

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

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2012***

DONALD J. BREON, TREASURER



Dave Yost • Auditor of State

Board of Education
Sheffield-Sheffield Lake City School District
1824 Harris Road
Sheffield, Ohio 44054

We have reviewed the *Independent Accountants' Report* of the Sheffield-Sheffield Lake City School District, Lorain County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Sheffield-Sheffield Lake City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 8, 2013

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheffield-Sheffield Lake City School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Sheffield-Sheffield Lake City School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sheffield-Sheffield Lake City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheffield-Sheffield Lake City School District, Lorain County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012, on our consideration of the Sheffield-Sheffield Lake City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Accountants' Report
Sheffield-Sheffield Lake City School District
Page Two

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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



Julian & Grube, Inc.
December 20, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012**

UNAUDITED

The discussion and analysis of Sheffield-Sheffield Lake City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2012 are as follows:

- In total, net assets decreased by \$ 673,586.
- Revenues for governmental activities totaled \$ 21,764,873 in 2012. Of this total, 86.0 percent consisted of General revenues while Program revenues accounted for the balance of 14.0 percent.
- Program expenses totaled \$22,438,459. Instructional expenses made up 55.6 percent of this total while support services accounted for 33.8 percent. Other expenses rounded out the remaining 10.6 percent.

Using this Annual Financial Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012**

UNAUDITED

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012

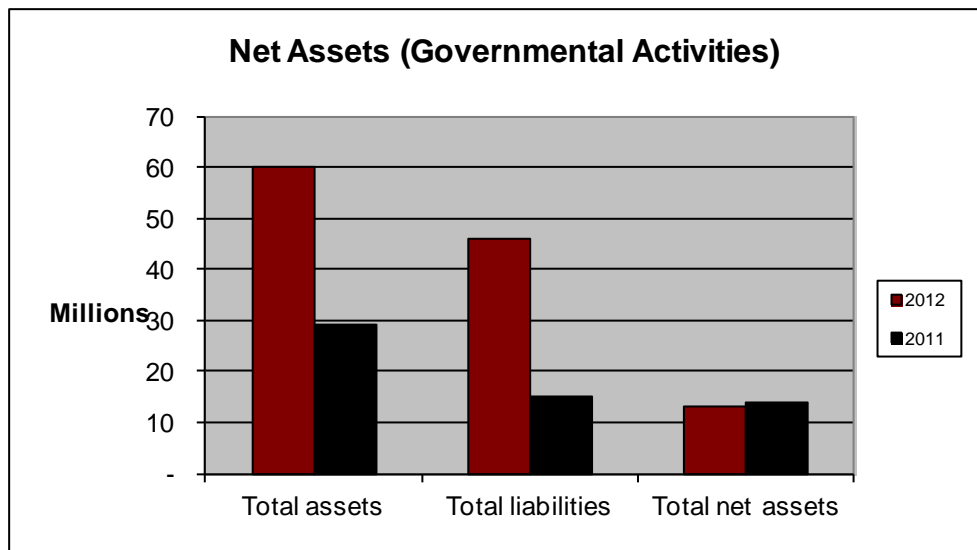
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The School District as a Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011.

Table 1
Net Assets
Governmental Activities

	2012	2011	Change
Assets			
Current assets	\$ 54,580,022	\$ 24,829,227	\$ 29,750,795
Capital assets, net	5,188,986	4,366,306	822,680
Total assets	<u>59,769,008</u>	<u>29,195,533</u>	<u>30,573,475</u>
Liabilities			
Other liabilities	13,426,536	13,294,315	132,221
Long-term liabilities	<u>33,063,907</u>	<u>1,949,067</u>	<u>31,114,840</u>
Total liabilities	<u>46,490,443</u>	<u>15,243,382</u>	<u>31,247,061</u>
Net assets			
Invested in capital assets, net of related debt	3,512,095	3,838,208	(326,113)
Restricted	30,608,095	392,330	30,215,765
Unrestricted	<u>(20,841,625)</u>	<u>9,721,613</u>	<u>(30,563,238)</u>
Total net assets	<u>\$ 13,278,565</u>	<u>\$ 13,952,151</u>	<u>\$ (673,586)</u>



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012**

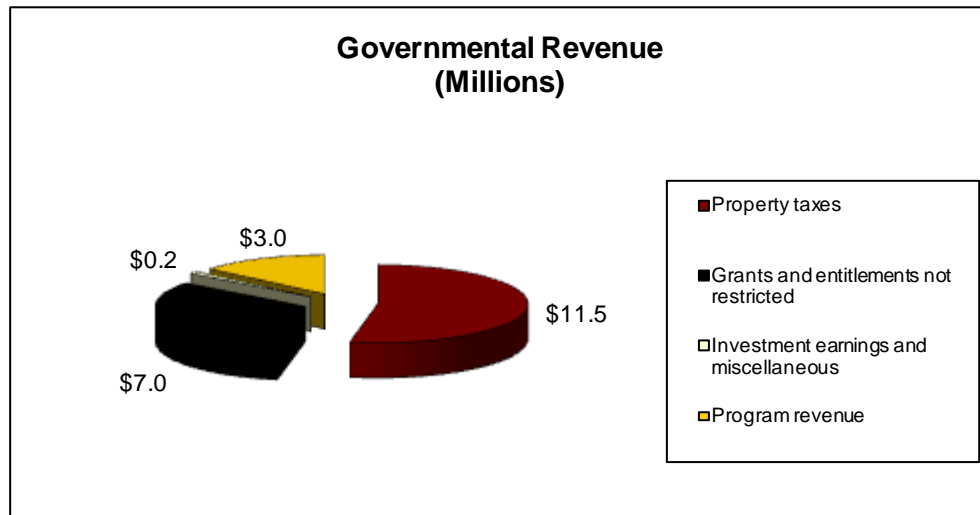
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Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the net assets were \$ 13,278,565.

