



**AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

**AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY**

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**AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$56,098		\$53,861
National School Lunch Program	048124 LL P4 04	10.555	\$ 74,107		\$ 74,107	
Total U.S. Department of Agriculture - Child Nutrition Cluster			74,107	56,098	74,107	53,861
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States, IDEA Part B	048124 6B SF 03	84.027	109,157		143,522	
Special Education Grants to States, IDEA Part B	048124 6B SF 04	84.027	354,588		289,308	
Total Special Education Grants to States, IDEA Part B			463,745	-	432,830	-
Special Education Preschool Grants	048124 PG S1 03	84.173	10,852		-	
Special Education Preschool Grants	048124 PG S1 04	84.173	17,521		17,521	
Total Special Education Preschool Grants			28,373	-	17,521	-
Total Special Education Cluster			492,118	-	450,351	-
Title I, Part A, ESEA	048124 C1 S1 03	84.010	54,208		2,226	
Total Title I, Part A, ESEA			54,208	-	2,226	-
Safe and Drug Free Schools	048124 DR S1 02	84.186	-		7,131	
Safe and Drug Free Schools	048124 DR S1 03	84.186	6,650		7,064	
Safe and Drug Free Schools	048124 DR S1 04	84.186	9,258		2,372	
Total Safe and Drug Free Schools			15,908	-	16,567	-
Innovation Education Program Strategies, Title V	048124 C2 S1 03	84.298	(156)		6,156	
Innovation Education Program Strategies, Title V	048124 C2 S1 04	84.298	19,837		15,171	
Total Innovation Education Program Strategies, Title V			19,681	-	21,327	-
Education Technology State Grants, Title II-D	048124 TJ S1 03	84.318	1,486	-	2,085	-
Total Education Technology State Grants, Title II-D			1,486	-	2,085	-
Improving Teacher Quality, Title II-A	048124 TR S1 03	84.367	41,732		30,748	
Improving Teacher Quality, Title II-A	048124 TR S1 04	84.367	66,310		65,044	
Total Improving Teacher Quality, Title II-A			108,042	-	95,792	-
Total U.S. Department of Education			691,443	-	588,348	-
Total All Federal Funds			\$ 765,550	\$ 56,098	\$ 662,455	\$ 53,861

The accompanying notes to this schedule are an integral part of this schedule.

**AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – CHILD NUTRITION CLUSTER

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

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

CFDA – Catalog of Federal Domestic Assistance

N/A – Not Applicable



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Education
Avon Lake City School District
Lorain County
175 Avon Belden Road
Avon Lake, Ohio 44012

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Avon Lake City School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2004 and have issued our report thereon dated January 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a directly and materially effect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. We also noted certain immaterial instances on noncompliance that we have reported to management of the District in a separate letter dated January 21, 2005.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated January 21, 2005.

Avon Lake City School District
Lorain County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

January 21, 2005



Auditor of State Betty Montgomery

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

Board of Education
Avon Lake City School District
Lorain County
175 Avon Belden Road
Avon Lake, Ohio 44012

Compliance

We have audited the compliance of Avon Lake City School District, Lorain County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Avon Lake City School District, Lorain County, Ohio complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the District in a separate letter dated January 21, 2005.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 21, 2005.

Schedule of Federal Awards Receipts and Expenditures

We have audited the basic financial statements of the District as of and for the year ended June 30, 2004, and have issued our report thereon dated January 21, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of management, Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

January 21, 2005

**AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: National School Lunch Program – CFDA# 10.555 Food Distribution Program – CFDA# 10.550 Improving Teacher Quality – CFDA# 84.367 Special Education Cluster: Grants to States – CFDA # 84.027 Preschool Grants – CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

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

Finding Number	2004-001
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Appropriations Exceeding Estimated Resources

Ohio Rev. Code Section 5705.39 prohibits a political subdivision from making funds appropriations in excess of estimated resources available for expenditure. In addition, Ohio Rev. Code Section 5705.40 requires that any appropriation measure may be amended or supplemented provided the District complies with the same provisions of the law as are used in making the original appropriation. The following funds had original appropriations in excess of the original amount certified as available by the county budget commission:

Fund	Original Estimated Resources	Original Appropriations	Excess
Alternative Challenge	\$6,986	\$38,812	\$(31,826)
Class Size Reduction	71,333	97,059	(25,726)

The following funds had appropriations in excess of the amount certified as available by the budget commission at June 30, 2004:

Fund	Final Estimated Resources	Final Appropriations	Excess
Alternative Challenge	\$28,627	\$39,692	\$(11,065)
Pre-School	26,523	29,936	(3,413)
Class Size Reduction	81,996	123,371	(41,375)

By not monitoring the estimated resources and appropriations, expenditures could exceed the total of the available fund balances and current year revenue resulting in negative fund balances.

Prior to establishing appropriations, we recommend the District compare those potential appropriations to total certified resources, in all funds which are legally required to be budgeted, to ensure the appropriations do not exceed certified resources. This comparison should also be performed prior to amending appropriations.

**AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004
(Continued)**

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

Continued

Finding Number	2004-002
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Expenditures Exceeding Appropriations

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. The following funds had final expenditures plus encumbrances exceeding authorized appropriations at the legal level of budgetary control on June 30, 2004:

Fund	Appropriations	Expenditures plus Encumbrances	Variance
Food Service	\$557,560	\$652,151	\$(94,591)
Michael Baumhauer Scholarship	3,400	4,478	(1,078)
Other Grants	45,477	57,070	(11,593)
Entry Year Teacher	6,382	7,700	(1,318)
Student Reading Intervention	0	50,000	(50,000)
Title VI-B	505,757	565,939	(60,182)
Title I	54,281	59,726	(5,445)
Self-insurance	1,315,544	2,985,544	(1,670,000)

Monitoring annual appropriations is vital for maintaining sound budgetary practices. By not monitoring the appropriations, expenditures plus encumbrances could result in funds exceeding the total available fund balance. It should be noted that there were less significant occurrences of noncompliance with this Revised Code section which resulted in a fifty percent noncompliance rate for all District funds. Those additional instances are disclosed in a separate letter to management dated January 21, 2005.

We recommend the District verify that all expenditures and encumbrances have proper appropriation authority prior to expending funds or certifying encumbrances and compare appropriations to expenditures plus encumbrances in all funds which are legally to be budgeted, at the legal level of control (fund level), to maintain compliance with the above requirement.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**AVON LAKE CITY SCHOOL DISTRICT
AVON LAKE, OHIO**

**Comprehensive
Annual Financial Report
For the Fiscal Year Ended June 30, 2004**

Prepared by

**Denise J. Armour
Treasurer**

Avon Lake City School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2004
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Avon Lake City Schools

Treasurer's Office

175 Avon Belden Rd.

Avon Lake, Ohio 44012-1650

(440) 933-5163

(440) 933-7328

January 21, 2005

Board of Education Members and Residents of
Avon Lake City School District

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Avon Lake City School District for the fiscal year ended June 30, 2004. This CAFR includes an opinion from the State Auditor and conforms to generally accepted accounting principles as applicable to governmental entities. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the School District. This report will provide the taxpayers of the Avon Lake City School District with the comprehensive financial data in a format which will enable them to gain an understanding of the School District's financial affairs. Copies will be made available to the Avon Lake Public Library, major taxpayers, financial rating services and other interested parties.

The comprehensive annual financial report is presented in three sections as follows:

1. **The Introductory Section**, which contains a Table of Contents, Letter of Transmittal, List of Principal Officials, the Organizational Chart of the School District, the GFOA Certificate of Achievement and the ASBO Certificate of Excellence.
2. **The Financial Section**, which begins with the Independent Accountants' Report and includes Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the School District's financial position and operating results, the Combining Statements by Fund Type and other schedules providing detailed information relative to the Basic Financial Statements.
3. **The Statistical Section**, which presents social and economic data, financial trends and the fiscal capacity of the Avon Lake City School District.

The School District

The Avon Lake City School District is located in a residential/commercial suburban community in eastern Lorain County, twenty-five miles west of Cleveland. In 1850, the first log cabin school was built, and as the need arose, four brick one-room school buildings were built. In 1921, a \$125,000 bond issue was passed to build a centralized school that is now a section of Avon Lake High School.

In order to meet the needs of a growing community, the high school was expanded several times. In the mid 1970's instructional classrooms and a physical education complex were added and the Learwood Middle School, Erieview Elementary, Eastview Elementary, Westview Elementary, Redwood Elementary and Troy Junior High School were constructed. Troy Junior High School was closed for educational purposes in 1982 because of the energy crisis and decreased enrollment. In 1988, Troy Junior High was reopened as the Avon Lake Community Education Center. The Community Education Center ceased to operate in the Troy Building as of July, 1991 due to the economy of operations. The Troy Intermediate School building was reopened for instruction beginning in the fall of 1995. In 1999, Avon Lake City Schools began their last building project that added classrooms to all seven (7) buildings. Avon Lake High School has just completed the most recent major renovation, which included additional physical education facilities and an auditorium that hosted the Cleveland Pops Orchestra for the dedication of the facilities. Today the citizens have an investment of \$81,357,650 in the School District land, land improvements, buildings, furniture and equipment, vehicles, textbooks and library books and construction in progress (excludes accumulated depreciation).

The legislative power of the School District is vested in the Board of Education, consisting of five members elected at-large for staggered four year terms. Statutorily, the School District operates under standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 of the Ohio Revised Code, to provide services authorized by charter and further mandated by State and Federal agencies.

Reporting Entity

The Avon Lake City School District has reviewed its reporting entity definition in order to insure conformance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." In evaluating how to define the School District for financial reporting purposes, management has considered its relationship with all departments, boards, and agencies that make up the Avon Lake City School District. For the Avon Lake City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District has no component units.

The School District participates in four jointly governed organizations and one claims servicing pool and is associated with one related organization. These organizations are the Lake Erie Educational Computer Association (LEECA), the Lake Erie Regional Council of Governments (LERC), the Lorain County Joint Vocational School District, the Ohio Schools Council Association, the Lake Erie Council of Governments (LERC) Insurance Program and the Avon Lake Public Library. These organizations are presented in Notes 18, 19, and 20 to the basic financial statements.

A complete discussion of the School District's reporting entity is provided in Note 1 to the basic financial statements.

Economic Condition and Outlook

Ohio House Bill 920, passed in 1976, provides that the assessed value of residential and commercial property will not be changed more than once every three years, and that the property tax bill of the average homeowner for voted millage will not be increased as a result of reappraisal or readjustment. This legislation has the effect of seriously eroding the growth in revenue from the local property tax. It was enacted as a result of protests from citizens who were being served markedly higher bills following reappraisals. Because of this Ohio law, little additional revenue can be generated from the existing tax duplicate except through a vote of the people or from newly constructed commercial and residential property. If Ohio House Bill 920 had not been passed, the Avon Lake City School District would not have had to pass new millage as the growth in valuation would have been sufficient to adequately fund the Avon Lake City Schools. A direct result of this legislation is the fact that our School District will periodically have tax issues that will require voter approval.

Ohio lawmakers have also passed legislation that has been reducing tangible taxes (the taxes paid by business on equipment and inventory) over the past decade. Each year, the assessment rate of this property and inventory was lowered one percent until 1993 when it reached twenty-five percent. Ohio lawmakers have again passed a law that is lowering the property and inventory tax by two percent a year. This results in lost revenue for all Ohio schools.

Another economic factor impacting local revenue growth is tax abatements. Both Ford Motor Company and the Geon Corporation received major abatements in recent years. While the expansion of these local corporate giants into the City of Avon Lake is certainly a positive boost to the local economy, the abatements curtailed the local tax income that would have benefited our local schools. Additionally, the first tax incentive agreement under the Community Reinvestment Program of the City of Avon Lake was approved for Ed Tomko Chrysler-Plymouth, Jeep-Eagle automobile dealership. Electric deregulation has impacted the Avon Lake City School District. The State of Ohio has passed legislation to replace lost funds. This will lower income from local property tax and increase income at the State level.

The recent Ohio Supreme Court decision overturning the State's method of funding schools creates another major concern for the future financing of our local schools. While the School District receives a relatively small portion of our revenue from State sources, the School District is viewed by the State as a comparatively wealthy school district, due to our large property tax base. So far, the State's resolution of this funding crisis has resulted in a seemingly "flat" revenue stream; however, some loss has been realized in the area of funding special education and transportation. The political process is still being played out in Columbus.

Avon Lake City School District enrollment has increased by twenty percent in the last decade and new residential construction continues.

School District Local Funding

School District management will carefully control expenses during the coming years to continue to assure that tax levy revenues are adequate and well spent. Voters approved a 4.86 mill replacement levy in May of 2003.

Major Initiatives

Ohio Report Card

The Ohio Report Card is issued in February of each school year. The report uses data from the previous school year to inform the public of School District success or failure in 22 indicators. The 2004 report card demonstrated that the School District has achieved 22 indicators for the last two years. The School District is rated in the category titled, "Excellent."

Federal Projects

The School District files applications for federal funds electronically utilizing the Consolidated Local Plan. This allows the Director, Mr. John Richard, to coordinate the application to the goals of the Continuous Improvement Plan. The School District continues to apply for all federal funds for which the School District is eligible. This includes the Class-Size Reduction Grant under Title VI allowing for additional teachers in the primary grades. Student readiness for advancement in each grade has been the primary focus of these services.

Educational Programs and Facilities Improvement

In May 1999 the voters of Avon Lake City School District passed a \$41,800,000 bond issue for the purpose of various improvements to school buildings. Expansions of six of the School District's buildings and renovations to seven of the Avon Lake City School District buildings are almost complete. In January 2002, the high school expanded into the newly completed classrooms, cafeteria and commons area, and additional

physical education areas. In the fall of 2003, newly renovated music areas were opened for student use. The auditorium was complete in the fall of 2003 and is being used by our students and our public.

Financial Information

Internal Accounting and Budgetary Control

In developing the School District's accounting system much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

The School District utilizes a fully automated accounting system as well as an automated system of control for fixed assets and payroll. These systems, coupled with the manual auditing of each voucher prior to payment, ensures that the financial information generated is both accurate and reliable.

At the beginning of each fiscal year, the Board of Education adopts either a temporary appropriation measure or a permanent appropriation measure for that fiscal year. If a temporary appropriation measure is first adopted, the permanent appropriation measure must be adopted upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates, which is usually within the first three months of the fiscal year.

Annual appropriations may not exceed the County Budget Commission's official estimate of resources. The County Auditor must certify that the Board of Education's appropriation measures, including any supplements or amendments, do not exceed the amount set forth in the latest of those official estimates.

All disbursements and transfers of cash between funds require appropriation authority from the Board of Education. Budgets are controlled at the fund level. All purchase order requests must be approved by the Assistant Superintendent and certified by the Treasurer; necessary funds are then encumbered and purchase orders released to vendors. Those requests that exceed the available appropriation are rejected until additional appropriations are secured.

The accounting system used by the School District provides interim financial reports which detail year-to-date expenditures and encumbrances versus the original appropriation plus any additional appropriations made to date.

The basis of accounting and the various funds utilized by Avon Lake City Schools are fully described in Note 2 of the basic financial statements.

Financial Condition This is the second year the School District has prepared financial statements following GASB Statement 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." GASB 34 creates new basic financial statements for reporting on the School District's financial activities as follows:

Government-wide financial statements These statements are prepared on an accrual basis of accounting which is similar to the basis of accounting followed by businesses. The government-wide statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

Fund financial statements These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include a reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statement of budgetary comparisons These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

As a part of this new reporting model, management is responsible for preparing a Management's Discussion and Analysis of the School District. This discussion follows the Independent Accountants' Report, providing an assessment of the School District's finances for 2004 and a comparison to performance in 2003 and analysis of resources available for the future. Because the discussion focuses on major funds, only the internal service fund is discussed briefly in this letter.

Financial Highlights – Internal Service Fund The only internal service fund carried on the financial records of the School District is related to self-insurance. This fund was created in fiscal year 2003. This fund accounts for the revenues and expenses related to the provision of medical surgical, prescription drug, dental and vision benefits for all School District employees. The internal service fund had net assets of \$111,487 at June 30, 2004.

Cash Management

The Board pursues an aggressive cash management program by expediting the receipt of revenues and prudently depositing available cash in accounts collateralized by instruments issued by the United States Government or the State of Ohio or insured by the Federal Deposit Insurance Corporation. The School District's deposits are collateralized by qualified securities pledged by the institution holding the assets. With the use of a treasury management system, the School Board is able to aggregate revenues in a sweep account that can be drawn on to meet daily needs of payroll, benefit and general operation accounts. This account invests in overnight repurchase agreements. The School Board also uses STAROhio for interim balances.

Interest revenue in the governmental funds totaled \$114,933 for fiscal year 2004, of which \$85,274 was credited to the general fund, \$16,506 to the building fund and \$13,153 to the special revenue funds. Information regarding School District investments is found in Note 6 of the basic financial statements.

Risk Management

The School District is self-insured for medical, surgical, prescription drug, dental and vision benefits for the School District employees. The School District uses the self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. A third party, Bridge Benefits, reviews all claims which are then paid by the School District.

All employees of Avon Lake City School District are covered by a blanket bond, while certain individuals in policy-making roles are covered by separated, higher limit bond coverage.

The School District contracts with the Indiana Insurance Company for property insurance. Professional liability is protected by the Hylant Group Insurance Company with a \$3,000,000 aggregate limit.

The School District uses the Ohio Bureau of Workers' Compensation plan and pays the premium based on a rate per \$100 of salaries. The School District contracts for general liability insurance, vehicle insurance and professional liability insurance.

Independent Audit

State statute requires the School District to be subjected to an annual examination by an independent auditor. An annual audit services to maintain and strengthen the School District's accounting and budgetary controls. Independent Auditor Betty Montgomery, Auditor of State, was selected to render an opinion on the School District's financial statements as of and for the year ended June 30, 2004. The opinion appears at the beginning of the financial section of this report.

Pursuant to statute, the State prescribes a uniform accounting system to standardize accounting classification and financial reporting for all school districts in Ohio. The School District adopted and has been in conformance with the automated version of that system beginning with its financial report for the 1979 year.

Awards

GFOA Certificate of Achievement - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Avon Lake City School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards in the area of governmental financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to the Certificate of Achievement program requirements and we are submitting it to GFOA for consideration.

ASBO Certificate - The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2003 to the Avon Lake City School District. This award certifies that the Comprehensive Annual Financial Report substantially conformed to the principles and standards of financial reporting as recommended and adopted by the Association of School Business Officials. The award is granted only after an intensive review of the financial report by an expert panel of certified public accountants and practicing school business officials.

Management believes that the Comprehensive Annual Financial Report for fiscal year ended June 30, 2004, which will be submitted to ASBO for review, will conform to ASBO's principles and standards.

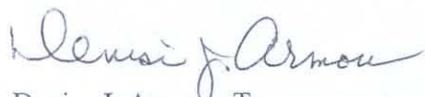
Acknowledgments

The publication of this Comprehensive Annual Financial Report according to the new financial reporting model is another significant step toward elevating the professional standards for Avon Lake City School District's financial reporting. It enhances the School District's accountability to the residents and provides all interested parties with a broad historical perspective of the Avon Lake City School District's financial and demographic information. Assistance from the County Auditor's staff and outside agencies made possible the fair presentation of statistical data.

Special appreciation is expressed to the Local Government Services Section of State Auditor Betty Montgomery's office for assistance in the planning, designing and reviewing this financial report.

Finally, sincere appreciation is extended to the members of the Board of Education for their ongoing support.

