



**NORTH ROYALTON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**NORTH ROYALTON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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**NORTH ROYALTON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$49,174	\$0	\$49,174
National School Breakfast Program	05PU-2004	10.553	1,530	0	1,530	0
National School Breakfast Program	05PU-2005	10.553	4,636	0	4,636	0
Subtotal National School Breakfast Program			6,166	0	6,166	0
National School Lunch Program	LLP4-2004	10.555	30,467	0	0	0
National School Lunch Program	LLP4-2005	10.555	69,846	0	100,313	0
Subtotal National School Lunch Program			100,313	0	100,313	0
Total U.S. Department of Agriculture - Nutrition Cluster			106,479	49,174	106,479	49,174
<u>U.S. Department of Education</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
IDEA Part B (Title VI-B)	6BSF-2004	84.027	40,467	0	4,712	0
IDEA Part B (Title VI-B)	6BSF-2005	84.027	825,470	0	782,474	0
Collaborative Grant	6BSD-2004	84.027	21,288	0	20,152	0
Collaborative Grant	6BSD-2005	84.027	72,594	0	74,132	0
Subtotal IDEA Part B			959,819	0	881,470	0
Preschool Disability Grant	PGS1-2004P	84.173	0	0	0	0
Preschool Disability Grant	PGS1-2005P	84.173	23,491	0	20,418	0
Subtotal Preschool Disability Grant			23,491	0	20,418	0
Total Special Education Cluster			983,310	0	901,888	0
Drug Free School Grant	DRS1-2003	84.186	0	0	0	0
Drug Free School Grant	DRS1-2004	84.186	6,215	0	2,976	0
Drug Free School Grant	DRS1-2005	84.186	3,246	0	9,988	0
Total Drug Free School Grant			9,461	0	12,964	0
Title V - Innovative Programs	C2S1-2003	84.298	0	0	0	0
Title V - Innovative Programs	C2S1-2004	84.298	(3,008)	0	1,343	0
Title V - Innovative Programs	C2S1-2005	84.298	19,955	0	19,858	0
Total Title V - Innovative Programs			16,947	0	21,201	0
Title II, Part A - Teacher and Principal Training and Recruiting	TRS1-2004	84.367	2,529	0	6,680	0
Title II, Part A - Teacher and Principal Training and Recruiting	TRS1-2005	84.367	58,190	0	60,094	0
Total Title II, Part A - Teacher and Principal Training and Recruiting			60,719	0	66,774	0
Title III - Limited English Proficiency Grant	T3S1-2004	84.365	865	0	211	0
Title III - Limited English Proficiency Grant	T3S1-2005	84.365	20,830	0	18,616	0
Total Title III - Limited English Proficiency Grant			21,695	0	18,827	0
Total U.S. Department of Education			1,092,132	0	1,021,654	0
<u>U.S. Department of Human Services</u>						
<i>Passed Through Ohio Department of Education:</i>						
Refugee and Entrant Assistance	RIS1-2004	93.576	0	0	285	0
Refugee and Entrant Assistance	RIS1-2005	93.576	1,850	0	1,850	0
Total Refugee and Entrant Assistance			1,850	0	2,135	0
Total U.S. Department of Human Services			1,850	0	2,135	0
<u>Office Of Library Services, Institute Of Museum And Library Services, National Foundation On The Arts And Humanities</u>						
<i>Passed Through the State Library System:</i>						
LSTA		45.310	0	0	22,940	0
Total LSTA			0	0	22,940	0
Total Office of Library Services, Institute of Museum and Library Services, National Foundation on the Arts and Humanities			0	0	22,940	0
Total Federal Financial Assistance			\$1,200,461	\$49,174	\$1,153,208	\$49,174

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

**NORTH ROYALTON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
JUNE 30, 2005**

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 –FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Values may change from month to month and are entirely subjective. At June 30, 2005, the District had no significant food commodities in inventory.

NOTE C – NATIONAL SCHOOL LUNCH PROGRAM

Cash receipts from the U.S. Department of Agriculture are co-mingled with State grants and local monies. 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 INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

North Royalton City School District
Cuyahoga County
6579 Royalton Road
North Royalton, Ohio 44133

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Royalton City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated December 19, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated December 19, 2005, we reported other matters related to noncompliance we deemed immaterial.

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North Royalton City School District
Cuyahoga County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

December 19, 2005



Auditor of State Betty Montgomery

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

Board of Education
North Royalton City School District
Cuyahoga County
6579 Royalton Road
North Royalton, Ohio 44133

Compliance

We have audited the compliance of the North Royalton City School District, Cuyahoga 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 apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program 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.

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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Federal Awards Expenditure Schedule

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Royalton City School District as of and for the year ended June 30, 2005, and have issued our report thereon dated December 19, 2005. Our audit was performed to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information 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 intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 19, 2005

**NORTH ROYALTON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

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)?	No
(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):	Special Education Cluster: Special Education Grants to States – CFDA #84.027 and Special Education, Preschool Grant – 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?	Yes

**NORTH ROYALTON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(CONTINUED)**

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

**NORTH ROYALTON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED ?	NOT CORRECTED, PARTIALLY CORRECTED; SIGNIFICANTLY DIFFERENT CORRECTIVE ACTION TAKEN; OR FINDING NO LONGER VALID; EXPLAIN:
2004-001	Expenditures plus encumbrances exceeding appropriations at the legal level of control	No	Not Corrected, re-issued in Management Letter

NORTH ROYALTON CITY SCHOOL DISTRICT

North Royalton, Ohio

**Comprehensive
Annual Financial Report**
For the Fiscal Year Ended June 30, 2005

North Royalton City School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005
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NORTH ROYALTON CITY SCHOOLS

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North Royalton, Ohio 44133

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December 19, 2005

Board of Education Members
North Royalton City School District

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the North Royalton City School District ("School District") for the fiscal year ended June 30, 2005. This CAFR, which includes financial statements and other financial and statistical data, conforms to generally accepted accounting principles as applicable to governmental entities. Responsibility for both 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 are 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. All disclosures necessary to enable the reader to gain an understanding of the School District's financial activities have been included.

The report provides the taxpayers of the North Royalton City School District, bond rating agencies and other interested parties with comprehensive financial information, enabling them to gain a clear understanding of the School District's finances. This report is intended to contribute to meeting the accountability requirements of the public. Copies will be distributed to all school buildings, the North Royalton Public Library, the North Royalton Chamber of Commerce, rating agencies and other interested organizations. Copies will be made available to residents of the North Royalton City School District.

This report is divided into the following sections:

- I. The Introductory Section, which includes a Table of Contents, this Transmittal Letter, a List of Principal Officials, the School District's Organizational Chart and GFOA Certificate of Achievement.
- II. 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 for nonmajor funds and other schedules that provide detailed information relative to the Basic Financial Statements.
- III. The Statistical Section, which includes related financial and demographic information, generally presented on a multi-year basis.

The School District

The North Royalton City School District is governed by the Constitution of the State of Ohio and various statutes enacted by the Ohio General Assembly through the State Department of Education. Under Ohio law, the School District is a separate and distinct unit of government with its own taxing authority. The North Royalton Board of Education is a five-member board, elected at large, with overlapping four-year terms.

The School District is located in Cuyahoga County in northeastern Ohio, twenty miles south of the downtown area of the City of Cleveland and covers 25 square miles. Based on property valuations, the School District includes 98.5 percent of the City of North Royalton and 24.7 percent of the City of Broadview Heights (1.5 percent of the City of North Royalton and 75.3 percent of the City of Broadview Heights are in the Brecksville-Broadview Heights City School District). The School District is bounded by the City of Parma on the north, the City of Broadview Heights on the east, the City of Strongsville on the west and Medina County on the south.

North Royalton became a township in 1818, was incorporated as a village in 1927 and became a city in 1961. Early records show that formal schooling began in approximately 1821 with a log schoolhouse on State Road. In 1858, there were 41 students enrolled in the North Royalton School District. On February 13, 1961, North Royalton Local Schools became a City School District.

The North Royalton City School District provides a comprehensive array of programs and services in five school buildings: one high school with grades 9 through 12, one middle school with grades 5 through 8 and three elementary schools with each containing grades 1 through 4. Course offerings, supplemented by extra-curricular opportunities, afford students with the skills necessary to pursue post-high school educational and career goals.

The students enrolled in the North Royalton City School District attend classes in the following buildings:

- North Royalton High School built in 1950, with additions in 1958, 1976 and 1990 houses students in grades 9 through 12.
- North Royalton Middle School built in 1996 houses students in grades 5 through 8.
- Albion Elementary School built in 1955 with additions in 1956, 1957, 1976, 1978 and 1988 houses students in grades 1 through 4.
- Royal View Elementary School built in 1965 with an addition in 1988 houses students in grades 1 through 4.
- Valley Vista Elementary School built in 1959 with additions in 1961 and 1988 houses students in grades 1 through 4.
- The Early Childhood Center, consisting of four buildings leased from the City of Broadview Heights, houses kindergarten students.

North Royalton City School District's cost-per-pupil is consistently among the lowest for Cuyahoga County school districts. The results of achievement, competency and proficiency testing continue to substantiate the effectiveness of the teaching-learning process in the School District.

The Reporting Entity

The School District has reviewed its reporting entity definition in order to ensure 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 all agencies, departments and organizations making up the North Royalton City School District (the primary government) and its potential component units.

The School District is associated with the Lakeshore Northeast Ohio Computer Association, the Cuyahoga Valley Career Center, the Ohio Schools Council Association and the Suburban Health Consortium, three jointly governed organizations and one shared risk pool.

Economic Condition and Outlook

The City of North Royalton continues to experience a period of rapid growth. The 2000 U.S. Census data reports a population of 30,654 in the City of North Royalton. This represents a 23.5 percent increase since the 1990 census. The median household income is \$57,398.

The North Royalton City School District receives 68.7 percent of its governmental revenues from local property tax collections. Therefore the long-term financial health of the School District is very dependent on its tax base. The total assessed value of the School District's tax duplicate rose by nearly 76 percent in the last ten years. The increased value in the duplicate is due to revisions in property values made by the County Auditor every three years and new construction taking place in the School District.

The City of North Royalton and the City of Broadview Heights continue to attract new housing and commercial development. There are currently 26 new housing developments approved and under construction in the School District. As of June 30, 2005 there were approximately 1,500 new home lots approved by the Planning Commissions and City Councils of the respective cities for completion in the School District over the next five years.

Enrollment for the 1995-1996 school year was 4,075 students. Enrollment for the 2004-2005 school year was 4,483 students. The School District enlists the assistance of a professional demographer to develop enrollment projections. Projections are developed assuming low, moderate and high growth rates in the School District. The last enrollment projections completed in March 2004 indicate that the growth in the student population will continue. Student enrollment projections for the 2013-2014 school year estimates an enrollment of 5,562 students assuming moderate growth rates.

Educational Program

During the 2005 school year, the School District's curriculum included a wide range of electives and comprehensive courses of study in college preparatory, liberal arts and vocational programs. The School District offers advanced placement courses at the high school in American Government, English, Calculus AB, Computer Science, Economics and Physics B. Test scores indicate students are achieving higher than State and national averages. The School District has earned the highest rating on the State of Ohio District Report Card for the past five consecutive years.

The graduating Class of 2005 exceeded the State and national average scores on both the American College Test (ACT) and the Scholastic Aptitude Test (SAT). The composite score of 23.0 on the ACT surpassed the State average of 21.4 and the national average of 20.9. The mean scores for North Royalton City School District students on the SAT of 554 in mathematics and 557 in verbal surpassed the State mean score of 543 and the national score of 520 in mathematics and the State mean of 539 and the national mean of 508 in the verbal section. This year the high school has one semi-finalist and two commended scholars in the National Merit Scholarship Program.

A full range of student activities and athletic programs are available to students at the high school. Some activities are open to all student participants while others including interscholastic sports require a try-out process. Competitive sports programs are available via affiliation in the Pioneer Conference from grades 7 through 12.

More than 90 percent of the high school graduates last year indicated they intended to continue their education at the university or college level with 62 percent attending a four-year college and 28 percent a two-year college. The high school offers 188 courses on the main campus with an additional 50 vocational offerings at Cuyahoga Valley Career Center. Additional academic statistics from the Class of 2005 include: 28 percent received an Honors Diploma, 20 percent were members of the National Honor Society, 5 percent graduated Magna Cum Laude, and 6 percent graduated Cum Laude.

Major Educational Initiatives:

2004-2005 School Year

- Secured the renewal of two emergency operating levies, one expiring December 31, 2005 and one expiring December 31, 2006. These levies were combined into one emergency operating levy which will now expire December 31, 2010.
- Continued to upgrade technology, specifically through staff development to enable more efficient utilization of technology as a support to instruction.
- Continued the cycle of curriculum review, enabling monitoring and updating of the K-12 educational program.
- Developed Continuous Improvement Plans that are designed to improve student performance.
- All buildings earned competitive Special Education Access Grants to help special education students access the general curriculum.
- Continued the pilot program in language arts for gifted students in grades 3 and 4 using the William and Mary curriculum materials.

For the Future

- Continue to work collaboratively with our state representatives regarding school funding, specifically protecting the interests of our School District.
- Evaluate facilities' needs to accommodate the increasing student enrollment, as well as the expansion of educational programs and services.
- Refine the system for data driven decision making.
- Support professional growth opportunities for all staff in an effort to implement best practices for the School District's community of learners.
- Continue to collaborate with constituents in order to refine the School District's Consolidated Continuous Improvement Plan.

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 capital 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 for all funds. All purchase order requests must be approved by the Superintendent and certified by the Treasurer; necessary funds are then encumbered and purchase orders released to vendors. Those requests which 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.

Each administrator and school principal is furnished monthly reports showing the status of the budget accounts for which they are responsible. In addition, an on line inquiry system is available at each cost center site. As an additional safeguard, all employees are covered by a blanket bond, and certain individuals in policy-making roles are covered by a separate, higher limit bond.

The basis of accounting and the various funds utilized by North Royalton City School District are fully described in Note 2 of the basic financial statements. Additional information on the School District's budgetary accounting can also be found in Note 2.

Financial Condition

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 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 part of this reporting model, management is responsible for preparing a Management's Discussion and Analysis of the School District. This discussion appears after the Independent Accountants' Report in the financial section of this report. Management's Discussion and Analysis provides an assessment of the School District's finances for fiscal year 2005. Because that discussion focuses on major funds, other nonmajor funds are discussed briefly in this letter.

Financial Highlights – Internal Service Fund

The only internal service fund carried on the financial records relates to self-insurance. This fund accounts for the revenues and expenses related to the provision vision benefits to the School District employees. The internal service fund had net assets of \$121,668 at June 30, 2005, compared with net assets of \$96,024 at June 30, 2004, reflecting a net increase in net assets of \$25,644.

Cash Management

The Board of Education has an aggressive cash management program which consists of expediting the receipt of revenues and prudently depositing cash which is insured by the Federal Deposit Insurance Corporation as well as investing available cash in instruments issued by the United States Government or the State of Ohio. The program is beneficial because of access to daily balances which enables the Board to maintain minimum balance accounts and invest to the maximum extent. The total amount of interest earned by the governmental funds was \$245,241 for the year ended June 30, 2005 of which \$235,675 was credited directly to the general fund.

Protection of the School District's deposits is provided by the federal deposit insurance corporation as well as by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The market value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Risk Management

The School District contracts for general liability insurance with \$3,000,000 limit with no deductible and automobile liability which has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

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

Independent Audit

State statutes require the School District to be subjected to an annual examination by an independent auditor. An annual audit serves 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, 2005. The opinion appears at the beginning of the financial section of this report.

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 North Royalton City School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. The Certificate of Achievement is the highest form of recognition 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 continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

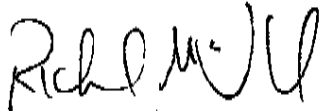
The publication of this report is a significant step toward professionalizing the North Royalton City School District's financial reporting. It enhances the School District's accountability to the residents of the North Royalton City School District.

The preparation of this report would not have been possible without the assistance and support of the staff at the Treasurer's office, various administrators and staff members of the School District. Assistance from the County Auditor's staff and outside agencies made possible the fair presentation of the statistical data.

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

Finally, sincere appreciation is extended to the Board of Education for their support for this project and their continued commitment to excellence.

Respectfully submitted,



Richard McIntosh
Treasurer



Randy Boroff
Superintendent

North Royalton City School District

Principal Officials

June 30, 2005

Board of Education

Ms. Barbara Soggs.....President
Ms. Catherine Bican.....Vice-President
Ms. Heidi Dolezal.....Member
Mr. Robert Grace.....Member
Ms. Cheryl Tuttle.....Member

Treasurer

Mr. Richard McIntosh

Administration

Mr. Randy Boroff..... Superintendent
Mr. James J. Prescott.....Assistant to the Superintendent
Mr. Joseph LaGuardia..... Director of Personnel
Mr. Richard W. Evans..... Director of Curriculum and Instruction
Mr. James C. Rohlik..... Director of Student Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

North Royalton
City School District,
Ohio

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

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. Zjelke

President

Jeffrey R. Emer

Executive Director



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

North Royalton City School District
Cuyahoga County
6579 Royalton Road
North Royalton, Ohio 44133

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Royalton City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the North Royalton City School District, Cuyahoga County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules and statistical tables provide additional information 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

December 19, 2005

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The discussion and analysis of North Royalton City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. 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 2005 are as follows:

- ❑ Net assets of governmental activities increased \$1,850,146, which represents a 15.3 percent increase from 2004. This increase is the result of the School District actively pursuing grants and monitoring expenses while still maintaining the high academic standards the communities expect of the School District.
- ❑ Governmental Activities reflected total revenue in the amount of \$44,715,122 a \$1,865,451 decrease from the prior fiscal year. This decrease is the result of the timing and collection of property taxes by the County Auditor which was offset by an increase in grants and interest revenues.
- ❑ Total program expenses were \$42,864,976 in Governmental Activities, a 7.96 percent increase over 2004. This increase is the due to an increase in salaries and health care costs.
- ❑ The School District refunded a portion of the 1994 general obligation school improvement bonds. The School District decreased its total debt service payments by \$735,619 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$464,699.
- ❑ In May 2005, the School District secured the renewal of two emergency operating levies, one expiring December 31, 2005 and one expiring December 31, 2006. These levies were combined into one emergency operating levy which will now expire December 31, 2010.

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 the North Royalton City School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain 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. In the case of the North Royalton City School District, the general fund is by far the most significant fund.

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While these statements contain information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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 causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's current property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

Reporting the School District's Most Significant Funds

The analysis of the School District's major funds begins on page 9. 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 focus on the School District's most significant funds. The School District's major governmental funds are the general and bond retirement debt service funds.

