



**AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2006**



**Auditor of State  
Betty Montgomery**





Mary Taylor, CPA  
Auditor of State

January 9, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

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AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

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AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution	N/A	10.550		\$60,187		\$60,187
School Breakfast Program	48124-05PU-2005		\$299		\$299	
	48124-05PU-2006		684		684	
Total - School Breakfast Program		10.553	983		983	
National School Lunch Program	48124-LLP4-2004		2,240		2,240	
	48124-LLP4-2005		41,282		41,282	
	48124-LLP4-2006		75,492		75,492	
Total - National School Lunch Program		10.555	119,014		119,014	
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<b>119,997</b>	<b>60,187</b>	<b>119,997</b>	<b>60,187</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education - Grants to States	48124-6BSF-2004		-		1,179	
	48124-6BSF-2005		217,351		128,606	
	48124-6BSF-2006		649,097		584,509	
Total - Special Education Grants to States		84.027	866,448		714,294	
Special Education - Preschool Grant	48124-PGS1-2004		-		1,065	
	48124-PGS1-2005		8,063		140	
	48124-PGS1-2006		23,303		23,303	
Total - Preschool Grant		84.173	31,366		24,508	
Total - Special Education Cluster			897,814		738,802	
Safe and Drug Free Schools and Communities - State Grants	48124-DRS1-2004		-		1,738	
	48124-DRS1-2005		1,536		1,494	
	48124-DRS1-2006		7,634		7,634	
Total - Safe and Drug Free Schools and Communities - State Grants		84.186	9,170		10,866	
Innovative Education Program Strategies	48124-C2S1-2004		-		2,732	
	48124-C2S1-2005		-		50	
	48124-C2S1-2006		10,214		10,214	
Total - Innovative Education Program Strategies		84.298	10,214		12,996	
Improving Teacher Quality State Grants	48124-TRS1-2005		12,176		(422)	
	48124-TRS1-2006		65,040		60,265	
Total - Improving Teacher Quality State Grants		84.367	77,216		59,843	
<b>Total U.S. Department of Education</b>			<b>994,414</b>		<b>822,507</b>	
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>			<b>\$1,114,411</b>	<b>\$60,187</b>	<b>\$942,504</b>	<b>\$60,187</b>

The accompanying notes are an integral part of this schedule.

**AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

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

**NOTE C – IMPROVING TEACHER QUALITY STATE GRANTS**

The Improving Teacher Quality State Grant (CFDA 84.367) reflects a negative expenditure resulting from refunded expenditures for the 2005 grant year.

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***

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

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 Avon Lake City School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2006. 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 to express our opinion 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 21, 2006, 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 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 21, 2006, we reported a matter related to noncompliance we deemed immaterial.

Avon Lake City School District  
Lorain County  
Independent Accountants' Report of 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, 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 21, 2006



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

#### **Compliance**

We have audited the compliance of Avon Lake City School District, Lorain County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2006. 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 each 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 Avon Lake City School 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, 2006.

#### **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 Avon Lake City School District as of and for the year ended June 30, 2006, and have issued our report thereon dated December 21, 2006. Our audit was performed to form opinions on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The accompanying federal awards expenditures schedule 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 21, 2006

**AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	No SAS 70 Tier II report provided by Bridge Benefits	Yes	District no longer uses Bridge Benefits, switched to Medical Mutual of Ohio and has obtained a SAS 70 report.

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

**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Prepared by**

**Denise J. Holcomb  
Treasurer**



**Avon Lake City School District**  
*Comprehensive Annual Financial Report*  
*For the Fiscal Year Ended June 30, 2006*  
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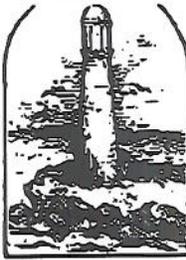
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# Avon Lake City Schools



Treasurer's Office

175 Avon Belden Rd.

Avon Lake, Ohio 44012-1650

(440) 933-5163

(440) 933-7328

December 21, 2006

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Avon Lake City School District for the fiscal year ended June 30, 2006. This CAFR includes an opinion from the State Auditor and conforms to generally accepted accounting principles as applicable to governmental entities. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the School District. This report will provide the taxpayers of the Avon Lake City School District with the comprehensive financial data in a format which will enable them to gain an understanding of the School District's financial affairs. Copies will be made available to the Avon Lake Public Library, major taxpayers, financial rating services and other interested parties.

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

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

## The School District

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

In order to meet the needs of a growing community, the high school was expanded several times. In the mid 1970's instructional classrooms and a physical education complex were added and the Learwood Middle School, Erieview Elementary, Eastview Elementary, Westview Elementary, Redwood Elementary and Troy Junior High School were constructed. Troy Junior High School was closed for educational purposes in 1982 because of the energy crisis and decreased enrollment. In 1988, Troy Junior High was reopened as the Avon Lake Community Education Center. The Community Education Center ceased to operate in the Troy Building as of July, 1991 due to the economy of operations. The Troy Intermediate School building was reopened for instruction beginning in the fall of 1995. In 1999, Avon Lake City Schools began their last building project that added classrooms to all seven (7) buildings. Avon Lake High School completed a major renovation, which included additional physical education facilities and an auditorium that hosted the Cleveland Pops Orchestra for the dedication of the facilities. Today the citizens have an investment of \$ 79,860,341 in the School District land, land improvements, buildings, furniture and equipment, and vehicles (excludes accumulated depreciation).

The legislative power of the School District is vested in the Board of Education. Statutorily, the School District operates under standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 of the Ohio Revised Code, to provide services authorized by charter and further mandated by State and Federal agencies.

### **Reporting Entity**

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

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

The School District participates in four jointly governed organizations and is associated with one related organization. These organizations are the Lake Erie Educational Computer Association (LEECA), the Lake Erie Regional Council of Governments (LERC), the Lorain County Joint Vocational School District, the Ohio Schools Council and the Avon Lake Public Library. These organizations are presented in Notes 16 and 17 to the basic financial statements.

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

### **Organizational Structure**

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

The School District is located in Avon Lake, Lorain County, Ohio, and includes an area extending roughly twelve square miles around the City. It is staffed by 201 non-certified personnel, 266 certified full-time teaching personnel and 16 administrative employees to provide services to 3,543 students and other community members. The School District operates 4 elementary schools (K-4), 1 intermediate school (5-6), 1 middle school (7-8) and 1 high school (9-12).

## **Economic Condition and Outlook**

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

Ohio lawmakers have also passed legislation that has been reducing tangible taxes (the taxes paid by business on equipment and inventory) over the past decade. Effective July 1, 2005 with passage of H.B. 66, tangible taxes will diminish over the next four (4) years. The State of Ohio has promised that School Districts will be made whole until 2010 after which there will be a loss of revenue. Ohio lawmakers have again passed a law that resulted in lost revenue for all Ohio schools.

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

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

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

### ***School District Local Funding***

School District management will carefully control expenses during the coming years to continue to assure that tax levy revenues are adequate and well spent. Voters approved a 5.80 mill new levy in May of 2006.

### **Major Initiatives**

#### ***Ohio Report Card***

The Ohio Report Card is issued in early fall of each school year. The report uses data from the previous school year to inform the public of School District success or failure in 22 indicators. The 2006 report card demonstrated that the School District, for the past five (5) years, has been rated in the category titled, "Excellent."

#### ***Federal Projects***

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

## ***Educational Programs and Facilities Improvement***

In May 1999 the voters of Avon Lake City School District passed a \$41,800,000 bond issue for the purpose of various improvements to school buildings. Expansions of six of the School District's buildings and renovations to seven of the Avon Lake City School District buildings are complete. In January 2002, the high school expanded into the newly completed classrooms, cafeteria and commons area, and additional physical education areas. In the fall of 2003, newly renovated music areas were opened for student use. The auditorium was complete in the fall of 2003 and is being used by our students and our public.

## **Financial Information**

### ***Internal Accounting and Budgetary Control***

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

The School District utilizes a fully automated accounting system as well as an automated system of control for 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. All purchase order requests must be approved by the Purchasing Agent and certified by the Treasurer; necessary funds are then encumbered and purchase orders released to vendors. Those requests that exceed the available appropriation are rejected until additional appropriations are secured.

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

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

## **Financial Condition**

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

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

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

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

As a part of this new reporting model, management is responsible for preparing a Management's Discussion and Analysis of the School District. This discussion follows the Independent Accountants' Report, providing an assessment of the School District's finances for 2006 and a comparison to performance in 2005 and analysis of resources available for the future. Because the discussion focuses on major funds, only the internal service fund is discussed briefly in this letter.

**Financial Highlights – Internal Service Fund** The only internal service fund carried on the financial records of the School District is related to self-insurance. This fund was created in fiscal year 2004. This fund accounts for the revenues and expenses related to the provision of medical surgical, prescription drug, dental and vision benefits for all School District employees. The internal service fund had net assets of \$ 852,043 at June 30, 2006.

### **Cash Management**

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

Interest revenue in the governmental funds totaled \$ 496,026 for fiscal year 2006, of which \$ 455,594 was credited to the general fund, \$ 30,178 to the building fund and \$ 10,254 to the special revenue funds. Information regarding School District investments is found in Note 5 of the basic financial statements.

### **Risk Management**

The School District is self-insured for medical, surgical, prescription drug, and dental benefits for the School District employees. The School District uses the self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. A third party, Medical Mutual of Ohio, reviews all claims, applies the appropriate discount and pays the claims.

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

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

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

### **Independent Audit**

State statute requires the School District to be audited at least every two fiscal 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, 2006. The opinion appears at the beginning of the financial section of this report.

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

#### **Awards**

*GFOA Certificate of Achievement* - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Avon Lake City School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards in the area of governmental financial reporting.

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

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

*ASBO Certificate* - The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2005 to the Avon Lake City School District. This award certifies that the Comprehensive Annual Financial Report substantially conformed to the principles and standards of financial reporting as recommended and adopted by the Association of School Business Officials. The award is granted only after an intensive review of the financial report by an expert panel of certified public accountants and practicing school business officials.