At year-end, capital assets represented 8.7% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment and vehicles. Invested in capital assets, net of related debt at June 30, 2012 was \$ 3,512,095. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$ 30,608,095, represents resources that are subject to external restrictions on how they are spent. The remaining balance of (\$ 20,841,625) is unrestricted net assets, this is usually used to meet the District's ongoing obligations to the students and creditors.

The vast majority of revenue supporting all Governmental Activities is General revenue. General revenue totaled \$ 18,724,096 or 86.0 percent of the total revenue. The most significant portion of the General revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$ 3,040,777 or 14.0 percent of total revenue.



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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012**

UNAUDITED

Table 2 shows the changes in net assets for fiscal year 2012. A comparative analysis of government-wide for fiscal year 2011 data is also presented.

**Table 2
Governmental Activities**

	2012	%	2011	%
		of Total		of Total
General revenues				
Property taxes levied for:				
General purpose	\$10,150,463	46.64%	\$10,997,084	50.00%
Debt service	1,101,595	5.06%	-	0.00%
Capital improvements	293,371	1.35%	319,339	1.45%
Grants and entitlements not restricted to specific purpose:	6,987,936	32.10%	7,343,218	33.39%
Investment earnings	34,007	0.16%	14,176	0.06%
Miscellaneous	156,724	0.72%	118,919	0.54%
Total general revenues	<u>18,724,096</u>	<u>86.03%</u>	<u>18,792,736</u>	<u>85.44%</u>
Program revenues	<u>3,040,777</u>	<u>13.97%</u>	<u>3,202,234</u>	<u>14.56%</u>
Total revenue	<u>21,764,873</u>	<u>100.00%</u>	<u>21,994,970</u>	<u>100.00%</u>
Governmental activities				
Instruction				
Regular	9,394,091	41.87%	9,167,659	43.40%
Special	2,928,592	13.05%	2,876,358	13.61%
Vocational	140,618	0.63%	169,705	0.80%
Other instruction	16,182	0.07%	25,102	0.12%
Supporting services				
Pupil	1,316,907	5.87%	1,244,572	5.89%
Instructional staff	957,774	4.27%	1,013,846	4.80%
Board of education	51,128	0.23%	35,274	0.17%
Administration	1,463,210	6.52%	1,497,169	7.09%
Fiscal services	643,632	2.87%	589,323	2.79%
Business	238,865	1.06%	262,938	1.24%
Operation and maintenance	1,567,294	6.98%	1,742,403	8.25%
Pupil transportation	1,113,478	4.96%	1,001,388	4.74%
Central services	225,865	1.01%	279,042	1.32%
Operation of non-instructional services				
Food service operation	710,784	3.17%	695,868	3.29%
Community services	747	0.00%	29,998	0.14%
Extracurricular activities	560,457	2.50%	472,972	2.24%
Interest	1,108,835	4.94%	23,839	0.11%
Totals	<u>22,438,459</u>	<u>100.00%</u>	<u>21,127,456</u>	<u>100.00%</u>
Change in net assets	<u>\$ (673,586)</u>		<u>\$ 867,514</u>	

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012**

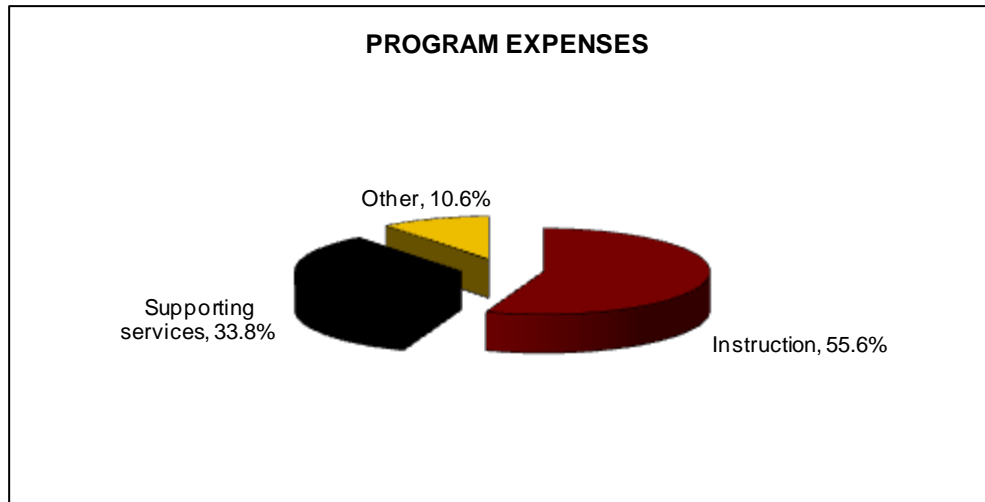
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Governmental Activities

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

The primary source of revenue for governmental activities is derived from property taxes. Property taxes made up 53.0 percent of revenues for governmental activities for the Sheffield-Sheffield Lake City School District in fiscal year 2012.

