing activities:				
Interest income	-	-	802	802
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>802</u>	<u>802</u>
Net increase (decrease) in cash and equivalents	41,549	87,587	(11,140)	117,996
Equity in pooled cash and equivalents, beginning of year	<u>146,510</u>	<u>266,313</u>	<u>29,867</u>	<u>442,690</u>
Equity in pooled cash and equivalents, end of year	<u>\$ 188,059</u>	<u>\$ 353,900</u>	<u>\$ 18,727</u>	<u>\$ 560,686</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Concluded)

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	\$ 60,510	\$ 78,114	\$ 44,141	\$ 182,765
Adjustments:				
Depreciation	18,476	86,066	168,836	273,378
Changes in net assets (increase) decrease and liabilities increase (decrease)				
Accounts receivable and other	(8,242)	1,232	15,794	8,784
Prepaid expenses	(100)	-	-	(100)
Accounts and contracts payable	4,520	(4,649)	(138)	(267)
Accrued salaries, wages and benefits	(2,137)	(3,206)	19	(5,324)
Due to other governments	4,784	(17,447)	1,436	(11,227)
Accrued leave benefits	2,552	5,828	1,283	9,663
Net cash provided by operating activities	<u>\$ 80,363</u>	<u>\$ 145,938</u>	<u>\$ 231,371</u>	<u>\$ 457,672</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2009

	Agency Funds
Assets	
Equity in pooled cash	\$ 34,642
Cash and investments w ith fiscal agents	10,913
Property taxes receivable	312,700
Due from other governments	20,400
Total assets	<u>\$ 378,655</u>
Liabilities	
Due to others	\$ 45,555
Due to other governments	333,100
Total liabilities	<u>\$ 378,655</u>

See accompanying notes to the basic financial statements.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 DESCRIPTION OF THE CITY AND REPORTING ENTITY

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

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

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

The City is associated with the Lorain County General Health District, a jointly governed organization, which provides health services to the members of the Health District. The City does not have any financial interest in or responsibility for the Health District. The County Auditor serves as fiscal agent. See Note 19.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. FUND ACCOUNTING

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

Governmental Funds

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

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

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

Refuse Fund - This fund accounts for fees charged for the payment of sanitation collections.

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

Proprietary Funds

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

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

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

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

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

Fiduciary Funds

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

C. MEASUREMENT FOCUS

Government-wide Financial Statements

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS (continued)

Fund Financial Statements

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

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

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

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

D. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Revenues - Exchange and Non-exchange Transactions (continued)

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. BUDGETARY PROCESS

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS (continued)

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

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

F. CASH AND CASH EQUIVALENTS

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

G. INVESTMENTS

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

During the year, the City invested funds in the State Treasury Assets Reserve (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within Ohio to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2009.

H. INVENTORIES

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

I. CAPITAL ASSETS

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

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. CAPITAL ASSETS (continued)

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

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

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

J. INTERFUND BALANCES

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

K. UNPAID COMPENSATED ABSENCES

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

L. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES

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

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. FUND BALANCE RESERVES

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

N. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets for the governmental activities reports \$ 2,186,193 of restricted net assets, of which \$ 1,109,348 is restricted by enabling legislation. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. OPERATING REVENUES AND EXPENSES

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

P. CONTRIBUTIONS OF CAPITAL

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

Q. INTERFUND ACTIVITY

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

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

R. EXTRAORDINARY AND SPECIAL ITEMS

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

S. USE OF ESTIMATES

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3 REPORT REISSUANCE

During fiscal year 2009, the City failed to properly record on-behalf of payments passed through the Ohio Department of Transportation. As a result, Capital Assets and Net Assets of the Governmental Activities and Intergovernmental Revenue and Capital Outlay Expenditures for the Road Income Tax Fund for the year ended December 31, 2009 have been restated. See the following table for the effect on the financial statements and the amounts reported in the Managements' Discussion and Analysis.