Management believes that the Comprehensive Annual Financial Report for fiscal year ended June 30, 2006, which will be submitted to ASBO for review, will conform to ASBO's principles and standards.

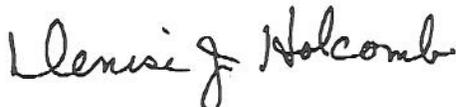
#### **Acknowledgments**

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

Special appreciation is expressed to Costin + Company, CPA's for assistance in the planning, designing and reviewing this financial report.

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

Respectfully submitted,



Denise Holcomb, Treasurer



Robert D. Scott, Superintendent

Avon Lake Board of Education

Principal Officials  
June 30, 2006

**Board of Education**

Mr. Charles Froehlich ..... President  
Mr. Mark Bennett ..... Vice - President  
Mr. Dale Cracas ..... Member  
Mr. Mike Mannino ..... Member  
Mrs. Pamela Ohradzansky ..... Member

**Treasurer**

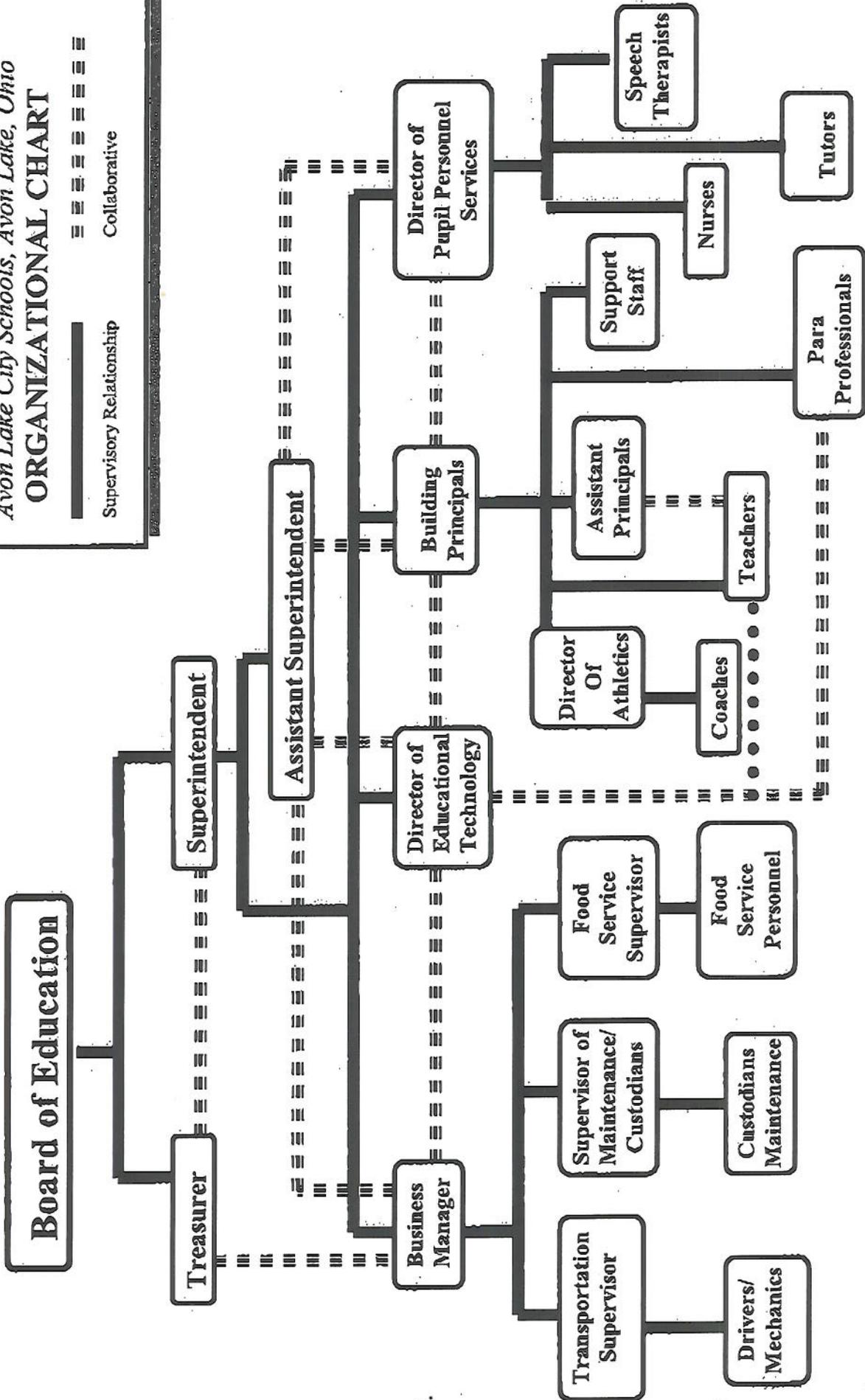
Mrs. Denise J. Holcomb

**Administration**

Mr. Robert D. Scott ..... Superintendent  
Mr. Thomas R. Barone ..... Director of Athletics and Special Projects

Avon Lake City Schools, Avon Lake, Ohio

# ORGANIZATIONAL CHART



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Avon Lake City Schools  
Ohio

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

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.



*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

**AVON LAKE CITY SCHOOL DISTRICT**

**For its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2005**

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

President

Interim Executive Director

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

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 Avon Lake City School District, Lorain County, Ohio (the District), as of and for the year ended June 30, 2006, 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 Avon Lake City School District, Lorain County, Ohio, as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows, 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 21, 2006, 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 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 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 21, 2006

**Avon Lake City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

The discussion and analysis of the Avon Lake City School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2006 are as follows:

- In total, net assets for governmental activities have decreased from \$ 18.1 million at June 30, 2005, to \$ 17.6 million at June 30, 2006.
- Revenues for governmental activities totaled \$ 37,833,122 in fiscal year 2006. Of this total \$ 35,402,012 or 93.57 percent consisted of general revenues while program revenues accounted for the balance of \$ 2,431,110 or 6.43 percent.
- Program expenses totaled \$ 38,302,088. Instructional expenses made up \$ 20,277,966 or 52.94 percent of this total while support services accounted for \$ 13,670,258 or 35.69 percent. Other expenses, \$ 4,353,864, rounded out the remaining 11.37 percent.
- Total outstanding debt had a net decrease by \$ 2,029,213 to \$ 45,657,171 in fiscal year 2006.

### **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 School District as a financial whole, an entire operating entity. The statements begin at a summary level and expand to detailed financial activities.

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

### **Reporting the School District as a Whole**

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as an entity looks at all financial transactions and asks the question, "How did we do financially during the 2006 fiscal year?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. Accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Avon Lake City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are classified as governmental. The School District's programs and services are reported here including instruction, supporting services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

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

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

**The School District as a Whole**

The Statement of Net Assets provides the perspective of the School District as a whole.

Total assets increased by \$ 1,836,298. The majority of this increase can be attributed to increases of \$ 1,026,114 in pooled cash and cash equivalents and \$ 3,582,223 in taxes receivable. This increase was offset with a decrease of \$ 2,663,343 in capital assets. Cash and taxes increased primarily due to collections of real estate taxes. The decrease in capital assets is attributable to a net change in accumulated depreciation of \$ 2,858,053.

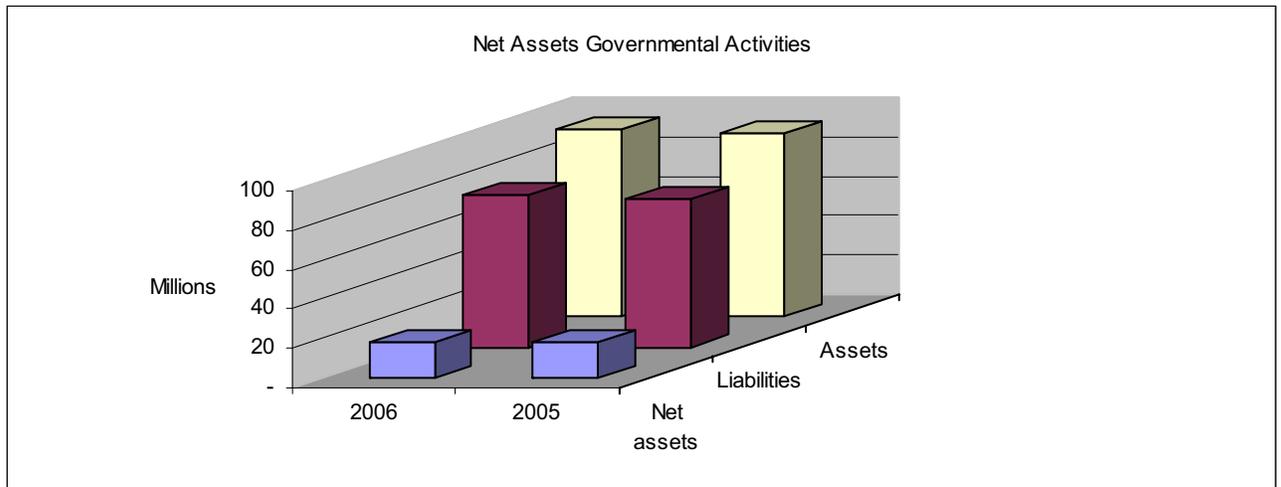
Total liabilities increased by \$ 2,305,264. The majority of the increase can be attributed to the increase in unearned revenue of \$ 3,352,352. Long-term liabilities that are due within one year have also increased by \$ 58,702. This is offset by a decrease of \$ 1,332,027 in those liabilities due in more than one year.