Respectfully submitted,



Denise J. Armotr, Treasurer



John V. Richard, Acting Superintendent

Avon Lake Board of Education

Principal Officials
June 30, 2004

Board of Education

Mr. Michael J. Mannino.....President
Mr. Michael J. Holleran.....Vice-President
Mr. Mark Bennett.....Member
Mr. Charles Froehlich.....Member
Mrs. Pamela Ohradznasky.....Member

Treasurer

Mrs. Denise J. Armour

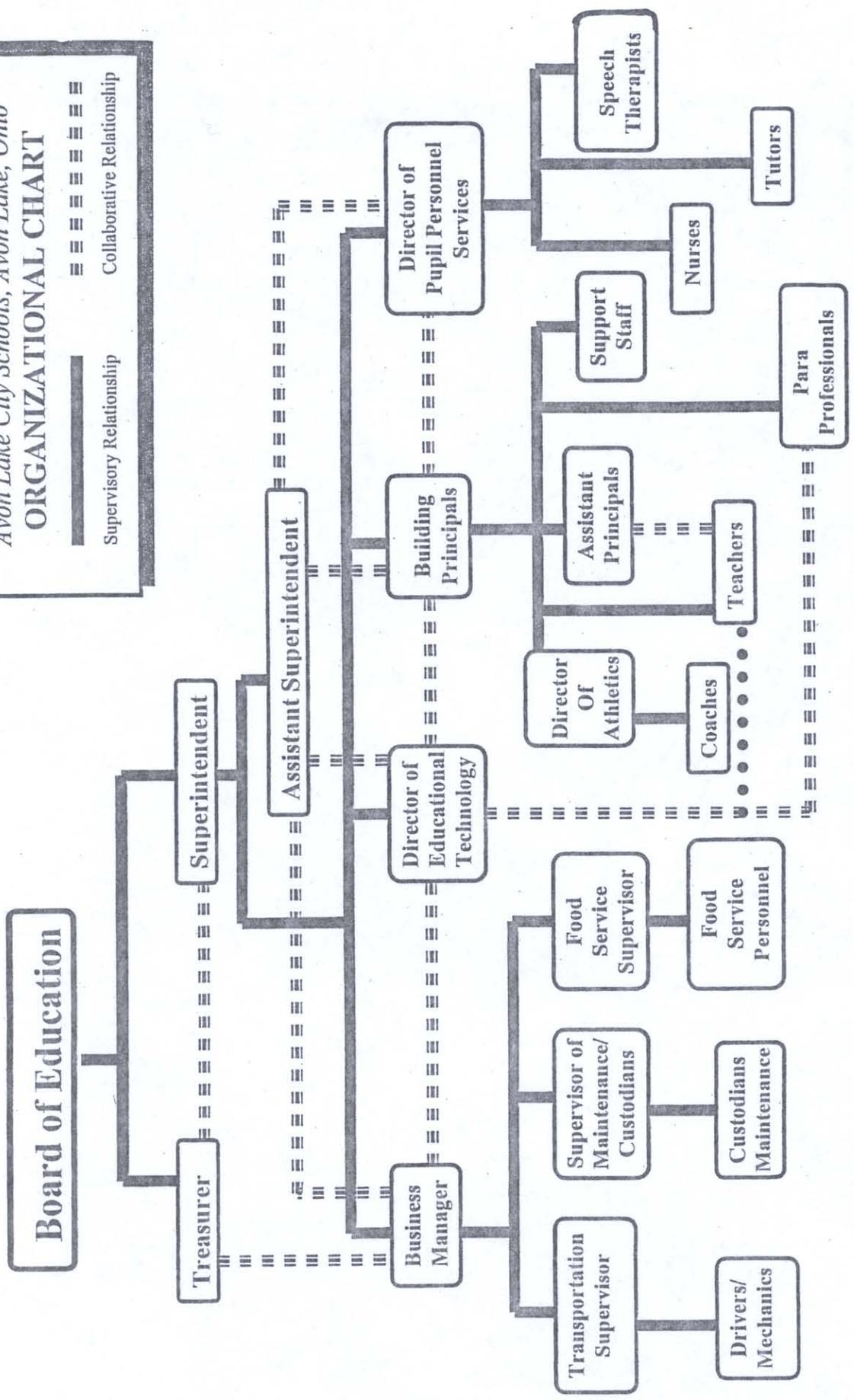
Administration

Mr. Dennis J. Rectenwald.....Interim Superintendent
Mr. John Richard.....Assistant Superintendent
Mr. Thomas R. Barone.....Director of Athletics and Special Projects

Avon Lake City Schools, Avon Lake, Ohio

ORGANIZATIONAL CHART

 Supervisory Relationship
 Collaborative Relationship



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Avon Lake City School
District, Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zjelle

President

Jeffrey R. Emer

Executive Director

ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL



This Certificate of Excellence in Financial Reporting is presented to

AVON LAKE CITY SCHOOL DISTRICT

For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2003

Upon recommendation of the Association's Panel of Review which has judged the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

William R. Fall
President

Emmie W. Neller
Executive Director

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Board of Education
Avon Lake City School District
Lorain County
175 Avon Belden Road
Avon Lake, Ohio 44012

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Avon Lake City School District, Lorain County, Ohio (the District) as of and for the fiscal year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Avon Lake City School District, Lorain County, Ohio as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules and statistical tables are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining and individual nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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

Betty Montgomery
Auditor of State

January 21, 2005

Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The discussion and analysis of the Avon Lake City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2004 are as follows:

- In total, net assets for governmental activities have decreased from \$17.1 million at June 30, 2003, to \$16.4 million at June 30, 2004.
- Revenues for governmental activities totaled \$35,907,404 in fiscal year 2004. Of this total \$33,195,373 or 92.45 percent consisted of general revenues while program revenues accounted for the balance of \$2,712,031 or 7.55 percent.
- Program expenses totaled \$36,530,037. Instructional expenses made up \$19,026,860 or 52.09 percent of this total while support services accounted for \$12,695,070 or 34.75 percent. Other expenses, \$4,808,107, rounded out the remaining 13.16 percent.
- Total outstanding debt decreased by \$1,357,756 to \$48,689,729 in fiscal year 2004.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Avon Lake City School District as a financial whole, an entire operating entity. The statements begin at a summary level and expand to detailed financial activities.

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as an entity looks at all financial transactions and asks the question, "How did we do financially during the 2004 fiscal year?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. Accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

These two statements report the School District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated educational programs, state funding, student enrollment, and general inflation.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are classified as governmental. The School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of non-instructional services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements concentrate on the School District's most significant funds. The School District's major governmental funds are the general fund and bond retirement debt service fund.

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

The School District as a Whole

The Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's governmental activities net assets for fiscal year 2004 compared to fiscal year 2003:

Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 1
 Net Assets

	2004	2003
Assets		
Current and Other Assets	\$39,528,536	\$41,383,928
Capital Assets, Net	56,989,976	56,788,164
<i>Total Assets</i>	<u>96,518,512</u>	<u>98,172,092</u>
Liabilities		
Current and Other Liabilities	29,457,881	29,688,385
Long-Term Liabilities:		
Due Within One Year	2,248,089	1,946,251
Due in More than One Year	48,370,990	49,473,271
<i>Total Liabilities</i>	<u>80,076,960</u>	<u>81,107,907</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	12,403,818	11,452,439
Restricted:		
Capital Projects	1,496,583	2,286,062
Debt Service	2,195,641	2,524,753
Set Asides	472,658	828,648
Food Service	65,431	55,215
School Supplies	96,016	123,060
Extracurricular Activities	77,438	95,438
State Grants	88,135	109,969
Federal Grants	65,341	173,000
Donations	116,490	66,604
Other Purposes	3,466	2,827
Unrestricted (Deficit)	(639,465)	(653,830)
<i>Total Net Assets</i>	<u>\$16,441,552</u>	<u>\$17,064,185</u>

Total assets decreased by \$1,653,580. The majority of this decrease can be attributed to the decrease of \$1,834,631 in pooled cash and cash equivalents and the decrease of \$581,123 in cash and cash equivalents with fiscal agents. Cash decreased because the School District's instruction expenses increased. The School District hired a larger staff in fiscal year 2004 to fill new positions in the addition to the high school. A significant decrease in nondepreciable capital assets was offset by a similar increase in depreciable capital assets, net of depreciation because construction projects were completed.

Total liabilities decreased by \$1,030,947, which is the result of our \$48 million construction project nearing completion. Significant decreases were seen in contracts payable \$485,337 and \$581,123 in retainage payable. Accounts payable also saw a decrease of \$118,502 and is a timing issue of when orders are placed and bills received.

Long-term liabilities that are due in more than one year have also decreased by \$1,102,281. This is offset slightly by a small increase of \$301,838 in those liabilities due within one year.

To determine the overall financial performance of the School District one must consider the relative changes in net assets. A change in net assets indicates how an entity is providing for future generations. Net assets decreased by \$622,633 from 2003. The School District will need to be concerned about spending resources of future generations and consider the need for additional operating resources.

Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 2 shows total revenues, expenses and changes in net assets for fiscal year 2004 compared to fiscal year 2003. The decrease in fiscal year 2004 net assets can be mainly attributed to an increase in instruction expenses and a decrease in construction costs charged to instruction expenses at June 30, 2004 of \$19.0 million compared to \$13.5 million at June 30, 2003.

Table 2
Changes in Net Assets

	2004	2003
Revenues		
Program Revenues:		
Charges for Services and Sales	\$1,370,710	\$1,147,617
Operating Grants and Contributions	1,327,736	974,121
Capital Grants and Contributions	13,585	78,952
<i>Total Program Revenues</i>	<u>2,712,031</u>	<u>2,200,690</u>
General Revenues:		
Property Taxes	26,421,034	24,231,626
Grants and Entitlements	6,114,769	5,192,874
Investment Earnings	120,589	665,235
Miscellaneous	538,981	536,927
<i>Total General Revenues</i>	<u>33,195,373</u>	<u>30,626,662</u>
Total Revenues	<u>35,907,404</u>	<u>32,827,352</u>
Program Expenses		
Instruction	19,026,860	13,516,820
Support Services:		
Pupil and Instructional Staff	3,818,621	3,147,888
Board of Education, Administration, Fiscal and Business	3,992,110	3,439,090
Operation and Maintenance of Plant	3,716,052	3,639,874
Pupil Transportation	1,157,158	1,063,898
Central	11,129	31,335
Operation of Non-Instructional Services:		
Food Service Operations	694,053	646,164
Other Non-Instructional Services	288,654	241,576
Extracurricular Activities	1,098,085	938,883
Interest and Fiscal Charges	2,727,315	2,893,026
<i>Total Program Expenses</i>	<u>36,530,037</u>	<u>29,558,554</u>
Increase (Decrease) in Net Assets	(622,633)	3,268,798
<i>Net Assets Beginning of Year - Restated</i>	<u>17,064,185</u>	<u>13,795,387</u>
<i>Net Assets End of Year</i>	<u>\$16,441,552</u>	<u>\$17,064,185</u>

Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The vast majority of revenue supporting all Governmental Activities is general revenue. General revenue accounted for \$33.2 million or 92.45 percent of the total revenue. The most significant portion of general revenue is local property tax. The other type of revenue that accounts for 7.55 percent of total revenue is called program revenues. Program revenues are derived directly from the program or entities outside the School District as a whole, and can help to reduce the net cost of services provided by the School District. Program revenues increased by 23.24 percent in 2004 from 2003. This increase can be attributed primarily to additional funds received for grants, contributions and charges for services and sales.

As you can see, 52.09 percent of the School District's expenses were used to fund instructional expenses. Additional support services for pupils, staff and business operation expenses were 34.75 percent. The remaining 13.16 percent of program expenses was used to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and various extracurricular activities. The School District hired a larger staff in fiscal year 2004 to fill new positions in the addition to the high school which increased instruction expenses.

Interest expense was primarily attributable to the outstanding bonds.

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. That is, 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>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Net Cost of Services</u>
	2004	2003	2004	2003
Instruction	\$19,026,860	\$13,516,820	(\$18,289,115)	(\$13,037,817)
Support Services:				
Pupil and Instructional Staff	3,818,621	3,147,888	(3,342,227)	(2,692,681)
Board of Education, Administration, Fiscal and Business	3,992,110	3,439,090	(3,979,841)	(3,393,314)
Operation and Maintenance	3,716,052	3,639,874	(3,697,782)	(3,592,840)
Pupil Transportation	1,157,158	1,063,898	(1,122,519)	(1,063,898)
Central	11,129	31,335	(3,767)	(20,382)
Operation of Non-Instructional Services:				
Food Service Operations	694,053	646,164	20,047	(2,311)
Other Non-Instructional Services	288,654	241,576	(46,579)	(239,325)
Extracurricular Activities	1,098,085	938,883	(628,908)	(422,270)
Interest and Fiscal Charges	2,727,315	2,893,026	(2,727,315)	(2,893,026)
Total Expenses	<u>\$36,530,037</u>	<u>\$29,558,554</u>	<u>(\$33,818,006)</u>	<u>(\$27,357,864)</u>

Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The dependence upon tax revenues for governmental activities is apparent. Over 72.33 percent of total expenses are supported through taxes. Grant and entitlements not restricted to specific programs support 16.74 percent, while investment and other miscellaneous type revenue support the remaining activity costs. The community, as a whole, is the primary support for Avon Lake City School District students.

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 millage does not increase as a result of inflation. As an example, a homeowner with a home valued at \$100,000 (Assessed value of \$35,000) and taxed at 1.0 mill would pay \$29.15 annually in taxes (net of the state-paid rollback). If three years later the home were reappraised and increased in market value to \$200,000 (assessed value of \$70,000) the effective tax rate would become 0.5 mills and the owner would still pay \$29.15.

The School District's Funds

Information about the School District's major funds starts on page 14. These governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$35,807,516 and expenditures of \$38,210,131. The net change in fund balance for the year was most significant in other governmental funds which included a decrease of \$838,579 in the building improvement capital projects fund. In total, the net change in fund balance was (\$1,325,870).

General Fund Budgeting Highlights

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

During the course of fiscal year 2004, the School District amended its general fund budget numerous times, none significant. For the general fund, the final budget basis revenue estimate was \$27,458,867, \$3,830 above the original budget estimate of \$27,455,037. The final budget basis expenditures estimate totaled \$29,602,779 which was the same as the original budget estimate. The unencumbered ending cash balance totaled \$5,825,448.

Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the School District, net of depreciation, had \$56,989,976 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and textbooks and library books. Table 4 show fiscal year 2004 values compared to fiscal year 2003. More detailed information is presented in Note 10 of the notes to the basic financial statements.

Table 4
 Capital Assets
 (Net of Accumulated Depreciation)

	2004	2003
Land	\$5,656,440	\$5,656,440
Construction in Progress	0	11,506,572
Land Improvements	1,168,064	1,257,736
Buildings and Improvements	45,433,649	34,149,649
Furniture and Equipment	3,490,204	2,832,210
Vehicles	473,390	463,682
Textbooks	768,229	921,875
Totals	\$56,989,976	\$56,788,164

All capital assets, except land and construction in progress, are reported net of depreciation. The increase in capital assets is primarily due to the near completion of construction in progress for building improvements, offset by depreciation expense. The School District continued its ongoing commitment to maintaining and improving its capital assets.

Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Debt

At June 30, 2004, the Avon Lake School District had \$48,689,729 in bonds, notes and loans outstanding, a decrease of \$1,357,756 from fiscal year 2003. \$1,750,684 of the bonds, notes and loans are due within one year. Table 5 below summarizes the School District's bonds, notes and loans outstanding. More detailed information is presented in Note 17 of the notes to the basic financial statements.

Table 5
 Outstanding Debt at Year End

	2004	2003
Energy Conservation Improvements Bonds	\$475,000	\$600,000
Public Library Improvement Bonds	2,490,000	2,675,000
Troy Renovation/Improvement Bonds	1,610,000	1,670,000
School Facilities		
Term and Serial Bonds	38,950,000	39,775,000
Capital Appreciation Bonds	649,977	649,977
Accretion on Capital Appreciation Bonds	2,479,749	2,320,354
Energy Conservation Notes		
Serial Notes	1,190,000	1,370,000
Capital Appreciation Notes	250,717	250,717
Accretion on Capital Appreciation Notes	59,583	0
Fiber Optics Loan	326,634	479,368
HVAC Loan	208,069	257,069
Totals	\$48,689,729	\$50,047,485

At June 30, 2004, the School District's overall legal debt margin was \$25,511,168 with an unvoted debt margin of \$743,429. The debt is well within permissible limits. The School District maintains a Moody's rating of Aa3.

Current Issues

The Avon Lake School District has also been impacted by the continuing national trend of rapidly escalating employee benefit costs. The Avon Lake City School District has committed itself to a fiscal discipline based on long-term plans. The Board of Education and administration have implemented fiscal management disciplines that utilize a variety of formal plans. We are working within the five-year budget plan, the five-year capital repairs and renovations plan, the continuous improvement plan, and the five-year enrollment projections.

The School District has the necessary revenue base to support current program levels for only the next two fiscal years. Our future revenue base is dependent upon the renewal of an emergency levy expiring in 2009. The School District will need to seek additional revenue in the near future.

Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Several significant legislative and judicial actions have occurred that will have a major impact on our School District. The Ohio Supreme Court has issued its fourth decision regarding school funding reform in Ohio. We believe that the ultimate resolution of funding reform is still some time away. The sudden downturn in the economy has put pressures on both the State budget as well as our local School District budget. We are concerned about current economic conditions and the possible negative impact on local tax revenues. The ongoing legislative efforts to support the existence of community (charter) schools come at the expense of our current State subsidy. This year approximately \$50,000 will be deducted from our State subsidy and redirected to local community (charter) schools. The School District's commitment to improve fiscal management has led to many budgeting, reporting and internal control enhancements.

The School District has received the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for twelve years.

Contacting the School District's Fiscal Management

This financial report was designed to comply with the most current reporting requirements and is intended to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for money it receives. Denise J. Armour, Treasurer, can be contacted at the Avon Lake City School District, 175 Avon Belden Rd., Avon Lake, Ohio 44012 or by e-mail at alake_da@lecca.org.