	<u>Amounts Reported 12/31/2009</u>	<u>Restatement</u>	<u>Restated 12/31/2009 Amount</u>
STATEMENT OF NET ASSETS			
Governmental Activities			
Depreciable Capital Assets, Net	\$ 13,173,848	\$ 1,558,733	\$ 14,732,581
Capital Assets, Net of Related Debt	\$ 10,875,214	\$ 1,558,733	\$ 12,433,947
Net Assets	\$ 13,852,629	\$ 1,558,733	\$ 15,411,362
STATEMENT OF ACTIVITIES			
Governmental Activities			
Capital Grants and Contributions	\$ 1,146,626	\$ 1,558,733	\$ 2,705,359
Net Assets at end of year	\$ 13,852,629	\$ 1,558,733	\$ 15,411,362
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS			
Roads-Income Tax Fund			
Intergovernmental Revenue	\$ 140,813	\$ 1,558,733	\$ 1,699,546
Capital Outlay	\$ -	\$ 1,558,733	\$ 1,558,733
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL			
Roads-Income Tax Fund			
Intergovernmental Revenue (1)	\$ 140,813	\$ 1,558,733	\$ 1,699,546
Capital Outlay (2)	\$ -	\$ 1,558,733	\$ 1,558,733

(1) As a result of the restatement, a negative variance between budgeted intergovernmental revenue and actual intergovernmental revenue of (\$ 1,558,733) is reported in the Roads-Income Tax Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual.

(2) As a result of the restatement a variance between budgeted capital outlay expenditures and actual capital outlay expenditures of (\$ 1,558,733) is reported in the Roads-Income Tax Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3 REPORT REISSUANCE (continued)

The Schedule of Federal Awards Expenditures has also been adjusted. Federal expenditures reported for the Highway Planning and Construction Grants CFDA #20.205 have been restated from \$ 552,207 to \$ 1,698,796, an increase of \$ 1,146,589. As a result, total federal expenditures increased from \$ 819,883 to \$ 1,966,472.

Since identifying the misstatement, the City has taken an active approach to identifying all federal monies received directly and on-behalf-of the City. The Finance Director has informed all departments of the importance of communicating all grant transactions to the Finance Department. In addition, the Finance Director has visited the Auditor of State's website and has accessed the confirmation listings available. The Finance Director intends to utilize these confirmations when preparing the federal schedule in the future.

As a result of the restatement and the report re-issuance, the Independent Accountants' Report has been modified to disclose the reason for the reissuance. In addition, the Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards, the Independent Accountants' Report on Compliance with Requirements Applicable to its Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 and the Schedule of Findings have been modified to include a material weakness and noncompliance finding over reporting of federal receipts and expenditures and a noncompliance finding for expenditures exceeding appropriations in the Roads-Income Tax Fund.

NOTE 4 COMPLIANCE AND ACCOUNTABILITY

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

Special Revenue Funds	
Fire Operating Fund	\$ (27,680)
Police Pension Fund	\$ (19,955)
Fire Pension Fund	\$ (19,955)

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 5 BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Major Special Revenue Funds.

	Net Change in Fund Balance		
	General Fund	Roads - Income Tax Fund	Refuse Fund
Budget basis	\$ (114,655)	\$ (462,243)	\$ 880
Adjustments, increase (decrease)			
Revenue accruals	17,087	(209)	3,963
Expenditure accruals	(29,078)	(93,943)	(57,493)
Encumbrances	35,418	216,146	56,518
GAAP basis, as reported	<u>\$ (91,228)</u>	<u>\$ (340,249)</u>	<u>\$ 3,868</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

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

Interim monies may be invested in the following securities:

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

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

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

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the City's deposits was \$ 471,944 and the bank balance was \$ 575,253. Of the bank balance, \$ 500,000 was covered by federal depository insurance and \$ 75,253 by collateral held by third party trustees in accordance with the Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions, which amount is considered uncollateralized as defined by the Government Accounting Standards Board.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2009, the City had the following investments:

	Maturities	Fair Value
STAR Ohio	n/a	\$ 1,682,893

D. INTEREST RATE RISK

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

E. CREDIT RISK

The City follows the Ohio Revised Code that limits its investment choices. As of December 31, 2009, the City's investments in Star Ohio were rated AAAM by Standard & Poor's.