To determine the overall financial performance of the School District one must consider the relative changes in net assets. A change in net assets indicates how an entity is providing for future generations. Net assets decreased by \$ 468,966 from 2005. The School District will need to be concerned about spending resources of future generations and consider the need for additional operating resources. Table 1 provides a summary of the School District's net assets for fiscal year 2006 compared to fiscal year 2005:

**Avon Lake City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

**Table 1**  
**Total Net Assets**

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current and other assets	\$ 41,536,915	\$ 37,037,274
Total capital assets, net	53,495,430	56,158,773
<b>Total assets</b>	<u>95,032,345</u>	<u>93,196,047</u>
<b>Liabilities</b>		
Current liabilities	29,789,970	26,211,381
Long term liabilities		
Due within one year	2,678,139	2,619,437
Due in more than one year	44,928,288	46,260,315
<b>Total liabilities</b>	<u>77,396,397</u>	<u>75,091,133</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	13,050,247	13,551,954
Restricted	6,018,615	5,115,807
Unrestricted	(1,432,914)	(562,847)
<b>Total net assets</b>	<u>\$ 17,635,948</u>	<u>\$ 18,104,914</u>



**Avon Lake City School District**  
*Management's Discussion and Analysis*  
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Table 2 shows total revenues, expenses and changes in net assets for fiscal year 2006 compared to fiscal year 2005. The decrease in fiscal year 2006 net assets can be mainly attributed to a decrease in property taxes revenue of \$ 1,545,093.

**Table 2**  
 Changes in Net Assets

	<u>2006</u>	<u>2005</u>
Revenues		
Program revenues		
Charges for services	\$ 1,397,952	\$ 1,454,218
Operating grants, interest and contributions	1,033,158	1,010,702
Total program revenues	<u>2,431,110</u>	<u>2,464,920</u>
General revenues		
Property taxes	27,363,389	28,908,482
Grants and entitlements not restricted to specific purposes	7,096,997	6,973,114
Investment earnings	602,965	331,950
Miscellaneous	338,661	271,569
Total general revenues	<u>35,402,012</u>	<u>36,485,115</u>
Total revenues	<u>37,833,122</u>	<u>38,950,035</u>
Program expenses		
Instruction	20,277,966	20,063,340
Supporting services		
Pupil and instructional staff	3,774,772	3,403,932
Board of education, administration, fiscal services and business	3,954,815	4,117,369
Operation and maintenance	4,667,818	4,582,836
Pupil transportation	1,210,650	1,318,645
Central services	62,203	12,498
Operation of non-instructional		
Food service operation	802,400	829,674
Community services	219,150	334,781
Extracurricular activities	1,046,500	1,243,236
Interest and fiscal charges	2,285,814	2,427,174
Total expenses	<u>38,302,088</u>	<u>38,333,485</u>
Increase (decrease) in net assets	(468,966)	616,550
Net assets at beginning of year	18,104,914	17,488,364
Net assets at end of year	<u>\$ 17,635,948</u>	<u>\$ 18,104,914</u>

**Avon Lake City School District**  
*Management's Discussion and Analysis*  
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The vast majority of revenue supporting all Governmental Activities is general revenue. General revenue accounted for \$35.4 million or 93.57 percent of the total revenue. The most significant portion of general revenue is local property tax. The other type of revenue that accounts for 6.43 percent of total revenue is called program revenues. Program revenues are derived directly from the program or entities outside the School District as a whole, and can help to reduce the net cost of services provided by the School District. Program revenues decreased by 1.4 percent in 2006 from 2005. This decrease can be attributed primarily to a reduction in funds received for grants, contributions and charges for services and sales.

As you can see, 52.94 percent of the School District's expenses were used to fund instructional expenses. Additional support services for pupils, staff and business operation expenses were 35.69 percent. The remaining 11.37 percent of program expenses was used to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and various extracurricular activities. Total cost of services decreased slightly, due to reduction of out overall budget. The School District had two emergency levies fail before it passed on the third attempt.

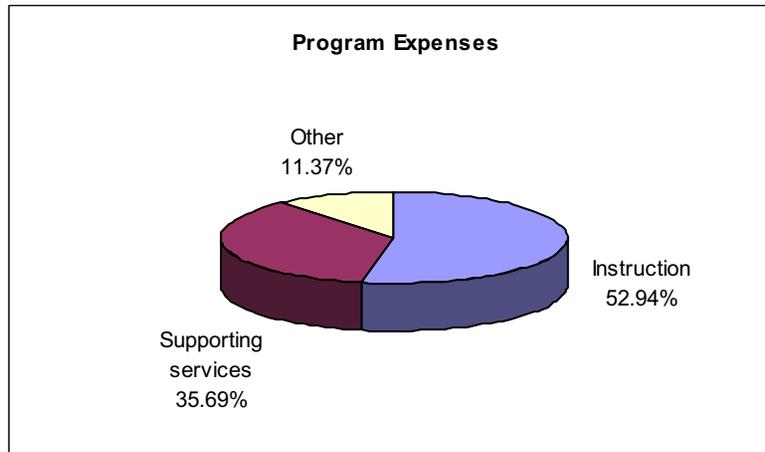
Interest expense was primarily attributable to the outstanding bonds.

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

**Table 3**  
 Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction	\$ 20,277,966	\$ 20,063,340	\$(19,601,696)	\$(19,408,005)
Supporting services				
Pupil and instructional staff	3,774,772	3,403,932	(3,282,228)	(2,915,945)
Board of education, administration, fiscal services and business	3,954,815	4,117,369	(3,891,250)	(4,043,642)
Operation and maintenance	4,667,818	4,582,836	(4,667,155)	(4,579,511)
Pupil transportation	1,210,650	1,318,645	(1,210,650)	(1,317,429)
Central services	62,203	12,498	(37,278)	(8,358)
Operation of non-instructional				
Food service operation	802,400	829,674	(183,297)	(83,718)
Community services	219,150	334,781	(5,322)	(289,982)
Extracurricular activities	1,046,500	1,243,236	(706,288)	(794,801)
Interest and fiscal charges	2,285,814	2,427,174	(2,285,814)	(2,427,174)
<b>Total expenses</b>	<b>\$ 38,302,088</b>	<b>\$ 38,333,485</b>	<b>\$(35,870,978)</b>	<b>\$(35,868,565)</b>

**Avon Lake City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
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The dependence upon tax revenues for governmental activities is apparent. Over 71.44 percent of total expenses are supported through taxes. Grant and entitlements not restricted to specific programs support 18.53 percent, while program revenue supports 6.35 percent. Investment and other miscellaneous type revenue support the remaining activity costs. The community, as a whole, is the primary support for the School District students.

The unusual nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As a result of legislation enacted in 1976, the overall revenue generated by a voted millage does not increase as a result of inflation. As an example, a homeowner with a home valued at \$ 100,000 (Assessed value of \$ 35,000) and taxed at 1.0 mill would pay \$ 29.15 annually in taxes (net of the state-paid rollback). If three years later the home were reappraised and increased in market value to \$ 200,000 (assessed value of \$ 70,000) the effective tax rate would become 0.5 mills and the owner would still pay \$29.15.

***The School District's Funds***

Information about the School District's major funds starts on page 15. These governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 37,716,390 and expenditures of \$ 37,688,322. The net change in fund balance for the year was most significant in the general fund which had a decrease of \$ 928,789, which is primarily due to a decrease in the amount of taxes revenue, and the bond retirement fund which had an increase of \$ 956,334, primarily due to a decrease in interest expenditures. In total, the net change in fund balance was \$ 28,068.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2006, the School District amended its general fund budget numerous times, none significant. For the general fund, the final budget basis revenue estimate was \$ 29,320,763 which was \$ 199,999 higher than the original budget estimate. The final budget basis expenditures estimate totaled \$ 33,142,371 which was \$ 123,470 above the original budget estimate. The unencumbered ending cash balance totaled \$ 2,586,209.

**Avon Lake City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal 2006, the School District, net of depreciation, had \$ 53,495,430 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 show fiscal year 2006 values compared to fiscal year 2005. More detailed information is presented in Note 9 of the notes to the basic financial statements.

**Table 4**  
 Capital Assets  
 (Net of Accumulated Depreciation)

	2006	2005
Land	\$ 5,656,440	\$ 5,656,440
Land improvements	1,118,183	1,221,708
Building and improvements	43,328,444	44,966,573
Furniture and equipment	2,940,001	3,802,503
Vehicles	452,362	511,549
Total capital assets	\$ 53,495,430	\$ 56,158,773

All capital assets, except land, are reported net of depreciation. The decrease in capital assets is primarily due to assets being depreciated.

**Avon Lake City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

**Debt**

At June 30, 2006, the Avon Lake School District had \$ 45,657,171 in bonds, notes, capital leases and loans outstanding, a decrease of \$ 2,029,213 from fiscal year 2005. \$ 2,210,890 of the bonds, notes, capital leases and loans are due within one year. Table 5 below summarizes the School District's bonds, notes, loans outstanding and capital leases. More detailed information is presented in Note 15 of the notes to the basic financial statements.

**Table 5**  
 Outstanding Debt Year-End

	2006	2005
Term and serial bonds	\$ 39,390,000	\$ 41,110,000
Capital appreciation bonds	1,664,925	1,664,925
Accretion on capital appreciation bonds	3,088,389	2,698,447
Serial notes	825,000	1,010,000
Capital appreciation notes	250,717	250,717
Accretion on capital appreciation notes	112,465	84,984
Fiber optics loan	-	166,950
HVAC loan	104,069	157,069
Capital leases	221,606	543,292
Total outstanding debt	<u>\$ 45,657,171</u>	<u>\$ 47,686,384</u>

At June 30, 2006, the School District's overall legal debt margin was \$ 39,278,598 with an unvoted debt margin of \$ 781,186. The debt is well within permissible limits. The School District maintains a Moody's rating of Aa3.

**Current Issues**

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

The School District has the necessary revenue base to support current program levels for only the next fiscal year. Our future revenue base is dependent upon the renewal of an emergency levy expiring in 2009. The School District was successful in seeking additional revenue in May, 2006.

**Avon Lake City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

Several significant legislative and judicial actions have occurred that will have a major impact on our School District. The Ohio Supreme Court has issued its fourth decision regarding school funding reform in Ohio. We believe that the ultimate resolution of funding reform is still some time away. The sudden downturn in the economy has put pressures on both the State budget as well as our local School District budget. We are concerned about current economic conditions and the possible negative impact on local tax revenues. The ongoing legislative efforts to support the existence of community (charter) schools come at the expense of our current State subsidy. This year approximately \$ 105,198 will be deducted from our State subsidy and redirected to local community (charter) schools. The School District's commitment to improve fiscal management has led to many budgeting, reporting and internal control enhancements.