Avon Lake City School District

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$11,278,010
Cash and Cash Equivalents with Fiscal Agents	160,394
Accounts Receivable	122,836
Intergovernmental Receivable	31,131
Prepaid Items	222,105
Inventory Held for Resale	20,688
Materials and Supplies Inventory	17,883
Property Taxes Receivable	27,675,489
Nondepreciable Capital Assets	5,656,440
Depreciable Capital Assets, Net	<u>51,333,536</u>
<i>Total Assets</i>	<u>96,518,512</u>
Liabilities	
Accounts Payable	218,450
Accrued Wages and Benefits	2,312,587
Retainage Payable	160,394
Intergovernmental Payable	767,007
Matured Compensated Absences Payable	68,956
Deferred Revenue	25,124,165
Claims Payable	613,964
Accrued Interest Payable	192,358
Long-Term Liabilities:	
Due Within One Year	2,248,089
Due In More Than One Year	<u>48,370,990</u>
<i>Total Liabilities</i>	<u>80,076,960</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	12,403,818
Restricted for:	
Capital Projects	1,496,583
Debt Service	2,195,641
Set-Asides	472,658
Food Service	65,431
School Supplies	96,016
Extracurricular Activities	77,438
State Grants	88,135
Federal Grants	65,341
Donations	116,490
Other Purposes	3,466
Unrestricted (Deficit)	<u>(639,465)</u>
<i>Total Net Assets</i>	<u><u>\$16,441,552</u></u>

See accompanying notes to the basic financial statements

Avon Lake City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues				Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities					
Instruction:					
Regular	\$17,041,281	\$313,052	\$219,471	\$0	(\$16,508,758)
Special	1,726,273	0	199,544	0	(1,526,729)
Vocational	226,332	2,515	2,524	0	(221,293)
Adult/Continuing	32,974	639	0	0	(32,335)
Support Services:					
Pupils	2,235,500	50,397	395,811	0	(1,789,292)
Instructional Services	1,583,121	0	30,186	0	(1,552,935)
Board of Education	12,284	0	0	0	(12,284)
Administration	3,032,320	0	12,269	0	(3,020,051)
Fiscal	875,443	0	0	0	(875,443)
Business	72,063	0	0	0	(72,063)
Operation and Maintenance of Plant	3,716,052	18,270	0	0	(3,697,782)
Pupil Transportation	1,157,158	0	21,054	13,585	(1,122,519)
Central	11,129	0	7,362	0	(3,767)
Operation of Non-Instructional Services:					
Food Service Operations	694,053	531,639	182,461	0	20,047
Other Non-Instructional Services	288,654	0	242,075	0	(46,579)
Extracurricular Activities	1,098,085	454,198	14,979	0	(628,908)
Interest and Fiscal Charges	2,727,315	0	0	0	(2,727,315)
<i>Total Governmental Activities</i>	<u>\$36,530,037</u>	<u>\$1,370,710</u>	<u>\$1,327,736</u>	<u>\$13,585</u>	<u>(33,818,006)</u>

General Revenues

Property Taxes Levied for:	
General Purposes	22,600,586
Debt Service	3,179,264
Capital Projects	641,184
Grants and Entitlements not Restricted to Specific Programs	6,114,769
Investment Earnings	120,589
Miscellaneous	538,981
<i>Total General Revenues</i>	<u>33,195,373</u>
Change in Net Assets	(622,633)
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>17,064,185</u>
<i>Net Assets End of Year</i>	<u>\$16,441,552</u>

See accompanying notes to the basic financial statements

Avon Lake City School District

Balance Sheet

Governmental Funds

June 30, 2004

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$6,208,438	\$705,399	\$3,239,899	\$10,153,736
Cash and Cash Equivalents with Fiscal Agents	0	0	160,394	160,394
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	472,658	0	0	472,658
Accounts Receivable	42,972	0	6,029	49,001
Intergovernmental Receivable	0	0	31,131	31,131
Prepaid Items	218,121	0	3,984	222,105
Inventory Held for Resale	0	0	20,688	20,688
Materials and Supplies Inventory	17,883	0	0	17,883
Property Taxes Receivable	22,494,397	3,376,812	1,804,280	27,675,489
<i>Total Assets</i>	<u>\$29,454,469</u>	<u>\$4,082,211</u>	<u>\$5,266,405</u>	<u>\$38,803,085</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$140,240	\$0	\$78,210	\$218,450
Accrued Wages and Benefits	2,259,381	0	53,206	2,312,587
Retainage Payable	0	0	160,394	160,394
Intergovernmental Payable	472,626	0	2,534	475,160
Matured Compensated Absences Payable	68,956	0	0	68,956
Deferred Revenue	20,855,833	3,059,725	1,661,835	25,577,393
<i>Total Liabilities</i>	<u>23,797,036</u>	<u>3,059,725</u>	<u>1,956,179</u>	<u>28,812,940</u>
Fund Balances				
Reserved for Encumbrances	766,172	0	159,310	925,482
Reserved for Property Taxes	1,638,564	317,087	152,900	2,108,551
Reserved for Textbooks	358,668	0	0	358,668
Reserved for Budget Stabilization	113,990	0	0	113,990
Unreserved Undesignated, Reported in:				
General Fund	2,780,039	0	0	2,780,039
Special Revenue Funds	0	0	459,923	459,923
Debt Service Funds	0	705,399	1,174,287	1,879,686
Capital Projects Funds	0	0	1,363,806	1,363,806
<i>Total Fund Balances</i>	<u>5,657,433</u>	<u>1,022,486</u>	<u>3,310,226</u>	<u>9,990,145</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$29,454,469</u>	<u>\$4,082,211</u>	<u>\$5,266,405</u>	<u>\$38,803,085</u>

See accompanying notes to the basic financial statements

Avon Lake City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances		\$9,990,145
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		56,989,976
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	442,773	
Intergovernmental	10,455	
Total		453,228
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		111,487
Intergovernmental payables includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.		(291,847)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental fund, an interest expenditure is reported when due.		(192,358)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(43,525,000)	
Capital Appreciation Bonds	(3,129,726)	
Long Term Notes	(1,190,000)	
Long Term Capital Appreciation Notes	(310,300)	
Loans Payable	(534,703)	
Capital Lease Obligation Payable	(925,761)	
Compensated Absences	(1,003,589)	
Total		(50,619,079)
<i>Net Assets of Governmental Activities</i>		\$16,441,552

See accompanying notes to the basic financial statements

Avon Lake City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$22,540,907	\$3,011,693	\$797,810	\$26,350,410
Intergovernmental	5,918,022	307,194	1,079,220	7,304,436
Interest	85,274	0	29,659	114,933
Tuition and Fees	297,818	0	18,111	315,929
Rentals	18,270	0	0	18,270
Extracurricular Activities	0	0	503,878	503,878
Contributions and Donations	5,242	0	122,804	128,046
Charges for Services	994	0	531,639	532,633
Miscellaneous	244,374	0	294,607	538,981
<i>Total Revenues</i>	<u>29,110,901</u>	<u>3,318,887</u>	<u>3,377,728</u>	<u>35,807,516</u>
Expenditures				
Current:				
Instruction:				
Regular	14,569,730	0	347,557	14,917,287
Special	1,590,004	0	122,204	1,712,208
Vocational	220,233	0	0	220,233
Adult/Continuing	32,829	0	0	32,829
Support Services:				
Pupils	1,557,610	0	463,769	2,021,379
Instructional Staff	1,561,124	0	64,435	1,625,559
Board of Education	12,332	0	54	12,386
Administration	2,901,916	0	87,332	2,989,248
Fiscal	827,237	43,370	16,622	887,229
Business	74,498	0	0	74,498
Operation and Maintenance of Plant	3,645,472	0	138,173	3,783,645
Pupil Transportation	1,106,037	0	55,985	1,162,022
Central	5,004	0	6,125	11,129
Operation of Non-Instructional Services:				
Food Service Operations	0	0	726,173	726,173
Other Non-Instructional Services	0	0	288,491	288,491
Extracurricular Activities	574,356	0	507,287	1,081,643
Capital Outlay	1,351,638	0	792,073	2,143,711
Debt Service:				
Principal Retirement	434,578	1,190,000	386,734	2,011,312
Interest and Fiscal Charges	39,522	2,296,985	172,642	2,509,149
<i>Total Expenditures</i>	<u>30,504,120</u>	<u>3,530,355</u>	<u>4,175,656</u>	<u>38,210,131</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,393,219)</u>	<u>(211,468)</u>	<u>(797,928)</u>	<u>(2,402,615)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	1,076,745	0	0	1,076,745
Transfers In	0	355,825	0	355,825
Transfers Out	(50,825)	0	(305,000)	(355,825)
<i>Total Other Financing Sources (Uses)</i>	<u>1,025,920</u>	<u>355,825</u>	<u>(305,000)</u>	<u>1,076,745</u>
<i>Net Change in Fund Balances</i>	<u>(367,299)</u>	<u>144,357</u>	<u>(1,102,928)</u>	<u>(1,325,870)</u>
<i>Fund Balances Beginning of Year</i>	<u>6,024,732</u>	<u>878,129</u>	<u>4,413,154</u>	<u>11,316,015</u>
<i>Fund Balances End of Year</i>	<u>\$5,657,433</u>	<u>\$1,022,486</u>	<u>\$3,310,226</u>	<u>\$9,990,145</u>

See accompanying notes to the basic financial statements

Avon Lake City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004*

Net Change in Fund Balances - Total Governmental Funds (\$1,325,870)

*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 are allocated over their useful lives as depreciation expense. This amount by which capital outlay exceeded depreciation in the current period.

Capital Asset Additions	2,574,517	
Current Year Depreciation	<u>(2,372,705)</u>	
Total		201,812

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	70,624	
Intergovernmental	<u>10,455</u>	
Total		81,079

Repayment of bond, loan and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,011,312

In the statement of activities, interest accrued on outstanding bonds and bond and notes accretion are amortized over the term of the bonds and notes whereas in governmental funds expenditure is reported when the bonds and notes are issued.

Accrued Interest	812	
Annual Accretion	<u>(218,978)</u>	
Total		(218,166)

Other financing sources in the governmental funds that increase long-term liabilities in the statements of net assets are not reported as revenues in the statement of activities. (1,076,745)

Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represent contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	84,854	
Pension Obligation	<u>49,651</u>	
Total		134,505

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statements of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (430,560)

Change in Net Assets of Governmental Activities (\$622,633)

See accompanying notes to the basic financial statements

Avon Lake City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$21,287,516	\$21,290,507	\$22,738,014	\$1,447,507
Intergovernmental	5,580,255	5,581,032	5,956,834	375,802
Interest	85,485	85,497	91,310	5,813
Tuition and Fees	278,885	278,924	297,888	18,964
Rentals	10,689	10,690	11,417	727
Contributions and Donations	5,784	5,785	5,872	87
Charges for Services	931	931	994	63
Miscellaneous	205,492	205,501	210,123	4,622
Total Revenues	27,455,037	27,458,867	29,312,452	1,853,585
Expenditures				
Current:				
Instruction:				
Regular	15,218,043	15,218,043	15,726,562	(508,519)
Special	1,594,461	1,594,461	1,587,484	6,977
Vocational	222,248	222,248	221,206	1,042
Adult/Continuing	32,897	32,897	32,743	154
Support Services:				
Pupils	1,383,793	1,383,793	1,381,602	2,191
Instructional Staff	1,597,914	1,597,914	1,592,895	5,019
Board of Education	12,697	12,697	13,637	(940)
Administration	2,955,420	2,955,420	3,014,990	(59,570)
Fiscal	836,405	836,405	845,399	(8,994)
Business	76,380	76,380	76,246	134
Operation and Maintenance of Plant	3,723,717	3,723,717	3,879,988	(156,271)
Pupil Transportation	1,090,312	1,090,312	1,104,391	(14,079)
Central	5,122	5,122	5,704	(582)
Extracurricular Activities	577,183	577,183	575,082	2,101
Capital Outlay	276,187	276,187	274,893	1,294
Total Expenditures	29,602,779	29,602,779	30,332,822	(730,043)
Excess of Revenues Under Expenditures	(2,147,742)	(2,143,912)	(1,020,370)	1,123,542
Other Financing Sources (Uses)				
Advances In	218,448	218,448	218,448	0
Transfers In	322,000	322,000	0	(322,000)
Transfers Out	(374,582)	(374,582)	(50,825)	323,757
Total Other Financing Sources (Uses)	165,866	165,866	167,623	1,757
Net Change in Fund Balance	(1,981,876)	(1,978,046)	(852,747)	1,125,299
Fund Balance Beginning of Year	5,585,716	5,585,716	5,585,716	0
Prior Year Encumbrances Appropriated	1,092,479	1,092,479	1,092,479	0
Fund Balance End of Year	\$4,696,319	\$4,700,149	\$5,825,448	\$1,125,299

See accompanying notes to the basic financial statements

Avon Lake City School District
Statement of Fund Net Assets
Internal Service Fund
June 30, 2004

	<u>Self Insurance</u>
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$651,616
Accounts Receivable	<u>73,835</u>
<i>Total Assets</i>	725,451
Liabilities	
<i>Current Liabilities</i>	
Claims Payable	<u>613,964</u>
Net Assets	
Unrestricted	<u><u>\$111,487</u></u>

See accompanying notes to the basic financial statements

Avon Lake City School District
*Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 3004*

	Self Insurance
Operating Revenues	
Charges for Services	\$2,304,045
Other	150,786
<i>Total Operating Revenues</i>	2,454,831
Operating Expenses	
Purchased Services	299,744
Claims	2,604,456
<i>Total Operating Expenses</i>	2,904,200
<i>Operating Loss</i>	(449,369)
Non Operating Revenues	
Interest	18,809
<i>Change in Net Assets</i>	(430,560)
<i>Net Assets Beginning of Year</i>	542,047
<i>Net Assets End of Year</i>	\$111,487

See accompanying notes to the basic financial statements

Avon Lake City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	Self Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$2,304,045
Cash Payments for Goods and Services	(299,744)
Cash Payments for Claims	(2,554,172)
Cash Received from Other Sources	76,951
<i>Net Cash Used by Operating Activities</i>	(472,920)
Cash Flows from Investing Activities	
Interest on Investments	18,809
<i>Net Decrease in Cash and Cash Equivalents</i>	(454,111)
<i>Cash and Cash Equivalents Beginning of Year</i>	1,105,727
<i>Cash and Cash Equivalents End of Year</i>	\$651,616
Reconciliation of Operating Loss to Net	
Cash Used by Operating Activities	
Operating Loss	(\$449,369)
Increase in Assets:	
Accounts Receivable	(73,835)
Decrease in Liabilities:	
Claims Payable	50,284
<i>Net Cash Used by Operating Activities</i>	(\$472,920)

See accompanying notes to the basic financial statements

Avon Lake City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$123,045</u></u>
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Liabilities

Accounts Payable	\$3,361
Undistributed Monies	3,054
Due to Students	<u>116,630</u>

<i>Total Liabilities</i>	<u><u>\$123,045</u></u>
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See accompanying notes to the basic financial statements

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 1 - Description of the School District and Reporting Entity

The Avon Lake City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board of Education consisting of five members elected at-large for staggered four year terms. The School District provides educational services as mandated by State and federal agencies.

The School District is located in Avon Lake, Lorain County, Ohio, and includes an area extending roughly twelve square miles around the City. It is staffed by 195 non-certified personnel, 231 certified full-time teaching personnel and 13 administrative employees to provide services to 3,360 students and other community members. The School District operates 4 elementary schools (K-4), 1 intermediate school (5-6), 1 middle school (7-8) and 1 high school (9-12).

Reporting Entity

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

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

The School District participates in four jointly governed organizations and a claims servicing pool, and is associated with a related organization. The organizations are the Lake Erie Educational Computer Association (LEECA), the Lake Erie Regional Council of Governments (LERC), the Lorain County Joint Vocational School District, the Ohio Schools Council Association, the Lake Erie Regional Council of Governments (LERC) Insurance Program and the Avon Lake Public Library. These organizations are presented in Notes 18, 19 and 20 of the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Avon Lake City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School 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 of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School 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 School District at this more detailed level. The focus of the governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. The fiduciary fund is reported by type.

B. Fund Accounting

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

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

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

Bond Retirement Debt Service Fund The bond retirement fund is used to account for tax levies that are utilized for the repayment of general obligation bonds of the School District.

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

Proprietary Fund Type Proprietary funds focus on the determination of operating income, changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The School District only has an internal service fund.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The School District utilizes an internal service fund to account for the operation of the School District's self insurance program for employee medical benefits.

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

C. Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally 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.

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

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

D. Basis of Accounting

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

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

Non-exchange transactions, in which the School 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 in advance, interest, tuition, grants, student fees and rentals.

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized when they are incurred.

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

Avon Lake City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the 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. Budgetary modifications may only be made by resolution of the Board at the legal level of control. The Treasurer has been authorized to allocate appropriations to the function and object level within each fund.

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

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The School District utilizes two financial institutions to serve as agents for construction projects' deposits. The balance in these accounts is presented as "cash and cash equivalents with fiscal agents".

During fiscal year 2004, investments were limited to repurchase agreements, Federal Home Loan Bank Bonds, Federal National Mortgage Association Notes and STAROhio.

Investments are reported at fair value which is based on quoted market prices, with the exception of repurchase agreements, which are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$85,274 which includes \$7,988 assigned from other School District funds.

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are reported as cash equivalents.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside for textbooks and the creation of a reserve for budget stabilization. See Note 22 for additional information regarding set-asides.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of donated food, purchased food and school supplies held for resale and materials and supplies for consumption.

J. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

All reported capital assets except 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>
Land Improvements	3 - 25 years
Building and Improvements	5 - 50 years
Furniture and Equipment	3 - 25 years
Vehicles	7 - 10 years
Textbooks and Library Books	15 years

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

K. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as “interfund receivables/payables.” Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets.

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 School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide finance statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the general fund.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the internal service fund 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, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds, capital lease obligations, long-term notes and loans are recognized as a liability on the governmental fund financial statements when due.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include the operations of the adult education program.

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

O. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by statute to protect against cyclical fluctuations in revenues and expenditures.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for health insurance in the internal service fund. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

R. Estimates

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

Note 3 - Changes in Accounting Principle and Restatement of Net Assets

Changes in Accounting Principle For fiscal year 2004, the School District has implemented GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". GASB Statement No. 39 state that entities for which a primary government is not financially accountable may still be reported as a component units based on the nature and significance of their relationship with the primary government. The implementation of GASB Statement No. 39 did not affect the reporting entity of the School District.

Restatement of Net Assets During fiscal year 2004, it was determined that the intergovernmental receivable amount was overstated at June 30, 2003. The intergovernmental revenue decreased net assets at June 30, 2003, by \$1,008,602 from \$18,072,787 to \$17,064,185. The effect on change in net assets is a decrease of \$1,008,602 from \$4,277,400 to \$3,268,798.

Avon Lake City School District, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 4 - Compliance

Contrary to section 5705.41, Ohio Revised Code, the following funds had expenditures/expenses plus encumbrances in excess of appropriations.

	Final Appropriations	Expenditures and Encumbrances	Excess
MAJOR FUNDS			
General Fund			
General Fund	\$29,977,361	\$30,383,647	(\$406,286)
Debt Service Fund			
Bond Retirement Fund	3,514,947	3,534,266	(19,319)
NONMAJOR FUNDS			
Special Revenue Funds			
Food Service	557,560	652,151	(94,591)
Michael Baumhauer Scholarship	3,400	4,478	(1,078)
Public School Support	175,681	191,032	(15,351)
Local Grants	45,477	57,070	(11,593)
Athletics	499,480	535,445	(35,965)
Entry Year Programs	6,382	7,700	(1,318)
Student Reading Intervention	0	50,000	(50,000)
Alternative Schools	39,692	40,160	(468)
Title VI-B	505,757	565,939	(60,182)
Title I	54,281	59,726	(5,445)
Drug Free Schools	22,892	23,791	(899)
Class Size Reduction	123,371	124,108	(737)
Internal Service Fund			
Self Insurance	1,315,544	2,985,544	(1,670,000)

Contrary to section 5705.39, Ohio Revised Code, the following funds had original appropriations in excess of estimated original resources plus the carryover balance.

Nonmajor Funds	Estimated Revenue Plus Carryover Balances	Original Appropriations	Excess
Special Revenue Funds:			
Alternative Schools	\$6,986	\$38,812	(\$31,826)
Class Size Reduction	71,333	97,059	(25,726)

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Contrary to section 5705.39, Ohio Revised Code, the following funds had expenditures plus encumbrances in excess of appropriations.

Nonmajor Funds	Estimated Revenue Plus Carryover Balances	Final Appropriations	Excess
Special Revenue Funds:			
Alternative Schools	\$28,627	\$39,692	(\$11,065)
Title V	26,155	27,028	(873)
Early Childhood Education Development	26,523	29,936	(3,413)
Class Size Reduction	81,996	123,371	(41,375)

Although these violations were not corrected by fiscal year end, management has indicated that appropriations will be closely monitored to ensure no future violations.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) 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 the GAAP basis are as follows:

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. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$367,299)
Net Adjustment for Revenue Accruals	181,163
Beginning Change in Fair Value of Investments	7,176
Ending Change in Fair Value of Investments	13,212
Advance In	218,448
Inception of Capital Lease	(1,076,745)
Net Adjustment for Expenditure Accruals	1,040,158
Adjustments for Encumbrances	<u>(868,860)</u>
Budget Basis	<u><u>(\$852,747)</u></u>

Note 6 - Deposits and Investments

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

Protection of the School 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.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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;

Avon Lake City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

2. Bonds, notes, debentures, or any other obligations or securities 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 two percent and be marked to market daily, and that 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interest 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 fiscal years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

Cash on Hand At fiscal year end, the School District had \$13,050 in unreported cash which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements."

Deposits At fiscal year end, the carrying amount of the School District's deposits was \$525,968 and the bank balance was \$242,710. The entire bank balance was covered by federal depository insurance.