F. CONCENTRATION OF CREDIT RISK

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

NOTE 7 RECEIVABLES

Receivables at December 31, 2009, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, interest, and accounts (billings for utility service).

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

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 7 RECEIVABLES (continued)

A. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2009 was \$ 18.65 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Property valuation consisted of:	
Real property	
Residential/agricultural	\$ 143,625,720
Commercial/industrial	14,832,160
Tangible personal property	
Public utilities	1,611,521
Total valuation	\$ 160,069,401

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

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

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

Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 7 RECEIVABLES (continued)

B. INCOME TAXES

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

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

C. INTERGOVERNMENTAL RECEIVABLES

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Local government assistance	\$ 164,200
Gasoline tax	218,032
Permissive tax	51,801
Homestead and rollback	88,800
Commercial activities tax	48,800
Estate tax	13,238
Miscellaneous	30,550
	<u>\$ 615,421</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8 CAPITAL ASSETS

A summary of changes in capital assets during 2009 follows:

	Balance January 1	Additions	Disposals	Balance December 31
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 484,539	\$ -	\$ -	\$ 484,539
Construction in progress	566,883	135,036	566,883	135,036
Total capital assets, not being depreciated	<u>1,051,422</u>	<u>135,036</u>	<u>566,883</u>	<u>619,575</u>
Capital assets, being depreciated				
Buildings and improvements	3,510,721	32,481	-	3,543,202
Equipment and vehicles	2,148,225	76,025	156,024	2,068,226
Infrastructure	34,870,961	2,779,483	-	37,650,444
Total capital assets being depreciated	<u>40,529,907</u>	<u>2,887,989</u>	<u>156,024</u>	<u>43,261,872</u>
Less accumulated depreciation				
Buildings and improvements	1,019,216	83,257	-	1,102,473
Equipment and vehicles	1,430,144	129,828	156,024	1,403,948
Infrastructure	25,068,307	954,563	-	26,022,870
Total accumulated depreciation	<u>27,517,667</u>	<u>1,167,648</u>	<u>156,024</u>	<u>28,529,291</u>
Total capital assets being depreciated, net	<u>13,012,240</u>	<u>1,720,341</u>	<u>-</u>	<u>14,732,581</u>
Total governmental capital assets, net	<u>\$ 14,063,662</u>	<u>\$ 1,855,377</u>	<u>\$ 566,883</u>	<u>\$ 15,352,156</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated				
Land	\$ 153,910	\$ -	\$ -	\$ 153,910
Construction in progress	94,688	-	94,688	-
Total capital assets, not being depreciated	<u>248,598</u>	<u>-</u>	<u>94,688</u>	<u>153,910</u>
Capital assets, being depreciated				
Buildings and improvements	150,818	-	-	150,818
Equipment and vehicles	626,983	-	30,300	596,683
Infrastructure	11,955,355	94,688	169,307	11,880,736
Total capital assets being depreciated	<u>12,733,156</u>	<u>94,688</u>	<u>199,607</u>	<u>12,628,237</u>
Less accumulated depreciation				
Buildings and improvements	25,639	3,016	-	28,655
Equipment and vehicles	271,757	41,804	30,300	283,261
Infrastructure	5,214,906	228,558	169,307	5,274,157
Total accumulated depreciation	<u>5,512,302</u>	<u>273,378</u>	<u>199,607</u>	<u>5,586,073</u>
Total capital assets being depreciated, net	<u>7,220,854</u>	<u>(178,690)</u>	<u>-</u>	<u>7,042,164</u>
Total business-type capital assets, net	<u>\$ 7,469,452</u>	<u>\$ (178,690)</u>	<u>\$ 94,688</u>	<u>\$ 7,196,074</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8 CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Security of persons and property	\$ 74,216
Leisure time activities	68,789
Basic utility services	56,141
Transportation	954,564
General government	13,938
	<u>\$ 1,167,648</u>