The largest Governmental Activities program expense remains instruction, comprising 55.6 percent of total expenses. When combined with support services, these categories encompass 89.4 percent. The remaining program expenses of 10.6 percent are budgeted to facilitate other obligations of the School District, such as food service programs, community services activities, numerous extracurricular activities and interest payments.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012

UNAUDITED

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

Table 3
Governmental Activities

	Total Cost Of Services	Net Cost Of Services
Governmental activities		
Instruction		
Regular	\$ 9,394,091	\$ (8,230,388)
Special	2,928,592	(2,189,108)
Vocational	140,618	(140,618)
Other instruction	16,182	(16,182)
Supporting services		
Pupil	1,316,907	(998,445)
Instructional staff	957,774	(885,424)
Board of education	51,128	(51,128)
Administration	1,463,210	(1,463,210)
Fiscal services	643,632	(643,632)
Business	238,865	(238,865)
Operation and maintenance	1,567,294	(1,567,294)
Pupil transportation	1,113,478	(1,113,478)
Central services	225,865	(215,065)
Operation of non-instructional services		
Food service operation	710,784	(110,199)
Community services	747	(747)
Extracurricular activities	560,457	(425,064)
Interest	1,108,835	(1,108,835)
Totals	\$ 22,438,459	\$(19,397,682)

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 53.0 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 32.1 percent, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues fund 14.0 percent of all governmental expenses.

School District Funds

Information regarding the School District's funds can be found on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$ 53,123,573 and expenditures and other financing uses of \$ 23,703,549. During fiscal year 2012, the School District received over \$ 31 million due to the school improvement bond issuance. The net change in fund balance for the year was an increase of \$ 29,420,024, which was the result of a decrease of \$ 872,496 in the General Fund, an increase of \$ 195,429 in the Other Governmental Funds and an increase of \$ 30,097,091 in the Building and Renovations Fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012

UNAUDITED

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the School District amended its General Fund budget several times to allow for additional advances to its Food Service Fund and other less significant amendments. Fluctuations among the budget base expenditures categories are due to the School District's site-based style of budgeting that is designed to tightly control expenses but provide flexibility for managers to redirect funds as conditions develop during the year. For the General Fund, final budget estimated revenue was \$ 19,104,104, a decrease of \$ 477,810 from the original budget. The actual revenue received was \$ 18,684,231. The final budget estimated expenditures were \$ 20,164,221 which was slightly lower than the original budgeted expenditures by \$ 228,336. The actual expenditures on the budget basis (cash outlays plus encumbrances) were \$ 19,988,259.

Capital Assets and Debt Administration

At the end of fiscal 2012 the School District had \$ 5.2 million invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2012 values compared to 2011.

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

	2012	2011
Land	\$ 540,878	\$ 540,878
Construction in progress	941,604	558,165
Buildings and improvements	2,694,719	2,122,649
Furniture and equipment	637,483	706,687
Vehicles	374,302	437,927
	\$ 5,188,986	\$ 4,366,306

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

Debt

At June 30, 2012, the School District had \$ 31,323,635 in outstanding bonds. The School District has an Aa bond rating.

	2012	2011
Various purpose bond (2010) 3.74%, 12/1/2014	\$ 290,000	\$ 385,000
School improvement, capital appreciation bonds and accretion of interest (2011) 2.0% - 5.0%, 2018, 2019, and 2041 maturities	31,033,635	-
	\$ 31,323,635	\$ 385,000

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2012**

UNAUDITED

School District Outlook

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

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

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

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

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

Contacting the School District's Financial Management

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

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SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities
Assets	
Equity in pooled cash	\$ 41,042,450
Due from other governments	265,567
Inventories and supplies	80,846
Deferred charges	245,079
Taxes receivable	12,946,080
Capital assets	
Nondepreciable capital assets	1,482,482
Depreciable capital assets, net	3,706,504
Total assets	59,769,008
Liabilities	
Accounts and contracts payable	143,673
Accrued salaries, wages and benefits	1,551,225
Due to other governments	549,092
Accrued interest payable	111,408
Unearned revenue	10,696,792
Unamortized bond premium	374,346
Long-term liabilities	
Due within one year	546,463
Due in more than one year	32,517,444
Total liabilities	46,490,443
Net assets	
Invested in capital assets, net of related debt	3,512,095
Restricted for:	
Debt service	279,482
Capital projects	30,202,772
Extracurricular activities	51,992
State grants	10,302
Federal grants	55,717
Other purposes	7,830
Unrestricted	(20,841,625)
Total net assets	\$ 13,278,565

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Interest and Contributions	
Governmental activities				
Instruction				
Regular	\$ 9,394,091	\$ 1,100,781	\$ 62,922	\$ (8,230,388)
Special	2,928,592	50,000	689,484	(2,189,108)
Vocational	140,618	-	-	(140,618)
Other instruction	16,182	-	-	(16,182)
Supporting services				
Pupil	1,316,907	-	318,462	(998,445)
Instructional staff	957,774	-	72,350	(885,424)
Board of education	51,128	-	-	(51,128)
Administration	1,463,210	-	-	(1,463,210)
Fiscal services	643,632	-	-	(643,632)
Business	238,865	-	-	(238,865)
Operation and maintenance	1,567,294	-	-	(1,567,294)
Pupil transportation	1,113,478	-	-	(1,113,478)
Central services	225,865	-	10,800	(215,065)
Operation of non-instructional services				
Food service operation	710,784	202,879	397,706	(110,199)
Community services	747	-	-	(747)
Extracurricular activities	560,457	135,393	-	(425,064)
Interest	1,108,835	-	-	(1,108,835)
Totals	<u>\$ 22,438,459</u>	<u>\$ 1,489,053</u>	<u>\$ 1,551,724</u>	<u>(19,397,682)</u>

