

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

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

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014***

**JOSHUA HILL, 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 Auditor's Report* of the Sheffield-Sheffield Lake City School District, Lorain County, prepared by Julian & Grube, Inc., for the audit period July 1, 2013 through June 30, 2014. 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

March 10, 2015

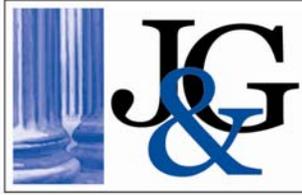
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**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**TABLE OF CONTENTS**

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 11
Basic Financial Statements:	
Government - Wide Financial Statements:	
Statement of Net Position .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis (Non-GAAP) and Actual - General Fund.....	19
Statement of Fiduciary Funds - Assets and Liabilities - Agency Fund .....	20
Notes to the Basic Financial Statements.....	21 - 47
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards .....	48
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> .....	49 - 50
Independent Auditor’s Report on Compliance With Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required By <i>OMB Circular A-133</i> .....	51 - 52
Schedule of Findings <i>OMB Circular A-133 § .505</i> .....	53



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditor's Report

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

To the Board of Education:

#### ***Report on the Financial Statements***

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, 2014, and the related notes to the financial statements, which collectively comprise the Sheffield-Sheffield Lake City School District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Sheffield-Sheffield Lake City School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Sheffield-Sheffield Lake City School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

#### ***Opinion***

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, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the Sheffield-Sheffield Lake City School District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule 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 Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sheffield-Sheffield Lake City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 18, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2014**

UNAUDITED

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The discussion and analysis of Sheffield-Sheffield Lake City School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the 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 District's financial performance.

**Financial Highlights**

Key Financial Highlights for 2014 are as follows:

- In total, the District's net position decreased by \$ 1,571,735.
- Revenues for governmental activities totaled \$ 20,928,271 in 2014. Of this total, 86.8 percent consisted of General revenues while Program revenues accounted for the balance of 13.2 percent.
- Program expenses totaled \$ 22,500,006. Instructional expenses made up 54.6 percent of this total while support services accounted for 33.5 percent. Other expenses rounded out the remaining 11.9 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 Position and Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the 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 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 District as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains all the funds used by the District to provide programs and activities, the view of the District as a whole considers all financial transactions and asks the question, "How did we do financially during 2014?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources 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, 2014**

**UNAUDITED**

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These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the 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 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 District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

In the Statement of Net Position and the Statement of Activities, the District is classified as governmental activities. All of the 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 District's Most Significant Funds**

*Fund Financial Statements*

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

*Governmental Funds*

All of the 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 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 Position 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, 2014**

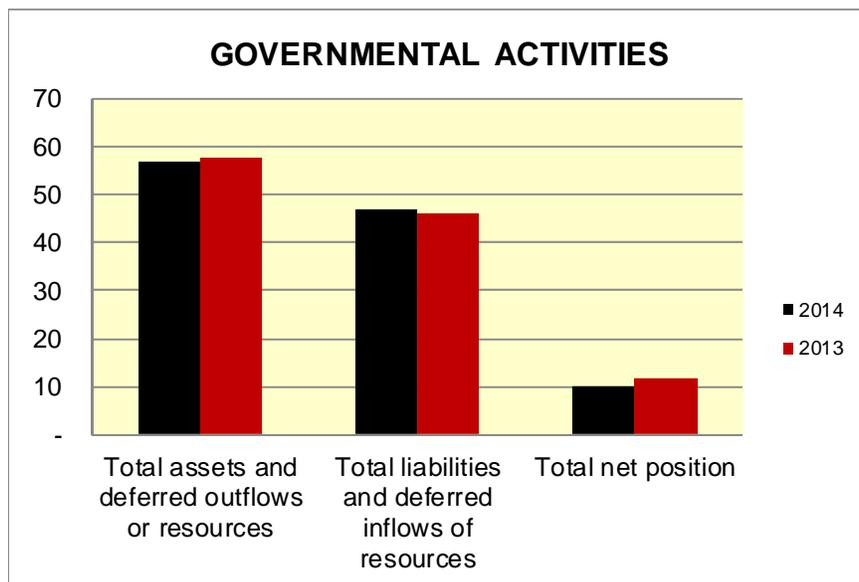
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**The District as a Whole**

The Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for 2014 compared to 2013.

**Table 1  
Net Position  
Governmental Activities**

	2014	2013	Change
<b>Assets</b>			
Current assets	\$ 38,021,917	\$ 51,347,800	\$(13,325,883)
Capital assets, net	18,751,703	6,439,093	12,312,610
<b>Total assets</b>	<u>56,773,620</u>	<u>57,786,893</u>	<u>(1,013,273)</u>
<b>Liabilities</b>			
Other liabilities	3,902,653	2,717,085	1,185,568
Long-term liabilities	32,310,941	32,810,003	(499,062)
<b>Total liabilities</b>	<u>36,213,594</u>	<u>35,527,088</u>	<u>686,506</u>
Deferred inflows of resources	<u>10,506,277</u>	<u>10,634,321</u>	<u>(128,044)</u>
<b>Net position</b>			
Net investment in capital assets	3,812,466	3,415,032	397,434
Restricted	2,035,775	1,805,514	230,261
Unrestricted	4,205,508	6,404,938	(2,199,430)
<b>Total net position</b>	<u>\$ 10,053,749</u>	<u>\$ 11,625,484</u>	<u>\$ (1,571,735)</u>