Governmental Funds Most of 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

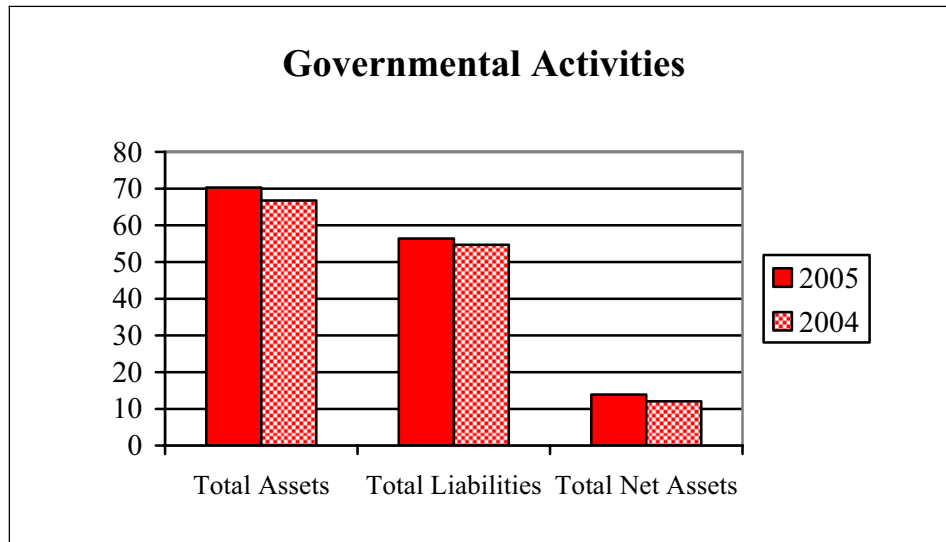
Table 1
 Net Assets
 Governmental Activities

	2005	2004
Assets		
Current and Other Assets	\$42,275,055	\$37,961,177
Capital Assets, Net of Depreciation	28,029,200	28,847,190
<i>Total Assets</i>	<i>70,304,255</i>	<i>66,808,367</i>
Liabilities		
Current and Other Liabilities	32,159,747	29,675,803
Long-Term Liabilities:		
Due Within One Year	2,492,396	1,615,449
Due in More Than One Year	21,711,222	23,426,371
<i>Total Liabilities</i>	<i>56,363,365</i>	<i>54,717,623</i>
Net Assets		
Invested in Capital Assets, Net of Debt	7,984,585	8,008,290
Restricted for:		
Capital Projects	694,252	470,886
Debt Service	3,149,780	2,704,713
Other Purposes	277,658	369,575
Unrestricted (Deficit)	1,834,615	537,280
<i>Total Net Assets</i>	<i>\$13,940,890</i>	<i>\$12,090,744</i>

Graph 1
 Net Assets
 (In Millions)

	2005	2004
Total Assets	\$70.3	\$66.8
Total Liabilities	56.4	54.7
Total Net Assets	\$13.9	\$12.1

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited



Total assets increased \$3,495,888. Equity in pooled cash and cash equivalents increased \$2,277,732. Property taxes receivable increased \$1,930,441 due to new construction. This increase was offset by a decrease in capital assets of \$817,990 due to the annual depreciation exceeding capital outlays.

Liabilities increased by \$1,645,742. This increase resulted from an increase in deferred revenue in the amount of \$2,563,802 due to the amount of tax revenue available to advance the School District from the County Auditor decreasing as well as an increase in accrued wages of \$194,669.

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets of \$1,850,146.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$40,583,046 or 90.76 percent of the total revenue. The most significant portion of the general revenue is local property tax accounting for 75.65 percent of total general revenues. The remaining amount of revenue received was in the form of program revenues, which equated to \$4,132,076 or 9.24 percent of total revenue.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net assets for the fiscal year 2005. The increase in net assets can be mainly attributed to the increase in program revenues and interest offset by a decrease in interest and fiscal charges. Total expenses increased \$3,161,405 due to an increase in salaries and health benefits. The School District also repaired roofs on several school buildings. Total revenues decreased mainly due to the timing and collection of property taxes by the County Auditor.

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

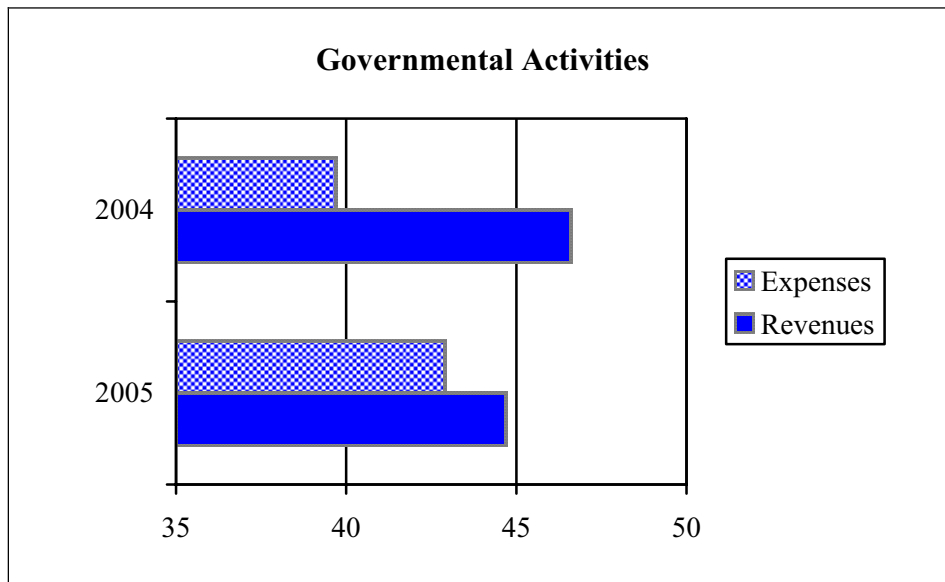
Table 2
 Governmental Activities

	<u>2005</u>	<u>2004</u>
Program revenues		
Charges for Services and Sales	\$1,880,320	\$1,756,896
Operating Grants, Contributions and Interest	2,097,894	1,809,757
Capital Grants and Contributions	153,862	21,489
<i>Total Program Revenues</i>	<u>4,132,076</u>	<u>3,588,142</u>
General revenues		
Property Taxes	30,703,076	32,969,306
Grants and Entitlements not Restricted to Specific Programs	9,539,711	9,707,794
Investment Earnings	236,072	76,094
Gain on Sale of Capital Assets	0	37,000
Miscellaneous	104,187	202,237
<i>Total General Revenues</i>	<u>40,583,046</u>	<u>42,992,431</u>
<i>Total Revenues</i>	<u>44,715,122</u>	<u>46,580,573</u>
Program Expenses		
Instruction:		
Regular	18,824,347	17,400,569
Special	3,694,607	3,405,594
Vocational	196,199	100,839
Support Services:		
Pupil	2,073,596	1,931,083
Instructional Staff	2,854,523	2,544,774
Board of Education	32,209	27,367
Administration	2,956,743	2,676,212
Fiscal	925,283	911,411
Business	300,767	281,670
Operation and Maintenance of Plant	3,422,885	3,188,596
Pupil Transportation	2,991,475	2,700,384
Central	348,821	299,018
Operation Non-Instructional Services	835,474	607,217
Operation of Food Services	1,383,071	1,318,533
Extracurricular Activities	928,390	856,680
Interest and Fiscal Charges	1,096,586	1,453,624
<i>Total Program Expenses</i>	<u>42,864,976</u>	<u>39,703,571</u>
<i>Increase in Net Assets</i>	1,850,146	6,877,002
<i>Net Assets Beginning of Year</i>	<u>12,090,744</u>	<u>5,213,742</u>
<i>Net Assets End of Year</i>	<u>\$13,940,890</u>	<u>\$12,090,744</u>

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Graph 2
Revenues and Expenses
(In Millions)

	2005	2004
Revenues	\$44.7	\$46.6
Expenses	42.9	39.7



Governmental Activities

The unique nature of funding primary and secondary education in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 68.7 percent of revenues for governmental activities for North Royalton City School District in fiscal year 2005 versus 70.8 percent in fiscal year 2004. This decrease was due to program revenues and interest comprising a larger share of total revenues in 2005.

Instruction comprises 53 percent of governmental program expenses. Instruction along with pupil and instructional staff support comprises 64.5 percent of governmental program expenses. Interest and fiscal charges was 2.56 percent. Interest expense was attributable to the outstanding debt issues previously approved by the residents of the School District to fund capital projects.

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2005		2004	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$18,824,347	(\$18,022,568)	\$17,400,569	(\$16,896,670)
Special	3,694,607	(3,491,765)	3,405,594	(3,133,028)
Vocational	196,199	(196,199)	100,839	(100,839)
Support Services:				
Pupil	2,073,596	(2,057,241)	1,931,083	(1,912,503)
Instructional Staff	2,854,523	(2,185,851)	2,544,774	(1,975,725)
Board of Education	32,209	(32,209)	27,367	(27,367)
Administration	2,956,743	(2,918,492)	2,676,212	(2,641,513)
Fiscal	925,283	(916,853)	911,411	(907,603)
Business	300,767	(300,767)	281,670	(224,170)
Operation and Maintenance of Plant	3,422,885	(3,305,354)	3,188,596	(3,125,653)
Pupil Transportation	2,991,475	(2,933,164)	2,700,384	(2,675,646)
Central	348,821	(348,821)	299,018	(299,018)
Operation of Non-Instructional Services	835,474	(141,871)	607,217	23,067
Operation of Food Services	1,383,071	(99,559)	1,318,533	(109,228)
Extracurricular Activities	928,390	(685,600)	856,680	(655,909)
Interest and Fiscal Charges	1,096,586	(1,096,586)	1,453,624	(1,453,624)
<i>Total</i>	<u>\$42,864,976</u>	<u>(\$38,732,900)</u>	<u>\$39,703,571</u>	<u>(\$36,115,429)</u>

The dependence upon general revenues for governmental activities is apparent as local property tax accounts for roughly 68.7 percent of the total revenues in fiscal year 2005. This amount is approximately the same as in 2004. Over 96 percent of instructional activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 90.4 percent of total governmental revenues. The community, as a whole, is by far the primary support for North Royalton City School District students.

The School District's Funds

Information regarding the School District's major funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$43,714,896 and expenditures of \$43,701,751. The general fund had a moderate increase of \$101,185 in fund balance mainly due to better interest rates on investments. The net change in fund balance for the year was most significant in the bond retirement fund, an increase of \$348,453 due to the School District taking advantage of a drop in interest rates and refinancing a

North Royalton City School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited*

portion of the School District's long term debt. The School District has also expended a higher amount in grant monies and capital outlay to better provide services to our students resulting in a decrease of \$236,661 in Other Governmental Funds. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, property taxes from the communities that comprise the School District are the largest revenue source, accounting for 68.2 percent of total governmental revenue.

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 main operating fund of the School District, the general fund.

During the course of fiscal year 2005, the School District amended its general fund by approximately one half of one percent. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

For the general fund, actual budget basis revenue totaled \$38,009,810, which was very close to the final budget estimates of \$37,983,528. Original budget estimates of \$37,008,253 differed from the actual budget basis revenue due to higher estimates of property taxes.

Actual budget basis expenditures totaled \$36,312,220 compared to the original estimate of \$36,314,767.

The School District's unencumbered ending cash balance totaled \$5,074,438.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005 the School District had \$28,029,200 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal 2005 balances compared to 2004:

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

	<u>2005</u>	<u>2004</u>
Land	\$478,111	\$478,111
Land Improvements	556,127	544,572
Buildings and Improvements	23,615,517	24,359,560
Furniture and Equipment	1,951,340	2,022,825
Vehicles	1,428,105	1,442,122
<i>Total Capital Assets</i>	<u>\$28,029,200</u>	<u>\$28,847,190</u>

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

For fiscal year 2005, capital assets decreased \$817,990. The School District replaced the roofs on several school buildings and purchased new school buses. These increases were offset by the annual depreciation which accounts for the overall decrease in capital assets. Ohio law requires school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks and instructional materials and supplies. For fiscal year 2005, this amounted to \$639,668 for each set aside. See Note 8 to the basic financial statements for additional information on the School District's capital assets and Note 20 for additional information regarding required set-asides.

Debt

At June 30, 2005 the School District had \$21,469,751 in general obligation bonds outstanding. Table 5 summarizes the bonds outstanding.

Table 5
Outstanding Debt at Fiscal Year End
Governmental Activities

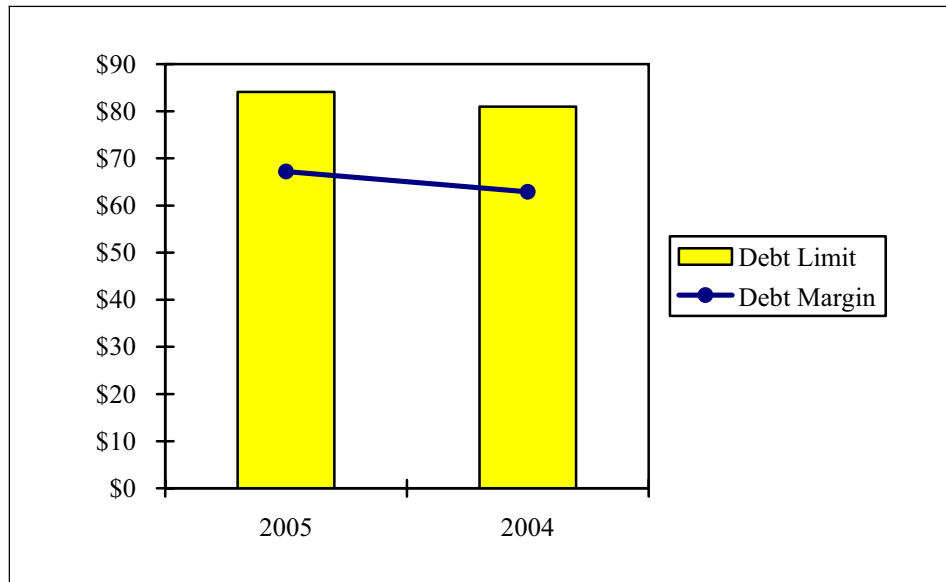
	2005	2004
1993 School Improvement Bonds	\$2,589,868	\$3,093,866
1994 School Improvement Bonds	4,224,676	19,361,453
2005 School Improvement Bonds	14,655,207	0
<i>Total</i>	\$21,469,751	\$22,455,319

The School District's overall legal debt margin increased to \$67.2 million. This is the additional amount of debt the School District could issue. The debt margin increased \$4.3 million from 2004 to 2005 due to the School District paying down current debt and increasing property valuations. See Note 15 to the basic financial statements for detail on the School District's long-term obligations.

Graph 3
Legal Debt Margin
(in millions)

	2005	2004
Overall Debt Limit	\$84.1	\$81.0
Overall Debt Margin	67.2	62.9

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited



School District Outlook

The School District has several challenges and opportunities in the near future. The Auditor of State placed the School District in Fiscal Watch status in May 2002, predicated upon the financial analysis completed by the Treasurer appointed in January 2002. The financial analysis reflected an urgent need for additional operating funds. The Board of Education placed a 5.5 mill operating levy on the November ballot and with the passage of the November 2002 levy the North Royalton City School District is in a sound though ethereal financial position. The School District was released from Fiscal Watch status by the Auditor of State on April 28, 2004. As the preceding information shows, the School District depends heavily on its property taxpayers.

The School District has been successful in continuing to maintain its strong academic programs while maintaining one of the lowest per pupil expenditure levels in Cuyahoga County and experiencing continued enrollment growth. This enrollment growth, along with lower State funding, will present the most significant challenges to the School District in the future.

Residential development continues to take place in both the cities of North Royalton and Broadview Heights. The School District's enrollment projection, updated in 2004, reflects continuous growth over the next ten years. The School District's facilities are at maximum capacity. As a stopgap measure, the School District has leased four buildings from the City of Broadview Heights to house preschool and kindergarten students beginning in the 2004-2005 school year. This will free classroom space at the elementary level and enable redistricting for a better balance of student enrollment at each of the elementary schools.

The School District contracted with an architectural firm in 2004 to prepare a facilities master plan. The School District is working with a citizen advisory group and the architectural firm to prepare a long-term solution to the facilities issues.

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Concomitant with the facilities issue is the need to generate additional operating revenue to meet the demands placed on the School District by the continued growth in its student population as well as the spate of under-funded and unfunded mandates from the State and Federal governments. The School District is working with a separate citizen financial advisory committee to address the operating needs of the district.

In May 2005 the School District placed before the electorate the question of combining and renewing two emergency operating levies expiring in 2005 and 2006. This issue was approved. The School District now has two emergency operating levies that will need to be renewed in the future, one in calendar year 2007 and one in calendar year 2010. The additional operating costs that come with a growing student population will necessitate the passage of an additional operating levy in the near future. The School District, in conjunction with the aforementioned citizen financial advisory committee, is working to determine the timing and millage amount of the next operating issue.

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..." Following this opinion the Plaintiffs, The Ohio Coalition of Equity and Adequacy of School Funding, attempted to have the Court enforce the ruling. The Court rejected these attempts.

In August 2003 the Plaintiffs filed a petition for a Writ of Certiorari with the United States Supreme Court asking the Court to accept an appeal of the Ohio Supreme Court's decision that prohibited Perry County Judge Linton Lewis from considering the Plaintiff's motion to establish a compliance conference pertaining to the Court's school funding decisions. The United States Supreme Court denied the petition in October 2003. The School District believes that the DeRolph litigation is now completed.

In conclusion, the North Royalton City School District is in a period posing both significant challenges and opportunities. Management is committed to working with all stakeholders to craft solutions that will most effectively use the available resources to continue to provide an excellent education to the students of the School District.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Richard McIntosh, Treasurer at North Royalton City School District, 6579 Royalton Road, North Royalton, Ohio 44133 or E-Mail at rich.mcintosh@lnoca.org.