General revenues	
Property taxes levied for:	
General purpose	10,150,463
Debt service	1,101,595
Capital improvements	293,371
Grants and entitlements not restricted to specific purposes	6,987,936
Investment earnings	34,007
Miscellaneous	156,724
Total general revenues	<u>18,724,096</u>
Change in net assets	(673,586)
Net assets at beginning of year	<u>13,952,151</u>
Net assets at end of year	<u>\$ 13,278,565</u>

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2012

	General Fund	Building and Renovations Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash	\$ 10,599,949	\$ 30,097,091	\$ 345,410	\$ 41,042,450
Receivables, net of allowance				
Taxes, current	10,205,978	-	1,757,400	11,963,378
Taxes, delinquent	838,343	-	144,359	982,702
Due from other governments	-	-	265,567	265,567
Interfund receivable	247,000	-	-	247,000
Inventories and supplies	64,355	-	16,491	80,846
Total assets	\$ 21,955,625	\$ 30,097,091	\$ 2,529,227	\$ 54,581,943
Liabilities and fund balances				
Liabilities				
Accounts and contracts payable	\$ 99,651	\$ -	\$ 44,022	\$ 143,673
Accrued salaries, wages and benefits	1,420,827	-	130,398	1,551,225
Due to other governments	503,157	-	45,935	549,092
Interfund payable	-	-	247,000	247,000
Deferred revenue	9,965,292	-	1,834,067	11,799,359
Compensated absences payable	240,705	-	-	240,705
Total liabilities	12,229,632	-	2,301,422	14,531,054
Fund balances				
Nonspendable	64,355	-	16,491	80,846
Restricted	-	30,097,091	320,017	30,417,108
Assigned	3,318,692	-	-	3,318,692
Unassigned (deficit)	6,342,946	-	(108,703)	6,234,243
Total fund balances	9,725,993	30,097,091	227,805	40,050,889
Total liabilities and fund balances	\$ 21,955,625	\$ 30,097,091	\$ 2,529,227	\$ 54,581,943

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental fund balances		\$ 40,050,889
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		5,188,986
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes, due from other governments and deferred expenses.		1,347,646
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
	Compensated absences	(1,389,850)
	Bond payable	(31,323,635)
	Unamortized bond premium	(374,346)
	Capital lease payable	(109,717)
	Interest payable	(111,408)
		(33,617,951)
Net assets of governmental activities		\$ 13,278,565

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

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

FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Building and Renovations Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 10,093,630	\$ -	\$ 1,273,285	\$ 11,366,915
Tuition and fees	1,150,781	-	-	1,150,781
Interest	5,819	15,280	-	21,099
Intergovernmental	6,944,986	-	1,513,852	8,458,838
Charges for services	-	-	200,964	200,964
Extracurricular	34,452	-	121,099	155,551
Other	264,108	-	18,144	282,252
Total revenues	18,493,776	15,280	3,127,344	21,636,400
Expenditures				
Current				
Instruction				
Regular	9,282,573	-	60,248	9,342,821
Special	2,475,054	-	605,036	3,080,090
Vocational	140,619	-	-	140,619
Other instruction	24,167	-	-	24,167
Supporting services				
Pupil	1,036,181	-	301,131	1,337,312
Instructional staff	787,307	-	141,732	929,039
Board of education	49,812	-	-	49,812
Administration	1,453,008	-	929	1,453,937
Fiscal services	588,179	253,530	16,801	858,510
Business	231,723	-	-	231,723
Operation and maintenance	1,423,827	-	133,151	1,556,978
Pupil transportation	1,034,963	-	-	1,034,963
Central services	212,101	-	16,037	228,138
Operation of non-instructional services				
Food service operation	-	-	703,631	703,631
Extracurricular activities	444,813	-	107,357	552,170
Capital outlay	(59,443)	918,108	135,862	994,527
Debt service				
Principal	128,381	-	-	128,381
Interest	13,007	-	943,724	956,731
Total expenditures	19,266,272	1,171,638	3,165,639	23,603,549
Excess (deficiency) of revenues over expenditures	(772,496)	(1,156,358)	(38,295)	(1,967,149)
Other financing sources (uses)				
Transfers-in	-	-	100,000	100,000
Premium on sale of bonds	-	253,530	133,724	387,254
Bond proceeds	-	30,999,919	-	30,999,919
Transfers-out	(100,000)	-	-	(100,000)
Total other financing sources (uses)	(100,000)	31,253,449	233,724	31,387,173
Net change in fund balances	(872,496)	30,097,091	195,429	29,420,024
Fund balances, beginning of year	10,598,489	-	32,376	10,630,865
Fund balances, end of year	\$ 9,725,993	\$ 30,097,091	\$ 227,805	\$ 40,050,889

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds \$ 29,420,024

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

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

Capital outlay, net	\$	1,086,277	
Depreciation expense		<u>(263,597)</u>	822,680

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

Property taxes	\$	178,514	
Interest income		12,908	
Intergovernmental		<u>80,822</u>	272,244

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the governmental activities.

(31,133,643)

Repayment of bond principal and capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities.

128,381

Accrued interest expense in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. In the statement of activities bond accretion is amortized over the term of the bonds, whereas in governmental funds, the expenditure is reported when the bonds are issued.