Avon Lake City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investment in STAROhio, an investment pool operated by the State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Fair Value</u>
Federal Home Loan Bank Bonds	\$496,720	\$496,720
Federal National Mortgage Association Notes	9,397,570	9,397,570
STAROhio	<u>1,128,141</u>	<u>1,128,141</u>
Totals	<u>\$11,022,431</u>	<u>\$11,022,431</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classification of cash and investments on the combined basic financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$11,561,449	\$0
Cash on Hand	(13,050)	0
Investments which are part of the cash management pool:		
Federal Home Loan Bank Bonds	(496,720)	496,720
Federal National Mortgage Association Notes	(9,397,570)	9,397,570
STAROhio	<u>(1,128,141)</u>	<u>1,128,141</u>
GASB Statement No. 3	<u>\$525,968</u>	<u>\$11,022,431</u>

Note 7 - Property Taxes

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

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received during calendar year 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue in calendar year 2004 presents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value, public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lorain County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$1,638,564 in the general fund, \$317,087 in the bond retirement debt service fund, \$105,722 in the library bond retirement debt service fund and \$47,178 in the permanent improvements capital projects fund. The amount available as an advance at June 30, 2003, was \$1,835,671 in the general fund, \$336,747 in the bond retirement debt service fund, \$119,206 in the library bond retirement debt service fund and \$55,764 in the permanent improvements capital projects fund.

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

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$526,706,330	75.33 %	\$577,484,470	77.68 %
Public Utility Personal	87,013,120	12.44	89,826,130	12.08
Tangible Personal Property	<u>85,523,650</u>	<u>12.23</u>	<u>76,118,840</u>	<u>10.24</u>
Total	<u>\$699,243,100</u>	<u>100.00 %</u>	<u>\$743,429,440</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$60.69		\$60.36	

Note 8 - Receivables

Receivables at June 30, 2004, consisted of property taxes, intergovernmental grants, and accounts (rent and tuition). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Food Service Subsidies	\$17,964
Title VI-B Grants and Subsidies	8,480
Title V Grants and Subsidies	2,712
Early Childhood Education Development Grants and Subsidies	<u>1,975</u>
Total All Funds	<u>\$31,131</u>

Note 9 - Interfund Transfers

A. Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The general fund and the permanent improvements capital projects fund transferred monies to the major bond retirement debt service fund for debt payment purposes in the amount of \$50,825 and \$305,000, respectively.

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 10 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance 6/30/03	Additions	Deletions	Balance 6/30/04
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$5,656,440	\$0	\$0	\$5,656,440
Construction in Progress	11,506,572	610,314	(12,116,886)	0
<i>Total Capital Assets, not being depreciated</i>	<u>17,163,012</u>	<u>610,314</u>	<u>(12,116,886)</u>	<u>5,656,440</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	1,793,427	0	0	1,793,427
Buildings and Improvements	47,904,661	12,476,537	0	60,381,198
Furniture and Equipment	8,051,031	1,491,410	0	9,542,441
Vehicles	1,249,465	113,142	(55,875)	1,306,732
Textbooks and Library Books	2,677,412	0	0	2,677,412
<i>Total Capital Assets, being depreciated</i>	<u>61,675,996</u>	<u>14,081,089</u>	<u>(55,875)</u>	<u>75,701,210</u>
Less Accumulated Depreciation:				
Land Improvements	(535,691)	(89,672)	0	(625,363)
Buildings and Improvements	(13,755,012)	(1,192,537)	0	(14,947,549)
Furniture and Equipment	(5,218,821)	(833,416)	0	(6,052,237)
Vehicles	(785,783)	(103,434)	55,875	(833,342)
Textbooks and Library Books	(1,755,537)	(153,646)	0	(1,909,183)
Total Accumulation Depreciation	<u>(22,050,844)</u>	<u>(2,372,705) *</u>	<u>55,875</u>	<u>(24,367,674)</u>
Total Capital Assets being depreciated, net	<u>39,625,152</u>	<u>11,708,384</u>	<u>0</u>	<u>51,333,536</u>
Governmental Activities Capital Assets, Net	<u>\$56,788,164</u>	<u>\$12,318,698</u>	<u>(\$12,116,886)</u>	<u>\$56,989,976</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,160,631
Support Services:	
Administration	24,453
Operation and Maintenance of Plant	22,111
Pupil Transportation	106,504
Extracurricular Activities	<u>59,006</u>
Total Depreciation Expense	<u>\$2,372,705</u>

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 11 - Risk Management

A. Property and Liability

The School 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 2004 the School District contracted with Indiana Insurance Company for property insurance. Professional liability is protected by the Hylant Group Insurance Company with a \$3,000,000 aggregate limit. Vehicles are covered by the Grange Mutual Insurance Company and hold a \$50 deductible for comprehensive and \$250 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction in coverage from last year.

The School District maintains a \$50,000 public official bond for the treasurer, a \$20,000 public official bond for the Board of Education president, a \$20,000 public official bond for the superintendent, and a \$250,000 blanket bond for all other employees.

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

B. Employee Medical Coverage

The School District is self-insured for medical, surgical, prescription drug, dental and vision benefits for the School District employees. The School District uses the self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. A third party, Bridge Benefits, reviews all claims which are then paid by the School District. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The School District maintains stop-loss coverage for its insurance program. Stop-loss is maintained at \$150,000 per employee per calendar year. The stop-loss limit was not met in fiscal year 2004.

The claims liability of \$613,964 reported in the internal service fund at June 30, 2004, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the claims liability amount in 2003 and 2004 were:

	Balance at Beginning of Year	Current Year Claims	Current Year Payments	Balance at End of Year
2003	\$629,661	\$2,044,436	\$2,110,417	\$563,680
2004	563,680	2,604,456	2,554,172	613,964

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System (SERS)

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit 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 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$389,259, \$343,563 and \$204,838, respectively. 92.99 percent has been contributed for fiscal year 2004, and 100 percent for fiscal years 2003 and 2002.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,740,960, \$1,651,379 and \$1,133,682, respectively; 90.36 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$25,338 made by the School District and \$41,261 made by the plan members.

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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2004, two members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$133,920 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$279,129.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Note 14 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Certified employees do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of 1.25 days per month. Sick leave accumulation is unlimited. Upon retirement or death, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 40 days for classified employees and 55 days for certified employees.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is equal to employees' annual salary amount rounded to the nearest one thousand dollars. Life insurance is covered through the Prudential Life Insurance.

C. Early Retirement Incentive

The Avon Lake School District Board of Education approved an Early Retirement Incentive program in fiscal year 2003 for certified employees. The retirement incentive is based upon retirement eligibility under STRS and notification by April of every year. The retirement incentive will be paid based upon the actual date of retirement. The payments are made from the general fund. Payments for fiscal year 2004 retirements will be made in July 2004.

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 15 - Capital Leases

The School District has entered into several lease agreements for computer equipment and copiers. The School District's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases." Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized and depreciated as follows:

Governmental Activities	
Capital Assets, being depreciated:	
Furniture and Equipment	\$1,686,722
Less Accumulated Depreciation:	
Furniture and Equipment	<u>(522,949)</u>
<i>Total Capital Assets, being depreciated, net</i>	<u><u>\$1,163,773</u></u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2005	\$414,817
2006	339,300
2007	119,210
2008	75,192
2009	<u>37,596</u>
Total	986,115
Less: Amount Representing Interest	<u>(60,354)</u>
Present Value of Minimum Lease Payments	<u><u>\$925,761</u></u>

Avon Lake City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

Note 16 - Contractual Commitments

As of June 30, 2004, the School District had the following contractual commitments:

Contractor	Contract Amount	Amount paid as of 6/30/04	Amount Remaining on Contract
Avaya	\$990,167	\$900,925	\$89,242
Building Technicians	794,540	661,420	133,120
Corporate Flooring	951,343	884,054	67,289
Custom Fabricators	868,215	866,437	1,778
Gable Elev	137,266	135,865	1,401
Harrington Electric	1,335,686	1,114,514	221,172
Marous	2,615,272	2,555,385	59,887
Precision Environmental	1,105,903	1,004,747	101,156
Sound Com	1,442,242	1,412,494	29,748
Stiengass	515,739	514,434	1,305
Tomarios	303,383	279,914	23,469
Total	\$11,059,756	\$10,330,189	\$729,567

Note 17 - Long-Term Obligations

The original issue date, interest rate, original issuance and date of maturity for each of the School District's long-term obligations follows:

	Original Issue Date	Interest Rate	Original Issue Amount	Date of Maturity
<i>General Obligation Bonds</i>				
Energy Conservation Improvements	1997	4.6656 %	\$2,195,000	December 1, 2007
Public Library Improvement	1993	5.5116 %	4,000,000	December 1, 2013
Troy Renovation/Improvement	1995	6.2720 %	2,000,000	December 1, 2019
School Facilities Term and Serial	1999	4.125 - 5.4 %	41,150,000	December 1, 2023
School Facilities Capital Appreciation	1999	4.125 - 5.4 %	649,977	December 1, 2011
<i>Long-term Notes Payable</i>				
Energy Conservation Notes				
Serial Notes	2002	2.4 - 4.2 %	1,535,000	December 1, 2011
Capital Appreciation Notes	2002	2.4 - 4.2 %	250,717	December 1, 2007
<i>Loans</i>				
Fiber Optics Loan	2002	4.55 %	800,000	December 1, 2006
HVAC Loan	2003	3.0 - 3.9 %	257,069	December 1, 2008

Avon Lake City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The changes in the School District's long-term obligations during the year consist of the following:

	Principal Outstanding 06/30/03	Additions	Reductions	Principal Outstanding 06/30/04	Amount Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Energy Conservation Improvements	\$600,000	\$0	(\$125,000)	\$475,000	\$125,000
Public Library Improvement	2,675,000	0	(185,000)	2,490,000	195,000
Troy Renovation/Improvement	1,670,000	0	(60,000)	1,610,000	65,000
School Facilities					
Term and Serial Bonds	39,775,000	0	(825,000)	38,950,000	975,000
Capital Appreciation Bonds	649,977	0	0	649,977	0
Accretion on Capital Appreciation Bonds	2,320,354	159,395	0	2,479,749	0
<i>Total General Obligation Bonds</i>	<u>47,690,331</u>	<u>159,395</u>	<u>(1,195,000)</u>	<u>46,654,726</u>	<u>1,360,000</u>
Energy Conservation Notes					
Serial Notes	1,370,000	0	(180,000)	1,190,000	180,000
Capital Appreciation Notes	250,717	0	0	250,717	0
Accretion on Capital Appreciation Notes	0	59,583	0	59,583	0
<i>Total Energy Conservation Notes</i>	<u>1,620,717</u>	<u>59,583</u>	<u>(180,000)</u>	<u>1,500,300</u>	<u>180,000</u>
Capital Leases	283,594	1,076,745	(434,578)	925,761	382,468
Loans:					
Fiber Optics Loan	479,368	0	(152,734)	326,634	159,684
HVAC Loan	257,069	0	(49,000)	208,069	51,000
<i>Total Loans</i>	<u>736,437</u>	<u>0</u>	<u>(201,734)</u>	<u>534,703</u>	<u>210,684</u>
Compensated Absences Payable	1,088,443	27,305	(112,159)	1,003,589	114,937
<i>Total Governmental Activities</i>	<u>\$51,419,522</u>	<u>\$1,323,028</u>	<u>(\$2,123,471)</u>	<u>\$50,619,079</u>	<u>\$2,248,089</u>

General obligation bonds will be paid from property taxes receipted in the debt service fund. In 1993, the School District issued bonds for improvements to the public library in the amount of \$4,000,000. The bonds are included as School District debt because the School District serves as the taxing authority for the library and is required to issue tax related debt. The principal will be paid from the library bond retirement debt service fund.

Energy conservation long-term notes were issued in fiscal year 2003 for \$1,785,717. These note issues included serial and capital appreciation notes in the amounts of \$1,535,000 and \$250,717, respectively. The principal will be paid from the bond retirement debt service fund. The capital appreciation notes will mature in fiscal years 2007 and 2008. The maturity amount of the notes is \$390,000. In fiscal year 2004, \$23,480 was accreted for a total note obligation of \$59,583.

Capital lease obligations will be paid from the general fund. The fiber optics loan and the HVAC loan will be paid out of the building improvement capital projects fund. Compensated absences will be paid from the general fund and the food service and title VI-B special revenue funds which are the funds from which the employees' salaries are paid.

Avon Lake City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

School Facilities General Obligation Bonds - On September 15, 1999, Avon Lake City School District issued \$41,799,977 in voted general obligation bonds for the purpose of constructing, improving and making additions to school buildings and related site development. The bond issue included serial, term and capital appreciation bonds in the amount of \$8,150,000, \$33,000,000 and \$649,977, respectively. The bonds were issued at a premium of \$1,799,444. The bonds will be retired with a voted property tax levy from the debt service fund.

The term bonds maturing on December 1, 2014, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, of each of the years 2012 through 2013 (with the balance of \$1,635,000 to be paid at stated maturity on December 1, 2014) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2012	\$1,465,000
2013	1,550,000

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, of each of the years 2015 through 2018 (with the balance of \$2,145,000 to be paid at stated maturity on December 1, 2019) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2015	\$1,730,000
2016	1,825,000
2017	1,925,000
2018	2,030,000

The term bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption in part by lot pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, of each of the years 2020 through 2025 (with the balance of \$3,120,000 to be paid at stated maturity on December 1, 2026) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2020	\$2,260,000
2021	2,385,000
2022	2,520,000
2023	2,655,000
2024	2,800,000
2025	2,955,000

Current serial bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement.

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

The serial bonds maturing after December 1 in 2009 are subject to optional redemption, in whole or in part of any date in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000 at the option of the School District on or after December 1, 2009 at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2009 through November 30, 2010	102 %
December 1, 2010 through November 30, 2011	101
December 1, 2011 and thereafter	100

The capital appreciation bonds will mature in fiscal years 2009 through 2011. The final amount of the bonds is \$4,395,000. In fiscal year 2004, \$159,395 was accreted for a total bond obligation of \$2,479,749.

The School District's overall legal debt margin was \$25,511,168 and the unvoted legal debt margin was \$743,429 at June 30, 2004. Principal and interest requirements to retire long-term obligations outstanding at June 30, 2004, are as follows:

	General Obligation Bonds		Capital Appreciation Bonds		Energy Conservation Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$1,360,000	\$2,338,384	\$0	\$0	\$180,000	\$41,843
2006	1,470,000	2,271,715	0	0	185,000	36,317
2007	1,585,000	2,197,589	0	0	0	33,357
2008	1,730,000	2,115,272	0	0	0	33,357
2009	1,715,000	2,028,221	0	0	195,000	29,604
2010-2014	4,900,000	9,490,892	649,977	3,745,023	630,000	40,015
2015-2019	9,775,000	7,194,629	0	0	0	0
2020-2024	12,115,000	4,160,900	0	0	0	0
2025-2027	8,875,000	749,788	0	0	0	0
Total	\$43,525,000	\$32,547,390	\$649,977	\$3,745,023	\$1,190,000	\$214,493

	Capital Appreciation Notes		Total	
	Principal	Interest	Principal	Interest
2005	\$0	\$0	\$1,540,000	\$2,380,227
2006	0	0	1,655,000	2,308,032
2007	130,287	64,713	1,715,287	2,295,659
2008	120,430	74,570	1,850,430	2,223,199
2009	0	0	1,910,000	2,057,825
2010-2014	0	0	6,179,977	13,275,930
2015-2019	0	0	9,775,000	7,194,629
2020-2024	0	0	12,115,000	4,160,900
2025-2027	0	0	8,875,000	749,788
Total	\$250,717	\$139,283	\$45,615,694	\$36,646,189

Avon Lake City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The fiber optics and HVAC loans will be paid from the building improvements capital projects fund. The principal and interest payments to retire the long-term notes are as follows:

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$210,684	\$21,470	\$232,154
2006	218,950	12,946	231,896
2007	53,000	3,784	56,784
2008	52,069	2,010	54,079
Total	<u>\$534,703</u>	<u>\$40,210</u>	<u>\$574,913</u>

Note 18 - Jointly Governed Organizations

A. Lake Erie Educational Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization among thirty school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least one Assembly member from each county in which the participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District paid \$28,057 for services during fiscal year 2004. Financial information can be obtained by contacting the Treasurer at the Educational Service Center at the Lorain County Board of Education, who serves as the fiscal agent, at 1885 Lake Avenue, Elyria, Ohio, 44035.

B. Lake Erie Regional Council of Governments (LERC)

The Lake Erie Regional Council of Governments (LERC) is a jointly governed organization among 14 school districts. The 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, drivers' education, food service and insurance. Each member provides 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 school district and the fiscal agent. LERC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2004, the School District paid \$11,183. Financial information can be obtained by contacting the Treasurer at the Educational Service Center at the Lorain County Board of Education at 1885 Lake Avenue, Elyria, Ohio, 44035.

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

C. Lorain County Joint Vocational School District

The Lorain County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from the eight participating school district's elected board, which possesses its own budgeting and taxing authority. Financial information can be obtained by contacting the Treasurer at the Lorain County Joint Vocational School District at Rt. 58, Oberlin, Ohio, 44074.

D. Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among ninety-one school districts. The organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2004, the School District paid \$750 to the Council. Financial information can be obtained by contacting David A. Cottrell, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio, 44101.

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for the debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

The School District also participates in the Council's prepaid natural gas program which was implemented during fiscal year 2000. This program allows school districts to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. The participants make monthly payments based on estimated usage. These estimated payments are compared to their actual usage and any necessary adjustments are made.

The City of Hamilton, a municipal corporation and political subdivision duly organized and existing under the laws of the State of Ohio, issued \$89,450,000 in debt to purchase twelve years of natural gas from CMS Energy Corporation for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is entitled to recover that amount, if any, of its contributions to the operating fund which are not encumbered for its share of program administrative costs.

Avon Lake City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004*

Note 19 - Claims Serving Pool

The School District participates in the Lake Erie Council of Governments (LERC) Insurance Program, a claims servicing pool comprised of fourteen Lorain County school districts. Each school district has a representative on the assembly (usually the superintendent or designee). The plan's business and affairs are conducted by a five member Board of Directors elected by the LERC's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. Each member pays a monthly premium based on their claims history and a monthly administration fee. The Avon Lake City School District paid \$91,516 to LERC during fiscal year 2004 for services. All participating members retain their risk and are completely responsible for paying their own claims. The LERC act solely as the claims servicing agent.

Note 20 - Related Organization

The Avon Lake Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Avon Lake City School Board of Education. The Board possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and issues tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained by contacting the Clerk/Treasurer at the Avon Lake Public Library at 32649 Electric Blvd., Avon Lake, Ohio, 44012.

Note 21 - State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 22 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instruction materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward to be used for the same purposes in future fiscal years. In prior fiscal years, the School District was also required to set aside money for budget stabilization. At June 30, 2004, only the unspent portion of certain worker's compensation refunds continues to be set aside for budget stabilization.

Avon Lake City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks, capital improvements and budget stabilization. Disclosure of this information is required by State statute.

	Budget Stabilization Reserve	Capital Improvements Reserve	Textbooks/ Instructional Materials
Set-aside Reserve Balance as of June 30, 2003	\$113,990	\$0	\$714,658
Current Year Set-aside Requirement	0	313,641	313,641
Qualifying Disbursements	0	(2,028,530)	(669,631)
Totals	<u>\$113,990</u>	<u>(\$1,714,889)</u>	<u>\$358,668</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2004	<u>\$113,990</u>	<u>\$0</u>	<u>\$358,668</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future fiscal years. The total reserve balance for the set-asides at the end of the fiscal year was \$472,658.

Note 23 - Contingencies

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

**Combining
and
Individual Fund Statements
and Schedules**

Fund Descriptions – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

To account for revenues from specific sources which legally, or otherwise, are restricted to expenditures for specific purposes.

Food Service Fund To account for monies used for the food service operations of the School District.

Scholarship Fund To account for monies from local donations for the purpose of scholarships for students.

Michael Baumhauer Scholarship Fund To account for donations in honor of long-standing teacher Michael Baumhauer to be used for scholarships for eligible students.

Adult Education Fund To account for the monies involved in upgrading and retaining out of school youths and adults for the purpose of improving their skills and knowledge in their occupation or planned occupation.

Public School Support Fund To account for school site sales revenue and expenditures for field trips, assemblies and other activity costs.

Local Grants Fund To account for monies received to promote community involvement and volunteer activities between the school and community.