North Royalton City School District

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,189,352
Accounts Receivable	6,830
Intergovernmental Receivable	279,758
Inventory Held for Resale	7,352
Materials and Supplies Inventory	71,169
Property Taxes Receivable	32,525,928
Unamortized Bond Issuance Costs	194,666
Nondepreciable Capital Assets	478,111
Depreciable Capital Assets, Net	<u>27,551,089</u>
<i>Total Assets</i>	<u>70,304,255</u>
Liabilities	
Accounts Payable	440,006
Accrued Wages Payable	2,966,455
Contracts Payable	19,150
Compensated Absences Payable	522,772
Intergovernmental Payable	1,015,304
Deferred Revenue	27,117,472
Accrued Interest Payable	68,902
Claims Payable	9,686
Long-Term Liabilities:	
Due Within One Year	2,492,396
Due In More Than One Year	<u>21,711,222</u>
<i>Total Liabilities</i>	<u>56,363,365</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	7,984,585
Restricted for:	
Capital Projects	694,252
Debt Service	3,149,780
Other Purposes	277,658
Unrestricted	<u>1,834,615</u>
<i>Total Net Assets</i>	<u><u>\$13,940,890</u></u>

See accompanying notes to the basic financial statements

North Royalton City School District

Statement of Activities

For the Fiscal Year Ended June 30, 2005

	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest		
Governmental Activities					
Instruction:					
Regular	\$18,824,347	\$466,294	\$250,823	\$84,662	(\$18,022,568)
Special	3,694,607	0	201,960	882	(3,491,765)
Vocational	196,199	0	0	0	(196,199)
Support Services:					
Pupil	2,073,596	586	15,769	0	(2,057,241)
Instructional Staff	2,854,523	0	668,672	0	(2,185,851)
Board of Education	32,209	0	0	0	(32,209)
Administration	2,956,743	0	34,771	3,480	(2,918,492)
Fiscal	925,283	0	6,987	1,443	(916,853)
Business	300,767	0	0	0	(300,767)
Operation and Maintenance of Plant	3,422,885	59,358	51,512	6,661	(3,305,354)
Pupil Transportation	2,991,475	0	1,577	56,734	(2,933,164)
Central	348,821	0	0	0	(348,821)
Operation of Non-Instructional Services	835,474	0	693,603	0	(141,871)
Operation of Food Services	1,383,071	1,125,999	157,513	0	(99,559)
Extracurricular Activities	928,390	228,083	14,707	0	(685,600)
Interest and Fiscal Charges	1,096,586	0	0	0	(1,096,586)
<i>Totals</i>	<u>\$42,864,976</u>	<u>\$1,880,320</u>	<u>\$2,097,894</u>	<u>\$153,862</u>	<u>(38,732,900)</u>

General Revenues

Property and Other Local Taxes Levied for:

General Purposes	27,467,331
Debt Service	2,434,371
Capital Outlay	801,374
Grants and Entitlements not Restricted to Specific Programs	9,539,711
Investment Earnings	236,072
Miscellaneous	104,187
<i>Total General Revenues</i>	<u>40,583,046</u>
Change in Net Assets	1,850,146
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>12,090,744</u>
<i>Net Assets End of Year</i>	<u>\$13,940,890</u>

See accompanying notes to the basic financial statements

North Royalton City School District

*Balance Sheet
Governmental Funds
June 30, 2005*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$5,602,439	\$2,184,390	\$1,249,792	\$9,036,621
Restricted Assets:				
Equity in Pooled Cash and				
Cash Equivalents	21,377	0	0	21,377
Property Taxes Receivable	29,178,833	2,481,018	866,077	32,525,928
Accounts Receivable	6,830	0	0	6,830
Intergovernmental Receivable	205,579	0	74,179	279,758
Interfund Receivable	118,499	589,000	0	707,499
Inventory Held for Resale	0	0	7,352	7,352
Materials and Supplies Inventory	71,169	0	0	71,169
<i>Total Assets</i>	<u>\$35,204,726</u>	<u>\$5,254,408</u>	<u>\$2,197,400</u>	<u>\$42,656,534</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$250,306	\$0	\$189,700	\$440,006
Contracts Payable	0	0	19,150	19,150
Accrued Wages and Benefits	2,915,478	0	50,977	2,966,455
Interfund Payable	0	0	707,499	707,499
Intergovernmental Payable	975,942	0	39,362	1,015,304
Compensated Absences Payable	520,254	0	2,518	522,772
Deferred Revenue	25,581,509	2,123,921	750,988	28,456,418
Accrued Interest Payable	0	0	1,553	1,553
<i>Total Liabilities</i>	<u>30,243,489</u>	<u>2,123,921</u>	<u>1,761,747</u>	<u>34,129,157</u>
 Fund Balances				
Reserved for Encumbrances	298,086	0	687,571	985,657
Reserved for Property Taxes	3,757,125	354,079	114,083	4,225,287
Reserved for Bus Purchase	21,377	0	0	21,377
Unreserved:				
Undesignated, Reported in:				
General Fund	884,649	0	0	884,649
Special Revenue Funds	0	0	155,988	155,988
Debt Service Fund	0	2,776,408	0	2,776,408
Capital Projects Funds (Deficit)	0	0	(521,989)	(521,989)
<i>Total Fund Balances</i>	<u>4,961,237</u>	<u>3,130,487</u>	<u>435,653</u>	<u>8,527,377</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$35,204,726</u>	<u>\$5,254,408</u>	<u>\$2,197,400</u>	<u>\$42,656,534</u>

See accompanying notes to the basic financial statements

North Royalton City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2005*

Total Governmental Fund Balances	\$8,527,377
 <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	28,029,200
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	1,133,446
Tuition and Fees	<u>205,500</u>
Total	1,338,946
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 fund are included in governmental activities in the statement of net assets.	121,668
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds, a bond issuance expenditure is reported when bonds are issued.	194,666
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(67,349)
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences	(2,733,867)
General Obligation Bonds	<u>(21,469,751)</u>
Total	<u>(24,203,618)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$13,940,890</u></u>

See accompanying notes to the basic financial statements

North Royalton City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$26,665,398	\$2,367,956	\$777,649	\$29,811,003
Intergovernmental	9,106,872	313,750	2,198,768	11,619,390
Interest	235,675	0	9,566	245,241
Tuition and Fees	306,357	0	26,378	332,735
Extracurricular Activities	20,225	0	205,758	225,983
Contributions and Donations	0	0	162,908	162,908
Charges for Services	0	0	1,154,091	1,154,091
Rentals	59,358	0	0	59,358
Miscellaneous	81,312	0	22,875	104,187
<i>Total Revenues</i>	<u>36,475,197</u>	<u>2,681,706</u>	<u>4,557,993</u>	<u>43,714,896</u>
Expenditures				
Current:				
Instruction:				
Regular	17,642,124	0	310,248	17,952,372
Special	3,396,877	0	193,884	3,590,761
Vocational	182,888	0	0	182,888
Support Services:				
Pupil	2,032,093	0	19,394	2,051,487
Instructional Staff	2,151,451	0	651,625	2,803,076
Board of Education	32,209	0	0	32,209
Administration	2,696,410	0	36,531	2,732,941
Fiscal	886,389	33,409	8,057	927,855
Business	299,538	0	0	299,538
Operation and Maintenance of Plant	3,297,591	0	48,205	3,345,796
Pupil Transportation	2,623,475	0	1,837	2,625,312
Central	330,191	0	0	330,191
Operation of Non-Instructional Services	69,368	0	750,045	819,413
Operation of Food Services	0	0	1,343,360	1,343,360
Extracurricular Activities	652,908	0	262,273	915,181
Capital Outlay	0	0	1,242,520	1,242,520
Debt Service:				
Principal Retirement	0	1,480,000	0	1,480,000
Interest and Fiscal Charges	0	821,383	7,175	828,558
Bond Issuance Costs	0	198,293	0	198,293
<i>Total Expenditures</i>	<u>36,293,512</u>	<u>2,533,085</u>	<u>4,875,154</u>	<u>43,701,751</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>181,685</u>	<u>148,621</u>	<u>(317,161)</u>	<u>13,145</u>
Other Financing Sources (Uses)				
General Obligation Bonds Issued	0	14,424,974	0	14,424,974
Premium on General Obligation Bonds Issued	0	2,120,721	0	2,120,721
Payment to Refunded Bond Escrow Agent	0	(16,345,863)	0	(16,345,863)
Transfers In	0	0	80,500	80,500
Transfers Out	(80,500)	0	0	(80,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(80,500)</u>	<u>199,832</u>	<u>80,500</u>	<u>199,832</u>
<i>Net Change in Fund Balances</i>	101,185	348,453	(236,661)	212,977
<i>Fund Balances Beginning of Year</i>	<u>4,860,052</u>	<u>2,782,034</u>	<u>672,314</u>	<u>8,314,400</u>
<i>Fund Balances End of Year</i>	<u>\$4,961,237</u>	<u>\$3,130,487</u>	<u>\$435,653</u>	<u>\$8,527,377</u>

See accompanying notes to the basic financial statements

North Royalton 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, 2005*

Net Change in Fund Balances - Total Governmental Funds \$212,977

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	838,258	
Depreciation	(1,656,248)	
Total		(817,990)

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

Property Taxes	892,073	
Tuition and Fees	108,153	
Total		1,000,226

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 17,825,863

In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds, a bond issuance expenditure is reported when bonds are issued. 198,293

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

Accrued Interest on Bonds	30,199	
Amortization of Issuance Costs	(3,627)	
Amortization of Premium on Bonds	38,794	
Amortization of Accounting Loss	(35,138)	
Bond Accretion	(298,256)	
Total		(268,028)

Some expenses reported in the statement of activities, such as compensated absences and 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	(147,366)	
Pension Obligation	366,222	
Total		218,856

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.

General Obligation Bonds Issued	(14,424,974)	
Premium on Bonds	(2,120,721)	
Total		(16,545,695)

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

25,644

Change in Net Assets of Governmental Activities \$1,850,146

See accompanying notes to the basic financial statements

North Royalton 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, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$27,287,502	\$28,006,607	\$28,025,982	\$19,375
Intergovernmental	8,866,831	9,100,498	9,106,793	6,295
Interest	209,106	214,616	214,764	148
Tuition and Fees	493,919	506,935	507,286	351
Extracurricular Activities	19,692	20,211	20,225	14
Rentals	52,040	53,411	53,448	37
Miscellaneous	79,163	81,250	81,312	62
<i>Total Revenues</i>	<u>37,008,253</u>	<u>37,983,528</u>	<u>38,009,810</u>	<u>26,282</u>
Expenditures				
Current:				
Instruction:				
Regular	17,730,194	17,770,897	17,750,522	20,375
Special	3,486,742	3,507,393	3,490,080	17,313
Vocational	213,565	205,690	201,607	4,083
Support Services:				
Pupil	1,998,069	1,991,124	1,986,388	4,736
Instructional Staff	2,080,859	2,076,249	2,072,159	4,090
Board of Education	34,869	35,463	34,688	775
Administration	2,680,577	2,695,779	2,669,341	26,438
Fiscal	882,438	895,156	878,661	16,495
Business	293,118	296,337	292,671	3,666
Operation and Maintenance of Plant	3,196,659	3,282,587	3,239,030	43,557
Pupil Transportation	2,659,976	2,692,571	2,636,615	55,956
Central	335,154	350,771	337,143	13,628
Operation of Non-Instructional Services	68,146	75,013	71,843	3,170
Extracurricular Activities	654,401	654,545	651,472	3,073
<i>Total Expenditures</i>	<u>36,314,767</u>	<u>36,529,575</u>	<u>36,312,220</u>	<u>217,355</u>
<i>Excess of Revenues Over Expenditures</i>	<u>693,486</u>	<u>1,453,953</u>	<u>1,697,590</u>	<u>243,637</u>
Other Financing Sources (Uses)				
Advances In	242,974	249,377	249,550	173
Advances Out	(322,995)	(321,549)	(321,549)	0
Transfers Out	(80,862)	(80,500)	(80,500)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(160,883)</u>	<u>(152,672)</u>	<u>(152,499)</u>	<u>173</u>
<i>Net Change in Fund Balance</i>	532,603	1,301,281	1,545,091	243,810
<i>Fund Balance Beginning of Year</i>	3,154,048	3,154,048	3,154,048	0
Prior Year Encumbrances Appropriated	<u>375,299</u>	<u>375,299</u>	<u>375,299</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$4,061,950</u>	<u>\$4,830,628</u>	<u>\$5,074,438</u>	<u>\$243,810</u>

See accompanying notes to the basic financial statements

North Royalton City School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2005

	<u>Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$131,354
Liabilities	
Claims Payable	<u>9,686</u>
Net Assets	
Unrestricted	<u><u>\$121,668</u></u>

See accompanying notes to the basic financial statements

North Royalton City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2005*

	Insurance
Operating Revenues	
Charges for Services	\$152,363
Operating Expenses	
Purchased Services	23,655
Claims	103,064
<i>Total Operating Expenses</i>	126,719
<i>Change in Net Assets</i>	25,644
<i>Net Assets Beginning of Year</i>	96,024
<i>Net Assets End of Year</i>	\$121,668

See accompanying notes to the basic financial statements

North Royalton City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2005

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$152,363
Cash Payments for Purchased Services	(23,655)
Cash Payments for Claims	(107,010)
<i>Net Increase in Cash and Cash Equivalents</i>	21,698
<i>Cash and Cash Equivalents Beginning of Year</i>	109,656
<i>Cash and Cash Equivalents End of Year</i>	\$131,354
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$25,644
Adjustments:	
Decrease in Claims Payable	(3,946)
<i>Net Cash Provided by Operating Activities</i>	\$21,698
 See accompanying notes to the basic financial statements	

North Royalton City School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2005

Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$269,264</u></u>
Liabilities	
Due to Students	<u><u>\$269,264</u></u>

See accompanying notes to the basic financial statements

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 1 - Description of the School District and Reporting Entity

North Royalton City School District (the "School District") is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms.

The School District is located in a suburban area south of Cleveland, Ohio. It is located in Cuyahoga County and encompasses nearly all of the City of North Royalton and a smaller portion of the City of Broadview Heights. It is staffed by 245 classified employees and 296 certified personnel who provide services to 4,483 students and other community members. The School District currently operates three elementary buildings, one middle school, one high school, an administrative building, a maintenance garage and a bus garage.

Reporting Entity

A 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 and agencies that are not legally separate from the School District. For North Royalton City School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Non-public Schools – Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the treasurer of the School District, as directed by the non-public school. These transactions are reported in a special revenue fund and as a governmental activity of the School District.

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 the levying of taxes. The School District has no component units.

The School District participates in three jointly governed organizations and a shared risk pool. These organizations are the Lakeshore Northeast Ohio Computer Association, Cuyahoga Valley Career Center, Ohio Schools Council Association and the Suburban Health Consortium which are presented in Notes 17 and 19 to the basic financial statements.

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 2 - Summary of Significant Accounting Policies

The financial statements of North Royalton 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.

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 function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the 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 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. Fiduciary funds are 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. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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

General Fund - The general fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund – The bond retirement fund accounts for property tax revenues that are used for payment of principal and interest and fiscal charges on general obligation debt.

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

Proprietary Funds Proprietary fund reporting focuses 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 has no enterprise funds.

Internal Service Fund The internal service fund accounts for 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's only internal service fund is a self-insurance fund that accounts for vision benefits of the School District's employees.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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 fund accounts for student activities.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (e.g., 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, current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

North Royalton City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

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 is included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total 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.

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 and the statements presented for proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences between the accrual and the 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 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.

Nonexchange 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 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 nonexchange transactions must also be available before it can be recognized.

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

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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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

E. Budgetary Process

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

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

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. 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 over 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 Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2005, investments were limited to federal home loan mortgage corporation discount notes, federal home loan bank bonds, federal home loan bank discount note, fannie mae note, fannie mae discount note and STAROhio, the State Treasurer's Investment Pool.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements 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, 2005.

North Royalton City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$235,675, which includes \$83,413 assigned from other School District funds.

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 presented on the financial statements as cash equivalents.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent unspent resources restricted for the purchase of buses.

J. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one 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 the asset or materially extend an asset's life are not.

All reported capital assets, except land, 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:

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Description	Estimated Lives
Land Improvements	15 - 20 years
Buildings and Improvements	40 years
Furniture and Equipment	5 - 15 years
Vehicles	10 years

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column of 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.

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

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

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts recorded in the account “Matured Compensated Absences Payable” in the fund from which the employee who has accumulated unpaid leave is paid.

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 proprietary fund are reported on the proprietary 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 and judgments, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the 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 borrowings used for the acquisition, construction, or improvement of those assets. Net assets are

North Royalton City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

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. The government-wide statement of net assets reports restricted net assets of \$4,121,690, of which \$3,844,307 is restricted by enabling legislation. Net assets restricted for other purposes include food service operations and extracurricular activities.

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

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

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 the self insurance program. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as non-operating.

Q. Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the school improvement general obligation bonds are being amortized using the straight-line method over the life of the bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective-interest method.

R. Deferred Loss on Refunding

The difference between the reacquisition price (funds required to refund the old debt) of the school improvement bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the life of the new debt or the remaining life of the refunded debt (whichever is shorter) and is presented net of the general obligation bonds payable on the statement of net assets.

S. Interfund Activity

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

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

T. 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.

U. Estimates

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

Note 3 - Change in Accounting Principles and Restatement of Net Assets

A. Change in Accounting Principles

For fiscal year 2005, the School District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes disclosure requirements for investment credit risk, interest rate risk, deposit custodial risk and foreign currency risk.

GASB Statement No. 46 clarifies when net assets should be considered restricted based upon enabling legislation.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 46 and GASB Technical Bulletin No. 2004-2 did not materially effect the presentation of the financial statements of the School District.

B. Restatement of Net Assets

During fiscal year 2005 the School District determined that capital assets were understated. This restatement increased net assets at June 30, 2004 by \$529,033, from \$11,561,711 to \$12,090,744.

Note 4 - 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 Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Investments are reported at cost (budget) rather than fair value (GAAP).
5. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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	\$101,185
Net Adjustment for Revenue Accruals	1,513,702
Advances In	249,550
Beginning Fair Value Adjustment for Investments	5,193
Ending Fair Value Adjustment for Investments	15,718
Net Adjustment for Expenditure Accruals	514,952
Advances Out	(321,549)
Encumbrances	(533,660)
Budget Basis	<u><u>\$1,545,091</u></u>

Note 5 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active deposits 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.

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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.

Interim monies held by the School District can 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 payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, 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 securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$615,652 of the School District's bank balance of \$815,652 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

North Royalton City School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

Investments are reported at fair value. As of June 30, 2005, the School District had the following investments:

	Fair Value	Maturity
Federal Home Loan Mortgage Corporation Discount Note	\$997,771	July 26, 2005
Federal Home Loan Bank Bonds	993,322	February 27, 2006
Federal Home Loan Bank Discount Note	495,753	September 30, 2005
Fannie Mae Note	493,014	March 30, 2006
Fannie Mae Discount Note	1,971,500	November 28, 2005
STAROhio	3,812,200	33 days
Total	<u>\$8,763,560</u>	

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation Discount Note, the Federal Home Loan Bank Bonds, the Federal Home Loan Bank Discount Note, the Fannie Mae Note and the Fannie Mae Discount Note are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk The Federal Home Loan Mortgage Corporation Discount Note, the Federal Home Loan Bank Bonds, the Federal Home Loan Bank Discount Note, the Fannie Mae Note and the Fannie Mae Discount Note carry a rating of AAA by Standard & Poor's and STAROhio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Concentration of Credit Risk The School District places a twenty-five percent limit in either or a combined total of:

1. Commercial paper notes issued by a for-profit corporation, business trust or association, real estate investment trust, common-law trust, unincorporated business, or general or limited partnership which has assets exceeding \$500,000,000 and/or
2. Bankers acceptances of banks that are members of the FDIC and whose obligations:
 - a. are eligible for purchase by the Federal Reserve System;
 - b. mature no later than 180 days after purchase.

The School District places no other limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2005:

<u>Investment</u>	<u>Percentage of Investments</u>
Federal Home Loan Mortgage Corporation Discount Notes	11.38%
Federal Home Loan Bank Bonds	11.33%
Federal Home Loan Bank Discount Note	5.66%
Fannie Mae	5.63%
Fannie Mae Discount Note	22.50%
STAROhio	43.50%

Note 6 – Fund Deficits

Fund balances at June 30, 2005, included the following individual fund deficits:

<i>Special Revenue Funds:</i>	
Vocational Education	\$118
Student Reading Intervention	4,389
Drug Free Schools Grant	6,413
<i>Capital Projects Fund:</i>	
Building	476,062

The deficits in the special revenue funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, rather than when accruals occur.