NOTE 9 NOTES PAYABLE

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

	Balance, 12/31/08	Additions	Reductions	Balance, 12/31/09
Governmental activities				
Short-term notes payable				
Bond anticipation notes				
Capital Improvements fund				
4.08% issued 10/21/08, due 6/09/09	\$ 150,000	\$ -	\$ 150,000	\$ -
Debt Service fund				
7.00% issued 12/11/08, due 12/2/09	350,000	-	350,000	-
Shoreway Capital Project fund				
7.00% issued 12/11/08, due 12/2/09	3,150,000	-	3,150,000	-
Shoreway Capital Project fund				
5.00% issued 12/1/09, due 11/30/10	-	3,500,000	-	3,500,000
	<u>3,650,000</u>	<u>3,500,000</u>	<u>3,650,000</u>	<u>3,500,000</u>
Long-term notes payable				
Tax anticipation note				
Roads - Income Tax fund				
4.78% issued 4/12/07, due 4/1/27	721,905	-	40,000	681,905
Bond anticipation notes				
Roads - Income Tax fund				
3.23% issued 6/20/08, due 6/19/09	100,000	-	100,000	-
2.75% issued 6/1/09, due 6/18/10	-	280,000	-	280,000
Capital Improvements fund				
3.23% issued 6/20/08, due 6/19/09	442,000	-	442,000	-
2.75% issued 6/1/09, due 6/18/10	-	471,000	-	471,000
	<u>1,263,905</u>	<u>751,000</u>	<u>582,000</u>	<u>1,432,905</u>
Total governmental activities	<u>4,913,905</u>	<u>4,251,000</u>	<u>4,232,000</u>	<u>4,932,905</u>
Business-type activities				
Long-term notes payable				
Bond anticipation notes				
Water fund				
3.23% issued 6/20/08, due 6/19/09	180,000	-	180,000	-
2.75% issued 6/1/09, due 6/18/10	-	150,000	-	150,000
Total long-term business-type activities	<u>180,000</u>	<u>150,000</u>	<u>180,000</u>	<u>150,000</u>
Total notes payable	<u>\$ 5,093,905</u>	<u>\$ 4,401,000</u>	<u>\$ 4,412,000</u>	<u>\$ 5,082,905</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 LONG-TERM DEBT

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

<u>Debt Issue</u>	<u>Original Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
<u>Governmental activities</u>				
General obligation bonds				
Building improvements	1996	2016	6.20%	200,000
Street improvements	2003	2018	3.60 - 5.00%	1,200,000
Street improvements	1998	2018	5.00 - 5.20%	500,000
Street improvements	2007	2027	4.78%	800,000
Bond anticipation note	2009	2010	5.00%	3,500,000
Bond anticipation note	2009	2010	2.75%	280,000
Bond anticipation note	2009	2010	2.75%	471,000
Highway improvement note	2006	2017	0.00%	133,600
Ohio Public Works loan	2001	2017	0.00%	35,371
Ohio Public Works loan	2004	2013	0.00%	28,566
Ohio Public Works loan	2007	2028	0.00%	99,190
Ohio Public Works loan	2007	2028	0.00%	25,264
<u>Business-type activities</u>				
General obligation bonds				
Storm water improvements	2002	2021	5.30 - 5.75%	2,500,000
Bond anticipation note	2009	2010	2.75%	150,000
Ohio Public Works loan	2000	2009	0.00%	30,000
Ohio Public Works loan	2000	2020	0.00%	124,842
Ohio Public Works loan	2003	2024	0.00%	140,949
Ohio Public Works loan	2003	2024	0.00%	81,187
Ohio Public Works loan	2003	2024	0.00%	97,793

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 LONG-TERM DEBT (continued)

Changes in the City's long-term obligations during 2009 were as follows:

	Outstanding 12/31/08	Additions	Reductions	Outstanding 12/31/09	Due in One Year
<u>Governmental activities</u>					
General obligation bonds					
Building improvement (1996)					
6.20% through 2016	\$ 105,000	\$ -	\$ 10,000	\$ 95,000	\$ 10,000
Street improvement (2003)					
3.60% - 5.00%					
through 2018	880,000	-	70,000	810,000	75,000
Street improvement (1998)					
5.00% - 5.20%					
through 2018	305,000	-	25,000	280,000	25,000
	<u>1,290,000</u>	<u>-</u>	<u>105,000</u>	<u>1,185,000</u>	<u>110,000</u>
Tax anticipation notes	721,905	-	40,000	681,905	40,000
Bond anticipation notes	542,000	751,000	542,000	751,000	751,000
Highway improvement note	112,240	-	-	112,240	42,720
OPWC loans	151,379	-	12,152	139,227	12,152
Capital leases	32,869	39,026	23,058	48,837	24,457
Accrued leave benefits	551,761	-	18,286	533,475	-
Total governmental activities	<u>\$ 3,402,154</u>	<u>\$ 790,026</u>	<u>\$ 740,496</u>	<u>\$ 3,451,684</u>	<u>\$ 980,329</u>
<u>Business-type activities</u>					
General obligation bonds					
Storm water improvement					
5.30% - 5.75%					
through 2021	\$ 1,750,000	\$ -	\$ 125,000	\$ 1,625,000	\$ 130,000
Bond anticipation notes	180,000	150,000	180,000	150,000	150,000
OPWC loans	313,233	-	23,738	289,495	22,238
Capital leases	113,076	-	56,436	56,640	56,640
Accrued leave benefits	51,113	17,663	8,000	60,776	-
Total business-type activities	<u>\$ 2,407,422</u>	<u>\$ 167,663</u>	<u>\$ 393,174</u>	<u>\$ 2,181,911</u>	<u>\$ 358,878</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 LONG-TERM DEBT (continued)

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for payment. The general obligation bonds are paid from the general bond retirement debt service fund. The storm water bonds are paid from Storm Water enterprise fund revenues.

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

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

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

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2009, excluding accrued leave benefits, are as follows:

Year	Governmental Activities				
	General Obligation Bonds		Bond Anticipation Notes		Highway Improvement Note
	Principal	Interest	Principal	Interest	Principal
2010	\$ 110,000	\$ 58,614	\$ 4,251,000	\$ 200,761	\$ 42,720
2011	115,000	53,463	-	-	21,360
2012	125,000	48,093	-	-	21,360
2013	130,000	42,163	-	-	21,360
2014	135,000	36,014	-	-	5,440
2015-2019	570,000	72,438	-	-	-
2020-2024	-	-	-	-	-
2025-2027	-	-	-	-	-
	\$ 1,185,000	\$ 310,785	\$ 4,251,000	\$ 200,761	\$ 112,240

Year	Governmental Activities				
	Tax Anticipation Note		OPWC Loans	Total	
	Principal	Interest	Principal	Principal	Interest
2010	\$ 40,000	\$ 32,595	\$ 12,152	\$ 4,455,872	\$ 291,970
2011	40,000	30,683	12,152	188,512	84,146
2012	40,000	28,771	12,151	198,511	76,864
2013	40,000	26,859	8,581	199,941	69,022
2014	40,000	24,947	8,581	189,021	60,961
2015-2019	200,000	96,055	35,830	805,830	168,493
2020-2024	200,000	48,255	31,111	231,111	48,255
2025-2027	81,905	5,948	18,669	100,574	5,948
	\$ 681,905	\$ 294,113	\$ 139,227	\$ 6,369,372	\$ 805,659

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 10 LONG-TERM DEBT (continued)

Year	Business-Type Activities			
	General Obligation Bonds		Bond Anticipation Notes	
	Principal	Interest	Principal	Interest
2010	\$ 130,000	\$ 89,232	\$ 150,000	\$ 4,375
2011	135,000	82,066	-	-
2012	140,000	74,836	-	-
2013	145,000	67,688	-	-
2014	155,000	60,214	-	-
2015-2019	660,000	179,712	-	-
2020-2024	260,000	22,784	-	-
	<u>\$ 1,625,000</u>	<u>\$ 576,532</u>	<u>\$ 150,000</u>	<u>\$ 4,375</u>