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

**Contacting the School District's Fiscal Management**

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

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AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities
<b>Assets</b>	
Equity in pooled cash	\$ 10,382,245
Accounts receivable	5,114
Intergovernmental receivable	21,402
Inventories and supplies	42,080
Interest receivable	94,034
Prepaid items	54,587
Taxes receivable	30,937,453
Capital assets	
Nondepreciable capital assets	5,656,440
Depreciable capital assets, net	47,838,990
<b>Total assets</b>	<b>95,032,345</b>
<b>Liabilities</b>	
Accounts and contracts payable	373,602
Accrued salaries, wages and benefits	2,547,638
Claims payable	326,550
Accrued interest payable	145,110
Intergovernmental payable	867,766
Unearned revenue	25,529,304
Long term liabilities	
Due within one year	2,678,139
Due in more than one year	44,928,288
<b>Total liabilities</b>	<b>77,396,397</b>
<b>Net assets</b>	
Invested in capital assets, net of related debt	13,050,247
Restricted for:	
Debt service	3,784,586
Capital projects	1,326,006
Set-asides	239,422
Food service	72,962
School supplies	113,565
Extracurricular activities	129,512
State grants	61,942
Federal grants	46,917
Donations	239,003
Other purposes	4,700
Unrestricted	(1,432,914)
<b>Total net assets</b>	<b>\$ 17,635,948</b>

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Interest and Contributions	
Governmental activities				
Instruction				
Regular	\$ 17,283,670	\$ 217,830	\$ 44,832	\$ (17,021,008)
Special	2,074,881	194,672	218,936	(1,661,273)
Vocational	187,079	-	-	(187,079)
Adult/continuing	13,409	-	-	(13,409)
Other instruction	718,927	-	-	(718,927)
Supporting services				
Pupil	3,279,597	26,135	419,320	(2,834,142)
Instructional staff	495,175	-	47,089	(448,086)
Board of education	17,999	-	-	(17,999)
Administration	2,900,181	-	63,565	(2,836,616)
Fiscal services	949,135	-	-	(949,135)
Business	87,500	-	-	(87,500)
Operation and maintenance	4,667,818	-	663	(4,667,155)
Pupil transportation	1,210,650	-	-	(1,210,650)
Central services	62,203	-	24,925	(37,278)
Operation of non-instructional				
Food service operation	802,400	619,103	-	(183,297)
Community services	219,150	-	213,828	(5,322)
Extracurricular activities	1,046,500	340,212	-	(706,288)
Interest and fiscal charges	2,285,814	-	-	(2,285,814)
Totals	<u>\$ 38,302,088</u>	<u>\$ 1,397,952</u>	<u>\$ 1,033,158</u>	<u>(35,870,978)</u>

General revenues

Property taxes levied for:

General purpose	23,165,725
Debt service	3,532,839
Capital improvements	664,825
Grants and entitlements not restricted to specific purposes:	7,096,997
Investment earnings	602,965
Miscellaneous	338,661
Total general revenues	<u>35,402,012</u>

Change in net assets	(468,966)
Net assets at beginning of year	18,104,914
Net assets at end of year	<u>\$ 17,635,948</u>

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in pooled cash	\$ 3,962,947	\$ 2,173,169	\$ 2,824,361	\$ 8,960,477
Restricted cash	239,422	-	-	239,422
Receivables, net of allowance				
Taxes, current	25,492,701	3,631,521	1,608,631	30,732,853
Taxes, delinquent	165,500	25,900	13,200	204,600
Interest receivable	88,884	-	5,150	94,034
Accounts and other	5,114	-	-	5,114
Intergovernmental receivable	8,017	-	13,385	21,402
Inventories and supplies	21,022	-	21,058	42,080
Prepaid items	54,587	-	-	54,587
<b>Total assets</b>	<b>\$ 30,038,194</b>	<b>\$ 5,830,590</b>	<b>\$ 4,485,785</b>	<b>\$ 40,354,569</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 212,759	\$ -	\$ 157,090	\$ 369,849
Accrued wages and benefits	2,495,893	-	51,745	2,547,638
Intergovernmental payable	772,484	-	24,824	797,308
Unearned revenue	21,631,202	2,866,382	1,253,385	25,750,969
Compensated absences	67,434	-	8,940	76,374
<b>Total liabilities</b>	<b>25,179,772</b>	<b>2,866,382</b>	<b>1,495,984</b>	<b>29,542,138</b>
<b>Fund balances</b>				
Reserved for inventories and supplies	21,022	-	21,058	42,080
Reserved for prepaids	54,587	-	-	54,587
Reserved for encumbrances	1,410,333	-	411,071	1,821,404
Reserved for property taxes	4,090,200	791,039	373,596	5,254,835
Reserved for textbooks	62,910	-	-	62,910
Reserved for budget stabilization	113,990	-	-	113,990
Reserved for capital maintenance	62,522	-	-	62,522
Unreserved, reported in				
General Fund	(957,142)	-	-	(957,142)
Special Revenue Funds	-	-	606,911	606,911
Debt Service Fund	-	2,173,169	678,875	2,852,044
Capital Projects Funds	-	-	898,290	898,290
<b>Total fund balances</b>	<b>4,858,422</b>	<b>2,964,208</b>	<b>2,989,801</b>	<b>10,812,431</b>
<b>Total liabilities and fund balances</b>	<b>\$ 30,038,194</b>	<b>\$ 5,830,590</b>	<b>\$ 4,485,785</b>	<b>\$ 40,354,569</b>

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006

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Total governmental funds balances	\$ 10,812,431
Amount reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	53,495,430
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These deferrals are primarily attributed to property taxes.	221,665
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.	852,043
Intergovernmental payables includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore are not reported in the funds.	(70,458)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(1,872,882)
Notes payable	(1,188,182)
Loans payable	(104,069)
Bonds payable	(44,143,314)
Capital lease payable	(221,606)
Accrued interest payable	(145,110)
Net assets of governmental activities	<u>\$ 17,635,948</u>

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

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

FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 23,157,959	\$ 3,486,089	\$ 709,548	\$ 27,353,596
Interest	455,594	-	40,432	496,026
Intergovernmental	6,255,877	521,421	1,352,857	8,130,155
Extracurricular	5,100	-	365,401	370,501
Charges for services	-	-	619,103	619,103
Other	491,949	-	255,060	747,009
<b>Total revenues</b>	<b>30,366,479</b>	<b>4,007,510</b>	<b>3,342,401</b>	<b>37,716,390</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular	15,305,349	-	83,679	15,389,028
Special	1,816,705	-	225,713	2,042,418
Vocational	182,050	-	-	182,050
Adult/continuing	13,449	-	-	13,449
Other instruction	718,927	-	-	718,927
<b>Supporting services</b>				
Pupil	2,737,599	-	538,785	3,276,384
Instructional staff	633,146	-	60,168	693,314
Board of education	17,999	-	-	17,999
Administration	2,608,262	-	82,578	2,690,840
Fiscal services	884,850	56,317	11,742	952,909
Business	85,006	-	-	85,006
Operation and maintenance	3,910,181	-	270,494	4,180,675
Pupil transportation	1,110,879	-	58,628	1,169,507
Central services	37,202	-	25,001	62,203
<b>Operation of non-instructional</b>				
Food service operation	-	-	764,245	764,245
Community services	-	-	206,188	206,188
Extracurricular activities	633,319	-	358,022	991,341
Capital outlay	210,476	-	29,998	240,474
<b>Debt service</b>				
Principal	321,686	1,650,000	255,000	2,226,686
Interest	17,615	1,705,427	61,637	1,784,679
<b>Total expenditures</b>	<b>31,244,700</b>	<b>3,411,744</b>	<b>3,031,878</b>	<b>37,688,322</b>
Excess (deficiency) of revenues over expenditures	(878,221)	595,766	310,523	28,068
<b>Other financing sources (uses)</b>				
Transfers-in	-	360,568	-	360,568
Transfers-out	(50,568)	-	(310,000)	(360,568)
<b>Total other financing sources (uses)</b>	<b>(50,568)</b>	<b>360,568</b>	<b>(310,000)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(928,789)</b>	<b>956,334</b>	<b>523</b>	<b>28,068</b>
Fund balances, beginning of year	5,787,211	2,007,874	2,989,278	10,784,363
<b>Fund balances, end of year</b>	<b>\$ 4,858,422</b>	<b>\$ 2,964,208</b>	<b>\$ 2,989,801</b>	<b>\$ 10,812,431</b>

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds		\$ 28,068
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
	Capital outlay, net	241,543
	Depreciation expense	<u>(2,904,886)</u>
		(2,663,343)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
	Interest	68,351
	Property taxes	<u>9,793</u>
		78,144
Repayment of bond, loan, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		2,446,636
In the statement of activities, interest accrued on outstanding bonds and bond and notes accretion are amortized over the term of the bonds and notes, whereas in governmental funds, the expenditure is reported when the bonds and notes are issued.		
	Accrued interest	(111,193)
	Annual accretion	<u>(389,942)</u>
		(501,135)
Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payable which represents 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	(718,411)
	Pension obligations	<u>226,378</u>
		(492,033)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>634,697</u>
Change in net assets of governmental activities		<u>\$ (468,966)</u>