The building capital projects fund's deficit is the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. Once the notes are retired or bonds are issued, this deficit will be eliminated.

North Royalton City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2005

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 tax distributions occur in the first half of the following fiscal year.

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 in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. 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; however this year the settlement was late

The School District receives property taxes from Cuyahoga County. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 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, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the late settlement of tangible personal property taxes and the amount of real property taxes available as an advance at June 30 was 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, 2005 was \$3,757,125 in the general fund, \$354,079 in the bond retirement debt service fund, and \$114,083 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2004 was \$5,032,428 in the general fund, \$474,266 in the bond retirement debt service fund, and \$152,807 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor.

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

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 First Half Collections		2005 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$850,858,880	94.54 %	\$889,240,600	95.12 %
Public Utility Personal	20,459,520	2.27	19,944,270	2.13
Tangible Personal Property	28,710,170	3.19	25,647,714	2.75
Total	\$900,028,570	100.00 %	\$934,832,584	100.00 %
Tax rate per \$1,000 of assessed valuation	\$62.10		\$61.70	

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance 06/30/04	Additions	Deductions	Balance 06/30/05
<i>Capital Assets not being Depreciated:</i>				
Land	\$478,111	\$0	\$0	\$478,111
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,551,731	70,241	0	1,621,972
Buildings and Improvements	39,507,497	154,893	0	39,662,390
Furniture and Equipment	5,543,177	365,792	0	5,908,969
Vehicles	3,231,267	247,332	0	3,478,599
<i>Total Capital Assets being Depreciated</i>	49,833,672	838,258	0	50,671,930
Less Accumulated Depreciation:				
Land Improvements	(1,007,159)	(58,686)	0	(1,065,845)
Buildings and Improvements	(15,147,937)	(898,936)	0	(16,046,873)
Furniture and Equipment	(3,520,352)	(437,277)	0	(3,957,629)
Vehicles	(1,789,145)	(261,349)	0	(2,050,494)
<i>Total Accumulated Depreciation</i>	(21,464,593)	(1,656,248) *	0	(23,120,841)
<i>Total Assets being Depreciated, Net</i>	28,369,079	(817,990)	0	27,551,089
<i>Governmental Activities Capital Assets, Net</i>	\$28,847,190	(\$817,990)	\$0	\$28,029,200

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$615,407
Special	89,408
Vocational	13,052
Support Services:	
Pupil	48,567
Instructional Staff	139,252
Administration	212,794
Fiscal	2,807
Business	918
Operation and Maintenance of Plant	130,817
Pupil Transportation	241,364
Central	15,772
Operation of Non-Instructional Services	31,178
Operation of Food Service	74,112
Extracurricular Activities	40,800
Total Depreciation Expense	<u>\$1,656,248</u>

Note 9 - Receivables

Receivables at June 30, 2005, consisted of taxes, tuition and intergovernmental grants. 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>Intergovernmental Receivable</u>	<u>Amount</u>
Tuition	\$205,500
Food Service	31,507
Title VI-B	20,653
Class Size Reduction Grant	9,978
Ohio Reads Grant	7,895
Title V	3,233
Drug Free Schools Grant	913
Rentals	79
Total	<u>\$279,758</u>

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 11 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (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 43215-3476 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$582,269, \$469,853, and \$395,302; 52.09 percent has been contributed for fiscal year 2005, and 100 percent for fiscal years 2004 and 2003.

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 East Broad Street, 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.

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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, 2005, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendation 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, 2005, 2004, and 2003 were \$2,300,094, \$2,195,017, and \$2,188,508; 83.86 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$15,246 made by the School District and \$64,546 made by the plan members.

Note 12 - 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 funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their 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. All benefit recipients pay a portion of 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, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District this amount equaled \$176,930 for fiscal year 2005.

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

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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004.

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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 2005, the minimum pay was established as \$27,400. However, the surcharge is capped at 2 percent of each employer's salaries. For the 2005 fiscal year, the School District paid \$299,122 to fund health care benefits, including surcharge.

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 (the latest information available), 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 13 - 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 and the treasurer earn ten to thirty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and the treasurer at the end of each contract year depending upon negotiated agreements or upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. A percentage of unused sick time is paid at retirement. All employees who are eligible to retire receive a severance benefit upon retirement limited to twenty-five percent of accumulated sick leave. For classified employees the maximum pay out is limited to eighty days. For certified employees and certain administrators, the maximum payout is determined by their individual contracts.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees from Anthem Life Insurance through the Suburban Health Insurance Consortium.

Note 14 – Interfund Transaction

A. Interfund Transfers

The general fund made transfers to the athletics and music special revenue fund and to the building capital projects fund for the amounts of \$35,500 and \$45,000. The reason for the transfer was to help provide funding for fiscal year 2005.

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

B. Interfund Balance

<u>Interfund Payable</u>	<u>Interfund Receivable</u>	
	<u>General</u>	<u>Bond Retirement</u>
<i>Nonmajor Funds:</i>		
Ohio Reads Grant	\$10,200	\$0
Vocational Education	1,065	0
Student Reading Intervention	17,154	0
Title VI-B	67,225	0
Title V	9,000	0
Drug Free Schools Grant	7,700	0
Preschool Grant	3,025	0
Class Size Reduction Grant	3,130	0
Building	<u>0</u>	<u>589,000</u>
<i>Total All Funds</i>	<u><u>\$118,499</u></u>	<u><u>\$589,000</u></u>

Interfund receivables and payables are due to the timing of the receipt of grant monies received by the various funds. The general fund provides temporary funding of the program until the grant dollars are received. The \$589,000 interfund transaction between the debt service and building capital projects fund is a manuscript note. The manuscript note will be paid on May 25, 2006.

Note 15 - Long-Term Obligations

Original issue amounts and interest rates of the School District's debt issues were as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Year of Maturity</u>
1993 School Improvement Bonds:			
Capital Appreciation Bonds	8.85% to 9.95%	\$1,109,994	2002 to 2006
Current Issue Term Bonds	5.65%	2,040,000	2008
1994 School Improvement Bonds:			
Current Interest Serial Bonds	3.85% to 5.5%	6,775,000	1996 to 2005
Capital Appreciation Bonds	9.50%	810,715	2008 to 2010
Current Issue Term Bonds	6.00% to 6.625%	16,410,000	2006 to 2007
2005 School Improvement Bonds:			
Current Interest Serial Bonds	3.00% to 5.00%	14,145,000	2006 to 2020
Capital Appreciation Bonds	3.50% to 3.71%	279,974	2011 to 2012

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Changes in long-term obligations of the School District during fiscal year 2005 were as follows:

	Principal Outstanding 6/30/04	Additions	Deductions	Principal Outstanding 6/30/05	Amounts Due in One Year
General Obligation Bonds					
1993 School Improvement Bonds					
Capital Appreciation Bonds	\$400,351	\$0	\$206,961	\$193,390	\$193,390
Accretion on Capital Appreciation Bonds	653,515	66,002	363,039	356,478	376,610
Current Interest Term Bonds	2,040,000	0	0	2,040,000	0
Total 1993 School Improvement Bonds	3,093,866	66,002	570,000	2,589,868	570,000
1994 School Improvement Bonds					
Current Interest Serial Bonds	910,000	0	910,000	0	0
Capital Appreciation Bonds	810,715	0	0	810,715	0
Accretion on Capital Appreciation Bonds	1,230,738	198,223	0	1,428,961	0
Current Interest Term Bonds	16,410,000	0	14,425,000	1,985,000	960,000
Total 1994 School Improvement Bonds	19,361,453	198,223	15,335,000	4,224,676	960,000
2005 School Improvement Bonds					
Current Interest Serial Bonds	0	14,145,000	0	14,145,000	405,000
Capital Appreciation Bonds	0	279,974	0	279,974	0
Accretion on Capital Appreciation Bonds	0	34,031	0	34,031	0
Unamortized Loss	0	(1,920,863)	(35,138)	(1,885,725)	0
Unamortized Premium	0	2,120,721	38,794	2,081,927	0
Total 2005 School Improvement Bonds	0	14,658,863	3,656	14,655,207	405,000
Total General Obligation Bonds	22,455,319	14,923,088	15,908,656	21,469,751	1,935,000
Other Long-Term Obligations					
Compensated Absences	2,586,501	282,815	135,449	2,733,867	557,396
Total Governmental Activities Long-Term Liabilities	\$25,041,820	\$15,205,903	\$16,044,105	\$24,203,618	\$2,492,396

Compensated absences will be paid from the general and food service, title VI-B and title II-A special revenue funds.

On December 1, 1993, the School District issued \$6,749,994 in voted general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amounts of \$3,600,000, \$2,040,000 and \$1,109,994, respectively. The general obligation bonds were issued for the purpose of renovation at the North Royalton City Schools. The bonds were issued for a fifteen year period with final maturity at December 1, 2008. The bonds will be retired from the debt service fund. The bond was originally a 1988 building improvement bond which was refinanced to take advantage of lower interest rates.

At June 30, 2005 the full amount of the serial bonds had been retired by the School District through annual debt service repayments.

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

The capital appreciation and current issue term bonds remained outstanding at June 30, 2005. The capital appreciation bonds were originally sold at a discount of \$1,745,006, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2003 through 2006. The current issue term bonds will be repaid through annual debt service repayments during fiscal years 2007 through 2009.

During fiscal year 2005 capital appreciation bonds matured and were retired with an original principal amount of \$206,961 and an accreted interest amount of \$363,039 (for a total of \$570,000). The maturity amount of outstanding capital appreciation bonds at June 30, 2005 is \$570,000. The accretion recorded for 2005 was \$66,002, for a total outstanding bond liability of \$549,868 at June 30, 2005.

On December 1, 1994, the School District issued \$23,995,715 in voted general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amount of \$6,775,000, \$16,410,000 and \$810,715, respectively. The general obligation bonds were issued for the purpose of building a new middle school. The bonds were issued for a twenty-five year period with final maturity at December 1, 2020. The bonds will be retired from the debt service fund.

At June 30, 2005 the full amount of the serial bonds had been retired by the School District through annual debt service repayments.

The capital appreciation and current issue term bonds remained outstanding at June 30, 2005. The capital appreciation bonds were originally sold at a discount of \$2,254,285, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2008 through 2010. The non-refunded portion of the current issue term bonds will be repaid through annual debt service repayments during fiscal years 2006 through 2007.

The maturity amount of outstanding capital appreciation bonds at June 30, 2005 is \$3,065,000. The accretion recorded for 2005 was \$198,223, for a total outstanding bond liability of \$2,239,676 at June 30, 2005.

On March 17, 2005, the School District issued \$14,424,974 in voted general obligation bonds which included serial and capital appreciation (deep discount) bonds in the amount of \$14,145,000 and \$279,974, respectively. The general obligation bonds were issued for the purpose of refunding a portion of the 1994 school improvement bonds to take advantage of lower interest rates. An analysis of the information follows:

	<u>1994 School Improvement Bonds</u>
Outstanding at June 30, 2004	\$19,361,453
Amount Refunded	(14,425,000)
Current Fiscal Year Accretion	<u>198,223</u>
Non-Refunded Portion	5,134,676
Principal Payment on Non-Refunded Portion	<u>(910,000)</u>
Outstanding at June 30 2005	<u><u>\$4,224,676</u></u>

The bonds were issued for a twenty-five year period with final maturity at December 1, 2019. The bonds will be retired from the debt service fund.

North Royalton City School District

*Notes to the Basic Financial Statements
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The serial and capital appreciation bonds remained outstanding at June 30, 2005. The current issue term bonds will be repaid through annual debt service repayments through fiscal year 2020. The capital appreciation bonds were originally sold at a discount of \$2,480,026, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2011 through 2012.

The maturity amount of outstanding capital appreciation bonds at June 30, 2005 is \$2,760,000. The accretion recorded for 2005 was \$34,031, for a total outstanding bond liability of \$314,005 at June 30, 2005.

The bonds were sold at a premium of \$2,120,721. Proceeds of \$16,345,863 (after the premium, underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunding portion of the 1994 school improvement bonds. As a result, \$14,425,000 of these bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the School District's financial statements.

The School District decreased its total debt service payments by \$735,619 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$464,699.

The School District's overall debt margin was \$67,222,341 with an unvoted debt margin of \$934,833 at June 30, 2005. Principal and interest requirements to retire the general obligation bonds follow:

	General Obligation Bonds					
	Term		Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$960,000	\$214,966	\$405,000	\$555,713	\$193,390	\$376,610
2007	1,675,000	170,119	255,000	545,813	0	0
2008	685,000	59,184	260,000	538,088	296,594	728,406
2009	705,000	19,916	270,000	530,138	268,984	751,016
2010	0	0	280,000	521,888	245,137	774,863
2011-2015	0	0	4,280,000	2,366,695	279,974	2,480,026
2016-2020	0	0	8,395,000	900,625	0	0
Total	<u>\$4,025,000</u>	<u>\$464,185</u>	<u>\$14,145,000</u>	<u>\$5,958,960</u>	<u>\$1,284,079</u>	<u>\$5,110,921</u>

In 1993 and 2005, the School District defeased a 1988 building improvement bond issue and a 1994 school improvement bond issue, respectively, in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2005, \$1,472,063 and \$14,425,000 of the defeased bonds are still outstanding.

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

Note 16 - 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 2005, the School District contracted with various insurance companies through the Ohio Schools Council Association insurance program. The following is a summary of the School District's insurance coverage as of June 30, 2005:

<u>Company</u>	<u>Coverage</u>	<u>Amount</u>
Travelers Insurance Company	Boiler and Machinery	\$30,000,000
Indiana Insurance Company	Buildings and Contents - replacement costs	89,161,031
	Inland Marine Coverage	3,593,505
	Crime Insurance	15,000
	Automobile Liability	1,000,000
	Uninsured Motorists	50,000
	General Liability	
	Per occurrence	1,000,000
	Total per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year. All employees of the School District are covered by a blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage.

B. Employee Health Benefits

The School District is fully insured by participating in the Suburban Health Consortium, a shared risk pool (Note 19) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which the claim payments are made for all participating districts. The School District's Board of Education pays the entire cost of a monthly premium for all full-time employees.

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance or the Directors have the right to hold monies for an existing school district subsequent to the settlement of all expenses and claims.

C. Self-Insurance

The School District provides vision benefits for its employees and their covered dependents through its self-insurance fund. Vision Service Plan (VSP) administers the plan and reviews all claims paid by the School District.

The claims liability of \$9,686 reported in the internal service fund at June 30, 2005 is based on an estimate provided by the third party administrators and the requirements of GASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for unpaid claims cost, including estimates of cost relating to

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 2004 and 2005 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2004	\$11,844	\$106,597	\$104,809	\$13,632
2005	13,632	103,064	107,010	9,686

D. Workers' Compensation

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

Note 17 - Jointly Governed Organizations

Lakeshore Northeast Ohio Computer Association – The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau owned and operated by eleven public school districts. The primary function of LNOCA is to provide data services to the eleven member districts. Major areas of service provided by LNOCA include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Each school is represented on the LNOCA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Director. The School District paid \$81,105 for fiscal year 2005. Each school district supports LNOCA based upon a per student charge dependent upon the software package used. The Cuyahoga County Education Service Center serves as the fiscal agent of LNOCA. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valleyview, OH 44125.

Cuyahoga Valley Career Center - The Cuyahoga Valley Career Center is a joint vocational school which is a jointly governed organization among eleven school districts. Each participating school district appoints one board member to the Cuyahoga Valley Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participants control over the operation of the Cuyahoga Valley Career Center is limited to representation on the board. Continued existence of the Cuyahoga Valley Career Center is not dependent on the School District's continued participation. The School District made no contribution for fiscal year 2005. Financial information can be obtained from the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville, Ohio 44101.

Ohio Schools Council Association - The Ohio Schools' Council Association (Council) is a jointly governed organization among ninety-one school districts. The jointly governed 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 2005, the School District paid \$45,883 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10 Independence, Ohio 44131.

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

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.

In 1997, 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 this 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. Each month 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.

Note 18 - Contingencies

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Note 19 – Shared Risk Pool

The Suburban Health Consortium is a shared risk pool created pursuant to State Statute for the purpose of administering health care benefits. The consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the consortium. All consortium revenues are generated from the charges for services received

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005*

from the participating schools districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part at any time for their School District. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

Note 20 - Set-Aside Calculations

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 instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

The following cash basis information describes the changes in the year-end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by the State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2004	(\$402,714)	\$0
Current Year Set-aside Requirement	639,668	639,668
Qualifying Disbursements	<u>(770,087)</u>	<u>(730,139)</u>
Totals	<u>(\$533,133)</u>	<u>(\$90,471)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$533,133)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2005	<u>\$0</u>	<u>\$0</u>

The School District has qualifying disbursements and offsets during the fiscal year that reduced the textbooks set-aside amount below zero. The negative set-aside balance for the textbooks may be used to reduce the set-aside requirement of future years.

Combining and Individual Fund Statements and Schedules

Combining Statements – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes. Following is a description of the School District's nonmajor special revenue funds:

Food Service Fund – To account for the grants and charges for services related to the food service operations of the School District.

Scholarship Fund – To account for assets held by the School District for individuals and/or private organizations which benefit the student body or the local community.

Adult Education Fund – To account for revenues and expenses involved in upgrading and retraining out-of-school youths and adults for the purpose of improving their skills and knowledge in their occupation or planned occupation as well as providing educational services including preschool.

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

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

Athletics and Music Fund – To account for gate receipts and other revenues from athletic events and all costs (except supplemental coaching contracts) of the School District's Athletic Program and transportation of the band to and from athletic events.

Auxiliary Services Fund – To account for services to non-public schools within the School District which are provided for in state law. Funds are primarily for educational supplies, materials, and testing.

Educational Management Information Systems Fund – To account for State monies which are used solely for costs associated with the requirements of the education management information system.

Entry Year Program Fund – To account for Federal and State monies used for teacher mentoring.

Network Connectivity Fund – To account for money appropriated for Ohio Educational Computer Network Connections.

SchoolNet Professional Development Fund – To account for State monies used to support technology training of teachers.

Ohio Reads Grant Fund – To account for State monies used to improve reading outcomes, especially on the fourth grade reading proficiency test and for volunteer coordinators in public schools and costs associated with volunteer coordination, for background checks for volunteers, to evaluate the Ohio Reads Program, and for operating expenses associated with administering the program.

Vocational Education Fund – To account for revenues and expenses relating to the operation of the School District's vocational education programs.

(continued)

Combining Statements – Nonmajor Governmental Funds (continued)

Nonmajor Special Revenue Funds (continued)

Student Reading Intervention Fund – To account for State monies used for increasing student reading comprehension.

Title VI-B Fund – To account for Federal revenues that assist states in identification of handicapped children and provide full educational opportunities to handicapped children at the preschool, elementary and secondary levels. It also accounts for Federal monies used to implement a variety of programs intended to provide instruction for early childhood education.