Accrued interest	\$	(118,388)	
Annual accretion		<u>(33,716)</u>	(152,104)

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

Compensated absences	\$	<u>(31,168)</u>	<u>(31,168)</u>
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Change in net assets of governmental activities

\$ (673,586)

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues and other financing sources	\$ 19,579,600	\$ 19,104,104	\$ 18,684,231	\$ (419,873)
Expenditures and other financing uses	20,392,557	20,164,221	19,988,259	175,962
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(812,957)	(1,060,117)	(1,304,028)	(243,911)
Fund balance, beginning of year, restated	10,869,383	10,869,383	10,869,383	-
Prior year encumbrances	164,221	164,221	164,221	-
Fund balance, end of year	<u>\$ 10,220,647</u>	<u>\$ 9,973,487</u>	<u>\$ 9,729,576</u>	<u>\$ (243,911)</u>

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF FIDUCIARY FUNDS -
ASSETS AND LIABILITIES - AGENCY FUNDS

JUNE 30, 2012

	<u>Agency Funds</u>
Assets	
Equity in pooled cash	<u>\$ 83,768</u>
Total assets	<u><u>83,768</u></u>
Liabilities	
Accounts and contracts payable	1,093
Due to students	71,607
Due to others	<u>11,068</u>
Total liabilities	<u><u>\$ 83,768</u></u>

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Sheffield-Sheffield Lake City School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2011 was 1,926. The District employs 190 certificated and 130 non-certificated employees.

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

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

The District is associated with the Lake Erie Educational Computer Association, the Lake Erie Regional Council of Governments (LERC), the Lorain County Joint Vocational School District and the Ohio Schools Council. These organizations and their relationships with the District are described in more detail in Note 18 to these financial statements.

B. BASIS OF PRESENTATION

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

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

Government-wide Financial Statements

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

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

Fund Financial Statements

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

C. FUND ACCOUNTING

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

Governmental Funds

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

Governmental Funds (continued)

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

Building and Renovations Fund – the Building and Renovation Fund is for the construction of a new building for grades seven to twelve.

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

Proprietary Funds

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

Fiduciary Funds

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

D. MEASUREMENT FOCUS

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

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned/Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING (continued)

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. BUDGETARY PROCESS

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

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

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

G. CASH AND INVESTMENTS

Cash received by the District is deposited in one central bank account with individual fund balance integrity maintained through District records. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (STAR Ohio). Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest income earned in the General Fund for the year ended June 30, 2012 was \$ 5,819 of which \$2,606 was assigned to other funds.

The District has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2012.

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. INVENTORY

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

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

I. RESTRICTED ASSETS

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

J. CAPITAL ASSETS

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

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

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

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

K. INTERFUND BALANCES

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. COMPENSATED ABSENCES

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

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

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

M. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

N. DEFERRED CHARGES/UNAMORTIZED BOND PREMIUM

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Deferred charges are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method which approximates the effective interest method. Bond premiums are presented as a separate line item on the statement of net assets.

On the governmental fund financial statements, deferred charges and bond premiums are recognized in the current period.

O. NET ASSETS

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

The government-wide statement of net assets reports \$ 30,608,095 of restricted net assets, of which none is restricted by enabling legislation.

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. FUND BALANCE

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

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

Unassigned

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

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. INTERFUND TRANSACTIONS

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

R. ESTIMATES

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	
	General Fund
Budget basis	\$ (1,304,028)
Adjustments, increase (decrease)	
Revenue accruals	(333,598)
Expenditure accruals	430,863
Encumbrances	626,267
Funds budgeted separately	(292,000)
GAAP basis, as reported	\$ (872,496)

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3 – FUND BALANCE

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

<u>Fund Balance</u>	<u>General Fund</u>	<u>Building and Renovations Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Inventory	\$ 64,355	\$ -	\$ 16,491	\$ 80,846
Restricted				
Capital improvements	-	30,097,091	81,408	30,178,499
Debt service	-	-	159,396	159,396
Other grants	-	-	7,830	7,830
Athletics	-	-	51,992	51,992
High school that works	-	-	4,736	4,736
Poverty assistance	-	-	690	690
Miscellaneous state grants	-	-	9,612	9,612
Race to the top	-	-	14	14
Title II D - technology	-	-	1,749	1,749
Early childhood education	-	-	2,283	2,283
Miscellaneous federal grants	-	-	307	307
	<u>-</u>	<u>30,097,091</u>	<u>320,017</u>	<u>30,417,108</u>
Assigned				
Subsequent year appropriations	2,709,519	-	-	2,709,519
Encumbrances	553,151	-	-	553,151
Other purposes	56,022	-	-	56,022
	<u>3,318,692</u>	<u>-</u>	<u>-</u>	<u>3,318,692</u>
Unassigned (deficit)	<u>6,342,946</u>	<u>-</u>	<u>(108,703)</u>	<u>6,234,243</u>
Total fund balance	<u>\$ 9,725,993</u>	<u>\$ 30,097,091</u>	<u>\$ 227,805</u>	<u>\$ 40,050,889</u>

NOTE 4 – COMPLIANCE AND ACCOUNTABILITY

DEFICIT BALANCES

At June 30, 2012, the following funds had deficit fund balances: the Title I Fund of \$ 212, the IDEA Part B Fund of \$ 37,792, the Title VI R Fund of \$ 1,703, Education Jobs Fund of \$ 27,121 and the Food Service Fund of \$ 25,384. The General Fund is liable for deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

Interim monies may be invested in the following securities:

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

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS(continued)

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

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

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the District's deposits was \$ 75,427. The bank balance was \$ 99,597 of which \$ 99,597 was covered by federal depository insurance.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2012, the District had the following investments:

	Maturity	Fair Value
Investment in State Treasurer's Investment Pool	n/a	\$ 41,050,791

D. INTEREST RATE RISK

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District's investment policy limits investment portfolio maturities to five year or less.