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Taxes	\$ 22,209,721	\$ 22,362,256	\$ 22,984,224	\$ 621,968
Tuition and fees	386,301	388,954	399,772	10,818
Interest	415,424	418,277	429,911	11,634
Intergovernmental	6,041,302	6,082,793	6,251,976	169,183
Miscellaneous	68,016	68,483	70,388	1,905
Total revenues	<u>29,120,764</u>	<u>29,320,763</u>	<u>30,136,271</u>	<u>815,508</u>
Expenditures				
Current				
Instruction				
Regular	16,034,983	16,094,944	16,534,275	(439,331)
Special	1,962,791	1,970,131	1,818,987	151,144
Vocational	259,928	260,900	190,459	70,441
Adult/continuing	56,091	56,300	13,145	43,155
Other instruction	777,955	780,865	719,867	60,998
Supporting services				
Pupil	2,436,892	2,446,005	2,733,881	(287,876)
Instructional staff	801,223	804,219	648,919	155,300
Board of education	21,987	22,069	18,725	3,344
Administration	3,175,582	3,187,458	2,716,121	471,337
Fiscal services	878,634	881,919	882,519	(600)
Business	102,308	102,690	82,379	20,311
Operation and maintenance	4,425,003	4,441,550	4,337,064	104,486
Pupil transportation	1,281,324	1,286,115	1,095,722	190,393
Central services	71,140	71,406	37,608	33,798
Extracurricular activities				
Academic and subject oriented	79,105	79,400	56,907	22,493
Occupation oriented	2,889	2,900	1,261	1,639
Sports oriented	383,068	384,500	519,445	(134,945)
Co-curricular activities	50,312	50,500	45,682	4,818
Capital outlay	217,686	218,500	210,476	8,024
Total expenditures	<u>33,018,901</u>	<u>33,142,371</u>	<u>32,663,442</u>	<u>478,929</u>
Excess (deficiency) of revenues over expenditures	<u>(3,898,137)</u>	<u>(3,821,608)</u>	<u>(2,527,171)</u>	<u>1,294,437</u>
Other financing sources (uses)				
Gain (loss) on sale of assets	-	-	21,820	21,820
Advances in	-	-	160,882	160,882
Refund of prior year expenditures	-	-	30,227	30,227
Transfers-out	-	(51,000)	(50,568)	432
Advances out	-	-	(53,381)	(53,381)
Total other financing sources (uses)	<u>-</u>	<u>(51,000)</u>	<u>108,980</u>	<u>159,980</u>
Net change in fund balance	<u>(3,898,137)</u>	<u>(3,872,608)</u>	<u>(2,418,191)</u>	<u>1,454,417</u>
Prior year encumbrances	854,058	854,058	854,058	-
Fund balances, beginning of year	4,150,342	4,150,342	4,150,342	-
Fund balances, end of year	<u>\$ 1,106,263</u>	<u>\$ 1,131,792</u>	<u>\$ 2,586,209</u>	<u>\$ 1,454,417</u>

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

STATEMENT OF FUND NET ASSETS  
INTERNAL SERVICE FUND

JUNE 30, 2006

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	<u>Self Insurance</u>
Assets	
Current assets	
Equity in pooled cash	\$ 1,182,346
Total assets	<u>1,182,346</u>
Liabilities	
Current liabilities	
Accounts and contracts payable	3,753
Claims payable	<u>326,550</u>
Total liabilities	<u>330,303</u>
Net assets	
Unrestricted	<u>\$ 852,043</u>

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT  
 LORAIN COUNTY  
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2006

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	Self Insurance
Operating revenues	
Charges for services	\$ 4,323,153
Operating expenses	
Purchased services	433,630
Claims	3,293,414
Total operating expenses	3,727,044
Operating income	596,109
Nonoperating revenues	
Interest income	38,588
Change in net assets	634,697
Net assets, beginning of year	217,346
Net assets, end of year	\$ 852,043

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2006

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	Self Insurance
Cash flows from operating activities	
Cash received from interfund services	\$ 4,323,153
Cash payments for claims	(3,269,617)
Cash payments for goods and services	(429,877)
Net cash provided by operating activities	623,659
Cash flows from investing activities	
Interest income	38,588
Net cash provided by investing activities	38,588
Net increase in cash and cash equivalents	662,247
Cash and cash equivalents, beginning of year	520,099
Cash and cash equivalents, end of year	\$ 1,182,346
Reconciliation of operating income to net cash used for operating activities:	
Operating income	\$ 596,109
Adjustments	
Increase in accounts payable	3,753
increase in claims payable	23,797
Total adjustments	27,550
Net cash used for operating activities	\$ 623,659

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

JUNE 30, 2006

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Assets	
Equity in pooled cash	\$ 160,231
Total assets	<u>\$ 160,231</u>
Liabilities	
Accounts payable	\$ 10,232
Due to students	145,945
Due to others	4,054
Total liabilities	<u>\$ 160,231</u>

See accompanying notes to the basic financial statements.

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AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006

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NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District is located in Avon Lake, Lorain County, Ohio, and includes an area extending roughly twelve square miles around the City. It is staffed by 201 non-certified personnel, 266 certified full-time teaching personnel and 16 administrative employees to provide services to 3,543 students and other community members. The School District operates 4 elementary schools (K-4), 1 intermediate school (5-6), 1 middle school (7-8) and 1 high school (9-12).

REPORTING ENTITY

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

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

The School District participates in four jointly governed organizations and is associated with a related organization. The organizations are the Lake Erie Educational Computer Association (LEECA), the Lake Erie Regional Council of Governments (LERC), the Lorain County Joint Vocational School District, the Ohio Schools Council Association, and the Avon Lake Public Library. These organizations are presented in Notes 16 and 17 of the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(CONTINUED)

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

B. FUND ACCOUNTING

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

Governmental Funds

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

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(CONTINUED)

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. 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 is used to account for tax levies that are utilized for the repayment of general obligation bonds of the School District.

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

Proprietary Fund Type

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

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

Fiduciary Fund Type

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

C. MEASUREMENT FOCUS

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

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(CONTINUED)

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS (continued)

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

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

D. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

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

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

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
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FOR THE YEAR ENDED JUNE 30, 2006  
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

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

Unearned Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as unearned revenue. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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

Expenses/Expenditures

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

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

E. BUDGETARY PROCESS

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

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

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(CONTINUED)

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BUDGETARY PROCESS (continued)

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

F. CASH AND CASH EQUIVALENTS

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

During fiscal year 2006, investments were limited to repurchase agreements, Federal Home Loan Bank Bonds, Federal National Mortgage Association Notes and STAROhio.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$ 455,594 which includes \$ 238,087 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 reported as cash equivalents.

G. 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 imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside for textbooks and the creation of a reserve for budget stabilization. See Note 19 for additional information regarding set-asides.

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. INVENTORY

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

J. CAPITAL ASSETS

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

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

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset</u>	<u>Estimated Useful Life</u>
Land improvements	3 - 25 years
Buildings and improvements	5 - 90 years
Furniture and equipment	3 - 25 years
Vehicles	7 - 10 years

AVON LAKE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(CONTINUED)

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. INTERFUND BALANCES

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

L. COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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

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

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

M. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

N. NET ASSETS

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

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

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(CONTINUED)

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. FUND BALANCE RESERVES

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

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

P. OPERATING REVENUES AND EXPENSES

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

Q. EXTRAORDINARY AND SPECIAL ITEMS

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

R. ESTIMATES

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

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
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**NOTE 3 – COMPLIANCE AND ACCOUNTABILITY**

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

	Estimated Revenue Plus Carryover Balances	Original Appropriations	Excess
Nonmajor Funds			
Special Revenue Funds			
Food Service	\$ 668,398	\$ 676,641	\$ (8,243)
Title VI-B	575,000	729,581	(154,581)
Drug Free Schools	9,695	10,665	(970)
Class Size Reduction	25,000	66,966	(41,966)

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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	
	General Fund
Budget basis	\$ (2,418,191)
Adjustments, increase (decrease)	
Revenue accruals	17,279
Expenditure accruals	1,472,123
GAAP basis, as reported	<u>\$ (928,789)</u>

AVON LAKE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(CONTINUED)

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NOTE 5 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

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

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

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

AVON LAKE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(CONTINUED)

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NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper and bankers' acceptances (if authorized by the Board of Education), and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

At fiscal year end, the District had \$ 15,650 in cash on hand which is included on the balance sheet of the District as part of "Equity in Pooled Cash".

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the District's deposits was \$ 9,987,285 and the bank balance was \$ 10,200,300. Of the bank balance, \$ 300,000 was covered by federal depository insurance and \$ 9,900,300 was uninsured. Of the remaining balance, \$ 9,900,300 was collateralized with securities held by the pledging institution's trust department not in the District's name.

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LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(CONTINUED)

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NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2006, the District had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
STAROhio	Not Applicable	<u>\$ 539,541</u>

D. INTEREST RATE RISK

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

E. CREDIT RISK

The District follows the Ohio Revised Code that limits its investment choices. As of June 30, 2006, the District's investments in StarOhio were rated AAA by Standard & Poor's.

F. CONCENTRATION OF CREDIT RISK

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received during calendar year 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue in calendar year 2006 presents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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.

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
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(CONTINUED)

NOTE 6 - PROPERTY TAXES (continued)

Tangible personal property tax revenue received during calendar year 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Lorain County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by June 30, 2006, are available to finance fiscal year 2006 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, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2006 was \$ 4,090,200 in the general fund, \$ 791,039 in the bond retirement debt service fund, \$ 257,641 in the library bond retirement debt service fund and \$ 115,955 in the permanent improvements capital projects fund. The amount available as an advance at June 30, 2005, was \$ 3,916,465 in the general fund, \$ 757,811 in the bond retirement debt service fund, \$ 248,267 in the library bond retirement debt service fund and \$ 112,214 in the permanent improvements capital projects fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	Amount	%	Amount	%
Agricultural/ Residential and Other Real Estate	\$ 608,828,450	78.52 %	\$ 639,000,320	81.80 %
Public Utility Personal	94,787,120	12.23	89,484,090	11.45
Tangible Personal Property	71,691,440	9.25	52,701,113	6.75
	<u>\$ 775,307,010</u>	<u>100.00 %</u>	<u>\$ 781,185,523</u>	<u>100.00 %</u>
 Tax Rate per \$ 1,000 of Assessed Valuation:	 <u>64.51</u>		 <u>60.26</u>	

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(CONTINUED)

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NOTE 7 - RECEIVABLES

Receivables at June 30, 2006, consisted of property taxes, intergovernmental grants, and accounts (rent and tuition). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 8,017
Food Service Fund	13,385
Total Intergovernmental Receivable	<u>\$ 21,402</u>

NOTE 8 - INTERFUND TRANSFERS

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The general fund and the permanent improvements capital projects fund transferred monies to the major bond retirement debt service fund for debt payment purposes in the amount of \$ 50,568 and \$ 310,000, respectively.