Athletics Fund To account for gate receipts and other revenues from athletic events and all costs (except personnel services) of the School District's athletic program.

Auxiliary Services Fund To account for monies which provide services and materials to pupils attending non-public schools within the School District.

Management Information Systems Fund To account for State monies which support the development of hardware and software or other costs associated with the requirements of the management information system.

Entry Year Programs Fund This fund accounts for State monies which support the development of programs for teachers beginning employment with the School District.

Data Communications Fund To account for State monies received to provide Ohio Educational Computer Network connections.

School Net Development Fund To account for State monies used to assist teachers in gaining new skills and becoming familiar with new teaching methodologies.

Student Reading Intevention Fund This fund accounts for monies that improve reading outcomes on the reading proficiency test for students.

Alternative Schools Fund This fund accounts for monies which support alternative school programs.

(continued)

Fund Descriptions – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds (continued)

Miscellaneous State Grants Fund To account for State monies which support academic and enrichment programs for the student body.

Title VI-B Fund To account for Federal monies used to assist schools in the identification of handicapped children, development of procedural safeguards, implementation of least restrictive alternative service patterns, and provisions of full educational opportunities to handicapped children at the preschool, elementary and secondary levels.

Title I Fund To account for Federal monies used to assist the School District in meeting the special needs of educationally deprived children.

Title V Fund To account for Federal monies which support the implementation of a variety of programs such as computer education, gifted and talented programs, in-service and staff development.

Drug Free Schools Fund To account for Federal monies which support the implementation of programs for drug abuse education and prevention.

Early Childhood Education Development Fund To account for State monies which partially support the preschool program focusing on the early education of handicapped children.

Class Size Reduction Fund To account for Federal monies received to encourage and help fund smaller classroom size and additional staffing needs.

Miscellaneous Federal Grants Fund To account for Federal monies which support academic and enrichment programs for the student body.

Nonmajor Debt Service Fund

The debt service funds are used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest, and related costs.

Library Bond Retirement Fund To account for the accumulation of tax monies and the payment of general obligation bond principal and interest for the bonds issued for the Avon Lake Public Library.

Fund Descriptions – Nonmajor Governmental Funds

Nonmajor Capital Projects Funds

Capital projects funds account for the acquisition, construction or improvement of capital facilities other than those financed by proprietary funds.

Permanent Improvements Fund To account for property taxes levied to be used for various capital projects within the School District.

Building Improvements Fund To account for bond proceeds to be used for the acquisition, construction, or improvement of major capital facilities.

School Net Plus Fund To account for State monies used to provide technology equipment to classrooms at the K-5 grade levels that support the transmission of voice, video and data, and to provide a computer workstation and related technology for every classroom.

Interactive Video Distance Learning Fund To account for State monies to be used to provide interactive video cameras for classrooms.

Avon Lake City School District

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2004

	Nonmajor Special Revenue Funds	Nonmajor Library Bond Retirement Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$608,969	\$1,174,287	\$1,456,643	\$3,239,899
Cash and Cash Equivalents with Fiscal Agents	0	0	160,394	160,394
Accounts Receivable	6,029	0	0	6,029
Intergovernmental Receivable	31,131	0	0	31,131
Prepaid Items	3,984	0	0	3,984
Inventory Held for Resale	20,688	0	0	20,688
Property Taxes Receivable	0	1,153,782	650,498	1,804,280
<i>Total Assets</i>	<u>\$670,801</u>	<u>\$2,328,069</u>	<u>\$2,267,535</u>	<u>\$5,266,405</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$60,760	\$0	\$17,450	\$78,210
Accrued Wages and Benefits	53,206	0	0	53,206
Retainage Payable	0	0	160,394	160,394
Intergovernmental Payable	2,534	0	0	2,534
Deferred Revenue	10,455	1,048,060	603,320	1,661,835
<i>Total Liabilities</i>	<u>126,955</u>	<u>1,048,060</u>	<u>781,164</u>	<u>1,956,179</u>
Fund Balances				
Reserved for Encumbrances	83,923	0	75,387	159,310
Reserved for Property Taxes	0	105,722	47,178	152,900
Unreserved, Undesignated				
Reported in:				
Special Revenue Funds	459,923	0	0	459,923
Debt Service Funds	0	1,174,287	0	1,174,287
Capital Projects Funds	0	0	1,363,806	1,363,806
<i>Total Fund Balances</i>	<u>543,846</u>	<u>1,280,009</u>	<u>1,486,371</u>	<u>3,310,226</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$670,801</u>	<u>\$2,328,069</u>	<u>\$2,267,535</u>	<u>\$5,266,405</u>

Avon Lake City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2004

	Nonmajor Special Revenue Funds	Nonmajor Library Bond Retirement Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Property Taxes	\$0	\$158,284	\$639,526	\$797,810
Intergovernmental	1,019,405	7,653	52,162	1,079,220
Interest	13,153	0	16,506	29,659
Tuition and Fees	18,111	0	0	18,111
Extracurricular Activities	503,878	0	0	503,878
Contributions and Donations	122,804	0	0	122,804
Charges for Services	531,639	0	0	531,639
Miscellaneous	78,286	0	216,321	294,607
<i>Total Revenues</i>	<u>2,287,276</u>	<u>165,937</u>	<u>924,515</u>	<u>3,377,728</u>
Expenditures				
Current:				
Instruction:				
Regular	167,247	0	180,310	347,557
Special	122,204	0	0	122,204
Support Services:				
Pupils	463,769	0	0	463,769
Instructional Staff	64,435	0	0	64,435
Board of Education	0	0	54	54
Administration	87,332	0	0	87,332
Fiscal	0	2,656	13,966	16,622
Operation and Maintenance of Plant	0	0	138,173	138,173
Pupil Transportation	1,114	0	54,871	55,985
Central	6,125	0	0	6,125
Operation of Non-Instructional Services:				
Food Service Operations	726,173	0	0	726,173
Other Non-Instructional Services	288,491	0	0	288,491
Extracurricular Activities	507,287	0	0	507,287
Capital Outlay	0	0	792,073	792,073
Debt Service:				
Principal Retirement	0	185,000	201,734	386,734
Interest and Fiscal Charges	0	143,171	29,471	172,642
<i>Total Expenditures</i>	<u>2,434,177</u>	<u>330,827</u>	<u>1,410,652</u>	<u>4,175,656</u>
<i>Excess of Revenues Under Expenditures</i>	(146,901)	(164,890)	(486,137)	(797,928)
Other Financing Uses				
Transfers Out	0	0	(305,000)	(305,000)
<i>Net Change in Fund Balances</i>	(146,901)	(164,890)	(791,137)	(1,102,928)
<i>Fund Balances Beginning of Year</i>	<u>690,747</u>	<u>1,444,899</u>	<u>2,277,508</u>	<u>4,413,154</u>
<i>Fund Balances End of Year</i>	<u>\$543,846</u>	<u>\$1,280,009</u>	<u>\$1,486,371</u>	<u>\$3,310,226</u>

Avon Lake City School District

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2004

	Food Service	Scholarship	Michael Baumhauer Scholarship	Adult Education
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$80,407	\$20,940	\$9,663	\$3,466
Accounts Receivable	0	0	0	0
Intergovernmental Receivable	17,964	0	0	0
Prepaid Items	2,600	0	0	0
Inventory Held for Resale	20,688	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$121,659</u>	<u>\$20,940</u>	<u>\$9,663</u>	<u>\$3,466</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$0	\$0	\$0	\$0
Accrued Wages and Benefits	27,424	0	0	0
Intergovernmental Payable	2,173	0	0	0
Deferred Revenue	0	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	<u>29,597</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances				
Reserved for Encumbrances	12,908	0	0	0
Unreserved, Undesignated	79,154	20,940	9,663	3,466
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>92,062</u>	<u>20,940</u>	<u>9,663</u>	<u>3,466</u>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$121,659</u>	<u>\$20,940</u>	<u>\$9,663</u>	<u>\$3,466</u>

Public School Support	Local Grants	Athletics	Auxiliary Services	Management Information Systems	Entry Year Programs	School Net Development
\$95,502	\$90,974	\$105,744	\$91,205	\$14,431	\$100	\$2,178
6,029	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	144	0	0	0
0	0	0	0	0	0	0
<u>\$101,531</u>	<u>\$90,974</u>	<u>\$105,744</u>	<u>\$91,349</u>	<u>\$14,431</u>	<u>\$100</u>	<u>\$2,178</u>
\$5,515	\$5,087	\$28,235	\$10,364	\$0	\$0	\$0
0	0	0	15,239	0	0	0
0	0	0	220	0	0	0
0	0	0	0	0	0	0
<u>5,515</u>	<u>5,087</u>	<u>28,235</u>	<u>25,823</u>	<u>0</u>	<u>0</u>	<u>0</u>
1,845	13,723	22,159	8,514	0	100	1,894
94,171	72,164	55,350	57,012	14,431	0	284
<u>96,016</u>	<u>85,887</u>	<u>77,509</u>	<u>65,526</u>	<u>14,431</u>	<u>100</u>	<u>2,178</u>
<u>\$101,531</u>	<u>\$90,974</u>	<u>\$105,744</u>	<u>\$91,349</u>	<u>\$14,431</u>	<u>\$100</u>	<u>\$2,178</u>

(continued)

Avon Lake City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2004

	Student Reading Intervention	Alternative Schools	Miscellaneous State Grants	Title VI-B
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$8,460	\$10,740	\$2,511	\$59,322
Accounts Receivable	0	0	0	0
Intergovernmental Receivable	0	0	0	8,480
Prepaid Items	0	0	0	1,240
Inventory Held for Resale	0	0	0	0
<i>Total Assets</i>	<u>\$8,460</u>	<u>\$10,740</u>	<u>\$2,511</u>	<u>\$69,042</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$0	\$7,835	\$0	\$1,091
Accrued Wages and Benefits	0	0	0	10,543
Intergovernmental Payable	0	0	0	141
Deferred Revenue	0	0	0	8,480
<i>Total Liabilities</i>	<u>0</u>	<u>7,835</u>	<u>0</u>	<u>20,255</u>
Fund Balances				
Reserved for Encumbrances	0	2,905	0	16,903
Unreserved, Undesignated	8,460	0	2,511	31,884
<i>Total Fund Balances</i>	<u>8,460</u>	<u>2,905</u>	<u>2,511</u>	<u>48,787</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,460</u>	<u>\$10,740</u>	<u>\$2,511</u>	<u>\$69,042</u>

<u>Title I</u>	<u>Title V</u>	<u>Drug Free Schools</u>	<u>Early Childhood Education Development</u>	<u>Class Size Reduction</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$3,220	\$1,954	\$6,885	\$0	\$1,267	\$608,969
0	0	0	0	0	6,029
0	2,712	0	1,975	0	31,131
0	0	0	0	0	3,984
0	0	0	0	0	20,688
<u>\$3,220</u>	<u>\$4,666</u>	<u>\$6,885</u>	<u>\$1,975</u>	<u>\$1,267</u>	<u>\$670,801</u>
\$1,216	\$1,417	\$0	\$0	\$0	\$60,760
0	0	0	0	0	53,206
0	0	0	0	0	2,534
0	0	0	1,975	0	10,455
<u>1,216</u>	<u>1,417</u>	<u>0</u>	<u>1,975</u>	<u>0</u>	<u>126,955</u>
2,004	518	450	0	0	83,923
0	2,731	6,435	0	1,267	459,923
<u>2,004</u>	<u>3,249</u>	<u>6,885</u>	<u>0</u>	<u>1,267</u>	<u>543,846</u>
<u>\$3,220</u>	<u>\$4,666</u>	<u>\$6,885</u>	<u>\$1,975</u>	<u>\$1,267</u>	<u>\$670,801</u>

Avon Lake City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2004

	Food Service	Scholarship	Michael Baumhauer Scholarship	Adult Education
Revenues				
Intergovernmental	\$176,228	\$0	\$0	\$0
Interest	6,233	188	116	0
Tuition and Fees	0	0	0	639
Extracurricular Activities	0	0	0	0
Contributions and Donations	0	6,601	2,550	0
Charges for Services	531,639	0	0	0
Miscellaneous	0	0	0	0
<i>Total Revenues</i>	<u>714,100</u>	<u>6,789</u>	<u>2,666</u>	<u>639</u>
Expenditures				
Current:				
Instruction:				
Regular	0	0	0	0
Special	0	1,255	0	0
Support Services:				
Pupils	0	0	0	0
Instructional Staff	0	0	0	0
Administration	0	0	0	0
Pupil Transportation	0	0	0	0
Central	0	0	0	0
Operation of Non-Instructional Services:				
Food Service Operations	726,173	0	0	0
Other Non-Instructional Services	0	1,000	4,478	0
Extracurricular Activities	0	0	0	0
<i>Total Expenditures</i>	<u>726,173</u>	<u>2,255</u>	<u>4,478</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(12,073)	4,534	(1,812)	639
<i>Fund Balances Beginning of Year</i>	<u>104,135</u>	<u>16,406</u>	<u>11,475</u>	<u>2,827</u>
<i>Fund Balances End of Year</i>	<u>\$92,062</u>	<u>\$20,940</u>	<u>\$9,663</u>	<u>\$3,466</u>

Public School Support	Local Grants	Athletics	Auxiliary Services	Management Information Systems	Entry Year Programs	Data Communications	School Net Development
\$0	\$475	\$0	\$232,793	\$12,269	\$7,700	\$21,000	\$4,140
0	0	0	6,616	0	0	0	0
717	16,755	0	0	0	0	0	0
49,680	0	454,198	0	0	0	0	0
38,702	61,972	12,979	0	0	0	0	0
0	0	0	0	0	0	0	0
71,549	0	6,737	0	0	0	0	0
160,648	79,202	473,914	239,409	12,269	7,700	21,000	4,140
122	19,794	0	0	0	3,539	0	570
898	217	0	0	0	0	0	0
179,202	0	0	0	0	0	0	0
3,750	500	0	0	0	4,061	21,155	0
0	0	0	0	29,937	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	2,500
0	0	0	0	0	0	0	0
0	0	0	254,829	0	0	0	0
3,720	11,527	492,040	0	0	0	0	0
187,692	32,038	492,040	254,829	29,937	7,600	21,155	3,070
(27,044)	47,164	(18,126)	(15,420)	(17,668)	100	(155)	1,070
123,060	38,723	95,635	80,946	32,099	0	155	1,108
\$96,016	\$85,887	\$77,509	\$65,526	\$14,431	\$100	\$0	\$2,178

(continued)

Avon Lake City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
For the Fiscal Year Ended June 30, 2004

	Student Reading Intervention	Alternative Schools	Miscellaneous State Grants	Title VI-B
Revenues				
Intergovernmental	\$58,460	\$40,160	\$3,222	\$348,629
Interest	0	0	0	0
Tuition and Fees	0	0	0	0
Extracurricular Activities	0	0	0	0
Contributions and Donations	0	0	0	0
Charges for Services	0	0	0	0
Miscellaneous	0	0	0	0
<i>Total Revenues</i>	<u>58,460</u>	<u>40,160</u>	<u>3,222</u>	<u>348,629</u>
Expenditures				
Current:				
Instruction:				
Regular	50,000	0	0	0
Special	0	33,522	0	68,791
Support Services:				
Pupils	0	1,967	0	277,713
Instructional Staff	0	424	0	0
Administration	0	0	0	57,395
Pupil Transportation	0	1,114	0	0
Central	0	0	3,625	0
Operation of Non-Instructional Services:				
Food Service Operations	0	0	0	0
Other Non-Instructional Services	0	228	0	23,165
Extracurricular Activities	0	0	0	0
<i>Total Expenditures</i>	<u>50,000</u>	<u>37,255</u>	<u>3,625</u>	<u>427,064</u>
<i>Net Change in Fund Balances</i>	8,460	2,905	(403)	(78,435)
<i>Fund Balances Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>2,914</u>	<u>127,222</u>
<i>Fund Balances End of Year</i>	<u><u>\$8,460</u></u>	<u><u>\$2,905</u></u>	<u><u>\$2,511</u></u>	<u><u>\$48,787</u></u>

Title I	Title V	Drug Free Schools	Early Childhood Education Development	Class Size Reduction	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
\$0	\$19,838	\$9,174	\$17,521	\$66,310	\$1,486	\$1,019,405
0	0	0	0	0	0	13,153
0	0	0	0	0	0	18,111
0	0	0	0	0	0	503,878
0	0	0	0	0	0	122,804
0	0	0	0	0	0	531,639
0	0	0	0	0	0	78,286
0	19,838	9,174	17,521	66,310	1,486	2,287,276
2,486	10,539	11,680	0	68,517	0	167,247
0	0	0	17,521	0	0	122,204
0	0	4,887	0	0	0	463,769
0	8,185	0	0	24,275	2,085	64,435
0	0	0	0	0	0	87,332
0	0	0	0	0	0	1,114
0	0	0	0	0	0	6,125
0	0	0	0	0	0	726,173
0	3,691	0	0	1,100	0	288,491
0	0	0	0	0	0	507,287
2,486	22,415	16,567	17,521	93,892	2,085	2,434,177
(2,486)	(2,577)	(7,393)	0	(27,582)	(599)	(146,901)
4,490	5,826	14,278	0	28,849	599	690,747
\$2,004	\$3,249	\$6,885	\$0	\$1,267	\$0	\$543,846

Avon Lake City School District

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2004

	Permanent Improvements	Building Improvements	Total Nonmajor Capital Projects Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$193,917	\$1,262,726	\$1,456,643
Cash and Cash Equivalents with Fiscal Agents	0	160,394	160,394
Property Taxes Receivable	650,498	0	650,498
<i>Total Assets</i>	<u>\$844,415</u>	<u>\$1,423,120</u>	<u>\$2,267,535</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$0	\$17,450	\$17,450
Retainage Payable	0	160,394	160,394
Deferred Revenue	603,320	0	603,320
<i>Total Liabilities</i>	<u>603,320</u>	<u>177,844</u>	<u>781,164</u>
 Fund Balances			
Reserved for Encumbrances	977	74,410	75,387
Reserved for Property Taxes	47,178	0	47,178
Unreserved, Undesignated	192,940	1,170,866	1,363,806
<i>Total Fund Balances</i>	<u>241,095</u>	<u>1,245,276</u>	<u>1,486,371</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$844,415</u>	<u>\$1,423,120</u>	<u>\$2,267,535</u>

Avon Lake City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2004

	Permanent Improvements	Building Improvements	School Net Plus	Interactive Video Distance Learning	Total Nonmajor Capital Projects Funds
Revenues					
Property Taxes	\$639,526	\$0	\$0	\$0	\$639,526
Intergovernmental	52,162	0	0	0	52,162
Interest	0	16,506	0	0	16,506
Miscellaneous	0	216,321	0	0	216,321
<i>Total Revenues</i>	<u>691,688</u>	<u>232,827</u>	<u>0</u>	<u>0</u>	<u>924,515</u>
Expenditures					
Current:					
Instruction:					
Regular	13,380	161,747	29	5,154	180,310
Support Services:					
Board of Education	0	54	0	0	54
Fiscal	9,796	4,170	0	0	13,966
Operation and Maintenance of Plant	138,173	0	0	0	138,173
Pupil Transportation	54,871	0	0	0	54,871
Capital Outlay	117,843	674,230	0	0	792,073
Debt Service:					
Principal Retirement	0	201,734	0	0	201,734
Interest and Fiscal Charges	0	29,471	0	0	29,471
<i>Total Expenditures</i>	<u>334,063</u>	<u>1,071,406</u>	<u>29</u>	<u>5,154</u>	<u>1,410,652</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	357,625	(838,579)	(29)	(5,154)	(486,137)
Other Financing Uses					
Transfers Out	(305,000)	0	0	0	(305,000)
<i>Net Change in Fund Balances</i>	52,625	(838,579)	(29)	(5,154)	(791,137)
<i>Fund Balances Beginning of Year</i>	<u>188,470</u>	<u>2,083,855</u>	<u>29</u>	<u>5,154</u>	<u>2,277,508</u>
<i>Fund Balances End of Year</i>	<u>\$241,095</u>	<u>\$1,245,276</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,486,371</u>

Individual Fund Statements – Nonmajor Funds

Agency Funds

These funds are purely custodial (assets equal liabilities) and thus do not involve the measurement of results of operations.