Immigrant Education Fund – To account for Federal revenues received for programs to assist in the public education of immigrants.

Refugee Children Fund – To account for Federal revenues relating to educational and social services for eligible immigrant students.

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

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

Preschool Grant Fund – To account for Federal monies which provide for the cost of developing a public school preschool for handicapped and non-handicapped children.

Class Size Reduction Grant Fund – To account for various monies to hire additional classroom teachers so the number of students per teacher will be reduced.

Assistive Technology Infusion Fund – To account for Federal monies used primarily for assistive mobility and learning devices for orthopedically handicapped students

Nonmajor Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Following is a description of the nonmajor capital projects funds:

Permanent Improvement Fund – To account for all transactions related to the acquiring, construction, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.

Building Fund – To account for monies used for the building, restoration or improvement of the School District property.

SchoolNet Plus Fund - To account for State monies providing for computer hardware and wiring for buildings for kindergarten through fourth grade.

North Royalton City School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$672,375	\$577,417	\$1,249,792
Property Taxes Receivable	0	866,077	866,077
Intergovernmental Receivable	74,179	0	74,179
Inventory Held for Resale	7,352	0	7,352
<i>Total Assets</i>	<u>\$753,906</u>	<u>\$1,443,494</u>	<u>\$2,197,400</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$181,907	\$7,793	\$189,700
Contracts Payable	0	19,150	19,150
Accrued Wages and Benefits	50,977	0	50,977
Interfund Payable	118,499	589,000	707,499
Intergovernmental Payable	39,362	0	39,362
Matured Compensated Absences Payable	2,518	0	2,518
Deferred Revenue	0	750,988	750,988
Accrued Interest Payable	0	1,553	1,553
<i>Total Liabilities</i>	<u>393,263</u>	<u>1,368,484</u>	<u>1,761,747</u>
 Fund Balances			
Reserved for Encumbrances	204,655	482,916	687,571
Reserved for Property Taxes	0	114,083	114,083
Unreserved, Undesignated Reported in:			
Special Revenue Funds	155,988	0	155,988
Capital Projects Funds (Deficit)	0	(521,989)	(521,989)
<i>Total Fund Balances</i>	<u>360,643</u>	<u>75,010</u>	<u>435,653</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$753,906</u>	<u>\$1,443,494</u>	<u>\$2,197,400</u>

North Royalton City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2005

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Property and Other Local Taxes	\$0	\$777,649	\$777,649
Intergovernmental	1,999,142	199,626	2,198,768
Interest	9,566	0	9,566
Tuition and Fees	26,378	0	26,378
Extracurricular Activities	205,758	0	205,758
Contributions and Donations	89,583	73,325	162,908
Charges for Services	1,154,091	0	1,154,091
Miscellaneous	22,875	0	22,875
<i>Total Revenues</i>	<u>3,507,393</u>	<u>1,050,600</u>	<u>4,557,993</u>
Expenditures			
Current:			
Instruction:			
Regular	310,248	0	310,248
Special	193,884	0	193,884
Support Services:			
Pupil	19,394	0	19,394
Instructional Staff	651,625	0	651,625
Administration	36,531	0	36,531
Fiscal	8,057	0	8,057
Operation and Maintenance of Plant	48,205	0	48,205
Pupil Transportation	1,837	0	1,837
Operation of Non-Instructional Services	750,045	0	750,045
Operation of Food Services	1,343,360	0	1,343,360
Extracurricular Activities	262,273	0	262,273
Capital Outlay	32,570	1,209,950	1,242,520
Debt Service:			
Interest and Fiscal Charges	0	7,175	7,175
<i>Total Expenditures</i>	<u>3,658,029</u>	<u>1,217,125</u>	<u>4,875,154</u>
<i>Excess of Revenues Under Expenditures</i>	(150,636)	(166,525)	(317,161)
Other Financing Sources			
Transfers In	35,500	45,000	80,500
<i>Net Change in Fund Balances</i>	(115,136)	(121,525)	(236,661)
<i>Fund Balances Beginning of Year</i>	<u>475,779</u>	<u>196,535</u>	<u>672,314</u>
<i>Fund Balances End of Year</i>	<u>\$360,643</u>	<u>\$75,010</u>	<u>\$435,653</u>

North Royalton City School District

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2005

	<u>Food Service</u>	<u>Scholarship</u>	<u>Adult Education</u>	<u>Public School Support</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$65,064	\$2,700	\$61,698	\$51,734
Intergovernmental Receivable	31,507	0	0	0
Inventory Held for Resale	<u>7,352</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u><u>\$103,923</u></u>	<u><u>\$2,700</u></u>	<u><u>\$61,698</u></u>	<u><u>\$51,734</u></u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$34	\$0	\$0	\$240
Accrued Wages and Benefits	34,000	0	0	0
Interfund Payable	0	0	0	0
Intergovernmental Payable	26,852	0	0	0
Matured Compensated Absences Payable	<u>2,518</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>63,404</u>	<u>0</u>	<u>0</u>	<u>240</u>
 Fund Balances				
Reserved for Encumbrances	861	0	0	2,010
Unreserved, Undesignated (Deficit)	<u>39,658</u>	<u>2,700</u>	<u>61,698</u>	<u>49,484</u>
<i>Total Fund Balances (Deficit)</i>	<u>40,519</u>	<u>2,700</u>	<u>61,698</u>	<u>51,494</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$103,923</u></u>	<u><u>\$2,700</u></u>	<u><u>\$61,698</u></u>	<u><u>\$51,734</u></u>

<u>Local Grants</u>	<u>Athletics and Music</u>	<u>Auxiliary Services</u>	<u>Educational Management Information Systems</u>	<u>SchoolNet Professional Development</u>	<u>Ohio Reads Grant</u>
\$24,359	\$59,373	\$250,854	\$4,268	\$2,038	\$4,405
0	0	0	0	0	7,895
0	0	0	0	0	0
<u>\$24,359</u>	<u>\$59,373</u>	<u>\$250,854</u>	<u>\$4,268</u>	<u>\$2,038</u>	<u>\$12,300</u>
\$4,930	\$10,322	\$142,540	\$0	\$0	\$377
0	0	0	0	0	0
0	0	0	0	0	10,200
0	1,692	0	0	0	0
0	0	0	0	0	0
<u>4,930</u>	<u>12,014</u>	<u>142,540</u>	<u>0</u>	<u>0</u>	<u>10,577</u>
14,183	2,533	108,069	0	1,634	3,962
5,246	44,826	245	4,268	404	(2,239)
<u>19,429</u>	<u>47,359</u>	<u>108,314</u>	<u>4,268</u>	<u>2,038</u>	<u>1,723</u>
<u>\$24,359</u>	<u>\$59,373</u>	<u>\$250,854</u>	<u>\$4,268</u>	<u>\$2,038</u>	<u>\$12,300</u>

(continued)

North Royalton City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2005

	Vocational Education	Student Reading Intervention	Title VI-B	Immigrant Education
Assets				
Equity in Pooled Cash and Cash Equivalents	\$947	\$16,658	\$108,684	\$2,214
Intergovernmental Receivable	0	0	20,653	0
Inventory Held for Resale	0	0	0	0
<i>Total Assets</i>	<u>\$947</u>	<u>\$16,658</u>	<u>\$129,337</u>	<u>\$2,214</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$0	\$3,717	\$13,782	\$1,170
Accrued Wages and Benefits	0	0	11,507	0
Interfund Payable	1,065	17,154	67,225	0
Intergovernmental Payable	0	176	9,147	0
Matured Compensated Absences Payable	0	0	0	0
<i>Total Liabilities</i>	<u>1,065</u>	<u>21,047</u>	<u>101,661</u>	<u>1,170</u>
Fund Balances				
Reserved for Encumbrances	0	12,890	50,062	94
Unreserved, Undesignated (Deficit)	(118)	(17,279)	(22,386)	950
<i>Total Fund Balances (Deficit)</i>	<u>(118)</u>	<u>(4,389)</u>	<u>27,676</u>	<u>1,044</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$947</u>	<u>\$16,658</u>	<u>\$129,337</u>	<u>\$2,214</u>

<u>Title V</u>	<u>Drug Free Schools Grant</u>	<u>Preschool Grant</u>	<u>Class Size Reduction Grant</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$9,097	\$958	\$6,098	\$1,226	\$672,375
3,233	913	0	9,978	74,179
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,352</u>
<u>\$12,330</u>	<u>\$1,871</u>	<u>\$6,098</u>	<u>\$11,204</u>	<u>\$753,906</u>
\$2,246	\$584	\$1,965	\$0	\$181,907
0	0	0	5,470	50,977
9,000	7,700	3,025	3,130	118,499
0	0	637	858	39,362
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,518</u>
<u>11,246</u>	<u>8,284</u>	<u>5,627</u>	<u>9,458</u>	<u>393,263</u>
6,781	370	0	1,206	204,655
<u>(5,697)</u>	<u>(6,783)</u>	<u>471</u>	<u>540</u>	<u>155,988</u>
<u>1,084</u>	<u>(6,413)</u>	<u>471</u>	<u>1,746</u>	<u>360,643</u>
<u>\$12,330</u>	<u>\$1,871</u>	<u>\$6,098</u>	<u>\$11,204</u>	<u>\$753,906</u>

North Royalton City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	Food Service	Scholarship	Adult Education	Public School Support	Local Grants
Revenues					
Intergovernmental	\$154,095	\$0	\$0	\$0	\$0
Interest	3,418	0	0	0	0
Tuition and Fees	0	0	22,537	1,741	0
Extracurricular Activities	0	0	0	0	0
Contributions and Donations	0	2,000	0	17,473	55,403
Charges for Services	1,125,999	0	0	28,092	0
Miscellaneous	11,217	0	5,782	5,876	0
<i>Total Revenues</i>	<u>1,294,729</u>	<u>2,000</u>	<u>28,319</u>	<u>53,182</u>	<u>55,403</u>
Expenditures					
Current:					
Instruction:					
Regular	0	0	29,893	33,209	3,641
Special	0	0	0	0	0
Support Services:					
Pupil	0	0	0	665	0
Instructional Staff	0	0	0	0	0
Administration	0	0	0	0	0
Fiscal	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	48,205
Pupil Transportation	0	0	0	0	0
Operation of Non-Instructional Services	0	1,000	0	0	0
Operation of Food Services	1,343,360	0	0	0	0
Extracurricular Activities	0	0	0	0	0
Capital Outlay	0	0	0	0	32,570
<i>Total Expenditures</i>	<u>1,343,360</u>	<u>1,000</u>	<u>29,893</u>	<u>33,874</u>	<u>84,416</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(48,631)	1,000	(1,574)	19,308	(29,013)
Other Financing Sources					
Transfers In	0	0	0	0	0
<i>Net Change in Fund Balances</i>	(48,631)	1,000	(1,574)	19,308	(29,013)
<i>Fund Balances (Deficit)</i>					
<i>Beginning of Year</i>	<u>89,150</u>	<u>1,700</u>	<u>63,272</u>	<u>32,186</u>	<u>48,442</u>
<i>End of Year</i>	<u>\$40,519</u>	<u>\$2,700</u>	<u>\$61,698</u>	<u>\$51,494</u>	<u>\$19,429</u>

Athletics and Music	Auxiliary Services	Educational Management Information Systems	Entry Year Program	Network Connectivity	SchoolNet Professional Development	Ohio Reads Grant
\$0	\$645,376	\$13,974	\$12,100	\$0	\$4,140	\$24,509
397	5,751	0	0	0	0	0
2,100	0	0	0	0	0	0
205,758	0	0	0	0	0	0
14,707	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>222,962</u>	<u>651,127</u>	<u>13,974</u>	<u>12,100</u>	<u>0</u>	<u>4,140</u>	<u>24,509</u>
0	0	0	11,874	2,742	2,832	25,886
0	0	0	0	0	0	0
0	0	8,057	0	0	0	0
0	0	0	0	0	0	816
0	0	0	0	0	0	0
0	0	8,057	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	1,837
0	711,319	0	0	0	0	0
0	0	0	0	0	0	0
262,273	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>262,273</u>	<u>711,319</u>	<u>16,114</u>	<u>11,874</u>	<u>2,742</u>	<u>2,832</u>	<u>28,539</u>
(39,311)	(60,192)	(2,140)	226	(2,742)	1,308	(4,030)
<u>35,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(3,811)	(60,192)	(2,140)	226	(2,742)	1,308	(4,030)
<u>51,170</u>	<u>168,506</u>	<u>6,408</u>	<u>(226)</u>	<u>2,742</u>	<u>730</u>	<u>5,753</u>
<u>\$47,359</u>	<u>\$108,314</u>	<u>\$4,268</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,038</u>	<u>\$1,723</u>

(continued)

North Royalton 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, 2005

	Vocational Education	Student Reading Intervention	Title VI-B	Immigrant Education	Refugee Children
Revenues					
Intergovernmental	\$1,066	\$62,124	\$940,006	\$18,226	\$1,850
Interest	0	0	0	0	0
Tuition and Fees	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0
Contributions and Donations	0	0	0	0	0
Charges for Services	0	0	0	0	0
Miscellaneous	0	0	0	0	0
<i>Total Revenues</i>	<u>1,066</u>	<u>62,124</u>	<u>940,006</u>	<u>18,226</u>	<u>1,850</u>
Expenditures					
Current:					
Instruction:					
Regular	1,184	59,415	53,967	19,024	1,850
Special	0	0	193,599	0	285
Support Services:					
Pupil	0	0	670	0	0
Instructional Staff	0	5,574	588,571	762	0
Administration	0	0	36,531	0	0
Fiscal	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0
Pupil Transportation	0	0	0	0	0
Operation of Non-Instructional Services	0	0	36,771	0	0
Operation of Food Services	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0
Capital Outlay	0	0	0	0	0
<i>Total Expenditures</i>	<u>1,184</u>	<u>64,989</u>	<u>910,109</u>	<u>19,786</u>	<u>2,135</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(118)	(2,865)	29,897	(1,560)	(285)
Other Financing Sources					
Transfers In	0	0	0	0	0
<i>Net Change in Fund Balances</i>	(118)	(2,865)	29,897	(1,560)	(285)
<i>Fund Balances (Deficit)</i>					
<i>Beginning of Year</i>	<u>0</u>	<u>(1,524)</u>	<u>(2,221)</u>	<u>2,604</u>	<u>285</u>
<i>Fund Balances (Deficit)</i> <i>End of Year</i>	<u>(\$118)</u>	<u>(\$4,389)</u>	<u>\$27,676</u>	<u>\$1,044</u>	<u>\$0</u>

<u>Title V</u>	<u>Drug Free Schools Grant</u>	<u>Preschool Grant</u>	<u>Class Size Reduction Grant</u>	<u>Assistive Technology Infusion</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$20,180	\$10,374	\$23,491	\$67,631	\$0	\$1,999,142
0	0	0	0	0	9,566
0	0	0	0	0	26,378
0	0	0	0	0	205,758
0	0	0	0	0	89,583
0	0	0	0	0	1,154,091
0	0	0	0	0	22,875
<u>20,180</u>	<u>10,374</u>	<u>23,491</u>	<u>67,631</u>	<u>0</u>	<u>3,507,393</u>
23,011	2,875	1,965	35,066	1,814	310,248
0	0	0	0	0	193,884
0	10,002	0	0	0	19,394
0	0	21,055	34,847	0	651,625
0	0	0	0	0	36,531
0	0	0	0	0	8,057
0	0	0	0	0	48,205
0	0	0	0	0	1,837
436	519	0	0	0	750,045
0	0	0	0	0	1,343,360
0	0	0	0	0	262,273
0	0	0	0	0	32,570
<u>23,447</u>	<u>13,396</u>	<u>23,020</u>	<u>69,913</u>	<u>1,814</u>	<u>3,658,029</u>
(3,267)	(3,022)	471	(2,282)	(1,814)	(150,636)
0	0	0	0	0	35,500
(3,267)	(3,022)	471	(2,282)	(1,814)	(115,136)
<u>4,351</u>	<u>(3,391)</u>	<u>0</u>	<u>4,028</u>	<u>1,814</u>	<u>475,779</u>
<u>\$1,084</u>	<u>(\$6,413)</u>	<u>\$471</u>	<u>\$1,746</u>	<u>\$0</u>	<u>\$360,643</u>

North Royalton City School District

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2005

	<u>Permanent Improvement</u>	<u>Building</u>	<u>SchoolNet Plus</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$454,961	\$114,491	\$7,965	\$577,417
Property Taxes Receivable	<u>866,077</u>	<u>0</u>	<u>0</u>	<u>866,077</u>
<i>Total Assets</i>	<u><u>\$1,321,038</u></u>	<u><u>\$114,491</u></u>	<u><u>\$7,965</u></u>	<u><u>\$1,443,494</u></u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$5,065	\$0	\$2,728	\$7,793
Contracts Payable	19,150	0	0	19,150
Interfund Payable	0	589,000	0	589,000
Deferred Revenue	750,988	0	0	750,988
Accrued Interest Payable	<u>0</u>	<u>1,553</u>	<u>0</u>	<u>1,553</u>
<i>Total Liabilities</i>	<u>775,203</u>	<u>590,553</u>	<u>2,728</u>	<u>1,368,484</u>
 Fund Balances				
Reserved for Encumbrances	368,481	114,435	0	482,916
Reserved for Property Taxes	114,083	0	0	114,083
Unreserved, Undesignated (Deficit)	<u>63,271</u>	<u>(590,497)</u>	<u>5,237</u>	<u>(521,989)</u>
<i>Total Fund Balances (Deficit)</i>	<u>545,835</u>	<u>(476,062)</u>	<u>5,237</u>	<u>75,010</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$1,321,038</u></u>	<u><u>\$114,491</u></u>	<u><u>\$7,965</u></u>	<u><u>\$1,443,494</u></u>

North Royalton City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2005

	Permanent Improvement	Building	SchoolNet Plus	Total Nonmajor Capital Projects Funds
Revenues				
Property and Other Local Taxes	\$777,649	\$0	\$0	\$777,649
Intergovernmental	134,266	6,200	59,160	199,626
Contributions and Donations	73,325	0	0	73,325
<i>Total Revenues</i>	<u>985,240</u>	<u>6,200</u>	<u>59,160</u>	<u>1,050,600</u>
Expenditures				
Capital Outlay	904,346	251,675	53,929	1,209,950
Debt Service:				
Interest and Fiscal Charges	0	7,175	0	7,175
<i>Total Expenditures</i>	<u>904,346</u>	<u>258,850</u>	<u>53,929</u>	<u>1,217,125</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	80,894	(252,650)	5,231	(166,525)
Other Financing Sources				
Transfers In	0	45,000	0	45,000
<i>Net Change in Fund Balances</i>	80,894	(207,650)	5,231	(121,525)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>464,941</u>	<u>(268,412)</u>	<u>6</u>	<u>196,535</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$545,835</u></u>	<u><u>(\$476,062)</u></u>	<u><u>\$5,237</u></u>	<u><u>\$75,010</u></u>

North Royalton City School District
Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2005