Year	Total		
	OPWC Loans	Business-Type Activities	
	Principal	Principal	Interest
2010	\$ 22,238	\$ 302,238	\$ 93,607
2011	22,238	157,238	82,066
2012	22,238	162,238	74,836
2013	22,239	167,239	67,688
2014	22,240	177,240	60,214
2015-2019	111,193	771,193	179,712
2020-2024	67,109	327,109	22,784
	<u>\$ 289,495</u>	<u>\$ 2,064,495</u>	<u>\$ 580,907</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 11 CAPITAL LEASES

The City is obligated under certain leases accounted for as capital leases. The leased assets are included in capital assets and the related obligation is included under long-term debt. At December 31, 2009, assets under capital leases totaled \$ 104,561 in governmental activities and \$ 281,812 in business-type activities. The leases are in effect until 2013. The following is the schedule of future minimum lease payments under capital leases together with the net present value of the minimum lease payments as of December 31, 2009.

Year Ending December 31,	Governmental Activities	Business-type Activities
2010	\$ 26,813	\$ 56,852
2011	8,658	-
2012	8,658	-
2013	8,658	-
Total minimum lease payments	52,787	56,852
Less amount representing interest	(3,950)	(212)
Net present value of minimum lease payments	<u>\$ 48,837</u>	<u>\$ 56,640</u>

NOTE 12 OPERATING LEASES

The City is obligated under leases accounted for as operating leases. Total lease expense for the year ended December 31, 2009 was \$ 9,010. The following is a schedule of future minimum lease payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 2009.

Year ending December 31	Amount
2010	\$ 12,490
2011	12,490
2012	6,227
2013	1,740
2014	1,305
Total minimum payments	<u>\$ 34,252</u>

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 13 DEFINED BENEFIT PENSION PLANS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

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

For 2009, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2009 member contribution rates were 10.0% for members in state and local classifications. Public safety and law enforcement members contributed 10.1%.

The City's 2009 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63 percent of covered payroll. For the period January 1 through March 31, a portion of the City's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$ 121,703, \$ 93,060, and \$ 107,000, respectively. For 2009, \$ 98,887 (81%) has been contributed. The balance was subsequently contributed in 2010. The full amount has been contributed for 2008 and 2007.

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 13 DEFINED BENEFIT PENSION PLANS (continued)

B. OHIO POLICE AND FIRE PENSION FUND

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension benefits while the employer is required to contribute 19.5 percent for police officers and 24.0 percent for firefighters. Contributions are authorized by State statute. The City's contributions to OP&F for police and firefighters pensions, respectively, were \$ 87,262 and \$ 162,665 for the year ended December 31, 2009, \$ 95,594 and \$ 159,193 for the year ended December 31, 2008, and \$ 89,400 and \$ 160,000 for the year ended December 31, 2007. The full amount has been contributed for 2007 and 2008. For 2009, \$ 46,035 (53%) and \$ 105,064 (65%) has been contributed for police and firefighters pensions, respectively. The balance was subsequently paid in 2010.

NOTE 14 – POSTEMPLOYMENT BENEFITS

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

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

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

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

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

A. OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employer units contributed at 17.63%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units, and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected

The City contributions to fund postemployment benefits for the years ended December 31, 2009, 2008, and 2007 were \$ 88,013, \$ 93,060 and \$ 42,500, respectively. For 2009, \$ 71,513 (81%) has been contributed. The balance was subsequently contributed in 2010. The full amount has been contributed for 2008 and 2007.

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

B. OHIO POLICE AND FIRE PENSION FUND

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

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

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

CITY OF SHEFFIELD LAKE, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 14 – POSTEMPLOYMENT BENEFITS (continued)

B. OHIO POLICE AND FIRE PENSION FUND (continued)

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's actual contributions to fund postemployment health care benefits for police and firefighters were \$ 46,200 and \$ 63,600 for the year ended December 31, 2009, \$ 50,600 and \$ 62,300 for the year ended December 31, 2008 and \$ 31,000 and \$ 45,000 for the year ended December 31, 2007. The full amount has been contributed for 2007 and 2008. For 2009, \$ 24,486 (53%) and \$ 41,340 (65%) has been contributed for police and firefighters, respectively. The balance was subsequently paid in 2010.