Student Managed Activities Fund To account for purchases of supplies on behalf of those student activity programs which have student participation in the activity and have student involvement in the management of the program.

Staff Services Fund To account for purchases of supplies and equipment on behalf of employees of the School District.

Avon Lake City School District
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2004

	Beginning Balance 06/30/03	Additions	Deductions	Ending Balance 06/30/04
<i>Student Managed Activities</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$121,244	\$259,141	\$260,394	\$119,991
Liabilities				
Accounts Payable	\$0	\$3,361	\$0	\$3,361
Due to Students	121,244	255,780	260,394	116,630
<i>Total Liabilities</i>	\$121,244	\$259,141	\$260,394	\$119,991
<i>Staff Services</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$3,040	\$2,840	\$2,826	\$3,054
Liabilities				
Undistributed Monies	\$3,040	\$2,840	\$2,826	\$3,054
<i>Total - All Agency Funds</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$124,284	\$261,981	\$263,220	\$123,045
Liabilities				
Accounts Payable	\$0	\$3,361	\$0	\$3,361
Undistributed Monies	3,040	2,840	2,826	3,054
Due to Students	121,244	255,780	260,394	116,630
<i>Total Liabilities</i>	\$124,284	\$261,981	\$263,220	\$123,045

**Individual Fund Schedules of Revenues, Expenditures/Expenses
and Changes in Fund Balances/Equity -
Budget (Non-GAAP Basis) and Actual**

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$21,287,516	\$21,290,507	\$22,738,014	\$1,447,507
Intergovernmental	5,580,255	5,581,032	5,956,834	375,802
Interest	85,485	85,497	91,310	5,813
Tuition and Fees	278,885	278,924	297,888	18,964
Rentals	10,689	10,690	11,417	727
Contributions and Donations	5,784	5,785	5,872	87
Charges for Services	931	931	994	63
Miscellaneous	205,492	205,501	210,123	4,622
Total Revenues	27,455,037	27,458,867	29,312,452	1,853,585
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries	10,258,716	10,258,716	10,247,959	10,757
Fringe Benefits	3,276,787	3,276,787	3,261,421	15,366
Purchased Services	1,087,871	1,087,871	1,347,948	(260,077)
Materials and Supplies	439,247	439,247	704,243	(264,996)
Capital Outlay	155,422	155,422	164,991	(9,569)
Total Regular	15,218,043	15,218,043	15,726,562	(508,519)
Special:				
Salaries	1,175,937	1,175,937	1,170,423	5,514
Fringe Benefits	415,629	415,629	413,680	1,949
Purchased Services	2,895	2,895	3,381	(486)
Total Special	1,594,461	1,594,461	1,587,484	6,977
Vocational:				
Salaries	161,192	161,192	160,436	756
Fringe Benefits	60,144	60,144	59,862	282
Purchased Services	912	912	908	4
Total Vocational	222,248	222,248	221,206	1,042
Adult/Continuing:				
Salaries	30,954	30,954	30,809	145
Fringe Benefits	1,943	1,943	1,934	9
Total Adult/Continuing	32,897	32,897	32,743	154
Total Instruction	\$17,067,649	\$17,067,649	\$17,567,995	(\$500,346)

(continued)

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Support Services:				
Pupils:				
Salaries	\$905,151	\$905,151	\$900,906	\$4,245
Fringe Benefits	254,578	254,578	253,384	1,194
Purchased Services	164,574	164,574	166,235	(1,661)
Materials and Supplies	56,978	56,978	58,577	(1,599)
Capital Outlay	2,512	2,512	2,500	12
Total Pupils	1,383,793	1,383,793	1,381,602	2,191
Instructional Staff:				
Salaries	1,112,076	1,112,076	1,106,861	5,215
Fringe Benefits	416,844	416,844	415,966	878
Purchased Services	15,091	15,091	15,020	71
Materials and Supplies	41,552	41,552	42,754	(1,202)
Capital Outlay	12,041	12,041	11,985	56
Other	310	310	309	1
Total Instructional Staff	1,597,914	1,597,914	1,592,895	5,019
Board of Education:				
Salaries	5,908	5,908	5,880	28
Fringe Benefits	342	342	340	2
Purchased Services	2,168	2,168	3,158	(990)
Other	4,279	4,279	4,259	20
Total Board of Education	12,697	12,697	13,637	(940)
Administration:				
Salaries	1,688,809	1,688,809	1,680,890	7,919
Fringe Benefits	716,946	716,946	714,017	2,929
Purchased Services	482,794	482,794	548,963	(66,169)
Materials and Supplies	33,262	33,262	36,263	(3,001)
Capital Outlay	6,186	6,186	7,498	(1,312)
Other	27,423	27,423	27,359	64
Total Administration	2,955,420	2,955,420	3,014,990	(59,570)
Fiscal:				
Salaries	237,761	237,761	236,646	1,115
Fringe Benefits	102,230	102,230	101,751	479
Purchased Services	34,188	34,188	45,193	(11,005)
Materials and Supplies	6,491	6,491	8,121	(1,630)
Capital Outlay	261	261	260	1
Other	455,474	455,474	453,428	2,046
Total Fiscal	\$836,405	\$836,405	\$845,399	(\$8,994)

(continued)

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Business:				
Salaries	\$53,482	\$53,482	\$53,231	\$251
Fringe Benefits	21,229	21,229	21,129	100
Purchased Services	1,669	1,669	1,886	(217)
Total Business	76,380	76,380	76,246	134
Operation and Maintenance of Plant:				
Salaries	1,346,509	1,346,509	1,340,195	6,314
Fringe Benefits	523,350	523,350	521,556	1,794
Purchased Services	1,548,144	1,548,144	1,695,077	(146,933)
Materials and Supplies	292,093	292,093	307,113	(15,020)
Capital Outlay	13,621	13,621	16,047	(2,426)
Total Operation and Maintenance of Plant	3,723,717	3,723,717	3,879,988	(156,271)
Pupil Transportation:				
Salaries	711,011	711,011	707,677	3,334
Fringe Benefits	216,958	216,958	215,941	1,017
Purchased Services	37,441	37,441	54,970	(17,529)
Materials and Supplies	67,791	67,791	68,959	(1,168)
Capital Outlay	56,170	56,170	55,907	263
Other	941	941	937	4
Total Pupil Transportation	1,090,312	1,090,312	1,104,391	(14,079)
Central:				
Fringe Benefits	88	88	88	0
Purchased Services	5,034	5,034	5,616	(582)
Total Central	5,122	5,122	5,704	(582)
Total Support Services	11,681,760	11,681,760	11,914,852	(233,092)
Extracurricular Activities:				
Academic Oriented Activities:				
Salaries	44,868	44,868	44,658	210
Fringe Benefits	343	343	341	2
Materials and Supplies	5,521	5,521	6,100	(579)
Total Academic Oriented Activities	50,732	50,732	51,099	(367)
Occupation Oriented Activities:				
Salaries	1,242	1,242	1,236	6
Fringe Benefits	98	98	98	0
Total Occupation Oriented Activities	\$1,340	\$1,340	\$1,334	\$6

(continued)

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Sports Oriented Activities:				
Salaries	\$430,117	\$430,117	\$428,100	\$2,017
Fringe Benefits	41,620	41,620	41,425	195
Purchased Services	5,396	5,396	5,371	25
Capital Outlay	2,004	2,004	1,995	9
Other	347	347	345	2
Total Sports Oriented Activities	<u>479,484</u>	<u>479,484</u>	<u>477,236</u>	<u>2,248</u>
School and Public Services Activities:				
Salaries	39,638	39,638	39,452	186
Fringe Benefits	5,989	5,989	5,961	28
Total School and Public Services Activities	<u>45,627</u>	<u>45,627</u>	<u>45,413</u>	<u>214</u>
Total Extracurricular Activities	<u>577,183</u>	<u>577,183</u>	<u>575,082</u>	<u>2,101</u>
Capital Outlay:				
Site Improvement Services:				
Purchased Services	208,186	208,186	207,210	976
Building Acquisition and Construction Services:				
Capital Outlay	68,001	68,001	67,683	318
Total Capital Outlay	<u>276,187</u>	<u>276,187</u>	<u>274,893</u>	<u>1,294</u>
<i>Total Expenditures</i>	<u>29,602,779</u>	<u>29,602,779</u>	<u>30,332,822</u>	<u>(730,043)</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(2,147,742)</u>	<u>(2,143,912)</u>	<u>(1,020,370)</u>	<u>1,123,542</u>
Other Financing Sources (Uses)				
Advances In	218,448	218,448	218,448	0
Transfers In	322,000	322,000	0	(322,000)
Transfers Out	(374,582)	(374,582)	(50,825)	323,757
<i>Total Other Financing Sources (Uses)</i>	<u>165,866</u>	<u>165,866</u>	<u>167,623</u>	<u>1,757</u>
<i>Net Change in Fund Balance</i>	(1,981,876)	(1,978,046)	(852,747)	1,125,299
<i>Fund Balance Beginning of Year</i>	5,585,716	5,585,716	5,585,716	0
Prior Year Encumbrances Appropriated	<u>1,092,479</u>	<u>1,092,479</u>	<u>1,092,479</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$4,696,319</u>	<u>\$4,700,149</u>	<u>\$5,825,448</u>	<u>\$1,125,299</u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Bond Retirement Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,889,606	\$2,896,892	\$3,031,353	\$134,461
Intergovernmental	597,829	598,568	307,194	(291,374)
<i>Total Revenues</i>	<u>3,487,435</u>	<u>3,495,460</u>	<u>3,338,547</u>	<u>(156,913)</u>
Expenditures				
Current:				
Support Services:				
Fiscal	24,050	24,050	43,370	(19,320)
Debt Service:				
Principal Retirement	1,190,000	1,190,000	1,190,000	0
Interest and Fiscal Charges	2,300,897	2,300,897	2,300,896	1
<i>Total Debt Service</i>	<u>3,490,897</u>	<u>3,490,897</u>	<u>3,490,896</u>	<u>1</u>
<i>Total Expenditures</i>	<u>3,514,947</u>	<u>3,514,947</u>	<u>3,534,266</u>	<u>(19,319)</u>
<i>Excess of Revenues Under Expenditures</i>	(27,512)	(19,487)	(195,719)	(176,232)
Other Financing Sources				
Transfers In	372,825	372,825	355,825	(17,000)
<i>Net Change in Fund Balance</i>	345,313	353,338	160,106	(193,232)
<i>Fund Balance Beginning of Year</i>	<u>545,293</u>	<u>545,293</u>	<u>545,293</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$890,606</u></u>	<u><u>\$898,631</u></u>	<u><u>\$705,399</u></u>	<u><u>(\$193,232)</u></u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Food Service Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$72,740	\$72,740	\$75,638	\$2,898
Interest	5,994	5,994	6,233	239
Charges for Services	511,266	511,266	531,639	20,373
<i>Total Revenues</i>	590,000	590,000	613,510	23,510
Expenditures				
Current:				
Operation of Non-Instructional Services:				
Food Service Operations	557,560	557,560	652,151	(94,591)
<i>Net Change in Fund Balance</i>	32,440	32,440	(38,641)	(71,081)
<i>Fund Balance Beginning of Year</i>	106,140	106,140	106,140	0
<i>Fund Balance End of Year</i>	\$138,580	\$138,580	\$67,499	(\$71,081)

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Scholarship Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$692	\$188	\$188	\$0
Contributions and Donations	<u>24,308</u>	<u>6,585</u>	<u>6,601</u>	<u>16</u>
<i>Total Revenues</i>	<u>25,000</u>	<u>6,773</u>	<u>6,789</u>	<u>16</u>
Expenditures				
Current:				
Instruction:				
Special	2,000	2,000	1,255	745
Operation of Non-Instructional Services:				
Community Services	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>0</u>
<i>Total Expenditures</i>	<u>3,000</u>	<u>3,000</u>	<u>2,255</u>	<u>745</u>
<i>Net Change in Fund Balance</i>	22,000	3,773	4,534	761
<i>Fund Balance Beginning of Year</i>	<u>16,406</u>	<u>16,406</u>	<u>16,406</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$38,406</u></u>	<u><u>\$20,179</u></u>	<u><u>\$20,940</u></u>	<u><u>\$761</u></u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Michael Baumhauer Scholarship Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$0	\$80	\$116	\$36
Contributions and Donations	<u>0</u>	<u>1,758</u>	<u>2,550</u>	<u>792</u>
<i>Total Revenues</i>	0	1,838	2,666	828
Expenditures				
Current:				
Operation of Non-Instructional Services:				
Community Services	<u>2,500</u>	<u>3,400</u>	<u>4,478</u>	<u>(1,078)</u>
<i>Net Change in Fund Balance</i>	(2,500)	(1,562)	(1,812)	(250)
<i>Fund Balance Beginning of Year</i>	<u>11,475</u>	<u>11,475</u>	<u>11,475</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$8,975</u></u>	<u><u>\$9,913</u></u>	<u><u>\$9,663</u></u>	<u><u>(\$250)</u></u>

Avon Lake City School District
*Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Adult Education Fund
 For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Tuition and Fees	\$0	\$637	\$639	\$2
Expenditures				
Current:				
Instruction:				
Adult/Continuing	4,659	4,659	2,150	2,509
<i>Net Change in Fund Balance</i>	(4,659)	(4,022)	(1,511)	2,511
<i>Fund Balance Beginning of Year</i>	2,818	2,818	2,818	0
Prior Year Encumbrances Appropriated	2,159	2,159	2,159	0
<i>Fund Balance End of Year</i>	<u>\$318</u>	<u>\$955</u>	<u>\$3,466</u>	<u>\$2,511</u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Public School Support Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Tuition and Fees	\$881	\$881	\$717	(\$164)
Extracurricular Activities	61,048	61,048	49,680	(11,368)
Contributions and Donations	41,414	41,414	33,702	(7,712)
Miscellaneous	86,657	86,657	70,520	(16,137)
<i>Total Revenues</i>	<u>190,000</u>	<u>190,000</u>	<u>154,619</u>	<u>(35,381)</u>
Expenditures				
Current:				
Instruction:				
Regular	94	116	122	(6)
Special	694	857	898	(41)
Total Instruction	<u>788</u>	<u>973</u>	<u>1,020</u>	<u>(47)</u>
Support Services:				
Pupils	135,855	167,583	182,542	(14,959)
Instructional Staff	2,900	3,577	3,750	(173)
Total Support Services	<u>138,755</u>	<u>171,160</u>	<u>186,292</u>	<u>(15,132)</u>
Extracurricular Activities	<u>2,877</u>	<u>3,548</u>	<u>3,720</u>	<u>(172)</u>
<i>Total Expenditures</i>	<u>142,420</u>	<u>175,681</u>	<u>191,032</u>	<u>(15,351)</u>
<i>Net Change in Fund Balance</i>	47,580	14,319	(36,413)	(50,732)
<i>Fund Balance Beginning of Year</i>	117,685	117,685	117,685	0
Prior Year Encumbrances Appropriated	<u>7,370</u>	<u>7,370</u>	<u>7,370</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$172,635</u>	<u>\$139,374</u>	<u>\$88,642</u>	<u>(\$50,732)</u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Local Grants Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$247	\$260	\$475	\$215
Tuition and Fees	8,710	9,177	16,755	7,578
Contributions and Donations	32,043	33,763	61,972	28,209
<i>Total Revenues</i>	41,000	43,200	79,202	36,002
Expenditures				
Current:				
Instruction:				
Regular	22,355	31,178	44,826	(13,648)
Special	182	253	217	36
Total Instruction	22,537	31,431	45,043	(13,612)
Support Services:				
Instructional Staff	419	584	500	84
Extracurricular Activities	9,653	13,462	11,527	1,935
<i>Total Expenditures</i>	32,609	45,477	57,070	(11,593)
<i>Net Change in Fund Balance</i>	8,391	(2,277)	22,132	24,409
<i>Fund Balance Beginning of Year</i>	33,526	33,526	33,526	0
Prior Year Encumbrances Appropriated	17,186	17,186	17,186	0
<i>Fund Balance End of Year</i>	\$59,103	\$48,435	\$72,844	\$24,409

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Athletics Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Extracurricular Activities	\$350,085	\$390,511	\$454,455	\$63,944
Contributions and Donations	9,999	11,153	12,979	1,826
Miscellaneous	4,916	5,484	6,737	1,253
<i>Total Revenues</i>	365,000	407,148	474,171	67,023
Expenditures				
Current:				
Extracurricular Activities	295,347	499,480	535,445	(35,965)
<i>Net Change in Fund Balance</i>	69,653	(92,332)	(61,274)	31,058
<i>Fund Balance Beginning of Year</i>	62,907	62,907	62,907	0
Prior Year Encumbrances Appropriated	54,472	54,472	54,472	0
<i>Fund Balance End of Year</i>	<u>\$187,032</u>	<u>\$25,047</u>	<u>\$56,105</u>	<u>\$31,058</u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Auxiliary Services Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$199,335	\$298,462	\$232,793	(\$65,669)
Interest	5,665	8,482	6,616	(1,866)
<i>Total Revenues</i>	205,000	306,944	239,409	(67,535)
Expenditures				
Current:				
Operation of Non-Instructional Services:				
Community Services	202,454	299,856	268,563	31,293
<i>Net Change in Fund Balance</i>	2,546	7,088	(29,154)	(36,242)
<i>Fund Balance (Deficit) Beginning of Year</i>	(5,665)	(5,665)	(5,665)	0
Prior Year Encumbrances Appropriated	107,146	107,146	107,146	0
<i>Fund Balance End of Year</i>	<u>\$104,027</u>	<u>\$108,569</u>	<u>\$72,327</u>	<u>(\$36,242)</u>

Avon Lake City School District
*Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Management Information Systems Fund
 For the Fiscal Year Ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$12,500	\$12,500	\$12,269	(\$231)
Expenditures				
Current:				
Support Services:				
Administration	<u>19,769</u>	<u>29,937</u>	<u>29,937</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(7,269)	(17,437)	(17,668)	(231)
<i>Fund Balance Beginning of Year</i>	<u>32,099</u>	<u>32,099</u>	<u>32,099</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$24,830</u></u>	<u><u>\$14,662</u></u>	<u><u>\$14,431</u></u>	<u><u>(\$231)</u></u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Entry Year Programs Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$7,700	\$7,700	\$7,700	\$0
Expenditures				
Current:				
Instruction:				
Regular	2,085	2,972	3,539	(567)
Support Services:				
Instructional Staff	2,393	3,410	4,161	(751)
<i>Total Expenditures</i>	<u>4,478</u>	<u>6,382</u>	<u>7,700</u>	<u>(1,318)</u>
<i>Net Change in Fund Balance</i>	3,222	1,318	0	(1,318)
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,222</u></u>	<u><u>\$1,318</u></u>	<u><u>\$0</u></u>	<u><u>(\$1,318)</u></u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Data Communications Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$0	\$47,369	\$21,000	(\$26,369)
Expenditures				
Current:				
Support Services:				
Instructional Staff	<u>155</u>	<u>21,155</u>	<u>21,155</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(155)	26,214	(155)	(26,369)
<i>Fund Balance Beginning of Year</i>	<u>155</u>	<u>155</u>	<u>155</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$26,369</u></u>	<u><u>\$0</u></u>	<u><u>(\$26,369)</u></u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
School Net Development Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	<u>\$8,000</u>	<u>\$12,140</u>	<u>\$4,140</u>	<u>(\$8,000)</u>
Expenditures				
Current:				
Instruction:				
Regular	206	1,333	570	763
Support Services:				
Central	<u>904</u>	<u>5,845</u>	<u>4,394</u>	<u>1,451</u>
<i>Total Expenditures</i>	<u>1,110</u>	<u>7,178</u>	<u>4,964</u>	<u>2,214</u>
<i>Net Change in Fund Balance</i>	6,890	4,962	(824)	(5,786)
<i>Fund Balance Beginning of Year</i>	173	173	173	0
Prior Year Encumbrances Appropriated	<u>935</u>	<u>935</u>	<u>935</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$7,998</u></u>	<u><u>\$6,070</u></u>	<u><u>\$284</u></u>	<u><u>(\$5,786)</u></u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Student Reading Intervention Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$3,537	\$3,537	\$58,460	\$54,923
Expenditures				
Current:				
Support Services:				
Instructional Staff	<u>0</u>	<u>0</u>	<u>50,000</u>	<u>(50,000)</u>
<i>Net Change in Fund Balance</i>	3,537	3,537	8,460	4,923
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$3,537</u></u>	<u><u>\$3,537</u></u>	<u><u>\$8,460</u></u>	<u><u>\$4,923</u></u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Alternative Schools Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$6,986	\$28,627	\$40,160	\$11,533
Expenditures				
Current:				
Instruction:				
Regular	7,022	7,022	8,370	(1,348)
Special	26,062	26,829	25,687	1,142
Total Instruction	33,084	33,851	34,057	(206)
Support Services:				
Pupils	1,996	2,055	1,967	88
Instructional Staff	430	443	853	(410)
Administration	1,941	1,941	1,941	0
Pupil Transportation	1,130	1,164	1,114	50
Total Support Services	5,497	5,603	5,875	(272)
Operation of Non-Instructional Services:				
Community Services	231	238	228	10
<i>Total Expenditures</i>	38,812	39,692	40,160	(468)
<i>Net Change in Fund Balance</i>	(31,826)	(11,065)	0	11,065
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance (Deficit) End of Year</i>	(\$31,826)	(\$11,065)	\$0	\$11,065