	Beginning Balance 6/30/04	Additions	Deductions	Ending Balance 6/30/05
<i>Student Activities</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$265,671</u>	<u>\$956,757</u>	<u>\$953,164</u>	<u>\$269,264</u>
Liabilities				
Due to Students	<u>\$265,671</u>	<u>\$956,757</u>	<u>\$953,164</u>	<u>\$269,264</u>

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

North Royalton 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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Local Taxes	\$27,287,502	\$28,006,607	\$28,025,982	\$19,375
Intergovernmental	8,866,831	9,100,498	9,106,793	6,295
Interest	209,106	214,616	214,764	148
Tuition and Fees	493,919	506,935	507,286	351
Extracurricular Activities	19,692	20,211	20,225	14
Rentals	52,040	53,411	53,448	37
Miscellaneous	79,163	81,250	81,312	62
<i>Total Revenues</i>	37,008,253	37,983,528	38,009,810	26,282
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	12,397,652	12,352,839	12,342,142	10,697
Fringe Benefits	4,626,209	4,608,787	4,605,497	3,290
Purchased Services	211,236	213,463	208,864	4,599
Materials and Supplies	422,415	499,602	497,868	1,734
Capital Outlay - New	71,595	95,076	95,021	55
Capital Outlay - Replacement	469	467	467	0
Other	618	663	663	0
Total Regular	17,730,194	17,770,897	17,750,522	20,375
Special:				
Salaries and Wages	1,745,273	1,737,459	1,737,459	0
Fringe Benefits	507,968	506,273	505,694	579
Purchased Services	1,222,332	1,238,678	1,235,493	3,185
Materials and Supplies	11,169	24,983	11,434	13,549
Total Special	3,486,742	3,507,393	3,490,080	17,313
Vocational:				
Salaries and Wages	94,731	94,307	94,307	0
Fringe Benefits	34,648	34,493	34,493	0
Capital Outlay - New	84,186	76,890	72,807	4,083
Total Vocational	213,565	205,690	201,607	4,083
Total Instruction	\$21,430,501	\$21,483,980	\$21,442,209	\$41,771

(continued)

North Royalton 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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Support Services:				
Pupil:				
Salaries and Wages	\$1,304,047	\$1,300,804	\$1,298,210	\$2,594
Fringe Benefits	433,892	432,383	431,950	433
Purchased Services	215,084	213,583	213,499	84
Materials and Supplies	44,669	42,354	42,354	0
Other	377	2,000	375	1,625
Total Pupil	1,998,069	1,991,124	1,986,388	4,736
Instructional Staff:				
Salaries and Wages	1,493,759	1,489,910	1,487,071	2,839
Fringe Benefits	521,177	519,278	518,844	434
Purchased Services	31,884	32,543	32,368	175
Materials and Supplies	31,409	31,900	31,258	642
Capital Outlay - New	1,517	1,510	1,510	0
Other	1,113	1,108	1,108	0
Total Instructional Staff	2,080,859	2,076,249	2,072,159	4,090
Board of Education:				
Salaries and Wages	17,709	17,630	17,630	0
Fringe Benefits	257	256	256	0
Purchased Services	8,898	8,833	8,833	0
Materials and Supplies	377	500	375	125
Other	7,628	8,244	7,594	650
Total Board of Education	34,869	35,463	34,688	775
Administration:				
Salaries and Wages	1,673,918	1,667,404	1,666,424	980
Fringe Benefits	755,388	752,001	751,710	291
Purchased Services	178,192	185,562	183,333	2,229
Materials and Supplies	35,100	40,756	31,941	8,815
Capital Outlay - New	19,200	32,248	18,125	14,123
Capital Outlay - Replacement	2,844	3,260	3,260	0
Other	15,935	14,548	14,548	0
Total Administration	\$2,680,577	\$2,695,779	\$2,669,341	\$26,438

(continued)

North Royalton 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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fiscal:				
Salaries and Wages	\$288,331	\$288,616	\$287,040	\$1,576
Fringe Benefits	125,246	124,685	124,685	0
Purchased Services	22,028	22,905	22,010	895
Materials and Supplies	6,707	6,971	6,970	1
Capital Outlay - New	819	1,200	616	584
Other	439,307	450,779	437,340	13,439
Total Fiscal	882,438	895,156	878,661	16,495
Business:				
Salaries and Wages	193,492	195,177	192,626	2,551
Fringe Benefits	90,121	89,795	89,718	77
Purchased Services	4,542	5,381	5,381	0
Materials and Supplies	675	750	689	61
Capital Outlay - New	2,898	2,885	2,885	0
Other	1,390	2,349	1,372	977
Total Business	293,118	296,337	292,671	3,666
Operation and Maintenance of Plant:				
Salaries and Wages	1,419,561	1,431,939	1,413,205	18,734
Fringe Benefits	568,234	576,876	565,690	11,186
Purchased Services	965,173	1,013,470	1,005,930	7,540
Materials and Supplies	243,691	260,302	254,205	6,097
Total Operation and Maintenance of Plant	3,196,659	3,282,587	3,239,030	43,557
Pupil Transportation:				
Salaries and Wages	1,151,532	1,186,020	1,146,376	39,644
Fringe Benefits	386,486	400,418	384,756	15,662
Purchased Services	685,716	668,660	668,010	650
Materials and Supplies	431,316	432,569	432,569	0
Capital Outlay - New	1,310	1,304	1,304	0
Capital Outlay - Replacement	3,616	3,600	3,600	0
Total Pupil Transportation	\$2,659,976	\$2,692,571	\$2,636,615	\$55,956

(continued)

North Royalton 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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Central:				
Salaries and Wages	\$132,900	\$132,305	\$132,305	\$0
Fringe Benefits	23,909	23,802	23,802	0
Purchased Services	148,169	157,030	153,167	3,863
Materials and Supplies	25,332	23,047	23,047	0
Capital Outlay - New	4,608	4,587	4,587	0
Capital Outlay - Replacement	236	10,000	235	9,765
Total Central	335,154	350,771	337,143	13,628
Total Support Services	14,161,719	14,316,037	14,146,696	169,341
Operation of Non-Instructional Services:				
Community Services:				
Salaries and Wages	28,871	29,800	28,743	1,057
Fringe Benefits	10,487	10,656	10,441	215
Purchased Services	28,521	33,857	32,393	1,464
Materials and Supplies	267	700	266	434
Total Operation of Non-Instructional Services	68,146	75,013	71,843	3,170
Extracurricular Activities:				
Academic Oriented Activities:				
Salaries and Wages	177,272	176,478	176,478	0
Fringe Benefits	2,856	2,843	2,843	0
Total Academic Oriented Activities	180,128	179,321	179,321	0
Sport Oriented Activities:				
Salaries and Wages	432,271	430,336	430,336	0
Fringe Benefits	19,132	19,888	19,047	841
Purchased Services	22,870	25,000	22,768	2,232
Total Sport Oriented Activities	474,273	475,224	472,151	3,073
Total Extracurricular Activities	654,401	654,545	651,472	3,073
Total Expenditures	36,314,767	36,529,575	36,312,220	217,355
Excess of Revenues Over Expenditures	\$693,486	\$1,453,953	\$1,697,590	\$243,637

(continued)

North Royalton 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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Advances In	\$242,974	\$249,377	\$249,550	\$173
Advances Out	(322,995)	(321,549)	(321,549)	0
Transfers Out	(80,862)	(80,500)	(80,500)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(160,883)</u>	<u>(152,672)</u>	<u>(152,499)</u>	173
<i>Net Change in Fund Balance</i>	532,603	1,301,281	1,545,091	243,810
<i>Fund Balance Beginning of Year</i>	3,154,048	3,154,048	3,154,048	0
Prior Year Encumbrances Appropriated	<u>375,299</u>	<u>375,299</u>	<u>375,299</u>	0
<i>Fund Balance End of Year</i>	<u><u>\$4,061,950</u></u>	<u><u>\$4,830,628</u></u>	<u><u>\$5,074,438</u></u>	<u><u>\$243,810</u></u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Bond Retirement Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$336,818	\$2,492,658	\$2,492,658	\$0
Intergovernmental	43,233	319,949	319,950	1
<i>Total Revenues</i>	380,051	2,812,607	2,812,608	1
Expenditures				
Current:				
Support Services:				
Fiscal:				
Other	5,213	33,410	33,409	1
Debt Service:				
Principal Retirement	2,860,430	1,968,894	1,790,000	178,894
Interest and Fiscal Charges	129,557	990,200	827,583	162,617
Bond Issuance Costs	0	199,833	199,833	0
<i>Total Debt Service</i>	2,989,987	3,158,927	2,817,416	341,511
<i>Total Expenditures</i>	2,995,200	3,192,337	2,850,825	341,512
Other Financing Sources (Uses)				
General Obligation Bonds Issued	1,949,161	14,424,974	14,424,974	0
Manuscript Notes Issued	35,808	265,000	265,000	0
Premium on General Obligation Bonds Issued	286,560	2,120,721	2,120,721	0
Payment to Refunded Bond Escrow Agent	0	(16,345,863)	(16,345,863)	0
Transfers In	6,081	45,000	45,000	0
<i>Total Other Financing Sources (Uses)</i>	2,277,610	509,832	509,832	0
<i>Net Change in Fund Balance</i>	(337,539)	130,102	471,615	341,513
<i>Fund Balance Beginning of Year</i>	2,300,235	2,300,235	2,300,235	0
<i>Fund Balance End of Year</i>	\$1,962,696	\$2,430,337	\$2,771,850	\$341,513

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Food Service Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$119,319	\$110,589	\$110,589	\$0
Interest	3,688	3,418	3,418	0
Charges for Services	1,214,891	1,125,999	1,125,999	0
Miscellaneous	12,102	11,216	11,217	1
<i>Total Revenues</i>	<u>1,350,000</u>	<u>1,251,222</u>	<u>1,251,223</u>	<u>1</u>
Expenditures				
Current:				
Operation of Food Service:				
Salaries and Wages	458,526	437,663	433,248	4,415
Fringe Benefits	244,493	248,682	231,015	17,667
Purchased Services	14,753	20,468	14,518	5,950
Materials and Supplies	616,476	602,620	581,704	20,916
Capital Outlay - New	16,134	22,700	15,245	7,455
Capital Outlay - Replacement	751	8,000	710	7,290
<i>Total Expenditures</i>	<u>1,351,133</u>	<u>1,340,133</u>	<u>1,276,440</u>	<u>63,693</u>
<i>Net Change in Fund Balance</i>	(1,133)	(88,911)	(25,217)	63,694
<i>Fund Balance Beginning of Year</i>	88,287	88,287	88,287	0
Prior Year Encumbrances Appropriated	<u>1,133</u>	<u>1,133</u>	<u>1,133</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$88,287</u>	<u>\$509</u>	<u>\$64,203</u>	<u>\$63,694</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Scholarship Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and Donations	\$4,000	\$2,000	\$2,000	\$0
Expenditures				
Current:				
Operation of Non-Instructional Services:				
Community Services:				
Purchased Services	5,000	2,000	1,000	1,000
<i>Net Change in Fund Balance</i>	(1,000)	0	1,000	1,000
<i>Fund Balance Beginning of Year</i>	1,700	1,700	1,700	0
<i>Fund Balance End of Year</i>	<u>\$700</u>	<u>\$1,700</u>	<u>\$2,700</u>	<u>\$1,000</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Adult Education Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Tuition and Fees	\$51,731	\$22,497	\$22,537	\$40
Miscellaneous	13,269	5,771	5,782	11
<i>Total Revenues</i>	65,000	28,268	28,319	51
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	109,619	72,269	27,308	44,961
Fringe Benefits	1,365	340	340	0
Purchased Services	0	146	0	146
Materials and Supplies	9,016	2,245	2,245	0
<i>Total Expenditures</i>	120,000	75,000	29,893	45,107
<i>Net Change in Fund Balance</i>	(55,000)	(46,732)	(1,574)	45,158
<i>Fund Balance Beginning of Year</i>	63,272	63,272	63,272	0
<i>Fund Balance End of Year</i>	\$8,272	\$16,540	\$61,698	\$45,158

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Public School Support Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Tuition and Fees	\$3,274	\$1,741	\$1,741	\$0
Contributions and Donations	32,856	17,473	17,473	0
Charges for Services	52,823	28,092	28,092	0
Miscellaneous	11,047	5,875	5,876	1
<i>Total Revenues</i>	<u>100,000</u>	<u>53,181</u>	<u>53,182</u>	<u>1</u>
Expenditures				
Current:				
Instruction:				
Regular:				
Purchased Services	52,117	17,980	17,980	0
Materials and Supplies	16,200	20,695	6,999	13,696
Other	29,955	20,000	10,240	9,760
Total Instruction	98,272	58,675	35,219	23,456
Support Services:				
Pupil:				
Materials and Supplies	1,977	1,574	665	909
<i>Total Expenditures</i>	<u>100,249</u>	<u>60,249</u>	<u>35,884</u>	<u>24,365</u>
<i>Net Change in Fund Balance</i>	(249)	(7,068)	17,298	24,366
<i>Fund Balance Beginning of Year</i>	31,937	31,937	31,937	0
Prior Year Encumbrances Appropriated	249	249	249	0
<i>Fund Balance End of Year</i>	<u>\$31,937</u>	<u>\$25,118</u>	<u>\$49,484</u>	<u>\$24,366</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Local Grants Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Contributions and Donations	\$80,000	\$55,403	\$55,403	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Materials and Supplies	5,540	3,644	3,641	3
Support Services:				
Operation and Maintenance of Plant:				
Purchased Services	4,851	5,974	5,336	638
Materials and Supplies	29,420	29,149	29,149	0
Capital Outlay - New	54,195	38,349	32,686	5,663
Total Support Services	88,466	73,472	67,171	6,301
Capital Outlay:				
Site Improvement Services:				
Capital Outlay - New	40,723	49,623	49,623	0
<i>Total Expenditures</i>	134,729	126,739	120,435	6,304
<i>Net Change in Fund Balance</i>	(54,729)	(71,336)	(65,032)	6,304
<i>Fund Balance Beginning of Year</i>	46,763	46,763	46,763	0
Prior Year Encumbrances Appropriated	24,729	24,729	24,729	0
<i>Fund Balance End of Year</i>	\$16,763	\$156	\$6,460	\$6,304

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Athletics and Music Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest	\$397	\$396	\$397	\$1
Tuition and Fees	2,101	2,095	2,100	5
Extracurricular Activities	205,864	205,274	205,758	484
Contributions and Donations	14,716	14,673	14,707	34
<i>Total Revenues</i>	223,078	222,438	222,962	524
Expenditures				
Current:				
Extracurricular Activities:				
Occupation Oriented Activities:				
Purchased Services	0	1,000	0	1,000
Materials and Supplies	8,481	8,168	8,168	0
Capital Outlay - New	0	1,432	0	1,432
Other	555	1,600	511	1,089
<i>Total Occupation Oriented Activities</i>	9,036	12,200	8,679	3,521
Sport Oriented Activities:				
Purchased Services	44,926	43,953	36,686	7,267
Materials and Supplies	71,625	78,477	66,634	11,843
Capital Outlay - New	15,861	24,150	14,005	10,145
Other	154,814	136,686	136,686	0
<i>Total Sport Oriented Activities</i>	287,226	283,266	254,011	29,255
School and Public Service				
Co-curricular Activities:				
Materials and Supplies	10	500	9	491
Other	690	1,000	635	365
<i>Total School and Public Service Co-curricular Activities</i>	700	1,500	644	856
<i>Total Expenditures</i>	296,962	296,966	263,334	33,632
<i>Excess of Revenues Under Expenditures</i>	(73,884)	(74,528)	(40,372)	34,156
Other Financing Sources				
Transfers In	35,518	35,417	35,500	83
<i>Net Change in Fund Balance</i>	(38,366)	(39,111)	(4,872)	34,239
<i>Fund Balance Beginning of Year</i>	38,944	38,944	38,944	0
Prior Year Encumbrances Appropriated	18,366	18,366	18,366	0
<i>Fund Balance End of Year</i>	\$18,944	\$18,199	\$52,438	\$34,239

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Auxiliary Services Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$604,612	\$645,376	\$645,376	\$0
Interest	5,388	5,751	5,751	0
<i>Total Revenues</i>	<u>610,000</u>	<u>651,127</u>	<u>651,127</u>	<u>0</u>
Expenditures				
Current:				
Operation of Non-Instructional Services:				
Community Services:				
Salaries and Wages	2,608	2,509	2,509	0
Fringe Benefits	375	361	361	0
Purchased Services	308,021	296,026	296,026	0
Materials and Supplies	334,875	381,720	381,554	166
Capital Outlay - New	71,328	157,091	157,091	0
<i>Total Expenditures</i>	<u>717,207</u>	<u>837,707</u>	<u>837,541</u>	<u>166</u>
<i>Net Change in Fund Balance</i>	(107,207)	(186,580)	(186,414)	166
<i>Fund Balance Beginning of Year</i>	79,452	79,452	79,452	0
Prior Year Encumbrances Appropriated	<u>107,207</u>	<u>107,207</u>	<u>107,207</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$79,452</u></u>	<u><u>\$79</u></u>	<u><u>\$245</u></u>	<u><u>\$166</u></u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Educational Management Information Systems Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$17,000	\$13,974	\$13,974	\$0
Expenditures				
Current:				
Support Services:				
Pupil:				
Purchased Services	3,618	8,057	8,057	0
Fiscal				
Purchased Services	3,617	11,943	8,057	3,886
<i>Total Expenditures</i>	<u>7,235</u>	<u>20,000</u>	<u>16,114</u>	<u>3,886</u>
<i>Net Change in Fund Balance</i>	9,765	(6,026)	(2,140)	3,886
<i>Fund Balance Beginning of Year</i>	<u>6,408</u>	<u>6,408</u>	<u>6,408</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$16,173</u></u>	<u><u>\$382</u></u>	<u><u>\$4,268</u></u>	<u><u>\$3,886</u></u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Entry Year Program
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$12,100	\$12,100	\$12,100	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	<u>12,100</u>	<u>12,100</u>	<u>12,100</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<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>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Network Connectivity Fund
For the Fiscal Year Ended June 30, 2005