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2014**

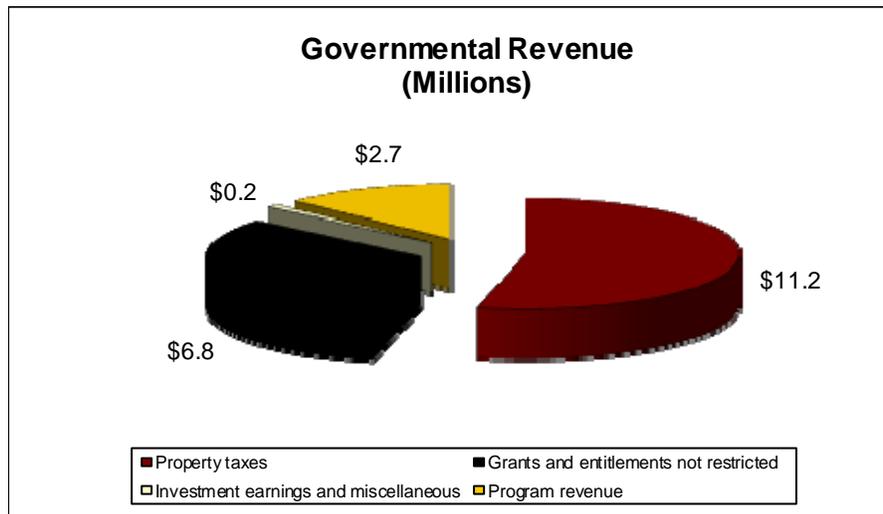
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Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's net position was \$ 10,053,749.

At year-end, capital assets represented 33.0% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2014 was \$ 3,812,466. 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 position, \$ 2,035,775, represents resources that are subject to external restrictions on how they are spent. The remaining balance of \$ 4,205,508 is considered unrestricted, 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 \$ 18,160,188 or 86.8 percent of the total revenue. The most significant portion of the General revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$ 2,768,083 or 13.2 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, 2014**

UNAUDITED

Table 2 shows the changes in net position for fiscal year 2014. A comparative analysis of government-wide for fiscal year 2013 data is also presented.

**Table 2  
Governmental Activities**

	2014	%	2013	%
		of Total		of Total
General revenues				
Property taxes levied for:				
General purpose	\$ 9,486,084	45.33%	\$10,233,317	46.88%
Debt service	1,455,124	6.95%	1,527,563	7.00%
Capital improvements	255,916	1.22%	283,258	1.30%
Grants and entitlements not restricted to specific purposes	6,777,426	32.38%	6,836,514	31.31%
Investment earnings	29,946	0.14%	43,731	0.20%
Miscellaneous	155,692	0.74%	196,095	0.90%
<b>Total general revenues</b>	<b>18,160,188</b>	<b>86.77%</b>	<b>19,120,478</b>	<b>87.59%</b>
Program revenues	2,768,083	13.23%	2,706,490	12.40%
<b>Total revenue</b>	<b>20,928,271</b>	<b>100.00%</b>	<b>21,826,968</b>	<b>99.99%</b>
 Governmental activities				
Instruction				
Regular	9,193,766	40.86%	8,988,020	38.68%
Special	2,825,882	12.56%	2,830,743	12.18%
Vocational	203,134	0.90%	147,908	0.64%
Other instruction	70,737	0.31%	40,669	0.18%
Supporting services				
Pupil	1,268,672	5.64%	1,240,359	5.34%
Instructional staff	1,009,461	4.49%	838,463	3.61%
Board of education	50,242	0.22%	43,514	0.19%
Administration	1,627,936	7.24%	1,609,154	6.93%
Fiscal services	508,380	2.26%	654,630	2.82%
Business	263,386	1.17%	262,381	1.13%
Operation and maintenance	1,367,493	6.08%	2,486,806	10.70%
Pupil transportation	1,196,007	5.32%	1,083,483	4.66%
Central services	250,126	1.11%	305,477	1.31%
Operation of non-instructional services				
Food service operation	665,524	2.96%	662,672	2.85%
Extracurricular activities	613,611	2.73%	648,934	2.79%
Interest	1,385,649	6.16%	1,391,757	5.99%
<b>Totals</b>	<b>22,500,006</b>	<b>100.00%</b>	<b>23,234,970</b>	<b>100.00%</b>
Change in net position	<u><u>\$ (1,571,735)</u></u>		<u><u>\$ (1,408,002)</u></u>	

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2014**

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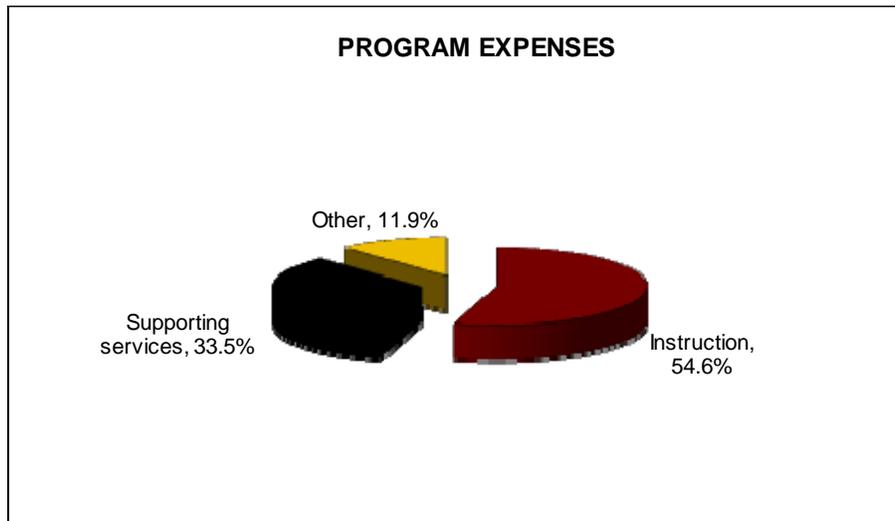
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**Governmental Activities**

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 53.5 percent of revenues for governmental activities for the Sheffield-Sheffield Lake City School District in fiscal year 2014.