NOTE 15 RISK MANAGEMENT

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

NOTE 16 FEDERAL GRANTS AND ENTITLEMENTS

For the year ended December 31, 2009, the City recognized federal grants and entitlements. These programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2009.

CITY OF SHEFFIELD LAKE, OHIO
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 17 CONTINGENCIES

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

NOTE 18 INTERFUND BALANCES AND TRANSFERS

At December 31, 2009, the Federal Grants fund owed \$ 10,000 to the General fund. The General fund advanced monies to the Federal Grants fund which will be repaid upon collection of grant proceeds.

Interfund transfers for the year ended December 31, 2009 consisted of the following:

	Transferred from:		
		Roads - Income Tax Fund	Total
<u>Transferred to:</u>	<u>General Fund</u>	<u>Roads - Income Tax Fund</u>	<u>Total</u>
Non-major governmental funds	\$ 82,956	\$ 186,070	\$ 269,026

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

NOTE 19 JOINTLY GOVERNED ORGANIZATIONS

A. LORAIN COUNTY GENERAL HEALTH DISTRICT

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

B. NORTHEAST OHIO PUBLIC ENERGY COUNCIL

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

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

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**CITY OF SHEFFIELD LAKE
LORAIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Pass Through Entity Number	Federal CFDA Number	Expenditures
Program Title			
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction Grants	PID 77460	20.205	\$1,698,796
Total U.S. Department of Transportation			1,698,796
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through Ohio Department of Public Safety</i>			
Emergency Management Performance Grants	N/A	97.042	45,255
Total U.S. Department of Homeland Security			45,255
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Home Investment Partnership Programs	A-C-09-175-2	14.239	222,421
Total U.S. Department of Housing and Urban Development			222,421
Total			\$1,966,472

The accompanying notes are an integral part of this schedule.

**CITY OF SHEFFIELD LAKE
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the City of Sheffield Lake's (the City's) federal award programs disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

NOTE C – REPORT REISSUANCE

The accompanying Schedule of Federal Awards expenditures (The Schedule) replaces the Schedule for the City of Sheffield Lake for the year ended December 31, 2009 previously issued with our report dated August 18, 2010. The Schedule was revised to include additional expenditures for the Highway Planning and Construction Grants, CFDA #20.205 which were previously omitted from the Schedule.

CFDA – Catalog of Federal Domestic Assistance



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheffield Lake, Lorain County, Ohio (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 11, 2011, wherein we noted the previously-issued report dated August 18, 2010 has been reissued due to federal grant receipts and expenditures and related capital assets that were previously omitted. As a result, finding 2009-001 and finding 2009-002 have been included in the accompanying schedule of findings and are described below. The previously-issued Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards dated August 18, 2010 should not be relied on. The report dated January 11, 2011 replaces the previously-issued report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

We consider finding 2009-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above as finding 2009-001 is also a material weakness.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated August 18, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 18, 2011.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

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



Dave Yost
Auditor of State

August 18, 2010, except for the restatement described above and findings 2009-001 and 2009-002, for which the date is January 11, 2011



Dave Yost • Auditor of State

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

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

To the City Council:

Compliance

We have audited the compliance of City of Sheffield Lake (the City) 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 December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City'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 City'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 City'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 City's compliance with those requirements.

In our opinion, the City of Sheffield Lake complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2009-002.

Internal Control Over Compliance

The City'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 City'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 City's internal control over compliance.

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

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 City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2009-001 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

The City's responses to the findings we identified are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them

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



Dave Yost
Auditor of State

August 18, 2010, except for finding 2009-01, for which the date is January 11, 2011

**CITY OF SHEFFIELD LAKE
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction Grant- CFDA 20.205
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING 2009-001

See Federal Finding 2009-001 in Section 3 below. *Government Auditing Standards* also requires us to report this finding in this section of this Schedule.