E. CREDIT RISK

The District follows the Ohio Revised Code that limits its investment choices. As of June 30, 2012, the District's investments in Star Ohio were rated AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating agency. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State Statute.

F. CONCENTRATION OF CREDIT RISK

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes for 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder due June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2012 were levied after April 1, 2011, on the assessed values as of December 31, 2010, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenue received during calendar 2012 (other than public utility property tax) represents the collection of 2012 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after October 1, 2011, on the value as of December 31, 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however this year the settlement was late.

The District receives property taxes from Lorain County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2012 operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2012, was \$ 1,079,029 in the General Fund, \$ 155,967 in the Debt Service Fund and \$ 31,590 in the Capital Projects Fund. The amount available as an advance at June 30, 2011, was \$ 986,030 in the General Fund and \$ 28,955 in the Capital Projects Fund.

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second - Half Collections			2012 First - Half Collections	
	Amount	%		Amount	%
Agricultural/Residential	\$ 223,025,630	67.94	%	\$ 223,017,690	67.85 %
Commercial/Industrial	99,760,350	30.39		99,945,640	30.40
Public Utilities	5,474,020	1.67		5,768,460	1.75
Total Assessed Value	\$ 328,260,000	100.00	%	\$ 328,731,790	100.00 %
Tax rate per \$1,000 of assessed valuation	\$ 57.10			\$ 62.04	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012, consisted of property taxes and amounts due from other governments. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

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

	Amount
Governmental Funds:	
Nonmajor Funds	
IDEA	\$ 55,000
Title I	120,000
Education Jobs	25,004
Food Service	51,166
ECSE	4,000
Title II A	8,397
Title II D Technology	2,000
Total due from other governments	\$ 265,567

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 8 – INTERFUND ADVANCES

Interfund receivables and payables at June 30, 2012 are as follows:

Major Fund:	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 247,000	\$ -
Non-major funds:		
Title II D Technology	-	2,000
Title VI B	-	55,000
Title I	-	120,000
Education Jobs	-	25,000
ECSE Preschool	-	4,000
Title II A	-	1,000
Food Service	-	40,000
Total non-major funds	<u>-</u>	<u>247,000</u>
Total	<u>\$ 247,000</u>	<u>\$ 247,000</u>

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 540,878	\$ -	\$ -	\$ 540,878
Construction in progress	558,165	1,119,309	735,870	941,604
Total nondepreciable capital assets	<u>1,099,043</u>	<u>1,119,309</u>	<u>735,870</u>	<u>1,482,482</u>
Depreciable capital assets				
Buildings and improvements	6,081,397	808,728	296,756	6,593,369
Furniture and equipment	1,875,730	24,845	-	1,900,575
Vehicles	1,500,689	-	-	1,500,689
Total capital assets being depreciated	<u>9,457,816</u>	<u>833,573</u>	<u>296,756</u>	<u>9,994,633</u>
Less accumulated depreciation				
Buildings and improvements	3,958,748	105,923	166,021	3,898,650
Furniture and equipment	1,169,043	94,049	-	1,263,092
Vehicles	1,062,762	63,625	-	1,126,387
Total accumulated depreciation	<u>6,190,553</u>	<u>263,597</u>	<u>166,021</u>	<u>6,288,129</u>
Depreciable capital assets, net of accumulated depreciation	<u>3,267,263</u>	<u>569,976</u>	<u>130,735</u>	<u>3,706,504</u>
Governmental activities capital assets, net	<u>\$ 4,366,306</u>	<u>\$ 1,689,285</u>	<u>\$ 866,605</u>	<u>\$ 5,188,986</u>

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction		
Regular	\$	28,750
Special		11,648
Vocational education		195
Supporting services		
Pupil		1,175
Instructional staff		24,412
Board of education		1,316
Administration		3,776
Fiscal services		2,077
Business		296
Operation and maintenance		111,131
Pupil transportation		57,858
Central services		668
Operation of non-instructional services		
Food service operation		11,114
Community service		747
Extracurricular activities		8,434
Total depreciation expense	\$	263,597

NOTE 10 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2012, the District contracted with the Ohio Casualty Company for property and casualty insurance. Professional liability is covered by the Ohio School Council with a \$ 1,000,000 per occurrence and a \$ 3,000,000 aggregate limit. Settled claims have not exceeded this commercial coverage in any of the past several years. There was no significant reduction in coverage from the prior year.