The largest Governmental Activities program expense remains instruction, comprising 54.6 percent of total expenses. When combined with support services, these categories encompass 88.1 percent. The remaining program expenses of 11.9 percent are budgeted to facilitate other obligations of the 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, 2014**

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**

	<u>Total Cost Of Services</u>	<u>Net Cost Of Services</u>
Governmental activities		
Instruction		
Regular	\$ 9,193,766	\$ (7,877,753)
Special	2,825,882	(2,334,202)
Vocational	203,134	(203,134)
Other instruction	70,737	(70,737)
Supporting services		
Pupil	1,268,672	(1,095,865)
Instructional staff	1,009,461	(933,645)
Board of education	50,242	(50,242)
Administration	1,627,936	(1,627,936)
Fiscal services	508,380	(508,380)
Business	263,386	(263,386)
Operation and maintenance	1,367,493	(1,366,293)
Pupil transportation	1,196,007	(1,196,007)
Central services	250,126	(244,726)
Operation of non-instructional services		
Food service operation	665,524	(82,315)
Extracurricular activities	613,611	(491,653)
Interest	1,385,649	(1,385,649)
Totals	<u>\$ 22,500,006</u>	<u>\$(19,731,923)</u>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 49.8 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 30.1 percent, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues fund 12.3 percent of all governmental expenses.

**District Funds**

Information regarding the 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 \$ 21,626,009 and expenditures and other financing uses of \$ 35,519,913. The net change in fund balance for the year was a decrease of \$ 13,893,904, which was the result of a decrease of \$ 2,162,327 in the General Fund, an increase of \$ 234,315 in the Other Governmental Funds and a decrease of \$ 11,965,892 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, 2014

UNAUDITED

**General Fund Budgeting Highlights**

The 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 2014, the District amended its General Fund budget several times to allow for additional advances to federal and state grant funds and other less significant amendments. Fluctuations among the budget base expenditures categories are due to the 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, original and final budget estimated revenue was \$ 18,910,710. The actual revenue received was \$ 17,890,203. The final budget estimated expenditures were \$ 19,988,982, a decrease of \$ 1,252,965 from the original budgeted expenditures. The actual expenditures on the budget basis (cash outlays plus encumbrances) were \$ 20,553,023.

**Capital Assets and Debt Administration**

At the end of fiscal 2014 the District had \$ 18.8 million invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2014 values compared to 2013.

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

	2014	2013
Land	\$ 540,878	\$ 540,878
Construction in progress	14,937,467	2,537,835
Buildings and improvements	2,514,905	2,571,426
Furniture and equipment	417,785	473,566
Vehicles	340,668	315,388
	\$ 18,751,703	\$ 6,439,093

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

**Debt**

At June 30, 2014, the District had \$ 30,753,895 in outstanding bonds. The District has an Aa bond rating.

	2014	2013
Various purpose bond (2010) 3.74%, 12/1/2014	\$ 100,000	\$ 195,000
School improvement, capital appreciation bonds and accretion of interest (2011) 2.0% - 5.0%, 2018, 2019, and 2041 maturities	30,653,895	30,936,297
	\$ 30,753,895	\$ 31,131,297

For more information about the 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, 2014**

UNAUDITED

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**District Outlook**

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

The District relies heavily upon real estate taxes and state funding as sources of revenue. The 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 2014. Cost cutting measures are being looked at. The need for new money is going to be a necessity in the near future as well.

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 broke ground for the new facility in 2012 and plan to 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 District will continue to depend on the residents of the District to bear the cost of educating our children.

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

**Contacting the District's Financial Management**

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

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SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities
<b>Assets</b>	
Equity in pooled cash	\$ 24,762,382
Cash with escrow agent	274,523
Accounts receivable	10,740
Due from other governments	79,493
Inventories and supplies	24,144
Taxes receivable	12,870,635
Capital assets	
Nondepreciable capital assets	15,478,345
Depreciable capital assets, net	3,273,358
<b>Total assets</b>	<b>56,773,620</b>
<b>Liabilities</b>	
Accounts and contracts payable	1,607,997
Retainage payable	359,888
Accrued salaries, wages and benefits	1,445,425
Due to other governments	379,125
Accrued interest payable	110,218
Long-term liabilities	
Due within one year	562,171
Due in more than one year	31,748,770
<b>Total liabilities</b>	<b>36,213,594</b>
<b>Deferred inflows of resources</b>	
Property taxes	10,506,277
<b>Net position</b>	
Net investment in capital assets	3,812,466
Restricted for:	
Debt service	441,112
Capital projects	1,525,434
State grants	59,498
Federal grants	2,642
Other purposes	7,089
Unrestricted	4,205,508
<b>Total net position</b>	<b>\$ 10,053,749</b>