	<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	\$0	\$0	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Capital Outlay - New	<u>3,182</u>	<u>3,182</u>	<u>3,182</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	14,818	(3,182)	(3,182)	0
<i>Fund Balance Beginning of Year</i>	<u>3,182</u>	<u>3,182</u>	<u>3,182</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$18,000</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
SchoolNet Professional Development Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$5,000	\$4,140	\$4,140	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	106	2,104	2,104	0
Fringe Benefits	5	22	22	0
Purchased Services	1,040	3,164	2,760	404
<i>Total Expenditures</i>	<u>1,151</u>	<u>5,290</u>	<u>4,886</u>	<u>404</u>
<i>Net Change in Fund Balance</i>	3,849	(1,150)	(746)	404
<i>Fund Balance Beginning of Year</i>	730	730	730	0
Prior Year Encumbrances Appropriated	<u>420</u>	<u>420</u>	<u>420</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,999</u></u>	<u><u>\$0</u></u>	<u><u>\$404</u></u>	<u><u>\$404</u></u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Ohio Reads Grant Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$21,252	\$17,987	\$16,614	(\$1,373)
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	6,121	8,838	8,720	118
Fringe Benefits	295	1,000	420	580
Purchased Services	3,180	3,050	3,044	6
Materials and Supplies	12,813	14,957	14,860	97
Capital Outlay - New	3,278	4,670	4,670	0
Total Instruction	25,687	32,515	31,714	801
Support Services:				
Instructional Staff:				
Salaries and Wages	0	76	0	76
Fringe Benefits	0	36	0	36
Purchased Services	573	825	816	9
Materials and Supplies	0	3	0	3
Total Instructional Staff	573	940	816	124
Pupil Transportation:				
Salaries and Wages	1,124	2,055	1,601	454
Fringe Benefits	166	296	236	60
Total Pupil Transportation	1,290	2,351	1,837	514
Total Support Services	1,863	3,291	2,653	638
<i>Total Expenditures</i>	27,550	35,806	34,367	1,439
<i>Excess of Revenues Under Expenditures</i>	(\$6,298)	(\$17,819)	(\$17,753)	\$66

(continued)

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Ohio Reads Grant Fund (continued)
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Advances In	\$12,784	\$10,350	\$10,350	\$0
Advances Out	(105)	(150)	(150)	0
<i>Total Other Financing Sources (Uses)</i>	<u>12,679</u>	<u>10,200</u>	<u>10,200</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	6,381	(7,619)	(7,553)	66
<i>Fund Balance Beginning of Year</i>	1,149	1,149	1,149	0
Prior Year Encumbrances Appropriated	<u>6,470</u>	<u>6,470</u>	<u>6,470</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$14,000</u>	<u>\$0</u>	<u>\$66</u>	<u>\$66</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Vocational Education Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$592	\$1,066	\$1,066	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Capital Outlay - New	1,184	1,184	1,184	0
<i>Excess of Revenues Under Expenditures</i>	(592)	(118)	(118)	0
Other Financing Sources				
Advances In	592	1,065	1,065	0
<i>Net Change in Fund Balance</i>	0	947	947	0
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$947</u>	<u>\$947</u>	<u>\$0</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Student Reading Intervention Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$104,397	\$65,705	\$65,546	(\$159)
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	40,861	37,597	37,597	0
Fringe Benefits	9,318	8,733	8,574	159
Materials and Supplies	18,188	32,283	32,282	1
Total Instruction	68,367	78,613	78,453	160
Support Services:				
Instructional Staff:				
Purchased Services	1,587	1,460	1,460	0
Materials and Supplies	4,471	4,235	4,201	34
Total Support Services	6,058	5,695	5,661	34
<i>Total Expenditures</i>	74,425	84,308	84,114	194
<i>Excess of Revenues Over (Under) Expenditures</i>	29,972	(18,603)	(18,568)	35
Other Financing Sources (Uses)				
Advances In	40,430	25,404	25,404	0
Advances Out	(8,966)	(8,250)	(8,250)	0
<i>Total Other Financing Sources (Uses)</i>	31,464	17,154	17,154	0
<i>Net Change in Fund Balance</i>	61,436	(1,449)	(1,414)	35
<i>Fund Balance Beginning of Year</i>	407	407	407	0
Prior Year Encumbrances Appropriated	1,058	1,058	1,058	0
<i>Fund Balance End of Year</i>	\$62,901	\$16	\$51	\$35

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Title VI-B Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$767,923	\$959,820	\$959,820	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	5,209	5,942	5,942	0
Fringe Benefits	592	723	676	47
Purchased Services	5,374	6,662	6,660	2
Materials and Supplies	1,106	25,683	25,404	279
Capital Outlay - New	26,872	38,861	38,708	153
Total Regular	39,153	77,871	77,390	481
Special:				
Salaries and Wages	42,073	57,577	47,991	9,586
Fringe Benefits	7,652	14,814	8,728	6,086
Purchased Services	6,258	6,076	5,997	79
Materials and Supplies	12,150	14,958	13,906	1,052
Capital Outlay - New	96,359	133,810	133,810	0
Total Special	164,492	227,235	210,432	16,803
Total Instruction	203,645	305,106	287,822	17,284
Support Services:				
Pupil:				
Materials and Supplies	854	670	670	0
Instructional Staff:				
Salaries and Wages	299,143	365,786	341,216	24,570
Fringe Benefits	162,130	184,933	184,933	0
Purchased Services	47,386	59,360	59,360	0
Materials and Supplies	1,657	2,308	1,890	418
Capital Outlay - New	5,032	5,740	5,740	0
Total Instructional Staff	515,348	618,127	593,139	24,988
Administration:				
Salaries and Wages	19,413	24,505	22,143	2,362
Fringe Benefits	3,601	4,107	4,107	0
Total Administration	23,014	28,612	26,250	2,362
Total Support Services	\$539,216	\$647,409	\$620,059	\$27,350

(continued)

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Title VI-B Fund (continued)
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Operation of Non-Instructional Services:				
Community Services:				
Salaries and Wages	\$19,506	\$22,250	\$22,250	\$0
Fringe Benefits	3,121	3,560	3,560	0
Purchased Services	10,188	11,622	11,622	0
Total Operation of Non-Instructional Services	32,815	37,432	37,432	0
<i>Total Expenditures</i>	775,676	989,947	945,313	44,634
<i>Excess of Revenues Over (Under) Expenditures</i>	(7,753)	(30,127)	14,507	44,634
Other Financing Sources (Uses)				
Advances In	197,077	246,325	246,325	0
Advances Out	(191,952)	(218,950)	(218,950)	0
<i>Total Other Financing Sources (Uses)</i>	5,125	27,375	27,375	0
<i>Net Change in Fund Balance</i>	(2,628)	(2,752)	41,882	44,634
<i>Fund Balance Beginning of Year</i>	61	61	61	0
Prior Year Encumbrances Appropriated	2,897	2,897	2,897	0
<i>Fund Balance End of Year</i>	\$330	\$206	\$44,840	\$44,634

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Immigrant Education Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$15,918	\$21,696	\$21,696	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	9,891	12,806	12,310	496
Fringe Benefits	1,528	1,902	1,902	0
Materials and Supplies	1,892	3,810	3,356	454
Capital Outlay - New	1,414	1,761	1,761	0
Total Instruction	14,725	20,279	19,329	950
Support Services:				
Instructional Staff:				
Purchased Services	612	762	762	0
<i>Total Expenditures</i>	15,337	21,041	20,091	950
<i>Excess of Revenues Over Expenditures</i>	581	655	1,605	950
Other Financing Sources (Uses)				
Advances In	3,082	4,200	4,200	0
Advances Out	(5,704)	(7,100)	(7,100)	0
<i>Total Other Financing Sources (Uses)</i>	(2,622)	(2,900)	(2,900)	0
<i>Net Change in Fund Balance</i>	(2,041)	(2,245)	(1,295)	950
<i>Fund Balance Beginning of Year</i>	2,034	2,034	2,034	0
Prior Year Encumbrances Appropriated	211	211	211	0
<i>Fund Balance End of Year</i>	\$204	\$0	\$950	\$950

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Refugee Children Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$4,000	\$1,850	\$1,850	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	214	1,604	1,604	0
Fringe Benefits	33	246	246	0
Total Regular	247	1,850	1,850	0
Special:				
Fringe Benefits	38	285	285	0
<i>Total Expenditures</i>	285	2,135	2,135	0
<i>Net Change in Fund Balance</i>	3,715	(285)	(285)	0
<i>Fund Balance Beginning of Year</i>	285	285	285	0
<i>Fund Balance End of Year</i>	\$4,000	\$0	\$0	\$0

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Title V Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$22,598	\$16,947	\$16,947	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	6,872	4,897	4,897	0
Fringe Benefits	2,328	1,659	1,659	0
Purchased Services	4,613	7,124	7,124	0
Materials and Supplies	5,519	4,963	4,902	61
Capital Outlay - New	9,808	6,990	6,989	1
Total Instruction	29,140	25,633	25,571	62
Operation of Non-Instructional Services:				
Community Services:				
Materials and Supplies	612	3,984	3,984	0
Capital Outlay - New	0	673	673	0
Total Operation of Non-Instructional Services	612	4,657	4,657	0
<i>Total Expenditures</i>	29,752	30,290	30,228	62
<i>Excess of Revenues Under Expenditures</i>	(7,154)	(13,343)	(13,281)	62
Other Financing Sources (Uses)				
Advances In	14,402	10,800	10,800	0
Advances Out	(2,526)	(1,800)	(1,800)	0
<i>Total Other Financing Sources (Uses)</i>	11,876	9,000	9,000	0
<i>Net Change in Fund Balance</i>	4,722	(4,343)	(4,281)	62
<i>Fund Balance Beginning of Year</i>	4,351	4,351	4,351	0
<i>Fund Balance End of Year</i>	\$9,073	\$8	\$70	\$62

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Drug Free Schools Grant Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$9,953	\$9,461	\$9,461	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	888	1,589	1,189	400
Fringe Benefits	342	561	458	103
Materials and Supplies	916	1,623	1,623	0
Total Instruction	2,146	3,773	3,270	503
Support Services:				
Pupil:				
Salaries and Wages	6,177	8,412	8,272	140
Materials and Supplies	1,291	1,807	1,730	77
Total Support Services	7,468	10,219	10,002	217
Operation of Non-Instructional Services:				
Community Services:				
Materials and Supplies	220	681	648	33
<i>Total Expenditures</i>	9,834	14,673	13,920	753
<i>Excess of Revenues Over (Under) Expenditures</i>	119	(5,212)	(4,459)	753
Other Financing Sources (Uses)				
Advances In	10,047	9,550	9,550	0
Advances Out	(4,182)	(4,850)	(5,600)	(750)
<i>Total Other Financing Sources (Uses)</i>	5,865	4,700	3,950	(750)
<i>Net Change in Fund Balance</i>	5,984	(512)	(509)	3
<i>Fund Balance Beginning of Year</i>	359	359	359	0
Prior Year Encumbrances Appropriated	153	153	153	0
<i>Fund Balance End of Year</i>	\$6,496	\$0	\$3	\$3

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Preschool Grant Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$18,447	\$23,491	\$23,491	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Materials and Supplies	0	1,962	1,961	1
Support Services:				
Instructional Staff:				
Salaries and Wages	15,029	16,377	15,006	1,371
Fringe Benefits	2,259	2,419	2,256	163
Purchased Services	3,162	3,156	3,156	0
Total Support Services	20,450	21,952	20,418	1,534
<i>Total Expenditures</i>	20,450	23,914	22,379	1,535
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,003)	(423)	1,112	1,535
Other Financing Sources (Uses)				
Advances In	3,553	4,525	4,525	0
Advances Out	(1,502)	0	(1,500)	(1,500)
<i>Total Other Financing Sources (Uses)</i>	2,051	4,525	3,025	(1,500)
<i>Net Change in Fund Balance</i>	48	4,102	4,137	35
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	\$48	\$4,102	\$4,137	\$35

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Class Size Reduction Grant Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$104,884	\$60,719	\$60,719	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	31,544	30,483	30,483	0
Fringe Benefits	4,744	4,583	4,583	0
Total Instruction	36,288	35,066	35,066	0
Support Services:				
Instructional Staff:				
Salaries and Wages	10,608	10,251	10,251	0
Fringe Benefits	1,534	1,482	1,482	0
Purchased Services	18,517	15,725	15,705	20
Materials and Supplies	5,360	5,180	5,180	0
Total Support Services	36,019	32,638	32,618	20
Operation of Non-Instructional Services:				
Community Services:				
Purchased Services	600	295	295	0
<i>Total Expenditures</i>	72,907	67,999	67,979	20
<i>Excess of Revenues Over (Under) Expenditures</i>	31,977	(7,280)	(7,260)	20
Other Financing Sources (Uses)				
Advances In	16,116	9,330	9,330	0
Advances Out	(6,416)	(6,200)	(6,200)	0
<i>Total Other Financing Sources (Uses)</i>	9,700	3,130	3,130	0
<i>Net Change in Fund Balance</i>	41,677	(4,150)	(4,130)	20
<i>Fund Balance Beginning of Year</i>	341	341	341	0
Prior Year Encumbrances Appropriated	3,809	3,809	3,809	0
<i>Fund Balance End of Year</i>	\$45,827	\$0	\$20	\$20

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Assistive Technology Infusion Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$25,000	\$0	\$0	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Materials and Supplies	722	752	752	0
Capital Outlay - New	22,218	22,188	22,188	0
<i>Total Expenditures</i>	22,940	22,940	22,940	0
<i>Net Change in Fund Balance</i>	2,060	(22,940)	(22,940)	0
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	22,940	22,940	22,940	0
<i>Fund Balance End of Year</i>	\$25,000	\$0	\$0	\$0

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Permanent Improvement Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property and Other Local Taxes	\$758,701	\$817,797	\$817,797	\$0
Intergovernmental	124,563	134,266	134,266	0
Contributions and Donations	68,026	73,325	73,325	0
<i>Total Revenues</i>	<u>951,290</u>	<u>1,025,388</u>	<u>1,025,388</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular:				
Materials and Supplies	125,959	167,717	150,962	16,755
Capital Outlay - New	84,329	80,068	79,327	741
Total Regular	210,288	247,785	230,289	17,496
Special:				
Capital Outlay - New	6,095	6,706	6,696	10
Total Instruction	<u>216,383</u>	<u>254,491</u>	<u>236,985</u>	<u>17,506</u>
Support Services:				
Administration:				
Purchased Services	12,756	25,475	25,474	1
Capital Outlay - New	42,668	27,659	27,222	437
Total Administration	<u>55,424</u>	<u>53,134</u>	<u>52,696</u>	<u>438</u>
Fiscal:				
Other	<u>\$9,979</u>	<u>\$10,961</u>	<u>\$10,961</u>	<u>\$0</u>

(continued)

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Permanent Improvement Fund (continued)
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operation and Maintenance of Plant:				
Purchased Services	\$2,268	\$2,706	\$2,492	\$214
Materials and Supplies	0	686	0	686
Capital Outlay - New	43,782	63,748	63,747	1
Total Operation and Maintenance of Plant	46,050	67,140	66,239	901
Pupil Transportation:				
Capital Outlay - New	244,443	268,532	268,532	0
Total Support Services	355,896	399,767	398,428	1,339
Capital Outlay:				
Site Acquisition Services:				
Purchased Services	148,443	215,039	215,038	1
Capital Outlay - New	38,588	30,610	30,610	0
Capital Outlay - Replacement	51,214	36,807	36,636	171
Total Site Acquisition Services	238,245	282,456	282,284	172
Building Improvement Services:				
Purchased Services	26,790	28,884	27,991	893
Capital Outlay - New	32,262	26,426	26,232	194
Capital Outlay - Replacement	301,550	410,102	409,468	634
Total Building Improvement Services	360,602	465,412	463,691	1,721
Total Capital Outlay	598,847	747,868	745,975	1,893
<i>Total Expenditures</i>	1,171,126	1,402,126	1,381,388	20,738
<i>Net Change in Fund Balance</i>	(219,836)	(376,738)	(356,000)	20,738
<i>Fund Balance Beginning of Year</i>	147,139	147,139	147,139	0
Prior Year Encumbrances Appropriated	271,126	271,126	271,126	0
<i>Fund Balance End of Year</i>	\$198,429	\$41,527	\$62,265	\$20,738

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Building Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$0	\$0	\$0	\$0
Expenditures				
Current:				
Instruction:				
Regular Instruction:				
Capital Outlay - New	209,600	209,857	209,857	0
Capital Outlay:				
Building Improvement Services				
Capital Outlay - New	114,400	114,435	114,435	0
Capital Outlay - Replacement	310,000	309,708	309,652	56
Total Capital Outlay	424,400	424,143	424,087	56
<i>Total Expenditures</i>	634,000	634,000	633,944	56
<i>Excess of Revenues Under Expenditures</i>	(634,000)	(634,000)	(633,944)	56
Other Financing Sources				
Manuscript Notes Issued	324,000	324,000	324,000	0
<i>Net Change in Fund Balance</i>	(310,000)	(310,000)	(309,944)	56
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	310,000	310,000	310,000	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$56	\$56

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
SchoolNet Plus Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$59,160	\$59,160	\$59,160	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Capital Outlay - New	59,160	59,166	53,479	5,687
<i>Net Change in Fund Balance</i>	0	(6)	5,681	5,687
<i>Fund Balance Beginning of Year</i>	6	6	6	0
<i>Fund Balance End of Year</i>	<u>\$6</u>	<u>\$0</u>	<u>\$5,687</u>	<u>\$5,687</u>

North Royalton City School District
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Self Insurance Fund
For the Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$150,000	\$152,363	\$152,363	\$0
Expenses				
Purchased Services	23,655	23,655	23,655	0
Claims	136,345	136,345	107,010	29,335
<i>Total Expenses</i>	<u>160,000</u>	<u>160,000</u>	<u>130,665</u>	<u>29,335</u>
<i>Net Change in Fund Equity</i>	(10,000)	(7,637)	21,698	29,335
<i>Fund Equity Beginning of Year</i>	<u>109,656</u>	<u>109,656</u>	<u>109,656</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$99,656</u>	<u>\$102,019</u>	<u>\$131,354</u>	<u>\$29,335</u>

North Royalton City School District
Governmental Activities
Revenues by Source and Expenses by Function
Last Three Fiscal Years

	2005	2004	2003
Program Revenues			
Charges for Services and Sales	\$1,880,320	\$1,756,896	\$1,641,832
Operating Grants, Contributions and Interest	2,097,894	1,809,757	1,249,769
Capital Grants and Contributions	153,862	21,489	177,730
General Revenues			
Property and Other Local Taxes	30,703,076	32,969,306	23,428,474
Grants and Entitlements not Restricted to Specific Programs	9,539,711	9,707,794	9,099,437
Investment Earnings	236,072	76,094	82,610
Gain on Sale of Capital Assets	0	37,000	0
Miscellaneous	104,187	202,237	211,124
<i>Total</i>	<u>\$44,715,122</u>	<u>\$46,580,573</u>	<u>\$35,890,976</u>
Expenses			
Current:			
Instruction:			
Regular	\$18,824,347	\$17,400,569	\$17,302,942
Special	3,694,607	3,405,594	2,932,155
Vocational	196,199	100,839	165,516
Support Services:			
Pupil	2,073,596	1,931,083	1,834,793
Instructional Staff	2,854,523	2,544,774	2,236,506
Board of Education	32,209	27,367	17,890
Administration	2,956,743	2,676,212	2,767,986
Fiscal	925,283	911,411	797,449
Business	300,767	281,670	225,304
Operation and Maintenance of Plant	3,422,885	3,188,596	2,928,794
Pupil Transportation	2,991,475	2,700,384	2,197,402
Central	348,821	299,018	268,640
Operation of Non-Instructional Services	835,474	607,217	592,156
Operation of Food Services	1,383,071	1,318,533	1,477,114
Extracurricular Activities	928,390	856,680	612,425
Interest and Fiscal Charges	1,096,586	1,453,624	1,552,707
<i>Total</i>	<u>\$42,864,976</u>	<u>\$39,703,571</u>	<u>\$37,909,779</u>

Source: School District Financial Records

North Royalton City School District
Governmental Revenues by Source and Expenditures by Function (1) (2)
Last Ten Fiscal Years

	2005	2004	2003	2002
Revenues				
Property Taxes	\$29,811,003	\$32,761,249	\$24,186,901	\$28,737,806
Intergovernmental	11,619,390	11,440,394	10,480,631	10,286,408
Interest	245,241	79,545	88,781	139,229
Tuition and Fees	332,735	557,370	174,784	273,604
Extracurricular Activities	225,983	182,504	274,061	203,585
Contributions and Donations	162,908	95,195	79,368	68,922
Charges for Services	1,154,091	1,088,120	1,040,802	1,507
Rentals	59,358	57,500	33,260	34,730
Miscellaneous	104,187	202,237	211,124	97,354
<i>Total</i>	<u>\$43,714,896</u>	<u>\$46,464,114</u>	<u>\$36,569,712</u>	<u>\$39,843,145</u>
Expenditures				
Current:				
Instruction: (3)				
Regular	\$17,952,372	\$16,937,356	\$16,301,818	\$16,278,635
Special	3,590,761	3,322,726	2,882,418	2,980,258
Vocational	182,888	92,605	174,975	126,076
Support Services:				
Pupil	2,051,487	1,881,898	1,810,813	1,947,784
Instructional Staff	2,803,076	2,371,198	2,089,874	2,107,635
Board of Education	32,209	27,367	18,060	19,469
Administration	2,732,941	2,646,460	2,670,552	2,913,381
Fiscal	927,855	884,703	773,273	820,527
Business	299,538	279,716	215,157	213,961
Operation and Maintenance of Plant	3,345,796	2,959,316	2,801,943	2,901,312
Pupil Transportation	2,625,312	2,393,572	2,014,230	2,240,886
Central	330,191	294,075	253,322	222,259
Operation of Non-Instructional Service	819,413	645,440	650,522	641,489
Operation of Food Service	1,343,360	1,283,994	1,203,507	0
Extracurricular Activities	915,181	826,667	809,598	746,566
Capital Outlay	1,242,520	1,255,125	631,320	817,988
Debt Service	2,506,851	2,629,509	2,630,693	2,630,896
<i>Total</i>	<u>\$43,701,751</u>	<u>\$40,731,727</u>	<u>\$37,932,075</u>	<u>\$37,609,122</u>

Source: School District Financial Records

- (1) Includes general, special revenue, debt service and capital projects funds.
- (2) Information is based on the modified accrual basis of accounting.
- (3) Instruction expenditures function is shown in total for fiscal years 1996 through 2000.