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(CONTINUED)

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

<u>Governmental Activities</u>	Balance June 30, 2005	Additions	Disposals	Balance June 30, 2006
Nondepreciable capital assets				
Land	\$ 5,656,440	\$ -	\$ -	\$ 5,656,440
Depreciable capital assets				
Land improvements	1,793,427	-	-	1,793,427
Buildings and improvements	60,488,561	-	-	60,488,561
Furniture and equipment	10,371,712	192,674	16,480	10,547,906
Vehicles	1,355,491	48,869	30,353	1,374,007
Total capital assets being depreciated	<u>74,009,191</u>	<u>241,543</u>	<u>46,833</u>	<u>74,203,901</u>
Less accumulated depreciation				
Land improvements	571,719	103,525	-	675,244
Buildings and improvements	15,521,988	1,638,129	-	17,160,117
Furniture and equipment	6,569,209	1,055,176	16,480	7,607,905
Vehicles	843,942	108,056	30,353	921,645
Total accumulated depreciation	<u>23,506,858</u>	<u>2,904,886</u>	<u>46,833</u>	<u>26,364,911</u>
Depreciable capital assets, net of accumulated depreciation	<u>50,502,333</u>	<u>(2,663,343)</u>	<u>-</u>	<u>47,838,990</u>
Governmental activities capital assets, net	<u>\$ 56,158,773</u>	<u>\$ (2,663,343)</u>	<u>\$ -</u>	<u>\$ 53,495,430</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 2,084,615
Supporting services	
Administration	219,232
Operation and maintenance of plant	353,777
Pupil transportation	136,587
Operation of non-instructional services	
Food service	50,022
Extracurricular activities	
Sports oriented	60,653
Total depreciation expense	<u>\$ 2,904,886</u>

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 10 - 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 2006 the School District contracted with Indiana Insurance Company for property insurance. Professional liability is protected by the Hylant Group Insurance Company with a \$ 3,000,000 aggregate limit. Vehicles are covered by the Grange Mutual Insurance Company and hold a \$ 250 deductible for comprehensive and \$ 500 deductible for collision. Automobile liability has a \$ 1,000,000 combined single limit of liability.

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

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

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

B. EMPLOYEE MEDICAL COVERAGE

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

The School District maintains stop-loss coverage for its insurance program. Stop-loss is maintained at \$ 150,000 per employee per calendar year. The stop-loss limit was met in fiscal year 2006 by one participant.

The claims liability of \$ 326,550 reported in the internal service fund at June 30, 2006, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the claims liability amount in 2006 and 2005 were:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Unpaid claims, beginning of year	\$ 302,753	\$ 613,964
Incurred claims	3,293,414	3,013,567
Paid claims	(3,269,617)	(3,324,778)
Unpaid claims, end of year	<u>\$ 326,550</u>	<u>\$ 302,753</u>

AVON LAKE CITY SCHOOL DISTRICT  
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NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, (the most recent information available), 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 a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$ 499,021, \$ 500,646, and \$ 389,259, respectively. 30.6 percent has been contributed for fiscal year 2006, and 100 percent for fiscal years 2005 and 2004.

B. STATE TEACHERS RETIREMENT SYSTEM

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

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NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (continued)

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, 2006, 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 recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$ 1,927,060, \$ 1,828,649, and \$ 1,740,960, respectively; 82.1 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, one member has elected Social Security. The Board's liability is 6.2 percent of wages paid.

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 on a pay-as-you-go basis.

STRS retirees who participate 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 the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005 (the most recent information available), the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$ 148,235 for fiscal year 2006.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, (the latest information available), the balance in the Fund was \$ 3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS were \$ 254,780,000 and STRS had 115,395 eligible benefit recipients.

AVON LAKE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

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, 2006 employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of .01 percent from fiscal year 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 2006, the minimum pay was established at \$ 35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, the School District paid \$ 232,392 to fund health care benefits, including the surcharge.

Health care benefits are financed on a pay-as-you go basis. Net health care costs for the year ended June 30, 2005 (the most recent information available), were \$ 178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$ 267.5 million, which is about 168% of next year's projected net health care costs of \$ 158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provided for a health care reserve equal to at least 150% of estimated annual net claim costs. At June 30, 2005, the number of participants eligible to receive benefits was 58,123.

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 earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Certified employees do not earn vacation time.

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

B. LIFE INSURANCE

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

AVON LAKE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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NOTE 14 - CAPITAL LEASES

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

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

Asset	Cost	Accumulated Depreciation	Net
Copiers	\$ 337,426	\$ 168,713	\$ 168,713
Computer equipment	739,319	418,947	320,372
Total	<u>\$ 1,076,745</u>	<u>\$ 587,660</u>	<u>\$ 489,085</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2006.

	Year ending June 30,	Amount
	2007	\$ 119,210
	2008	75,192
	2009	37,596
Total minimum lease payments		<u>231,998</u>
Less amount representing interest		10,392
Net present value of minimum lease payments		<u>\$ 221,606</u>

AVON LAKE CITY SCHOOL DISTRICT  
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NOTE 15 - LONG-TERM OBLIGATIONS

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

	Original Issue Date	Interest Rate	Original Issue Amount	Date of Maturity
General obligation bonds				
Energy conservation improvements	1997	4.6656%	\$ 2,195,000	12/1/2007
School facilities term and serial	1999	4.125 - 5.4%	41,150,000	12/1/2023
School facilities capital appreciation	1999	4.125 - 5.4%	649,977	12/1/2011
Refunding				
Serial and term	2004	2.0 - 4.40%	3,410,000	12/1/2019
Capital appreciation	2004	11.925%	429,998	12/1/2009
Refunding				
Serial	2005	3.0 - 4.75%	32,415,000	12/1/2026
Capital appreciation	2005	24.104%	584,950	12/1/2013
Long-term notes				
Energy conservation notes				
Serial notes	2002	2.4 - 4.2%	1,535,000	12/1/2011
Capital appreciation notes	2002	2.4 - 4.2%	250,717	12/1/2007
Loans				
Fiber optic loan	2002	4.55%	800,000	12/1/2006
HVAC loan	2003	3.0 - 3.9%	257,069	12/1/2008

In 2005, the District defeased portions of certain general obligation bonds issued in 1993, 1995, and 1999, with two separate general obligation refundings. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments of the refunded debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2006, \$ 36,570,000 of bonds outstanding are considered to be defeased.

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NOTE 15 - LONG-TERM OBLIGATIONS (continued)

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

	Principal Outstanding 6/30/2005	Additions	Reductions	Principal Outstanding 6/30/2006	Due in 1 year
General obligation bonds					
Energy conservation improvements	\$ 350,000	\$ -	\$ 125,000	\$ 225,000	\$ 125,000
Refunding bonds - 2004					
Term and serial bonds	3,370,000	-	350,000	3,020,000	360,000
Capital appreciation bonds	429,998	-	-	429,998	-
Accretion on capital appreciation bonds	50,750	59,038	-	109,788	-
Refunding bonds - 2005					
Serial bonds	32,415,000	-	170,000	32,245,000	255,000
Capital appreciation bonds	584,950	-	-	584,950	-
Accretion on capital appreciation bonds	-	153,934	-	153,934	-
School Facilities					
Term and serial bonds	4,975,000	-	1,075,000	3,900,000	1,175,000
Capital appreciation bonds	649,977	-	-	649,977	-
Accretion on capital appreciation bonds	2,647,697	176,970	-	2,824,667	-
Total general obligation bonds	<u>45,473,372</u>	<u>389,942</u>	<u>1,720,000</u>	<u>44,143,314</u>	<u>1,915,000</u>
Energy conservation notes					
Serial notes	1,010,000	-	185,000	825,000	-
Capital appreciation notes	250,717	-	-	250,717	130,287
Accretion on capital appreciation notes	84,984	27,481	-	112,465	-
Total energy conservation notes	<u>1,345,701</u>	<u>27,481</u>	<u>185,000</u>	<u>1,188,182</u>	<u>130,287</u>
Loans payable					
Fiber optic	166,950	-	166,950	-	-
HVAC	157,069	-	53,000	104,069	53,000
Total loans payable	<u>324,019</u>	<u>-</u>	<u>219,950</u>	<u>104,069</u>	<u>53,000</u>
Capital leases	543,292	-	321,686	221,606	112,603
Compensated absences	1,193,368	873,991	118,103	1,949,256	467,249
Total governmental activities	<u>\$ 48,879,752</u>	<u>\$ 1,291,414</u>	<u>\$ 2,564,739</u>	<u>\$ 47,606,427</u>	<u>\$ 2,678,139</u>

AVON LAKE CITY SCHOOL DISTRICT  
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NOTE 15 - LONG-TERM OBLIGATIONS (continued)

General obligation bonds will be paid from property taxes received in the Debt Service Fund.

Energy conservation long-term notes were issued in fiscal year 2002 for \$ 1,785,717. These note issues included serial and capital appreciation notes in the amounts of \$ 1,535,000 and \$ 250,717, respectively. The principal will be paid from the Bond Retirement Debt Service Fund. The capital appreciation notes will mature in fiscal years 2007 and 2008. The maturity amount of the notes is \$ 390,000. In fiscal year 2006, \$ 27,481 was accreted for a total note obligation of \$ 112,465.

Capital lease obligations will be paid from the General Fund. The fiber optics loan and the HVAC loan will be paid out of Building Improvement Capital Projects Fund. Compensated absences will be paid from the General Fund and the Food Service and Title VI-B Special Revenue Funds which are the funds from which the employees' salaries are paid.

School Facilities General Obligation Bonds –

On September 15, 1999, the School District issued \$ 41,799,977 in voted general obligation bonds for the purpose of constructing, improving and making additions to school buildings and related site development. The bond issue included serial, term and capital appreciation bonds in the amount of \$ 8,150,000, \$ 33,000,000 and \$ 649,977, respectively. The bonds were issued at a premium of \$ 1,799,444. The bonds will be retired with a voted property tax levy from the debt service fund. The term bonds were defeased with the proceeds from refunding bonds issued June 23, 2005.