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

B. WORKERS' COMPENSATION

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$ 384,806 \$ 373,005, and \$ 337,185, respectively; 61 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

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

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

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

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% of member and 14% for employers. Contribution requirements and contributions actually made for the fiscal year ended June 30, 2012, were 10% of covered payroll for members and 14% for employers: 13% was the portion used to fund pension obligations. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were \$ 1,171,955, \$ 1,129,424, and \$ 1,096,018, respectively; 82 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Postemployment Benefits

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

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$ 96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is 0.75%. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$ 20,615, \$ 20,249, and \$ 20,052, respectively. 61 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Health Care Plan

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is 0.55%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$ 15,117, \$ 38,100, and \$50,483, respectively. 61 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

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

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010, were \$ 90,150, \$ 86,879, and \$ 84,309, respectively; 82 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 13 – BONDS PAYABLE

Bonds payable at June 30, 2012 consisted of the following:

	Outstanding July 1, 2011	Additions	Retired	Outstanding June 30, 2012
Various purpose bonds (2010) 3.74%, 12/1/2014	\$ 385,000	\$ -	\$ 95,000	\$ 290,000
School improvement, (2011) 2.0% - 5.0%, 12/1/2041	-	30,805,000	-	30,805,000
School improvement CABs, (2011) 2018, 2019 maturity	-	194,919	-	194,919
Accretion on CABs	-	33,716	-	33,716
	<u>\$ 385,000</u>	<u>\$ 31,033,635</u>	<u>\$ 95,000</u>	<u>\$ 31,323,635</u>

The original amount of bonds issued in 2012 was \$ 30,999,919. The general obligation bonds included serial, term and capital appreciation bonds. The present value (as of issue date) reported in the Statement of Net Assets at June 30, 2012 was \$ 31,033,635. The accreted interest of \$ 33,716 has been included in the Statement of Net Assets at June 30, 2012. This year the addition to these bonds was \$ 33,716 which represents the increase in the accretion of interest. The final amount of these bonds will be \$ 855,000 payable through December 2019. \$30,097,091 of the proceeds of these bonds were unspent at June 30, 2012.

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2012 were as follows:

	Balance June 30, 2011	Additions	Retired	Balance June 30, 2012	Amounts Due In One Year
Various purpose bonds	\$ 385,000	\$ -	\$ 95,000	\$ 290,000	\$ 95,000
School improvement bonds	-	30,805,000	-	30,805,000	145,000
School improvement CABs	-	194,919	-	194,919	-
Accretion on CABs	-	33,716	-	33,716	-
Capital leases	143,098	-	33,381	109,717	34,928
Compensated absences	1,420,969	473,768	264,182	1,630,555	271,535
	<u>\$ 1,949,067</u>	<u>\$ 31,507,403</u>	<u>\$ 392,563</u>	<u>\$ 33,063,907</u>	<u>\$ 546,463</u>

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire bonds outstanding at June 30, 2012 were as follows:

Year ending June 30,	Principal	Interest	Total
2013	\$ 240,000	\$ 1,334,732	\$ 1,574,732
2014	435,000	1,326,329	1,761,329
2015	460,000	1,316,582	1,776,582
2016	375,000	1,309,200	1,684,200
2017	430,000	1,302,087	1,732,087
2018-2022	1,914,920	7,062,241	8,977,161
2023-2027	3,715,000	5,918,735	9,633,735
2028-2032	5,395,000	4,969,731	10,364,731
2033-2037	7,715,000	3,454,625	11,169,625
2038-2042	10,609,999	1,242,975	11,852,974
	<u>\$ 31,289,919</u>	<u>\$ 29,237,237</u>	<u>\$ 60,527,156</u>

NOTE 15 - CAPITAL LEASE

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

The asset acquired through capital lease is as follows:

Asset	Cost	Accumulated Depreciation	Net
VOIP phone/telecom system	<u>\$ 188,785</u>	<u>\$ 45,719</u>	<u>\$ 143,066</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2012 were as follows:

	Year ending June 30,	Amount
	2013	\$ 39,188
	2014	39,188
	2015	<u>39,188</u>
Total minimum lease payments		117,564
Less amount representing interest		<u>7,847</u>
Net present value of minimum lease payments		<u>\$ 109,717</u>

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 16 – OPERATING LEASES

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. During 2012, expenditures for operating leases totaled \$ 79,812. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2012.

Year ending June 30,	Amount
2013	\$ 77,574
2014	75,336
2015	50,224
Total minimum lease payments	<u>\$ 203,134</u>

NOTE 17 – SET-ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2012.

	Capital Improvements
Set aside reserve balance June 30, 2011	\$ -
Current year set aside requirement	328,815
Contributions in excess of the current fiscal year set aside requirement	-
Current year qualifying expenditures	(590,241)
Excess qualified expenditures from prior years	-
Current year offset	(334,026)
Waiver granted by the Department of Education	-
Prior year offset from bond proceeds	-
Totals	<u>(595,452)</u>
Balance carried forward to fiscal year 2012	-
Set aside reserve balance June 30, 2012	<u>\$ -</u>

Expenditures and offset credits for capital maintenance during the year were \$ 924,267. The capital maintenance expenditures exceeded statutory requirement for fiscal year 2012. However, the excess amount cannot be used to offset future years' set-aside requirements.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION (continued)

LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2012, the District paid \$ 66,687 to LEECA.

B. LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS (LERC)

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

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

C. LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

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

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

D. OHIO SCHOOLS COUNCIL

The Ohio Schools' Council Association (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Associations. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2012, the School District paid \$ 85,240 to the Council. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. OHIO SCHOOLS COUNCIL (continued)

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

NOTE 19 - INTERFUND TRANSFERS

During the year ended June 30, 2012, interfund transfers were made from the General Fund to the Food Service Fund for operating activities of that fund.