2001	2000	1999	1998	1997	1996
\$23,556,926	\$21,489,911	\$23,299,237	\$21,232,486	\$18,086,766	\$17,794,411
9,294,779	8,427,372	7,875,351	7,430,767	5,935,362	5,814,801
344,644	362,541	326,446	54,144	387,296	874,204
189,970	11,257	110,366	109,568	11,768	15,502
172,601	0	0	0	0	0
106,932	0	0	0	0	0
2,382	154,521	150,352	330,427	397,376	335,161
54,891	0	0	0	0	0
153,870	231,266	331,467	306,244	131,154	179,683
<u>\$33,876,995</u>	<u>\$30,676,868</u>	<u>\$32,093,219</u>	<u>\$29,463,636</u>	<u>\$24,949,722</u>	<u>\$25,013,762</u>
\$15,183,731	\$16,878,389	\$15,007,639	\$14,752,943	\$12,073,811	\$12,463,984
2,347,636	0	0	0	0	0
120,029	0	0	0	0	0
1,678,325	1,532,063	1,444,322	1,369,624	1,169,234	1,136,284
1,860,622	1,743,107	1,501,589	1,389,717	1,292,299	1,196,853
0	0	0	0	0	0
2,659,073	2,355,345	2,256,472	2,167,487	1,677,414	1,674,024
694,690	963,201	853,059	874,363	790,110	685,421
248,541	0	0	0	0	0
2,737,232	2,734,729	2,626,710	2,420,020	2,206,240	1,756,238
2,039,885	2,129,235	1,960,510	2,027,482	1,851,817	1,446,606
95,031	120,075	93,740	75,275	94,981	73,996
482,556	468,777	502,770	394,542	615,088	606,865
0	0	0	0	0	0
760,587	667,421	432,962	524,180	485,803	470,596
1,013,733	357,399	693,582	1,278,864	4,375,662	14,032,945
2,627,570	2,628,381	2,764,050	2,778,644	2,789,099	2,100,635
<u>\$34,549,241</u>	<u>\$32,578,122</u>	<u>\$30,137,405</u>	<u>\$30,053,141</u>	<u>\$29,421,558</u>	<u>\$37,644,447</u>

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

Year (2)	Total Tax Levy	Current Tax Collections	Percent of Current Levy Collected	Delinquent Tax Collections	Total Tax Collections
2004	\$36,868,413	\$34,061,837	92.4%	\$886,993	\$34,948,830
2003	36,339,103	32,846,659	90.4	1,015,315	33,861,974
2002	28,751,361	27,596,484	96.0	784,292	28,380,776
2001	27,755,925	26,898,677	96.9	600,751	27,499,428
2000	27,405,644	25,952,337	94.7	485,133	26,437,470
1999	25,670,639	24,888,533	97.0	515,750	25,404,283
1998	24,343,994	23,872,162	98.1	383,286	24,255,448
1997	22,649,597	22,236,039	98.2	396,780	22,632,819
1996	18,940,161	18,688,226	98.7	259,353	18,947,579
1995	18,514,116	18,313,119	98.9	166,674	18,479,793

Source: Cuyahoga 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. 2005 information cannot be presented because all collections have not been made by June 30.

Ratio of Total Collections To Total Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Levy
94.8 %	\$884,842	2.4 %
93.2	1,271,869	3.5
98.7	1,100,619	3.8
99.1	992,869	3.6
96.5	878,765	3.2
99.0	694,072	2.7
99.6	839,932	3.5
99.9	672,884	3.0
100.0	705,356	3.7
99.8	657,288	3.6

North Royalton City School District
Assessed and Estimated Actual Value of Taxable Property
Last Ten Years

Year	Real Property		Public Utility Property	
	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)
2005	\$889,240,600	\$2,540,687,429	\$19,944,270	\$22,663,943
2004	850,858,880	2,431,025,371	20,459,520	23,249,454
2003	778,973,800	2,225,639,429	20,709,590	23,533,625
2002	747,328,780	2,135,225,086	21,240,630	24,137,080
2001	724,345,800	2,069,559,429	25,459,179	28,930,885
2000	629,283,360	1,797,952,457	28,486,370	32,370,875
1999	605,258,530	1,729,310,086	31,814,060	36,152,341
1998	569,889,100	1,628,254,571	31,264,190	35,527,489
1997	517,284,940	1,477,956,971	31,381,960	35,661,318
1996	497,448,980	1,421,282,800	31,032,130	35,263,784

Source: Cuyahoga 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 variable rates from 25 to 88 percent of actual value.
 Tangible personal property is assessed at 25 percent of actual value for capital assets and 23 percent for inventory.

Tangible Personal Property		Total		
Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (1)	Ratio
\$25,647,714	\$111,511,800	\$934,832,584	\$2,674,863,172	35%
28,710,170	124,826,826	900,028,570	2,579,101,651	35
30,116,086	120,464,344	829,799,476	2,369,637,398	35
30,539,440	122,157,760	799,108,850	2,281,519,926	35
26,445,510	105,782,040	776,250,489	2,204,272,354	35
24,721,996	98,887,984	682,491,726	1,929,211,316	35
21,230,513	84,922,052	658,303,103	1,850,384,479	36
21,442,254	85,769,016	622,595,544	1,749,551,076	36
19,879,434	79,517,736	568,546,334	1,593,136,026	36
18,682,932	74,731,728	547,164,042	1,531,278,312	36

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

Year	North Royalton City School District			Cuyahoga Valley Career Center	County Levy
	General Fund	Bond Retirement	Total		
2005	\$58.70	\$3.00	\$61.70	\$2.00	\$20.30
2004	59.00	3.10	62.10	2.00	19.40
2003	60.10	3.40	63.50	2.00	17.60
2002	54.80	3.40	58.20	2.00	17.60
2001	55.10	3.60	58.70	2.00	17.60
2000	56.50	4.20	60.70	2.00	16.70
1999	57.00	4.40	61.40	2.00	18.00
1998	57.40	4.70	62.10	2.00	18.00
1997	58.20	5.10	63.30	2.00	18.00
1996	52.80	5.30	58.10	2.00	18.00

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

Residents of North Royalton		Residents of Broadview Heights	
City Levy	Total Levy	City Levy	Total Levy
\$8.20	\$92.20	\$9.40	\$93.40
8.20	91.70	9.40	92.90
8.20	91.30	9.40	92.50
8.20	86.00	9.40	87.20
8.20	86.50	9.40	87.70
8.30	87.70	9.40	88.80
8.30	89.70	9.40	90.80
8.30	90.40	9.40	91.50
8.30	91.60	9.40	92.70
8.30	86.40	9.40	87.50

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

Year	Net General Obligation Bonded Debt (1)	Assessed Value (2)	Population (3)	Ratio of Net Debt to Assessed Value	Net Debt Per Capita
2005	\$18,339,264	\$934,832,584	30,654	1.96 %	598.27
2004	19,673,285	900,028,570	30,654	2.19	641.79
2003	19,268,663	829,799,476	30,654	2.32	628.59
2002	22,139,714	799,108,850	30,654	2.77	722.25
2001	24,126,138	776,250,489	30,559	3.11	789.49
2000	23,275,072	682,491,726	29,006	3.41	802.42
1999	24,756,125	658,303,103	29,006	3.76	853.48
1998	26,000,715	622,595,544	29,006	4.18	896.39
1997	27,362,554	568,546,334	28,680	4.81	954.06
1996	28,620,937	547,164,042	27,050	5.23	1,058.08

Source:

(1) School District Financial Records

(2) Cuyahoga County Auditor

(3) U.S. Census of Population, 2000 Federal Census and 1990 Federal Census

North Royalton City School District

Computation of Legal Debt Margin

June 30, 2005

Assessed Valuation	<u><u>\$934,832,584</u></u>
Debt Limit - 9% of Assessed Value (1)	\$84,134,933
Outstanding Debt:	
General Obligation Bonds	19,454,079
Manuscript Note	589,000
Less: Amount Available in Debt Service Fund	<u>(3,130,487)</u>
Amount of Debt Subject Limit	<u>16,912,592</u>
Overall Debt Margin	<u><u>\$67,222,341</u></u>
Debt Limit - .10% of Assessed Value (1)	\$934,833
Amount of Debt Applicable	<u>0</u>
Unvoted Debt Margin	<u><u>\$934,833</u></u>

Source: Cuyahoga County Auditor and School District Financial Records.

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

North Royalton City School District
Computation of Direct and Overlapping General Obligation Bonded Debt
December 31, 2005

Jurisdiction	General Obligation Bonded Debt Outstanding	Percentage Applicable to School District (1)	Amount Applicable to School District
<u>Direct</u>			
North Royalton City School District	\$21,469,751	100.00%	\$21,469,751
<u>Overlapping</u>			
City of North Royalton	8,107,000	98.56	7,990,259
City of Broadview Heights	11,138,980	18.38	2,047,345
Cuyahoga County	251,154,636	3.05	7,660,216
Regional Transit Authority	147,025,000	3.05	4,484,263
Total Overlapping	417,425,616		22,182,083
Total	\$438,895,367		\$43,651,834

Source: Cuyahoga County Auditor - Data is presented on a calendar year basis (Other than the School District) because that is the manner in which information is maintained by the County Auditor.

(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.

North Royalton City School District
Ratio of Annual Debt Service Expenditures For
General Obligation Bonded Debt to Total Governmental Expenditures
Last Ten Fiscal Years

Year	Principal	Interest	Total Debt Service	Total Governmental Expenditures	Ratio of Debt Service to Governmental Expenditures (Percentage)
2005	\$1,480,000	\$821,383	\$2,301,383	\$43,701,751	5.27%
2004	1,435,000	1,193,931	2,628,931	40,731,727	6.45
2003	1,390,000	1,239,016	2,629,016	37,932,075	6.93
2002	1,350,000	1,280,896	2,630,896	37,609,122	7.00
2001	1,295,000	1,332,570	2,627,570	34,549,241	7.61
2000	1,235,000	1,393,131	2,628,131	32,578,122	8.07
1999	1,310,000	1,453,300	2,763,300	30,137,405	9.17
1998	1,265,000	1,513,394	2,778,394	30,053,141	9.24
1997	1,220,000	1,568,599	2,788,599	29,421,558	9.48
1996	455,000	1,605,885	2,060,885	37,644,447	5.47

Source: School District Financial Records.

North Royalton City School District
Property Value,
Financial Institution Deposits and Building Permits
Last Ten Years

Year	Property Value (1) (Real Estate Only)	Financial Institution Deposits Banks	Values of Building Permits Issued
2005	\$889,240,600	\$105,769,931	\$39,565,523
2004	850,858,880	97,238,973	53,772,156
2003	778,973,800	95,761,917	42,182,944
2002	747,328,780	88,346,368	55,086,222
2001	724,345,800	61,942,764	49,508,303
2000	629,283,360	59,933,852	71,770,790
1999	605,258,530	60,846,022	48,478,648
1998	569,889,100	53,941,971	43,087,840
1997	517,284,940	27,068,211	33,058,230
1996	497,448,980	22,458,573	42,020,000

Source: Federal Reserve Bank of Cleveland. The large increase in 1998 was due to Key Bank becoming a single-charter bank.
 Cuyahoga County Auditor

Building Department of the City of North Royalton.
 Beginning with 2001, the number of building permits is for newly constructed facilities only.

(1) Represents assessed value.

North Royalton City School District

Principal Taxpayers

Real Estate Tax

December 31, 2004

<u>Name of Taxpayer</u>	<u>Assessed Value (1)</u>	<u>Percent of Total Assessed Value</u>
Spruce Lake, LTD	\$8,209,640	0.92%
CAPREIT Royalton	6,603,670	0.74
MCI Telecommunications	5,427,490	0.61
M & J Dover Farms, LP	5,373,030	0.60
I & J Associates, LTD	3,811,680	0.43
Deer Creek Apartments, LTD	3,776,990	0.42
Oak Brook Gardens	3,670,280	0.41
Pine Forest Apartments	3,514,740	0.40
Spartan House, LTD	3,088,650	0.35
Pulte Homes	2,699,040	0.30
Royalton Plaza	2,399,990	0.27
Selco Service Corporation	2,390,160	0.27
Timber Ridge Investments, LTD	2,363,210	0.27
Shadow Creek Enterprises, LTD	2,309,130	0.26
Macintosh Land Company	2,271,470	0.26
Hampton Club Company	<u>2,271,300</u>	<u>0.26</u>
Total	<u>\$60,180,470</u>	<u>6.77%</u>
Total Real Estate Valuation	<u>\$889,240,600</u>	

Source: Cuyahoga County Auditor.

(1) Assessed values are for the 2005 collection year.

North Royalton City School District

Principal Taxpayers

Tangible Personal Property Tax

December 31, 2004

<u>Name of Taxpayer</u>	<u>Assessed Value (1)</u>	<u>Percent of Total Assessed Value</u>
MCI EDS Capital Asset	\$5,137,820	20.03%
EDS Information Services	1,626,960	6.34
Riser Foods Company	1,350,030	5.26
H & D Steel Service, Inc.	1,192,550	4.65
Valley Tool & Die, Inc.	769,660	3.00
Stevens Painton Corp.	750,980	2.93
Praxair Distribution, Inc.	683,630	2.67
WideOpenWest Cleveland LLC	660,760	2.58
Krenz Krist Machine, Inc.	591,980	2.31
Neighborhood Pharmacy	500,660	1.95
May Tool & Die Company	402,350	1.57
Key Corporate Capital, Inc.	374,290	1.46
Storage Technology Corporation	364,740	1.42
Digioia Suburban Excavating LC	355,280	1.39
Discount Drug Mart, Inc.	352,370	1.37
Dieverse Industries, Inc.	348,930	1.36
Total	<u>\$15,462,990</u>	<u>60.29%</u>
Total Tangible Assessed Valuation	<u>\$25,647,714</u>	

Source: Cuyahoga County Auditor.

(1) Assessed values are for the 2005 collection year.

North Royalton City School District

Principal Taxpayers

Public Utilities Tax

December 31, 2004

<u>Name of Taxpayer</u>	<u>Assessed Value (1)</u>	<u>Percent of Total Assessed Value</u>
Cleveland Electric Illuminating Company	\$9,508,380	47.67%
Ohio Bell Telephone Company	4,199,310	21.06
Columbia Gas of Ohio	1,424,960	7.14
American Transmission System	1,291,360	6.47
MCI Telecommunications Corporation	1,163,490	5.83
Ohio Edison Company	428,580	2.15
Qwest Communications	420,900	2.12
Total	<u>\$18,436,980</u>	<u>92.44%</u>
Total Public Utility Assessed Value	<u>\$19,944,270</u>	

Source: Cuyahoga County Auditor.

(1) Assessed values are for the 2005 collection year.

North Royalton City School District

Per Pupil Cost

Last Ten Fiscal Years

<u>Year</u>	<u>Governmental Fund Expenditures</u>	<u>Student Enrollment</u>	<u>Per Pupil Cost</u>
2005	\$43,701,751	4,483	\$9,748
2004	40,731,727	4,498	9,056
2003	37,932,075	4,429	8,564
2002	37,609,122	4,365	8,616
2001	34,549,241	4,396	7,859
2000	32,578,122	4,331	7,522
1999	30,137,405	4,246	7,098
1998	30,053,141	4,242	7,085
1997	29,421,558	4,192	7,019
1996	37,644,447	4,075	9,238

Source: School District Financial Records.

North Royalton City School District

Teacher Education and Experience

June 30, 2005

Degree	Number of Teachers	Percentage of Total
Bachelor's Degree	30	10.91%
Bachelor + 6	9	3.27
Bachelor + 12	13	4.73
Bachelor + 18	11	4.00
Bachelor + 24	9	3.27
Bachelor + 30	26	9.45
Master's Degree	58	21.09
Master's Degree + 6	23	8.36
Master's Degree + 12	46	16.73
Master's Degree + 18	20	7.27
Master's Degree + 24	7	2.55
Master's Degree + 30	7	2.55
Master's Degree + 36	4	1.45
Master's Degree + 42	2	0.73
Master's Degree + 48	10	3.64
 Total	 <u>275</u>	 <u>100.00%</u>

Years of Experience	Number of Teachers	Percentage of Total
0 - 5	75	27.27%
6 - 10	58	21.09
11 - 15	47	17.09
16 - 20	37	13.45
21 and Over	58	21.10
	<u>275</u>	<u>100.00%</u>

Source: School District Personnel Records.

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**Auditor of State
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NORTH ROYALTON CITY SCHOOL DISTRICT

CUYAHOGA 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
DECEMBER 30, 2005**