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, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants Interest and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction					
Regular	\$ 9,193,766	\$ 1,223,332	\$ 92,681	\$ -	\$ (7,877,753)
Special	2,825,882	141,768	349,912	-	(2,334,202)
Vocational	203,134	-	-	-	(203,134)
Other instruction	70,737	-	-	-	(70,737)
Supporting services					
Pupil	1,268,672	3,218	169,589	-	(1,095,865)
Instructional staff	1,009,461	-	75,816	-	(933,645)
Board of education	50,242	-	-	-	(50,242)
Administration	1,627,936	-	-	-	(1,627,936)
Fiscal services	508,380	-	-	-	(508,380)
Business	263,386	-	-	-	(263,386)
Operation and maintenance	1,367,493	-	-	1,200	(1,366,293)
Pupil transportation	1,196,007	-	-	-	(1,196,007)
Central services	250,126	-	5,400	-	(244,726)
Operation of non-instructional services					
Food service operation	665,524	168,226	414,983	-	(82,315)
Extracurricular activities	613,611	121,958	-	-	(491,653)
Interest	1,385,649	-	-	-	(1,385,649)
Totals	<u>\$ 22,500,006</u>	<u>\$ 1,658,502</u>	<u>\$ 1,108,381</u>	<u>\$ 1,200</u>	<u>(19,731,923)</u>
General revenues					
Property taxes levied for:					
General purpose					9,486,084
Debt service					1,455,124
Capital improvements					255,916
Grants and entitlements not restricted to specific purposes					6,777,426
Investment earnings					29,946
Miscellaneous					155,692
Total general revenues					<u>18,160,188</u>
Change in net position					(1,571,735)
Net position at beginning of year					11,625,484
Net position at end of year					<u>\$ 10,053,749</u>

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2014

	General Fund	Building and Renovations Fund	Other Governmental Funds	Total Governmental Funds
Assets and deferred outflow s of resources				
Assets				
Equity in pooled cash	\$ 5,359,386	\$ 17,660,063	\$ 1,742,933	\$ 24,762,382
Cash with escrow agent	-	274,523	-	274,523
Receivables, net of allowance				
Taxes, current	10,181,995	-	1,842,426	12,024,421
Taxes, delinquent	716,554	-	129,660	846,214
Accounts and other	10,740	-	-	10,740
Due from other governments	12,398	-	67,095	79,493
Interfund receivable	166,500	-	-	166,500
Inventories and supplies	10,798	-	13,346	24,144
Total assets	<u>\$ 16,458,371</u>	<u>\$ 17,934,586</u>	<u>\$ 3,795,460</u>	<u>\$ 38,188,417</u>
Liabilities, deferred inflow s of resources and fund balances				
Liabilities				
Accounts and contracts payable	\$ 107,651	\$ 1,434,289	\$ 66,057	\$ 1,607,997
Retainage payable	-	359,888	-	359,888
Accrued salaries, wages and benefits	1,363,893	-	81,532	1,445,425
Due to other governments	368,136	-	10,989	379,125
Interfund payable	-	-	166,500	166,500
Compensated absences payable	38,169	-	-	38,169
Total liabilities	<u>1,877,849</u>	<u>1,794,177</u>	<u>325,078</u>	<u>3,997,104</u>
Deferred inflow s of resources				
Property taxes	8,899,472	-	1,606,805	10,506,277
Unavailable - delinquent tax	716,554	-	129,660	846,214
Total deferred inflow s of resources	<u>9,616,026</u>	<u>-</u>	<u>1,736,465</u>	<u>11,352,491</u>
Fund balances				
Nonspendable	10,798	-	13,346	24,144
Restricted	-	16,140,409	575,898	16,716,307
Committed	570	-	1,250,000	1,250,570
Assigned	1,442,532	-	-	1,442,532
Unassigned (deficit)	3,510,596	-	(105,327)	3,405,269
Total fund balances	<u>4,964,496</u>	<u>16,140,409</u>	<u>1,733,917</u>	<u>22,838,822</u>
Total liabilities, deferred inflow s of resources and fund balances	<u>\$ 16,458,371</u>	<u>\$ 17,934,586</u>	<u>\$ 3,795,460</u>	<u>\$ 38,188,417</u>

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

Total governmental fund balances		\$ 22,838,822
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		18,751,703
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.		846,214
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		(1,132,105)
Bonds payable		(30,753,895)
Unamortized bond premium		(348,530)
Capital lease payable		(38,242)
Interest payable		(110,218)
		(33,182,990)
Net position of governmental activities		\$ 10,053,749

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, 2014

	General Fund	Building and Renovations Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 9,757,440	\$ -	\$ 1,758,595	\$ 11,516,035
Tuition and fees	1,365,100	-	-	1,365,100
Interest	3,426	13,612	-	17,038
Intergovernmental	6,591,019	-	1,336,523	7,927,542
Charges for services	-	-	167,350	167,350
Extracurricular	37,086	-	116,484	153,570
Other	121,823	1,200	6,351	129,374
<b>Total revenues</b>	<b>17,875,894</b>	<b>14,812</b>	<b>3,385,303</b>	<b>21,276,009</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular	9,081,308	-	60,414	9,141,722
Special	2,462,026	-	341,210	2,803,236
Vocational	203,219	-	-	203,219
Other instruction	70,737	-	-	70,737
<b>Supporting services</b>				
Pupil	1,065,123	-	203,533	1,268,656
Instructional staff	836,840	-	158,897	995,737
Board of education	49,076	-	-	49,076
Administration	1,580,282	-	39,151	1,619,433
Fiscal services	479,275	-	31,272	510,547
Business	263,074	-	-	263,074
Operation and maintenance	1,593,247	-	233	1,593,480
Pupil transportation	1,133,954	-	-	1,133,954
Central services	249,238	-	-	249,238
<b>Operation of non-instructional services</b>				
Food service	-	-	661,106	661,106
Extracurricular activities	477,495	-	132,757	610,252
Capital outlay	3,662	11,980,704	211,602	12,195,968
<b>Debt service</b>				
Principal	131,547	-	340,000	471,547
Interest	8,118	-	1,320,813	1,328,931
<b>Total expenditures</b>	<b>19,688,221</b>	<b>11,980,704</b>	<b>3,500,988</b>	<b>35,169,913</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,812,327)</b>	<b>(11,965,892)</b>	<b>(115,685)</b>	<b>(13,893,904)</b>
<b>Other financing sources (uses)</b>				
Transfers-in	-	-	350,000	350,000
Transfers-out	(350,000)	-	-	(350,000)
<b>Total other financing sources (uses)</b>	<b>(350,000)</b>	<b>-</b>	<b>350,000</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(2,162,327)</b>	<b>(11,965,892)</b>	<b>234,315</b>	<b>(13,893,904)</b>
Fund balances, beginning of year	7,126,823	28,106,301	1,499,602	36,732,726
<b>Fund balances, end of year</b>	<b>\$ 4,964,496</b>	<b>\$ 16,140,409</b>	<b>\$ 1,733,917</b>	<b>\$ 22,838,822</b>