	Transfer from:
	General Fund
Transfer to:	
Nonmajor Governmental Funds	\$ 100,000

NOTE 20 – CONTINGENCIES

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

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

NOTE 21 – AOS STUDENT ATTENDANCE DATA REVIEW

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State’s ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

SUPPLEMENTARY DATA

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Grant Cluster:				
(D) (E) School Breakfast Program	10.553	2012	\$ 66,394	\$ 66,394
(D) (E) National School Lunch Program	10.555	2012	249,007	249,007
(C) (D) National School Lunch Program - Food Donation	10.555	2012	33,005	33,005
Total National School Lunch Program			<u>282,012</u>	<u>282,012</u>
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			<u>348,406</u>	<u>348,406</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grant Cluster:				
(F) (H) Title I Grants to Local Educational Agencies	84.010	2011	31,043	43,807
(F) (H) Title I Grants to Local Educational Agencies	84.010	2012	201,938	201,719
Total Title I Grants to Local Educational Agencies			<u>232,981</u>	<u>245,526</u>
(F) ARRA - Title I Grants to Local Educational Agencies, Recovery Ac	84.389	2011	-	5,414
Total Title I Grant Cluster			<u>232,981</u>	<u>250,940</u>
Special Education Grant Cluster:				
(G)(H) Special Education_Grants to States	84.027	2011	(3,048)	2,939
(G)(H) Special Education_Grants to States	84.027	2012	336,509	347,590
Total Special Education_Grants to States			<u>333,461</u>	<u>350,529</u>
(G) ARRA - Special Education Grants to States, Recovery Ac	84.391	2011	6,268	25,570
(G) Special Education_Preschool Grants	84.173	2011	1,282	1,489
(G) Special Education_Preschool Grants	84.173	2012	5,890	2,034
Total Special Education_Preschool Grants			<u>7,172</u>	<u>3,523</u>
(G) ARRA - Special Education_Preschool Grants, Recovery Act	84.392	2011	2,934	4,012
Total Special Education Grant Cluster			<u>349,835</u>	<u>383,634</u>
Educational Technology State Grants	84.318	2011	686	-
Improving Teacher Quality State Grants	84.367	2012	45,390	45,548
ARRA - State Fiscal Stabilization Fund (SFSF), Education State Grants, Recovery Ac	84.394	2010	-	54,426
ARRA - State Fiscal Stabilization Fund (SFSF), Education State Grants, Recovery Ac	84.394	2011	-	140,640
Total ARRA - State Fiscal Stabilization Fund (SFSF), Education State Grants, Recovery Act			<u>-</u>	<u>195,066</u>
ARRA - Race to the Top - Ohio Residence Program, Recovery Act	84.395A	2012	350	336
Education Jobs Fund	84.410	2012	284,406	297,410
Total U.S. Department of Education			<u>913,648</u>	<u>1,172,934</u>
Total Federal Financial Assistance			<u>\$ 1,262,054</u>	<u>\$ 1,521,340</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2012.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of the "Child Nutrition Grant Cluster" in determining major programs
- (E) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis
- (F) Included as part of the "Title I Grant Cluster" in determining major programs
- (G) Included as part of the "Special Education Grant Cluster" in determining major programs
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2012, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	84.010	2011	\$ 27,225	
Title I Grants to Local Educational Agencies	84.010	2012		\$ 27,225
Special Education_Grants to States	84.027	2011	3,048	
Special Education_Grants to States	84.027	2012		3,048
Totals			<u>\$ 30,273</u>	<u>\$ 30,273</u>



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**Independent Accountants' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required By *Government Auditing Standards***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheffield-Sheffield Lake City School District, Lorain County, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Sheffield-Sheffield Lake City School District's basic financial statements and have issued our report thereon dated December 20, 2012. 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 Sheffield-Sheffield Lake City School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Sheffield-Sheffield Lake City School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Sheffield-Sheffield Lake City School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Sheffield-Sheffield Lake City School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education
Sheffield-Sheffield Lake City School District

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
December 20, 2012



Julian & Grube, Inc.
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**Independent Accountants' Report on Compliance With Requirements Applicable to Each
Major Federal Programs and on Internal Control Over Compliance
Required By OMB Circular A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of Sheffield-Sheffield Lake City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Sheffield-Sheffield Lake City School District's major federal programs for the fiscal year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Sheffield-Sheffield Lake City School District's major federal programs. The Sheffield-Sheffield Lake City School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Sheffield-Sheffield Lake City School District's compliance based on our audit.

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

In our opinion, the Sheffield-Sheffield Lake City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2012.

Board of Education
Sheffield-Sheffield Lake City School District

Internal Control Over Compliance

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

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

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

We noted a certain matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Sheffield-Sheffield Lake City School District's management in a separate letter dated December 20, 2012.

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



Julian & Grube, Inc.
December 20, 2012

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Child Nutrition Grant Cluster: School Breakfast Program (CFDA #10.553) and National School Lunch Program (CFDA #10.555); Special Education Grant Cluster: Special Education_Grants to States (CFDA #84.027), ARRA - Special Education_Grants to States, Recovery Act (CFDA #84.391), Special Education_Preschool Grants (CFDA #84.173) and ARRA - Special Education_Preschool Grants, Recovery Act (CFDA #84.392); Education Jobs Fund (CFDA # 84.410)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2011-01	34 CFR 80.20(b)(7) requires procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursements by grantees and subgrantees must be followed whenever advance payment procedures are used. At fiscal year end, the District had \$195,066 of SFSF grant monies on hand. This amount exceeded the District's last advance from the Ohio Department of Education through the foundation settlement.	Yes	N/A



Dave Yost • Auditor of State

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 21, 2013**