**CITY OF SHEFFIELD LAKE
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009
(Continued)**

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

FINDING 2009-002

Noncompliance Finding

Expenditures in Excess of Appropriations

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. Contrary to Ohio Law, budgetary expenditures exceeded appropriation authority at December 31, 2009 in the Roads-Income Tax fund by \$1,516,536.

The City should monitor appropriations and expenditures, including those that are made on-behalf-of the City, to ensure that expenditures do not exceed appropriations. The City should amend the appropriations as needed to avoid expenditures in excess of appropriations. If the City receives additional monies, then they should follow procedures to appropriate those. Failure to limit expenditures to appropriations could lead to expenditures exceeding available resources and ultimately, negative fund balances.

Official's Response: The City of Sheffield Lake, as a sub-recipient of a Federal award passed through the Ohio Department of Transportation in 2009, has been made aware of our oversight in properly budgeting these funds. In the future, all funds received on-behalf-of the City will be properly appropriated.

3. FINDINGS FOR FEDERAL AWARDS

Material Noncompliance / Material Weakness / Significant Deficiency

Reporting of Federal Receipts and Expenditures

Finding Number	2009-001
CFDA Title and Number	Highway Planning and Construction Grant - CFDA #20.205
Federal Award Number / Year	2009
Federal Agency	US Department of Transportation
Pass-Through Agency	Ohio Department of Transportation

OMB Circular A-133 Subpart C, §.300 states that the auditee must (a) identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity (b) the auditee must maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs (c) comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs and (d) prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with A133 Subpart C, Section 310.

**CITY OF SHEFFIELD LAKE
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Material Noncompliance / Material Weakness / Significant Deficiency (Continued)

Reporting of Federal Receipts and Expenditures (Continued)

OMB Circular A-133, Subpart B, §_.210 (a)-(d) define a subrecipient as an entity that expends federal awards that are received from a pass-through entity to carry out a federal program. State or local government redistributions of federal awards to subrecipients, known as "pass-through awards," should be treated by the subrecipient as though they were received directly from the federal government. That is, pass-through awards should be included in the scope of the single audit on the same basis as that of federal awards that are received directly. Characteristics indicative of a Federal award received by a subrecipient are when the organization:

- Determines who is eligible to receive what Federal financial assistance;
- Has its performance measured against whether the objectives of the Federal program are met;
- Has responsibility for programmatic decision making;
- Has responsibility for adherence to applicable Federal program compliance requirements; and
- Uses the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

Subrecipient determinations should be based on the substance of the relationship rather than the form of the agreement. It is not expected that all of the above characteristics will be present. The Ohio Department of Transportation (ODOT) considers Local-Project Administrators (LPA's) to be subrecipients of Federal awards passed through ODOT.

During 2009, the City was awarded funding as an LPA through the State Highway and Construction Cluster, CFDA #20.205, in the amount of \$1,698,796. ODOT paid a portion of this amount directly to the City while the remaining amount was paid by ODOT to the vendor on behalf of the City. The amount that was paid directly to the vendor totaled \$1,558,734 and was not posted as a receipt or disbursement to the City's ledgers. In addition, \$1,146,589 of that amount was not included in the City's Schedule of Federal Awards Expenditures. The City also failed to record the related capital assets acquired totaling \$1,558,734. The City should record all Federal awards it receives as a subrecipient, including on-behalf funding paid by the grantor to vendors, in its accounting system and on its Schedule of Federal Awards Expenditures. In addition, any assets acquired with those funds should also be recorded. All adjustments have been posted to the financial statements, and where needed, to the clients records.

Official's Response: The City of Sheffield Lake, as a sub-recipient of a Federal award passed through the Ohio Department of Transportation in 2009, has been made aware of our oversight in identifying these awards. In the future, all items will be properly noted on the City of Sheffield Lake's financial statements, ledgers and schedules.



Dave Yost • Auditor of State

CITY OF SHEFFIELD LAKE

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 8, 2011