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, 2014

Net change in fund balances - total governmental funds \$ (13,893,904)

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	\$ 12,541,802	
	Depreciation expense	<u>(229,192)</u>	
			12,312,610

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	(318,911)	
	Intergovernmental	<u>(41,735)</u>	
			(360,646)

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.

471,547

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 and premiums are amortized over the term of the bonds, whereas in governmental funds, the expenditure and revenue is reported when the bonds are issued.

	Accrued interest	880	
	Annual Accretion	(57,598)	
	Amortization of premium	<u>12,908</u>	
			(43,810)

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>(57,532)</u>	
			<u>(57,532)</u>

Change in net position of governmental activities

\$ (1,571,735)

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues and other financing sources	\$ 18,910,710	\$ 18,910,710	\$ 17,890,203	\$ (1,020,507)
Expenditures and other financing uses	21,241,947	19,988,982	20,553,023	(564,041)
Excess (deficiency) of revenues and other financing sources over(under) expenditures and other uses	(2,331,237)	(1,078,272)	(2,662,820)	(1,584,548)
Fund balance, beginning of year	6,973,273	6,973,273	6,973,273	-
Prior year encumbrances	544,532	544,532	544,532	-
Fund balance, end of year	<u>\$ 5,186,568</u>	<u>\$ 6,439,533</u>	<u>\$ 4,854,985</u>	<u>\$ (1,584,548)</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 FUND

JUNE 30, 2014

	<u>Agency Fund</u>
Assets	
Equity in pooled cash	\$ 95,587
Accounts receivable	4,509
Total assets	<u>\$ 100,096</u>
Liabilities	
Accounts and contracts payable	\$ 2,490
Due to students	89,339
Due to others	8,267
Total liabilities	<u>\$ 100,096</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, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE 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, 2013 was 1,803. The District employs 184 certificated and 126 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 North Coast Council Ohio (NCCO), 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 19 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 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 position 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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

Government-wide Financial Statements

The statement of net position 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 position 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, deferred outflows of resources, liabilities and deferred inflows of resources 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, 2014

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 Renovations Fund receives bond proceeds to be used 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 position, 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 position and changes in net position. 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, deferred outflows of resources, all liabilities and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position. The Statement of Activities presents increases (revenues) and decreases (expenses) in the total net position.

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, deferred outflows of resources, current liabilities and deferred inflows of resources 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, 2014

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 basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. As of June 30, 2014, the District did not have these types of transactions.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. The amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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, 2014 was \$ 3,426 of which \$ 520 was assigned from 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, 2014.

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, 2014

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 position 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's capitalization threshold is five thousand dollars during fiscal year 2014. 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 position.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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. UNAMORTIZED BOND PREMIUM

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 an addition to the face amount of the bonds.

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

O. NET POSITION

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and debt related to those capital assets. Net position is 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 position reports \$ 2,035,775 of restricted net position, of which none is restricted by enabling legislation.

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

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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 District 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 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 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 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, 2014

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. These amounts are eliminated in the governmental activities column of the statement of net position.

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 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2014, the District has implemented Governmental Accounting Standard Board (GASB) Statement No.66 “Technical Corrections – 2012; an amendment of GASB Statements No. 10 and No. 62,” Statement No. 69 “Government Combinations and Disposals of Government Operations,” and Statement No. 70 “Accounting and Financial Reporting for Nonexchange Financial Guarantees.”

GASB Statement No.66, “Technical Corrections – 2012; an amendment of GASB Statements No. 10 and No. 62”. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No.69, “Government Combinations and Disposals of Government Operations”. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term government combinations is used in this Statement to refer to a variety of arrangements including mergers and acquisitions. Government combinations also include transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

GASB Statement No. 70, “*Accounting and Financial Reporting for Nonexchange Financial Guarantees*”. The statement provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**NOTE 3 - 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	\$ (2,662,820)
Adjustments, increase (decrease)	
Revenue accruals	(159,429)
Expenditure accruals	336,494
Encumbrances	307,673
Funds budgeted separately	15,755
GAAP basis, as reported	\$ (2,162,327)

**NOTE 4 – COMPLIANCE AND ACCOUNTABILITY**

**DEFICIT BALANCES**

At June 30, 2014, the following nonmajor governmental funds had deficit fund balances: the Athletic Fund of \$ 28,867, the Food Service Fund of \$ 2,428, the Preschool Fund of \$ 276, the IDEA Part B Fund of \$ 64,261, the Title I Fund of \$ 3,644, and the Improving Teacher Quality Fund of \$ 5,851. 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, 2014

NOTE 5 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the 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:

Fund Balance	General Fund	Building and Renovations Fund	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Inventory	\$ 10,798	\$ -	\$ 13,346	\$ 24,144
<b>Restricted</b>				
Capital improvements	-	16,140,409	178,184	16,318,593
Debt service	-	-	330,747	330,747
Other grants	-	-	7,089	7,089
MIS	-	-	5,400	5,400
Entry year program	-	-	2,630	2,630
Onenet	-	-	10,800	10,800
High school that works	-	-	6,664	6,664
Poverty assistance	-	-	24,392	24,392
Miscellaneous state grants	-	-	9,612	9,612
Race to the top	-	-	380	380
	-	16,140,409	575,898	16,716,307
<b>Committed</b>				
Termination benefits	570	-	-	570
Capital projects	-	-	1,250,000	1,250,000
	570	-	1,250,000	1,250,570
<b>Assigned</b>				
Subsequent year appropriations	940,222	-	-	940,222
Encumbrances	174,264	-	-	174,264
Other purposes	328,046	-	-	328,046
	1,442,532	-	-	1,442,532
Unassigned (deficit)	3,510,596	-	(105,327)	3,405,269
<b>Total fund balance</b>	<b>\$ 4,964,496</b>	<b>\$ 16,140,409</b>	<b>\$ 1,733,917</b>	<b>\$ 22,838,822</b>

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (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, 2014

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS(continued)

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

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

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the District's deposits was \$ 16,055,459 and the bank balance was \$ 16,079,173. Of the bank balance, \$ 15,260,678 was covered by federal depository insurance and \$ 818,495 was collateralized with securities held by the pledging institution's trust department not in the District's name.

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, 2014, the District had the following investments:

	Maturity	Fair Value
Investment in State Treasurer's Investment Pool	n/a	\$ 9,077,033

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, 2014, 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, 2014

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes for 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 were levied after April 1, 2013, on the assessed values as of December 31, 2012, 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 2014 (other than public utility property tax) represents the collection of 2014 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 2014 were levied after October 1, 2013, on the value as of December 31, 2013. 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 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, 2014, are available to finance fiscal year 2015 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, 2014 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 2014 operations. The receivable is therefore offset by a credit to deferred inflows of resources 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, 2014, was \$ 1,282,522 in the General Fund, \$ 200,559 in the Debt Service Fund and \$ 35,063 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2013, was \$ 1,151,689 in the General Fund, \$ 177,758 in the Debt Service Fund (nonmajor governmental fund) and \$ 31,920 in the Permanent Improvement Fund (nonmajor governmental 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, 2014

NOTE 7 - PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second - Half Collections			2014 First - Half Collections	
	Amount	%		Amount	%
Agricultural/Residential	\$ 205,966,210	66.85	%	\$ 204,169,520	67.02 %
Commercial/Industrial	95,788,780	31.09		93,427,270	30.67
Public Utilities	6,350,360	2.06		7,037,030	2.31
Total Assessed Value	\$ 308,105,350	100.00	%	\$ 304,633,820	100.00 %
Tax rate per \$1,000 of assessed valuation	\$ 63.58			\$ 63.90	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2014, 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:	
General Fund	\$ 12,398
Nonmajor Funds	
IDEA	34,963
Title I	25,196
ECSE	828
Title II A	4,362
High School that Works	1,746
Total due from other governments	\$ 79,493

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 9 – INTERFUND ADVANCES

Interfund receivables and payables at June 30, 2014 are as follows:

Major Fund:	Receivable	Payable
General Fund	\$ 166,500	\$ -
Non-major funds:		
Title VI B	-	50,000
Title I	-	55,000
Athletics	-	36,000
ECSE Preschool	-	500
Food Service	-	25,000
Total non-major funds	-	166,500
Total	\$ 166,500	\$ 166,500

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Disposals	Balance June 30, 2014
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 540,878	\$ -	\$ -	\$ 540,878
Construction in progress	2,537,835	12,399,632	-	14,937,467
Total nondepreciable capital assets	3,078,713	12,399,632	-	15,478,345
Depreciable capital assets				
Buildings and improvements	6,510,969	53,461	-	6,564,430
Furniture and equipment	934,113	-	-	934,113
Vehicles	1,496,433	88,709	-	1,585,142
Total capital assets being depreciated	8,941,515	142,170	-	9,083,685
Less accumulated depreciation				
Buildings and improvements	3,939,543	109,982	-	4,049,525
Furniture and equipment	460,547	55,781	-	516,328
Vehicles	1,181,045	63,429	-	1,244,474
Total accumulated depreciation	5,581,135	229,192	-	5,810,327
Depreciable capital assets, net of accumulated depreciation	3,360,380	(87,022)	-	3,273,358
Governmental activities capital assets, net	\$ 6,439,093	\$ 12,312,610	\$ -	\$ 18,751,703

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 10 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction		
Regular	\$	19,623
Special		7,260
Supporting services		
Pupil		426
Instructional staff		7,515
Board of education		1,166
Administration		1,593
Fiscal services		1,619
Operation and maintenance		119,674
Pupil transportation		57,805
Operation of non-instructional services		
Food service operation		9,446
Extracurricular activities		3,065
Total depreciation expense	\$	<u>229,192</u>

NOTE 11 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2014, 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, 2014

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

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

Plan Description - The 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 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, 2014, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$ 353,545, \$ 390,312, and \$ 384,806, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

Plan Description - The 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](http://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, 2014

NOTE 12 - 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 31<sup>st</sup> 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, 2014

NOTE 12 - 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 14% of member and 14% for employers. Contribution requirements and contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers: 13% was the portion used to fund pension obligations. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012, were \$1,087,172, \$ 1,165,445, and \$ 1,171,955, respectively; 100 percent has been contributed for fiscal year 2014, 2013 and 2012.