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

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

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

The capital appreciation bonds will mature in fiscal years 2009 through 2011. The final amount of the bonds is \$ 4,395,000. In fiscal year 2006, \$ 176,970 was accreted for a total bond obligation of \$ 2,824,667.

Refunding Bonds, Series 2004

On July 15, 2004, the School District issued \$ 3,839,998 in voted general obligation bonds for the purpose of refunding a portion of bonds issued on June 15, 1993 and to advance refund a portion of bonds issued on June 1, 1994. The bond issue included serial, term and capital appreciation bonds in the amount of \$ 2,710,000, \$ 700,000 and \$ 429,998 respectively. The bonds were issued at a premium of \$ 216,103. The bonds will be retired with a voted property tax levy from the debt service fund.

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NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Refunding Bonds, Series 2004 (continued)

The term bonds maturing on December 1, 2016 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the principal amount as follows:

Year	Principal Amount to be Redeemed
2014	\$ 105,000
2015	110,000

The remaining principal amount of such current interest bonds (\$ 115,000) will be paid at stated maturity on December 1, 2016

The term bonds maturing on December 1, 2019 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the principal amount as follows:

Year	Principal Amount to be Redeemed
2017	\$ 120,000
2018	120,000

The remaining principal amount of such current interest bonds (\$ 130,000) will be paid at stated maturity on December 1, 2019

The School District's overall legal debt margin was \$ 31,028,099 and the unvoted legal debt margin was \$ 781,186 at June 30, 2006. Principal and interest requirements to retire long-term obligations outstanding at June 30, 2006, are as follows:

Year ending June 30,	General Obligation Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 1,915,000	\$ 1,748,708	\$ -	\$ -
2008	2,055,000	1,665,255	-	-
2009	1,665,000	1,491,626	228,855	242,070
2010	280,000	1,448,850	455,877	1,475,049
2011	660,000	1,524,738	214,549	1,252,451
2012-2016	5,350,000	4,322,394	765,644	7,093,857
2017-2021	11,120,000	5,145,402	-	-
2022-2026	13,290,000	2,361,157	-	-
2027	3,055,000	70,056	-	-
	\$ 39,390,000	\$ 19,778,186	\$ 1,664,925	\$ 10,063,427

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NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Year ending June 30,	Energy Conservation Notes		Capital Appreciation Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ -	\$ 33,357	\$ 130,287	\$ 64,713	\$ 2,045,287	\$ 1,846,778
2008	-	33,357	120,430	74,570	2,175,430	1,773,182
2009	195,000	29,604	-	-	2,088,855	1,763,300
2010	200,000	21,850	-	-	935,877	2,945,749
2011	210,000	13,545	-	-	1,084,549	2,790,734
2012-2016	220,000	4,620	-	-	6,335,644	11,420,871
2017-2021	-	-	-	-	11,120,000	5,145,402
2022-2026	-	-	-	-	13,290,000	2,361,157
2027	-	-	-	-	3,055,000	70,056
	<u>\$ 825,000</u>	<u>\$ 136,333</u>	<u>\$ 250,717</u>	<u>\$ 139,283</u>	<u>\$ 42,130,642</u>	<u>\$ 30,117,229</u>

The fiber optics and HVAC loan principal and interest will be paid from the Building Improvement Capital Projects Fund. Interest will be paid from the General Fund. The principal and interest payments to retire the long-term notes are as follows:

Year ending June 30,	Principal	Interest	Total
2007	\$ 53,000	\$ 3,784	\$ 56,784
2008	51,069	2,010	53,079
	<u>\$ 104,069</u>	<u>\$ 5,794</u>	<u>\$ 109,863</u>

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization among thirty school districts. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least one Assembly member from each county in which the participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District paid \$ 44,658 for services during fiscal year 2006. Financial information can be obtained by contacting the Treasurer at the Educational Service Center at the Lorain County Board of Education, who serves as the fiscal agent, at 1885 Lake Avenue, Elyria, Ohio, 44035.

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NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS (LERC)

The Lake Erie Regional Council of Governments (LERC) is a jointly governed organization among 14 school districts. The organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, drivers' education, food service and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge except for insurance.

The LERC assembly consists of a superintendent or designated representative from each participating school district and the fiscal agent. LERC is governed by a Board of Directors chosen from the general membership. The degree of control exercised by any participating school district is limited to its representation on the Board. In fiscal year 2006, the School District paid \$ 8,766. Financial information can be obtained by contacting the Treasurer at the Educational Service Center at the Lorain County Board of Education at 1885 Lake Avenue, Elyria, Ohio, 44035.

C. LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

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

D. OHIO SCHOOLS COUNCIL ASSOCIATION

The Ohio Schools Council Association (Council) is a jointly governed organization among ninety-one school districts. The organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2006, the School District paid \$ 809 to the Council. Financial information can be obtained by contacting David A. Cottrell, the Executive Director/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio, 44101.

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

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

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NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. OHIO SCHOOLS COUNCIL ASSOCIATION (continued)

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

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

NOTE 17 - RELATED ORGANIZATION

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

NOTE 18 - CONTINGENCIES

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

AVON LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
(CONTINUED)

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NOTE 19 - SET-ASIDES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instruction materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward to be used for the same purposes in future fiscal years. In prior fiscal years, the School District was also required to set aside money for budget stabilization. At June 30, 2006, only the unspent portion of certain worker's compensation refunds continues to be set aside for budget stabilization.

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

	Textbooks/ Instructional Materials	Budget Stabilization Reserve	Capital Improvements Reserve
Set-aside reserve balance, June 30, 2005	\$ -	\$ 113,990	\$ -
Current year set-aside requirements	503,751	-	503,751
Qualifying disbursements	(440,841)	-	(441,229)
Total	<u>\$ 62,910</u>	<u>\$ 113,990</u>	<u>\$ 62,522</u>
Set-aside balance carried forward to future fiscal years	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Set-aside reserve balance as of June 30, 2006	<u>\$ 62,910</u>	<u>\$ 113,990</u>	<u>\$ 62,522</u>

Combining  
and  
Individual Fund Statements  
and Schedules

## **Fund Descriptions – Nonmajor Governmental Funds**

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### **Nonmajor Special Revenue Funds**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(continued)

## **Fund Descriptions – Nonmajor Governmental Funds**

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### **Nonmajor Special Revenue Funds (continued)**

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

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

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

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

### **Nonmajor Debt Service Fund**

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

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

### **Nonmajor Capital Projects Funds**

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

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

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

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

AVON LAKE CITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>				
Equity in pooled cash	\$ 840,557	\$ 678,875	\$ 1,304,929	\$ 2,824,361
Receivables, net of allowance				
Taxes, current	-	1,258,029	350,602	1,608,631
Taxes, delinquent	-	8,600	4,600	13,200
Interest receivable	-	-	5,150	5,150
Intergovernmental receivable	13,385	-	-	13,385
Inventories and supplies	21,058	-	-	21,058
<b>Total assets</b>	<b>\$ 875,000</b>	<b>\$ 1,945,504</b>	<b>\$ 1,665,281</b>	<b>\$ 4,485,785</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 53,684	\$ -	\$ 103,406	\$ 157,090
Accrued wages and benefits	51,745	-	-	51,745
Intergovernmental payable	24,824	-	-	24,824
Unearned revenue	-	1,008,988	244,397	1,253,385
Compensated absences	8,940	-	-	8,940
<b>Total liabilities</b>	<b>139,193</b>	<b>1,008,988</b>	<b>347,803</b>	<b>1,495,984</b>
<b>Fund balances</b>				
Reserved for inventories and supplies	21,058	-	-	21,058
Reserved for encumbrances	107,838	-	303,233	411,071
Reserved for property taxes	-	257,641	115,955	373,596
Unreserved	606,911	678,875	898,290	2,184,076
<b>Total fund balances</b>	<b>735,807</b>	<b>936,516</b>	<b>1,317,478</b>	<b>2,989,801</b>
<b>Total liabilities and fund balances</b>	<b>\$ 875,000</b>	<b>\$ 1,945,504</b>	<b>\$ 1,665,281</b>	<b>\$ 4,485,785</b>

AVON LAKE CITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Nonmajor Special Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ -	\$ 44,897	\$ 664,651	\$ 709,548
Tuition and fees	19,232	-	-	19,232
Interest	10,254	-	30,178	40,432
Intergovernmental	1,205,427	19,374	128,056	1,352,857
Extracurricular	365,401	-	-	365,401
Charges for services	619,103	-	-	619,103
Other	235,828	-	-	235,828
Total revenues	<u>2,455,245</u>	<u>64,271</u>	<u>822,885</u>	<u>3,342,401</u>
Expenditures				
Current				
Instruction				
Regular	82,597	-	1,082	83,679
Special	225,713	-	-	225,713
Supporting services				
Pupil	538,785	-	-	538,785
Instructional staff	60,168	-	-	60,168
Administration	82,578	-	-	82,578
Fiscal services	-	576	11,166	11,742
Operation and maintenance	3,050	-	267,444	270,494
Pupil transportation	1,113	-	57,515	58,628
Central services	25,001	-	-	25,001
Operation of non-instructional				
Food service operation	764,245	-	-	764,245
Community services	206,188	-	-	206,188
Extracurricular activities	358,022	-	-	358,022
Capital outlay	-	-	29,998	29,998
Debt service				
Principal	-	255,000	-	255,000
Interest	-	61,637	-	61,637
Total expenditures	<u>2,347,460</u>	<u>317,213</u>	<u>367,205</u>	<u>3,031,878</u>
Excess (deficiency) of revenues over expenditures	<u>107,785</u>	<u>(252,942)</u>	<u>455,680</u>	<u>310,523</u>
Other financing sources (uses)				
Transfers-out	-	-	(310,000)	(310,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(310,000)</u>	<u>(310,000)</u>
Net change in fund balances	107,785	(252,942)	145,680	523
Fund balances, beginning of year	<u>628,022</u>	<u>1,189,458</u>	<u>1,171,798</u>	<u>2,989,278</u>
Fund balances, end of year	<u>\$ 735,807</u>	<u>\$ 936,516</u>	<u>\$ 1,317,478</u>	<u>\$ 2,989,801</u>

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AVON LAKE CITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2006