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Miscellaneous State Grants Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$3,000	\$7,322	\$3,222	(\$4,100)
Expenditures				
Current:				
Support Services:				
Central	<u>10</u>	<u>7,003</u>	<u>3,625</u>	<u>3,378</u>
<i>Net Change in Fund Balance</i>	2,990	319	(403)	(722)
<i>Fund Balance Beginning of Year</i>	<u>2,914</u>	<u>2,914</u>	<u>2,914</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$5,904</u></u>	<u><u>\$3,233</u></u>	<u><u>\$2,511</u></u>	<u><u>(\$722)</u></u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Title VI-B Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$380,000	\$380,000	\$463,745	\$83,745
Expenditures				
Current:				
Instruction:				
Special	75,710	75,710	75,710	0
Support Services:				
Pupils	294,453	294,453	294,453	0
Administration	57,495	57,495	57,495	0
Total Support Services	351,948	351,948	351,948	0
Operation of Non-Instructional Services:				
Community Services	23,165	23,165	23,165	0
<i>Total Expenditures</i>	450,823	450,823	450,823	0
<i>Excess of Revenues Over (Under) Expenditures</i>	(70,823)	(70,823)	12,922	83,745
Other Financing Uses				
Advances Out	(54,934)	(54,934)	(115,116)	(60,182)
<i>Net Change in Fund Balance</i>	(125,757)	(125,757)	(102,194)	23,563
<i>Fund Balance Beginning of Year</i>	105,680	105,680	105,680	0
Prior Year Encumbrances Appropriated	37,842	37,842	37,842	0
<i>Fund Balance End of Year</i>	<u>\$17,765</u>	<u>\$17,765</u>	<u>\$41,328</u>	<u>\$23,563</u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Title I Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$190,000	\$190,000	\$54,280	(\$135,720)
Expenditures				
Current:				
Instruction:				
Regular	<u>0</u>	<u>5,446</u>	<u>5,445</u>	<u>1</u>
<i>Excess of Revenues Over Expenditures</i>	190,000	184,554	48,835	(135,719)
Other Financing Uses				
Advances Out	<u>0</u>	<u>(48,835)</u>	<u>(54,281)</u>	<u>(5,446)</u>
<i>Net Change in Fund Balance</i>	190,000	135,719	(5,446)	(141,165)
<i>Fund Balance Beginning of Year</i>	<u>5,446</u>	<u>5,446</u>	<u>5,446</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$195,446</u></u>	<u><u>\$141,165</u></u>	<u><u>\$0</u></u>	<u><u>(\$141,165)</u></u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Title V Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$20,000	\$20,000	\$19,681	(\$319)
Expenditures				
Current:				
Instruction:				
Regular	10,666	11,416	11,416	0
Support Services:				
Instructional Staff	6,642	9,009	8,155	854
Operation of Non-Instructional Services				
Community Services	3,623	4,048	3,691	357
<i>Total Expenditures</i>	<u>20,931</u>	<u>24,473</u>	<u>23,262</u>	<u>1,211</u>
<i>Excess of Revenues Under Expenditures</i>	(931)	(4,473)	(3,581)	892
Other Financing Uses				
Advances Out	(2,508)	(2,555)	(2,555)	0
<i>Net Change in Fund Balance</i>	(3,439)	(7,028)	(6,136)	892
<i>Fund Balance Beginning of Year</i>	3,643	3,643	3,643	0
Prior Year Encumbrances Appropriated	2,512	2,512	2,512	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$2,716</u>	<u>(\$873)</u>	<u>\$19</u>	<u>\$892</u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Drug Free Schools Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$9,500	\$26,080	\$15,908	(\$10,172)
Expenditures				
Current:				
Instruction:				
Regular	11,680	11,680	11,680	0
Support Services:				
Pupils	5,337	5,337	5,337	0
<i>Total Expenditures</i>	<u>17,017</u>	<u>17,017</u>	<u>17,017</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(7,517)	9,063	(1,109)	(10,172)
Other Financing Uses				
Advances Out	(26)	(5,875)	(6,774)	(899)
<i>Net Change in Fund Balance</i>	(7,543)	3,188	(7,883)	(11,071)
<i>Fund Balance Beginning of Year</i>	6,471	6,471	6,471	0
Prior Year Encumbrances Appropriated	7,847	7,847	7,847	0
<i>Fund Balance End of Year</i>	<u>\$6,775</u>	<u>\$17,506</u>	<u>\$6,435</u>	<u>(\$11,071)</u>

Avon Lake City School District
*Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Early Childhood Education Development Fund
 For the Fiscal Year Ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$18,000	\$26,369	\$28,373	\$2,004
Expenditures				
Current:				
Instruction:				
Special	<u>17,521</u>	<u>18,386</u>	<u>17,521</u>	<u>865</u>
<i>Excess of Revenues Over Expenditures</i>	479	7,983	10,852	2,869
Other Financing Uses				
Advances Out	<u>0</u>	<u>(11,550)</u>	<u>(11,006)</u>	<u>544</u>
<i>Net Change in Fund Balance</i>	479	(3,567)	(154)	3,413
<i>Fund Balance Beginning of Year</i>	<u>154</u>	<u>154</u>	<u>154</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>\$633</u></u>	<u><u>(\$3,413)</u></u>	<u><u>\$0</u></u>	<u><u>\$3,413</u></u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Class Size Reduction Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$54,000	\$64,663	\$108,042	\$43,379
Expenditures				
Current:				
Instruction:				
Regular	70,417	70,417	70,417	0
Support Services:				
Instructional Staff	24,275	24,275	24,275	0
Operation of Non-Instructional Services:				
Community Services	1,100	1,100	1,100	0
<i>Total Expenditures</i>	<u>95,792</u>	<u>95,792</u>	<u>95,792</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(41,792)	(31,129)	12,250	43,379
Other Financing Uses				
Advances Out	(1,267)	(27,579)	(28,316)	(737)
<i>Net Change in Fund Balance</i>	(43,059)	(58,708)	(16,066)	42,642
<i>Fund Balance Beginning of Year</i>	14,800	14,800	14,800	0
Prior Year Encumbrances Appropriated	2,533	2,533	2,533	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$25,726)</u>	<u>(\$41,375)</u>	<u>\$1,267</u>	<u>\$42,642</u>

Avon Lake City School District
*Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Miscellaneous Federal Grants Fund
 For the Fiscal Year Ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Intergovernmental	\$4,000	\$4,000	\$1,486	(\$2,514)
Expenditures				
Current:				
Support Services:				
Instructional Staff	<u>2,085</u>	<u>2,445</u>	<u>2,085</u>	<u>360</u>
<i>Excess of Revenues Over (Under)Expenditures</i>	1,915	1,555	(599)	(2,154)
Other Financing Uses				
Advances Out	<u>0</u>	<u>(425)</u>	<u>(400)</u>	<u>25</u>
<i>Net Change in Fund Balance</i>	1,915	1,130	(999)	(2,129)
<i>Fund Balance Beginning of Year</i>	639	639	639	0
Prior Year Encumbrances Appropriated	<u>360</u>	<u>360</u>	<u>360</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,914</u></u>	<u><u>\$2,129</u></u>	<u><u>\$0</u></u>	<u><u>(\$2,129)</u></u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Library Bond Retirement Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$1,219,870	\$1,219,870	\$171,768	(\$1,048,102)
Intergovernmental	18,599	18,599	7,653	(10,946)
<i>Total Revenues</i>	<u>1,238,469</u>	<u>1,238,469</u>	<u>179,421</u>	<u>(1,059,048)</u>
Expenditures				
Current:				
Support Services:				
Fiscal	4,250	4,250	2,656	1,594
Debt Service:				
Principal Retirement	185,000	185,000	185,000	0
Interest and Fiscal Charges	143,172	143,172	143,171	1
<i>Total Debt Service</i>	<u>328,172</u>	<u>328,172</u>	<u>328,171</u>	<u>1</u>
<i>Total Expenditures</i>	<u>332,422</u>	<u>332,422</u>	<u>330,827</u>	<u>1,595</u>
<i>Net Change in Fund Balance</i>	906,047	906,047	(151,406)	(1,057,453)
<i>Fund Balance Beginning of Year</i>	<u>1,325,693</u>	<u>1,325,693</u>	<u>1,325,693</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,231,740</u>	<u>\$2,231,740</u>	<u>\$1,174,287</u>	<u>(\$1,057,453)</u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Permanent Improvements Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues				
Property Taxes	\$364,161	\$366,399	\$648,112	\$281,713
Intergovernmental	29,309	29,489	52,162	22,673
<i>Total Revenues</i>	<u>393,470</u>	<u>395,888</u>	<u>700,274</u>	<u>304,386</u>
Expenditures				
Current:				
Instruction:				
Regular	9,885	9,885	13,380	(3,495)
Support Services:				
Fiscal	7,237	7,237	9,796	(2,559)
Operation and Maintenance of Plant	102,083	102,083	138,173	(36,090)
Pupil Transportation	40,539	40,539	54,871	(14,332)
Total Support Services	<u>149,859</u>	<u>149,859</u>	<u>202,840</u>	<u>(52,981)</u>
Capital Outlay	<u>161,628</u>	<u>161,628</u>	<u>219,747</u>	<u>(58,119)</u>
<i>Total Expenditures</i>	<u>321,372</u>	<u>321,372</u>	<u>435,967</u>	<u>(114,595)</u>
<i>Excess of Revenues Over Expenditures</i>	<u>72,098</u>	<u>74,516</u>	<u>264,307</u>	<u>189,791</u>
Other Financing Sources (Uses)				
Transfers In	305,000	305,000	0	(305,000)
Transfers Out	(450,669)	(450,669)	(305,000)	145,669
<i>Total Other Financing Sources (Uses)</i>	<u>(145,669)</u>	<u>(145,669)</u>	<u>(305,000)</u>	<u>(159,331)</u>
<i>Net Change in Fund Balance</i>	(73,571)	(71,153)	(40,693)	30,460
<i>Fund Balance Beginning of Year</i>	121,092	121,092	121,092	0
Prior Year Encumbrances Appropriated	<u>112,541</u>	<u>112,541</u>	<u>112,541</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$160,062</u>	<u>\$162,480</u>	<u>\$192,940</u>	<u>\$30,460</u>

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
Building Improvements Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest	\$0	\$35	\$16,506	\$16,471
Miscellaneous	0	0	216,321	216,321
<i>Total Revenues</i>	0	35	232,827	232,792
Expenditures				
Current:				
Instruction:				
Regular	171,377	195,988	163,387	32,601
Support Services:				
Board of Education	57	65	54	11
Fiscal	4,418	5,053	5,170	(117)
<i>Total Support Services</i>	4,475	5,118	5,224	(106)
Capital Outlay:				
Site Improvement Services:				
Capital Outlay	1,591,148	1,775,848	1,294,054	481,794
<i>Total Expenditures</i>	1,767,000	1,976,954	1,462,665	514,289
<i>Excess of Revenues Under Expenditures</i>	(1,767,000)	(1,976,919)	(1,229,838)	747,081
Other Financing Sources (Uses)				
Transfers In	0	1,308	0	(1,308)
Transfers Out	(341,319)	(434,134)	0	434,134
<i>Total Other Financing Sources (Uses)</i>	(341,319)	(432,826)	0	432,826
<i>Net Change in Fund Balance</i>	(2,108,319)	(2,409,745)	(1,229,838)	1,179,907
<i>Fund Balance Beginning of Year</i>	901,428	901,428	901,428	0
Prior Year Encumbrances Appropriated	1,508,317	1,508,317	1,508,317	0
<i>Fund Balance End of Year</i>	\$301,426	\$0	\$1,179,907	\$1,179,907

Avon Lake City School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP) and Actual
School Net Plus Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Current:				
Instruction:				
Regular	29	29	29	0
<i>Net Change in Fund Balance</i>	(29)	(29)	(29)	0
<i>Fund Balance Beginning of Year</i>	29	29	29	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$0	\$0

Avon Lake City School District
*Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP) and Actual
 Interactive Video Distance Learning Fund
 For the Fiscal Year Ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Intergovernmental	\$0	\$10,036	\$0	(\$10,036)
Expenditures				
Current:				
Instruction:				
Regular	<u>4,773</u>	<u>5,155</u>	<u>5,154</u>	<u>1</u>
<i>Net Change in Fund Balance</i>	(4,773)	4,881	(5,154)	(10,035)
<i>Fund Balance Beginning of Year</i>	4,274	4,274	4,274	0
Prior Year Encumbrances Appropriated	<u>880</u>	<u>880</u>	<u>880</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$381</u></u>	<u><u>\$10,035</u></u>	<u><u>\$0</u></u>	<u><u>(\$10,035)</u></u>

Avon Lake City School District
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP) and Actual
Self Insurance Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$0	\$1,334,755	\$2,304,045	\$969,290
Interest	0	9,268	18,809	9,541
Other	0	37,916	76,951	39,035
<i>Total Revenues</i>	<u>0</u>	<u>1,381,939</u>	<u>2,399,805</u>	<u>1,017,866</u>
Expenses				
Purchased Services	13,055	845,430	371,072	474,358
Claims	7,259	470,114	2,614,472	(2,144,358)
<i>Total Expenses</i>	<u>20,314</u>	<u>1,315,544</u>	<u>2,985,544</u>	<u>(1,670,000)</u>
<i>Net Change in Fund Equity</i>	(20,314)	66,395	(585,739)	(652,134)
<i>Fund Equity Beginning of Year</i>	<u>1,105,727</u>	<u>1,105,727</u>	<u>1,105,727</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$1,085,413</u></u>	<u><u>\$1,172,122</u></u>	<u><u>\$519,988</u></u>	<u><u>(\$652,134)</u></u>

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Avon Lake City School District
Governmental Activities Revenues by Source and Expenses by Function (1)
Last Two Fiscal Years

	<u>2004</u>	<u>2003</u>
Program Revenues		
Charges for Services and Sales	\$1,370,710	\$1,147,617
Operating Grants, Interest and Contributions	1,327,736	974,121
Capital Grants and Contributions	13,585	78,952
General Revenues		
Taxes	26,421,034	24,231,626
Intergovernmental	6,114,769	6,201,476
Investment Earnings	120,589	665,235
Miscellaneous	538,981	536,927
<i>Total</i>	<u>\$35,907,404</u>	<u>\$33,835,954</u>
Expenses		
Current:		
Instruction:		
Regular	\$17,041,281	\$11,689,934
Special	1,726,273	1,616,580
Vocational	226,332	197,384
Adult/Continuing	32,974	12,922
Support Services		
Pupils	2,235,500	1,564,520
Instructional Staff	1,583,121	1,583,368
Board of Education	12,284	14,625
Administration	3,032,320	2,590,859
Fiscal	875,443	772,525
Business	72,063	61,081
Operation and Maintenance of Plant	3,716,052	3,639,874
Pupil Transportation	1,157,158	1,063,898
Central	11,129	31,335
Operation of Non-Instructional Services:		
Food Service Operations	694,053	646,164
Other Non-Instructional Services	288,654	241,576
Extracurricular Activities	1,098,085	938,883
Debt Service	2,727,315	2,893,026
<i>Total</i>	<u>\$36,530,037</u>	<u>\$29,558,554</u>

Source: School District Financial Records

(1) Presented on the full accrual basis of accounting.

Avon Lake City School District
General Fund Revenues by Source
and Expenditures by Function (1)
Last Ten Fiscal Years

	2004	2003	2002	2001
Revenues				
Property Taxes	\$22,540,907	\$21,007,440	\$19,985,115	\$17,840,415
Intergovernmental	5,918,022	5,810,978	4,673,595	2,834,731
Interest	85,274	371,600	582,665	1,412,294
Tuition and Fees	297,818	272,018	137,356	178,074
Rentals	18,270	6,377	7,303	5,922
Contributions and Donations	5,242	4,630	4,482	33,918
Charges for Services	994	3,110	0	0
Miscellaneous	244,374	53,134	16,708	13,377
Total	\$29,110,901	\$27,529,287	\$25,407,224	\$22,318,731
Expenditures				
Current:				
Instruction:				
Regular	\$14,569,730	\$12,756,990	\$11,711,694	\$11,045,523
Special	1,590,004	1,444,399	1,321,832	1,575,253
Vocational	220,233	202,223	177,076	191,316
Adult/Continuing	32,829	9,578	0	0
Other	0	0	0	0
Support Services:				
Pupils	1,557,610	1,215,261	1,087,711	1,115,029
Instructional Staff	1,561,124	1,544,127	1,357,218	1,165,923
Board of Education	12,332	14,630	14,203	38,207
Administration	2,901,916	2,667,641	2,450,716	2,480,528
Fiscal	827,237	708,025	639,722	578,080
Business	74,498	64,486	66,560	62,840
Operation and Maintenance of Plant	3,645,472	3,661,508	2,914,613	2,513,142
Pupil Transportation	1,106,037	1,106,931	842,024	785,314
Central	5,004	15,780	21,947	50,437
Operation of Non-Instructional Services	0	0	0	0
Extracurricular Activities	574,356	613,235	588,948	560,911
Capital Outlay	1,351,638	232,410	928,811	758,453
Debt Service	474,100	216,414	140,896	0
Total	\$30,504,120	\$26,473,638	\$24,263,971	\$22,920,956

Source: School District Financial Records

(1) Presented on the modified accrual basis of accounting.