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, 2014, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Postemployment Benefits

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

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$ 104.90 for most participants, but could be as high as \$335.70 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 2014, the actuarially required allocation is 0.76%. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012, were \$ 19,192, \$ 20,631, and \$ 20,615, respectively. 100 percent has been contributed for fiscal year 2014, 2013 and 2012.

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, 2014

NOTE 13 - 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 0.14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes 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 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$ 3,535, \$ 4,461, and \$ 15,117, respectively. 100 percent has been contributed for fiscal year 2014, 2013 and 2012.

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](http://www.ohsers.org) under Employers/Audit Resources.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description – The 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](http://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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$ 83,629, \$ 89,650, and \$ 90,150, respectively; 100 percent has been contributed for fiscal year 2014, 2013 and 2012.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**NOTE 14 – BONDS PAYABLE**

The original issue date, interest rate, original issuance and date of maturity for each of the District's bonds payable follow:

	Original Issue	Interest Rate	Original Issue Amount	Date of Maturity
General obligation bonds				
Various purpose bonds	2010	3.74%	480,000	12/1/2014
School improvement				
Serial	2011	2.0 - 5.0%	12,480,000	12/1/2031
Term	2011	5.00%	9,635,000	12/1/2037
Term	2011	4.50%	8,690,000	12/1/2041
Capital appreciation bonds	2011	19.86%	82,963	12/1/2018
Capital appreciation bonds	2011	19.86%	111,957	12/1/2019

The original amount of bonds issued during fiscal year 2012 was \$ 30,999,919 for new construction and improvements of the District's facilities. The general obligation bonds included serial, term and capital appreciation bonds. The present value (as of issue date) reported in the Statement of Net Position at June 30, 2014 was \$ 30,653,895. The accreted interest of \$ 138,976 has been included in the Statement of Net Position at June 30, 2014. This year the addition to these bonds was \$ 57,598 which represents the increase in the accretion of interest. The final amount of these bonds will be \$ 855,000 payable through December 2019. The amount of unspent proceeds from these bonds was \$ 16,062,454 at June 30, 2014.

**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in the District's long-term obligations during fiscal year 2014 were as follows:

	(Restated)				
	Balance			Balance	Amounts Due
	June 30, 2013	Additions	Retired	June 30, 2014	In One Year
Various purpose bonds	\$ 195,000	\$ -	\$ 95,000	\$ 100,000	\$ 100,000
School improvement bonds	30,660,000	-	340,000	30,320,000	360,000
School improvement CABs	194,919	-	-	194,919	-
	<u>31,049,919</u>	<u>-</u>	<u>435,000</u>	<u>30,614,919</u>	<u>460,000</u>
Accretion on CABs	81,378	57,598	-	138,976	-
Premium on bonds	361,438	-	12,908	348,530	-
Capital leases	74,789	-	36,547	38,242	38,242
Compensated absences	1,242,479	118,301	190,506	1,170,274	63,929
	<u>\$ 32,810,003</u>	<u>\$ 175,899</u>	<u>\$ 674,961</u>	<u>\$ 32,310,941</u>	<u>\$ 562,171</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, 2014

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire bonds outstanding at June 30, 2014 were as follows:

Year ending June 30,	Principal	Interest	Total
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	450,000	1,293,287	1,743,287
2019	232,962	1,528,949	1,761,911
2020-2024	2,556,957	6,701,170	9,258,127
2025-2029	4,320,000	5,577,334	9,897,334
2030-2034	6,210,000	4,460,442	10,670,442
2035-2039	8,920,000	2,628,575	11,548,575
2040-2042	6,660,000	458,550	7,118,550
	<u>\$ 30,614,919</u>	<u>\$ 26,576,176</u>	<u>\$ 57,191,095</u>

NOTE 16 – CAPITAL LEASE

The 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>\$ 93,408</u>	<u>\$ 95,377</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2014 were as follows:

	Year ending June 30,	Amount
	2015	<u>\$ 39,188</u>
Total minimum lease payments		39,188
Less amount representing interest		946
Net present value of minimum lease payments		<u>\$ 38,242</u>

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

**NOTE 17 – 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 2014, expenditures for operating leases totaled \$ 75,336. 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, 2014.

Year ending June 30,	Amount
2015	\$ 50,224
Total minimum lease payments	\$ 50,224

**NOTE 18 – 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 capital improvements during fiscal year 2014.

	Capital Improvements
Set aside reserve balance June 30, 2013	\$ -
Current year set aside requirement	303,132
Current year qualifying expenditures	(10,914,977)
Current year offset	(306,939)
Totals	\$(10,918,784)
Balance carried forward to fiscal year 2014	\$ -
Set aside reserve balance June 30, 2014	\$ -

Expenditures and offset credits for capital maintenance during the year were \$ 11,221,916. The capital maintenance expenditures exceeded statutory requirement for fiscal year 2014. However, the excess amount cannot be used to offset future years' set-aside requirements.

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

**A. NORTH COAST COUNCIL OHIO**

The North Coast Council Ohio ("NCCO") is a jointly governed organization comprised of 31 school districts. NCCO was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions for member districts. Each of the governments of these districts supports NCCO based upon a per pupil charge, dependent upon the software package utilized. The NCCO assembly consists of a superintendent or designated representative from each participating district, and a representative from the fiscal agent. NCCO is governed by a board of directors chosen from the general membership of the NCCO 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. Fiscal information for NCCO is available from the Treasurer of the Educational Service Center of Cuyahoga County (fiscal agent), located at 5700 West Canal, Valley View, Ohio 44125. During the year ended June 30, 2014, the District paid \$ 75,831 to NCCO for basic service charges.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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. During the year ended June 30, 2014, the District paid \$ 2,494,672 to LERC for basic service charges.