2000	1999	1998	1997	1996	1995
\$17,874,806	\$16,580,423	\$17,208,664	\$15,073,363	\$13,390,746	\$12,755,058
2,704,578	2,463,033	2,533,899	2,134,049	2,003,493	1,907,190
591,833	573,104	470,030	459,232	466,185	317,623
75,037	22,185	4,845	1,570	6,623	2,746
9,582	6,314	7,918	5,595	4,345	71,258
10	0	0	0	47,361	0
0	0	0	4,097	32	4,054
5,818	4,760	116,482	0	593	1,083
<u>\$21,261,664</u>	<u>\$19,649,819</u>	<u>\$20,341,838</u>	<u>\$17,677,906</u>	<u>\$15,919,378</u>	<u>\$15,059,012</u>

\$10,420,650	\$9,733,316	\$9,501,146	\$9,017,623	\$8,965,145	\$8,388,986
1,443,861	1,168,753	1,076,002	875,483	867,875	952,528
177,010	143,794	134,168	130,345	125,976	112,860
0	0	0	0	0	0
0	0	0	99,601	158,798	60,672
1,005,906	983,075	941,077	778,467	772,524	692,396
920,043	800,467	801,111	734,898	704,616	704,771
334,084	251,372	284,936	240,762	169,656	126,097
1,981,966	1,684,343	1,730,171	1,488,630	1,429,355	1,288,794
518,842	502,699	480,054	454,284	450,189	429,404
88,365	89,847	66,341	49,108	44,247	43,277
2,038,514	1,906,088	1,897,775	1,988,334	1,950,536	1,843,260
779,798	675,721	691,100	717,771	575,253	491,164
0	0	189	850	2,018	7,384
454	2,026	826	259	295,717	0
365,524	353,830	328,864	305,228	108,400	276,300
0	0	0	0	0	0
0	79,624	68,891	85,900	0	0
<u>\$20,075,017</u>	<u>\$18,374,955</u>	<u>\$18,002,651</u>	<u>\$16,967,543</u>	<u>\$16,620,305</u>	<u>\$15,417,893</u>

Avon Lake City School District
Property Tax Levies and Collections
Real and Tangible Personal Property (1)
Last Ten Years

<u>Year (2)</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>
2003	\$23,975,086	\$23,572,502	98.32%	\$277,716	\$23,850,218
2002	22,599,575	22,572,967	99.88	251,027	22,823,994
2001	20,308,622	20,104,185	98.99	180,557	20,284,742
2000	18,396,971	18,217,508	99.02	146,642	18,364,150
1999	15,320,145	15,193,124	99.17	163,710	15,356,834
1998	15,321,549	15,177,360	99.06	110,063	15,287,423
1997	14,972,306	14,856,181	99.22	131,575	14,987,756
1996	13,406,720	13,590,249	101.37	285,652	13,875,901
1995	12,810,239	12,685,229	99.02	119,613	12,804,842
1994	12,273,302	12,421,928	101.21	240,839	12,662,767

Source: Lorain County Auditor - Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Auditor.

- (1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental Revenue.
- (2) Represents collection year. 2004 information cannot be presented because all collections have not been made by June 30.

<u>Ratio of Total Tax Collections to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
99.48%	\$143,552	0.60%
100.99	101,237	0.45
99.88	278,567	1.37
99.82	248,453	1.35
100.24	182,242	1.19
99.78	181,537	1.18
100.10	139,709	0.93
103.50	124,759	0.93
99.96	290,597	2.27
103.17	136,699	1.11

Avon Lake City School District
Assessed and Estimated Actual Value of Taxable Property
Last Ten Years

Year	Agriculture, Residential and Other Real Estate		Public Utility Property	
	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)
2004	\$577,484,470	\$1,649,955,629	\$89,826,130	\$102,075,148
2003	526,706,330	1,504,875,229	87,013,120	98,878,545
2002	496,622,850	1,418,922,429	90,597,440	102,951,636
2001	477,312,060	1,363,748,743	119,221,210	135,478,648
2000	409,716,690	1,170,619,114	102,252,710	116,196,261
1999	396,077,135	1,131,648,957	89,551,480	101,763,045
1998	379,164,090	1,083,325,971	94,906,220	107,847,977
1997	338,117,080	966,048,800	95,204,230	108,186,625
1996	329,046,290	940,132,257	94,160,740	107,000,841
1995	320,859,670	916,741,914	86,832,890	98,673,739

Source: Lorain County Auditor - Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Auditor.

- (1) This amount is calculated based on the following percentages:
Real estate is assessed at 35 percent of actual value;
Public utility personal is assessed at 88 percent of actual value, and
Tangible personal property is assessed at 25 percent of actual value
for capital assets and 23 percent for inventory.

Tangible Personal Property		Total		Ratio
Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)	
\$76,118,840	\$330,951,478	\$743,429,440	\$2,082,982,255	36%
85,523,650	342,094,600	699,243,100	1,945,848,374	36
73,893,390	295,573,560	661,113,680	1,817,447,625	36
74,240,490	296,961,960	670,773,760	1,796,189,351	37
77,626,205	310,504,820	589,595,605	1,597,320,195	37
73,246,003	292,984,012	558,874,618	1,526,396,014	37
63,205,045	252,820,180	537,275,355	1,443,994,128	37
57,582,400	230,329,600	490,903,710	1,304,565,025	38
56,089,805	224,359,220	479,296,835	1,271,492,318	38
61,390,491	245,561,964	469,083,051	1,260,977,617	37

Avon Lake City School District
Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 of Assessed Valuation)
Last Ten Years

Year	School Levy	Library	County Levy	JVS Levy	City Levy	Total Levy
2004	\$60.36	\$1.80	\$12.89	\$2.45	\$7.24	\$84.74
2003	60.69	1.80	12.89	2.45	7.24	85.07
2002	61.14	1.80	12.89	2.45	7.24	85.52
2001	55.94	1.80	10.79	2.45	7.24	78.22
2000	56.54	1.80	10.79	2.45	7.24	78.82
1999	56.63	1.80	12.69	2.45	7.24	80.81
1998	53.87	1.80	12.69	2.45	7.24	78.05
1997	53.87	1.80	12.69	2.45	7.24	78.05
1996	49.97	0.98	12.69	2.45	7.24	73.33
1995	48.99	0.98	11.49	2.45	7.24	71.15

Source: Lorain County Auditor - Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Auditor.

(1) Includes .76 mills for debt retirement for the Avon Lake Public Library.

(2) Lorain County and the City of Avon Lake do not have voted millage for debt service.

Debt Service Included in Total Levy			
School (1)	County (2)	City	Total
\$4.98	\$0.00	\$0.00	\$4.98
4.98	0.00	0.00	4.98
5.15	0.00	0.00	5.15
5.18	0.00	0.00	5.18
5.78	0.00	0.00	5.78
5.87	0.00	0.00	5.87
1.25	0.00	0.00	1.25
1.25	0.00	0.00	1.25
2.13	0.00	0.00	2.13
1.63	0.00	0.00	1.63

Avon Lake City School District

Demographic Statistics

Last Ten Years

<u>Year</u>	<u>Population (1)</u>	<u>Per Capita Income (3)</u>	<u>Median Age (1)</u>	<u>Education Level in Years of Formal Schooling (1)</u>	<u>School Enrollment</u>	<u>Unemployment Rate (2)</u>
2004	18,145	\$30,990	38	13.5	3,360	6.7%
2003	18,145	32,336	38	13.5	3,355	6.8
2002	18,145	32,336	38	13.5	3,302	4.1
2001	18,145	20,406	35	13.5	3,257	4.1
2000	17,171	20,406	35	13.5	3,081	3.8
1999	16,570	20,406	35	13.5	3,017	4.4
1998	16,570	20,406	35	13.5	3,058	6.9
1997	16,570	20,406	35	13.5	3,064	4.4
1996	16,570	20,406	35	13.5	2,997	4.9
1995	16,570	20,406	35	13.5	2,980	4.5

(1) Bureau of Census/Lorain County Regional Planning Commission

(2) State Department of Labor figures for Lorain County

(3) Ohio Department of Taxation

Avon Lake City School District
*Ratio of Net General Obligation Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years*

<u>Year</u>	<u>Gross General Bonded Debt</u>	<u>Debt Service Monies Available</u>	<u>Net General Obligation Bonded Debt (1)</u>	<u>Assessed Value (2)</u>	<u>Population (3)</u>	<u>Ratio of Net Debt to Assessed Value</u>	<u>Net Debt Per Capita</u>
2004	\$44,174,977	\$2,302,495	\$41,872,482	\$743,429,440	18,145	5.63%	\$2,308
2003	47,690,331	2,323,028	45,367,303	699,243,100	18,145	6.49	2,500
2002	48,629,052	2,480,271	46,148,781	661,113,680	18,145	6.98	2,543
2001	49,648,295	2,436,179	47,212,116	670,773,760	18,145	7.04	2,602
2000	50,135,432	2,475,278	47,660,154	589,592,605	17,171	8.08	2,776
1999	7,020,000	2,410,455	4,609,545	558,874,618	16,570	0.82	278
1998	7,595,000	2,759,502	4,835,498	537,275,355	16,570	0.90	292
1997	6,584,555	2,887,354	3,697,201	490,903,710	16,570	0.75	223
1996	6,925,893	2,617,417	4,308,476	479,296,835	16,570	0.90	260
1995	7,225,637	2,174,974	5,050,663	469,083,051	16,570	1.08	305

Source:

- (1) Includes all general obligation bonded debt
- (2) Lorain County Auditor
- (3) U.S. Bureau of Census, Census of Population, Federal 2000 Census.
Lorain County Regional Planning Commission.

Avon Lake City School District
Computation of Direct and Overlapping General Obligation Bonded Debt
December 31, 2003

Jurisdiction	General Obligation Bonded Debt Outstanding	Percentage Applicable to School District (1)	Amount Applicable to School District
Direct			
Avon Lake City School District	<u>\$44,174,977</u>	100.00%	<u>\$44,174,977</u>
Overlapping			
Lorain County	25,320,000	3.65	924,180
City of Avon Lake	<u>6,330,659</u>	100.00	<u>6,330,659</u>
<i>Total Overlapping</i>	<u>31,650,659</u>		<u>7,254,839</u>
Total	<u><u>\$75,825,636</u></u>		<u><u>\$51,429,816</u></u>

Source: Lorain County Auditor, Avon Lake City School District and City of Avon Lake Finance Department.

- (1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the School District by the total assessed valuation of the subdivision. The valuations used were for the 2004 collection year.

Avon Lake City School District

Computation of Legal Debt Margin

June 30, 2004

Assessed Valuation		<u>\$743,429,440</u>
Debt Limit - 9% of Assessed Value (1)		<u>\$66,908,650</u>
Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds	\$43,525,000	
Capital Appreciation Bonds	649,977	
Energy Conservation Notes	1,190,000	
Capital Appreciation Notes	250,717	
Fiber Optics Loans	326,634	
HVAC Loans	208,069	
Less: Amount Available in Debt Service	<u>(2,302,495)</u>	
Total Outstanding Debt		43,847,902
Less Exemptions:		
Energy Conservation Bonds	475,000	
Energy Conservation Notes	1,190,000	
Capital Appreciation Notes	250,717	
Fiber Optics Loans	326,634	
HVAC Loans	<u>208,069</u>	
Total Exemptions		<u>2,450,420</u>
Amount of Debt Applicable Debt Limit		<u>41,397,482</u>
Overall Debt Margin		<u>\$25,511,168</u>
Debt Limit - .10% of Assessed Value		\$743,429
Amount of Debt Applicable		<u>0</u>
Unvoted Debt Margin		<u>\$743,429</u>
Additional Limit for Unvoted Energy Conservation Bonds and Notes:		
Debt Limit - .9% of Assessed Value		\$6,690,865
Energy Conservation Bonds	475,000	
Energy Conservation Notes	1,190,000	
Capital Appreciation Notes	<u>250,717</u>	
Total Additional Limits		<u>1,915,717</u>
Additional Unvoted Debt Margin		<u>\$4,775,148</u>

Source: Lorain County Auditor and School District Financial Records

(1) Ohio Bond Law sets a limit of 9% for overall debt and 1/10 of 1% for unvoted debt.

Avon Lake City School District
*Ratio of Annual Debt Service Expenditures for
 General Obligation Bonded Debt to General Fund Expenditures
 Last Ten Fiscal Years*

Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service to General Fund Expenditures (Percentage)
2004	\$1,195,000	\$2,296,985	\$3,491,985	\$30,504,120	11.45%
2003	1,090,000	2,352,019	3,442,019	26,473,638	13.00
2002	1,160,000	2,581,333	3,741,333	24,263,971	15.42
2001	615,000	2,591,581	3,206,581	22,920,956	13.99
2000	585,000	1,958,028	2,543,028	20,075,017	12.67
1999	575,000	409,831	984,831	18,374,955	5.36
1998	1,184,555	455,020	1,639,575	18,002,651	9.11
1997	341,338	428,543	769,881	16,967,543	4.54
1996	299,744	442,046	741,790	16,620,305	4.46
1995	281,932	336,114	618,046	15,417,893	4.01

Source: School District Financial Records

Avon Lake City School District
Industrial Employment,
Financial Institution Deposits and Building Permits
Last Ten Years

<u>Year</u>	<u>Industrial Employment (1)</u>	<u>Financial Institution Deposits (2)</u>	<u>Value of Building Permits Issued (3)</u>
2003	7,300	\$649,005,000	\$83,338,651
2002	7,300	614,592,000	65,291,133
2001	7,300	555,591,000	68,487,424
2000	7,300	513,002,000	73,644,362
1999	7,300	463,871,000	49,976,735
1998	7,300	444,974,000	39,797,585
1997	7,300	920,050,000	39,422,199
1996	7,300	1,329,795,000	44,956,627
1995	7,300	1,237,991,000	46,141,844
1994	7,300	1,254,166,000	35,493,678

Sources:

- (1) Ohio Bureau of Employment Services
- (2) Bank - Cleveland Federal Reserve Bank
- (3) City of Avon Lake, Building Department. Data are presented on a calendar year basis because that is the manner in which the information is maintained by the City and Banks.

Avon Lake City School District

Principal Taxpayers

Real Estate Tax

December 31, 2003

<u>Name of Taxpayer</u>	<u>Assessed Value (1)</u>	<u>Percent of Real Assessed Value</u>
Orion Power Midwest LP	\$85,837,970	14.86%
Ford Motor Company	12,073,570	2.09
American Transmission	4,876,050	0.84
Geon Company	3,889,810	0.67
Avon Lake Village LLC	3,738,080	0.65
Legacy Pointe LTD	2,325,210	0.40
KOPF Properties LTD	2,296,720	0.40
Learwood Square Company LLC	1,815,420	0.31
PMD Group INC	1,785,010	0.31
Landings Shops and Offices	<u>1,281,320</u>	<u>0.22</u>
Total	<u><u>\$119,919,160</u></u>	<u><u>20.77%</u></u>
Total Assessed Value	<u><u>\$577,484,470</u></u>	

Source: Lorain County Auditor

(1) Assessed values are for the 2004 collection year.

Avon Lake City School District
Principal Taxpayers
Tangible Personal Property Tax
December 31, 2003

<u>Name of Taxpayer</u>	<u>Assessed Value (1)</u>	<u>Percent of Tangible Assessed Value</u>
Ford Motor Company	\$27,453,450	36.07%
Noveon Inc	20,035,303	26.32
Polyone Corporation	15,611,410	20.51
Glidden Supply Company	2,868,590	3.77
Wester Scott Fetzer Company	1,287,370	1.69
Ed Tomko Chrysler	1,142,820	1.50
Riser Foods Company	1,116,740	1.47
Tops Market LLC	963,220	1.26
Polymore Diagnostics Inc	694,530	0.91
Watteredge Uniflex Inc	<u>655,440</u>	<u>0.86</u>
Total	<u><u>\$71,828,873</u></u>	<u><u>94.36%</u></u>
Total Assessed Value	<u><u>\$76,118,840</u></u>	

Source: Lorain County Auditor

(1) Assessed values are for the 2004 collection year.

Avon Lake City School District

Principal Taxpayers

Public Utilities Tax

December 31, 2003

<u>Name of Taxpayer</u>	<u>Assessed Value (1)</u>	<u>Percent of Public Utility Assessed Value</u>
Orion Power Midwest LP	\$73,693,357	82.04%
Cleveland Electric	10,868,962	12.10
American Transmission Systems Inc	<u>5,263,811</u>	<u>5.86</u>
Total	<u>\$89,826,130</u>	<u>100.00%</u>
Total School District Assessed Valuation	<u>\$89,826,130</u>	

Source: Lorain County Auditor

(1) Assessed values are the 2004 collection year.

Avon Lake City School District

Per Pupil Cost

Last Ten Fiscal Years

<u>Year</u>	<u>General Fund Expenditures</u>	<u>Average Daily Student Enrollment</u>	<u>Per Pupil Cost</u>
2004	\$30,504,120	3,360	\$9,079
2003	26,473,638	3,355	7,891
2002	24,263,971	3,302	7,348
2001	22,920,956	3,257	7,037
2000	20,075,017	3,081	6,516
1999	18,374,955	3,017	6,090
1998	18,002,651	3,058	5,887
1997	16,967,543	3,064	5,538
1996	16,620,305	2,997	5,546
1995	15,417,893	2,980	5,174

Source: School District Financial Records.

Avon Lake City School District
Teacher Education and Experience
 June 30, 2004

<u>Degree</u>	<u>Number of Teachers</u>	<u>Percentage of Total</u>
Bachelor's Degree	18	7.79%
Bachelor + 10	21	9.09
Bachelor + 20	24	10.39
Master's Degree	83	35.93
Master's + 10	47	20.35
Master's + 20	16	6.93
Master's + 30	<u>22</u>	<u>9.52</u>
Total	<u><u>231</u></u>	<u><u>100.00%</u></u>

<u>Years of Experience</u>	<u>Number of Teachers</u>	<u>Percentage of Total</u>
0 - 5	54	23.38%
6 - 10	56	24.24
11 and Over	<u>121</u>	<u>52.38</u>
	<u><u>231</u></u>	<u><u>100.00%</u></u>

Source: School District Personnel Records

Avon Lake City School District

Average ACT Scores

Last Ten Fiscal Years

<u>English:</u>	<u>Avon Lake</u>	<u>State of Ohio</u>	<u>National</u>	<u>Science Reasoning:</u>	<u>Avon Lake</u>	<u>State of Ohio</u>	<u>National</u>
2003 - 2004	21.9	20.7	20.4	2003 - 2004	22.8	21.5	20.9
2002 - 2003	21.8	20.6	20.3	2002 - 2003	22.5	21.4	20.8
2001 - 2002	21.8	20.6	20.2	2001 - 2002	22.5	21.5	20.8
2000 - 2001	21.6	20.7	20.5	2000 - 2001	22.5	21.5	21.0
1999 - 2000	21.8	20.7	20.5	1999 - 2000	22.8	21.4	21.0
1998 - 1999	21.6	20.8	20.5	1998 - 1999	22.2	21.4	21.0
1997 - 1998	22.0	20.7	20.4	1997 - 1998	22.6	21.5	21.1
1996 - 1997	21.7	20.6	20.3	1996 - 1997	21.5	21.4	21.0
1995 - 1996	21.7	20.8	20.2	1995 - 1996	22.2	21.5	21.1
1994 - 1995	21.5	20.8	20.3	1994 - 1995	22.2	21.3	21.0

<u>Math:</u>	<u>Avon Lake</u>	<u>State of Ohio</u>	<u>National</u>	<u>Composite:</u>	<u>Avon Lake</u>	<u>State of Ohio</u>	<u>National</u>
2003 - 2004	23.3	21.1	20.7	2003 - 2004	22.9	21.4	20.9
2002 - 2003	23.3	21.1	20.6	2002 - 2003	22.6	21.4	20.8
2001 - 2002	23.3	21.2	20.6	2001 - 2002	22.8	21.4	20.8
2000 - 2001	22.3	21.1	20.7	2000 - 2001	22.3	21.4	21.0
1999 - 2000	22.7	21.2	20.7	1999 - 2000	22.8	21.4	21.0
1998 - 1999	22.3	21.1	20.7	1998 - 1999	22.2	21.4	21.0
1997 - 1998	22.5	21.2	20.8	1997 - 1998	22.7	21.4	21.0
1996 - 1997	22.0	21.0	20.6	1996 - 1997	21.9	21.3	21.0
1995 - 1996	21.9	20.7	20.2	1995 - 1996	22.1	21.3	20.9
1994 - 1995	21.8	20.6	20.2	1994 - 1995	22.1	21.2	20.8

<u>Reading:</u>	<u>Avon Lake</u>	<u>State of Ohio</u>	<u>National</u>
2003 - 2004	23.3	21.9	21.3
2002 - 2003	22.3	21.8	21.2
2001 - 2002	23.4	21.8	21.1
2000 - 2001	22.4	21.8	21.3
1999 - 2000	23.0	21.9	21.4
1998 - 1999	22.3	21.9	21.4
1997 - 1998	23.1	21.8	21.4
1996 - 1997	22.0	21.8	21.3
1995 - 1996	22.1	21.9	21.3
1994 - 1995	22.5	21.7	21.3

Source: American College Testing Program

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AVON 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 17, 2005**