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 2014, the District paid \$ 81,548 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, 2014

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. OHIO SCHOOLS COUNCIL (continued)

The District participates in the natural gas purchase program. This program allows the 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 20 - INTERFUND TRANSFERS

During the year ended June 30, 2014, interfund transfers were made from the General Fund to the Food Service Fund and the Capital Projects Fund for operating activities of those funds.

	Transfer from: General Fund
Transfer to:	
Nonmajor Governmental Funds	\$ 350,000

Transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

NOTE 21 - 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, 2014.

NOTE 22 - CONTRACTUAL COMMITMENTS

At June 30, 2014 the District had contractual commitments for building construction and renovation projects as follows:

	Contract Amount	Expended	Remaining Liability
High school new construction	\$ 28,887,104	\$ 14,165,316	\$ 14,721,788

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 23 – SUBSEQUENT EVENTS

During July 2014, the District entered into a lease agreement to purchase computer equipment. The lease agreement calls for five annual payments through 2018

## **SUPPLEMENTARY DATA**

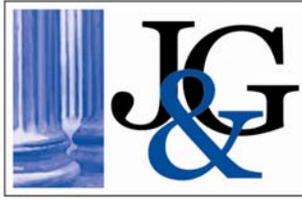
**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Child Nutrition Cluster:</b>				
(C)(D) School Breakfast Program	10.553	2014	\$ 75,141	\$ 75,141
(C)(D) National School Lunch Program	10.555	2014	283,518	283,518
<b>Total Child Nutrition Cluster</b>			<u>358,659</u>	<u>358,659</u>
State Administrative Expenses for Child Nutrition	10.560	2014	-	8,000
<b>Total U.S. Department of Agriculture</b>			<u>358,659</u>	<u>366,659</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
Title I Grants to Local Educational Agencies	84.010	2013	35,123	61,355
Title I Grants to Local Educational Agencies	84.010	2014	240,621	265,961
<b>Total Title I Grants to Local Educational Agencies</b>			<u>275,744</u>	<u>327,316</u>
<b>Special Education Grant Cluster:</b>				
(E)(F) Special Education_Grants to States	84.027	2013	(1,404)	-
(E)(F) Special Education_Grants to States	84.027	2014	288,253	301,037
<b>Total Special Education_Grants to States</b>			<u>286,849</u>	<u>301,037</u>
(E) Special Education_Preschool Grants	84.173	2013	1,596	-
(E) Special Education_Preschool Grants	84.173	2014	6,861	7,323
<b>Total Special Education_Preschool Grants</b>			<u>8,457</u>	<u>7,323</u>
<b>Total Special Education Grant Cluster</b>			<u>295,306</u>	<u>308,360</u>
Improving Teacher Quality State Grants	84.367	2013	5,017	8,482
Improving Teacher Quality State Grants	84.367	2014	46,622	46,622
<b>Total Improving Teacher Quality State Grants</b>			<u>51,639</u>	<u>55,104</u>
SFSF - Race to the Top, Recovery Act - Ohio Residence Program	84.395	2014	2,800	170
<b>Total U.S. Department of Education</b>			<u>625,489</u>	<u>690,950</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 984,148</u>	<u>\$ 1,057,609</u>

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

- (A) OAKS did not assign pass-through numbers for fiscal year 2014.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Included as part of the "Child Nutrition Cluster" in determining major programs.
- (D) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of the "Special Education Grant Cluster" in determining major programs.
- (F) 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 2014, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Special Education_Grants to States	84.027	2013	\$ 1,404	
Special Education_Grants to States	84.027	2014		\$ 1,404



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**Independent Auditor's 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, 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, 2014, and the related notes to the financial statements, which collectively comprise the Sheffield-Sheffield Lake City School District's basic financial statements and have issued our report thereon dated December 18, 2014.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Sheffield-Sheffield Lake City School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Sheffield-Sheffield Lake City School District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Sheffield-Sheffield Lake City School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

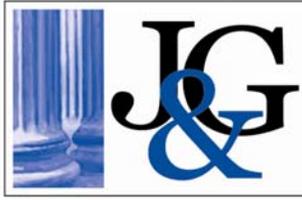
We also noted certain matters not requiring inclusion in this report that we reported to the Sheffield-Sheffield Lake City School District's management in a separate letter dated December 18, 2014.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Sheffield-Sheffield Lake City School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Sheffield-Sheffield Lake City School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
December 18, 2014



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable to the  
Major Federal Program 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:

***Report on Compliance for the Major Federal Program***

We have audited the Sheffield-Sheffield Lake City School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Sheffield-Sheffield Lake City School District's major federal program for the fiscal year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Sheffield-Sheffield Lake City School District's major federal program.

***Management's Responsibility***

The Sheffield-Sheffield Lake City School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to opine on the Sheffield-Sheffield Lake City School District's compliance for the Sheffield-Sheffield Lake City School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sheffield-Sheffield Lake City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Sheffield-Sheffield Lake City School District's major program. However, our audit does not provide a legal determination of the Sheffield-Sheffield Lake City School District's compliance.

Board of Education  
Sheffield-Sheffield Lake City School District

***Opinion on the Major Federal Program***

In our opinion, the Sheffield-Sheffield Lake City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2014.

***Report on 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 applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Sheffield-Sheffield Lake City School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
December 18, 2014

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2014**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<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>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education Grant Cluster: Special Education_Grants to States, CFDA #84.027; Special Education_Preschool Grants, CFDA #84.173
<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>	Yes

**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

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# 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  
MARCH 24, 2015**