	Food Service	Scholarship	Michael Baumhauer Scholarship	Adult Education	Public School Support
<b>Assets</b>					
Equity in pooled cash	\$ 131,224	\$ 30,348	\$ 13,381	\$ 4,700	\$ 141,021
Intergovernmental receivable	13,385	-	-	-	-
Inventories and supplies	21,058	-	-	-	-
<b>Total assets</b>	<b>\$ 165,667</b>	<b>\$ 30,348</b>	<b>\$ 13,381</b>	<b>\$ 4,700</b>	<b>\$ 141,021</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ -	\$ 27,456
Accrued wages and benefits	35,123	-	-	-	-
Intergovernmental payable	24,824	-	-	-	-
Compensated absences	-	-	-	-	-
<b>Total liabilities</b>	<b>59,947</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,456</b>
<b>Fund balances</b>					
Reserved for inventories and supplies	21,058	-	-	-	-
Reserved for encumbrances	19,095	-	-	-	7,199
Unreserved	65,567	30,348	13,381	4,700	106,366
<b>Total fund balances</b>	<b>105,720</b>	<b>30,348</b>	<b>13,381</b>	<b>4,700</b>	<b>113,565</b>
<b>Total liabilities and fund balances</b>	<b>\$ 165,667</b>	<b>\$ 30,348</b>	<b>\$ 13,381</b>	<b>\$ 4,700</b>	<b>\$ 141,021</b>

Local Grants	Athletics	Auxiliary Services	Management Information Systems	Entry Year Programs	Data Communications	School Net Development
\$ 200,301	\$ 135,839	\$ 98,895	\$ 15,485	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 200,301</u>	<u>\$ 135,839</u>	<u>\$ 98,895</u>	<u>\$ 15,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,027	\$ 6,327	\$ 4,057	\$ -	\$ -	\$ -	\$ -
-	-	15,663	-	-	-	-
-	-	-	-	-	-	-
-	-	8,940	-	-	-	-
<u>5,027</u>	<u>6,327</u>	<u>28,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
12,730	39,989	889	-	-	-	-
182,544	89,523	69,346	15,485	-	-	-
<u>195,274</u>	<u>129,512</u>	<u>70,235</u>	<u>15,485</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 200,301</u>	<u>\$ 135,839</u>	<u>\$ 98,895</u>	<u>\$ 15,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

AVON LAKE CITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2006  
 (CONCLUDED)

	Student Reading Intervention	Alternative Schools	Title VI-B	Title V	Drug Free Schools
<b>Assets</b>					
Equity in pooled cash	\$ -	\$ -	\$ 64,588	\$ -	\$ -
Intergovernmental receivable	-	-	-	-	-
Inventories and supplies	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 64,588</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts and contracts payable	\$ -	\$ -	\$ 10,638	\$ -	\$ -
Accrued wages and benefits	-	-	959	-	-
Intergovernmental payable	-	-	-	-	-
Compensated absences	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>11,597</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>					
Reserved for inventories and supplies	-	-	-	-	-
Reserved for encumbrances	-	-	27,536	-	-
Unreserved	-	-	25,455	-	-
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>52,991</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 64,588</b>	<b>\$ -</b>	<b>\$ -</b>

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Early Childhood Education Development	Class Size Reduction	Total Nonmajor Special Revenue Funds
\$ -	\$ 4,775	\$ 840,557
-	-	13,385
-	-	21,058
<u>\$ -</u>	<u>\$ 4,775</u>	<u>\$ 875,000</u>

\$ -	\$ 179	\$ 53,684
-	-	51,745
-	-	24,824
-	-	8,940
<u>-</u>	<u>179</u>	<u>139,193</u>

-	-	21,058
-	400	107,838
-	4,196	606,911
<u>-</u>	<u>4,596</u>	<u>735,807</u>
<u>\$ -</u>	<u>\$ 4,775</u>	<u>\$ 875,000</u>

AVON LAKE CITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Food Service	Scholarship	Michael Baumhauer Scholarship	Adult Education	Public School Support
Revenues					
Tuition and fees	\$ -	\$ -	\$ -	\$ 456	\$ 946
Interest	5,141	994	397	-	-
Intergovernmental	165,818	-	-	-	-
Extracurricular	-	-	-	-	25,189
Charges for services	619,103	-	-	-	-
Other	-	2,150	1,000	-	107,154
Total revenues	<u>790,062</u>	<u>3,144</u>	<u>1,397</u>	<u>456</u>	<u>133,289</u>
Expenditures					
Current					
Instruction					
Regular	-	-	-	-	155
Special	-	1,631	-	-	1,095
Supporting services					
Pupil	-	-	1,200	-	120,508
Instructional staff	-	-	-	-	9,063
Administration	-	-	-	-	-
Operation and maintenance	-	-	-	-	-
Pupil transportation	-	-	-	-	-
Central services	-	-	-	-	-
Operation of non-instructional					
Food service operation	764,245	-	-	-	-
Community services	-	2,000	-	-	-
Extracurricular activities	-	-	-	-	-
Total expenditures	<u>764,245</u>	<u>3,631</u>	<u>1,200</u>	<u>-</u>	<u>130,821</u>
Net change in fund balances	25,817	(487)	197	456	2,468
Fund balances, beginning of year	<u>79,903</u>	<u>30,835</u>	<u>13,184</u>	<u>4,244</u>	<u>111,097</u>
Fund balances, end of year	<u>\$ 105,720</u>	<u>\$ 30,348</u>	<u>\$ 13,381</u>	<u>\$ 4,700</u>	<u>\$ 113,565</u>

Local Grants	Athletics	Auxiliary Services	Management Information Systems	Entry Year Programs	Data Communications	School Net Development
\$ 17,830	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	3,722	-	-	-	-
-	-	208,828	11,779	3,700	21,000	3,925
-	340,212	-	-	-	-	-
-	-	-	-	-	-	-
96,374	29,150	-	-	-	-	-
<u>114,204</u>	<u>369,362</u>	<u>212,550</u>	<u>11,779</u>	<u>3,700</u>	<u>21,000</u>	<u>3,925</u>
35,488	-	-	-	2,600	-	-
2,851	-	-	-	-	-	-
410	-	-	-	-	-	-
-	-	-	-	700	-	-
2,570	-	-	20,601	500	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	21,000	4,001
-	-	-	-	-	-	-
-	-	160,558	-	-	-	-
13,398	344,624	-	-	-	-	-
<u>54,717</u>	<u>344,624</u>	<u>160,558</u>	<u>20,601</u>	<u>3,800</u>	<u>21,000</u>	<u>4,001</u>
59,487	24,738	51,992	(8,822)	(100)	-	(76)
<u>135,787</u>	<u>104,774</u>	<u>18,243</u>	<u>24,307</u>	<u>100</u>	<u>-</u>	<u>76</u>
<u>\$ 195,274</u>	<u>\$ 129,512</u>	<u>\$ 70,235</u>	<u>\$ 15,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

AVON LAKE CITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006  
 (CONCLUDED)

	Student Reading Intervention	Alternative Schools	Title VI-B	Title V	Drug Free Schools
<b>Revenues</b>					
Tuition and fees	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-
Intergovernmental	-	35,089	649,097	10,214	7,635
Extracurricular	-	-	-	-	-
Charges for services	-	-	-	-	-
Other	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>35,089</b>	<b>649,097</b>	<b>10,214</b>	<b>7,635</b>
<b>Expenditures</b>					
<b>Current</b>					
<b>Instruction</b>					
Regular	2	3,705	-	3,767	-
Special	-	25,754	193,212	-	-
<b>Supporting services</b>					
Pupil	-	4,114	405,581	-	6,972
Instructional staff	-	1,597	-	8,166	-
Administration	-	3,704	53,730	-	-
Operation and maintenance	-	-	-	-	3,050
Pupil transportation	-	1,113	-	-	-
Central services	-	-	-	-	-
<b>Operation of non-instructional</b>					
Food service operation	-	-	-	-	-
Community services	-	719	38,004	1,063	844
Extracurricular activities	-	-	-	-	-
<b>Total expenditures</b>	<b>2</b>	<b>40,706</b>	<b>690,527</b>	<b>12,996</b>	<b>10,866</b>
<b>Net change in fund balances</b>	<b>(2)</b>	<b>(5,617)</b>	<b>(41,430)</b>	<b>(2,782)</b>	<b>(3,231)</b>
<b>Fund balances, beginning of year</b>	<b>2</b>	<b>5,617</b>	<b>94,421</b>	<b>2,782</b>	<b>3,231</b>
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 52,991</b>	<b>\$ -</b>	<b>\$ -</b>

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Early Childhood Education Development	Class Size Reduction	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 19,232
-	-	10,254
23,302	65,040	1,205,427
-	-	365,401
-	-	619,103
-	-	235,828
<u>23,302</u>	<u>65,040</u>	<u>2,455,245</u>
-	36,880	82,597
1,170	-	225,713
-	-	538,785
21,864	18,778	60,168
1,473	-	82,578
-	-	3,050
-	-	1,113
-	-	25,001
-	-	764,245
-	3,000	206,188
-	-	358,022
<u>24,507</u>	<u>58,658</u>	<u>2,347,460</u>
(1,205)	6,382	107,785
<u>1,205</u>	<u>(1,786)</u>	<u>628,022</u>
<u>\$ -</u>	<u>\$ 4,596</u>	<u>\$ 735,807</u>

AVON LAKE CITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2006

	Permanent Improvements	Building Improvements	School Net Plus	Total Capital Projects
<b>Assets</b>				
Equity in pooled cash	\$ 425,295	\$ 879,634	\$ -	\$ 1,304,929
Receivables, net of allowance				
Taxes, current	350,602	-	-	350,602
Taxes, delinquent	4,600	-	-	4,600
Interest receivable	-	5,150	-	5,150
<b>Total assets</b>	<b>\$ 780,497</b>	<b>\$ 884,784</b>	<b>\$ -</b>	<b>\$ 1,665,281</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 103,406	\$ -	\$ -	\$ 103,406
Unearned revenue	239,247	5,150	-	244,397
<b>Total liabilities</b>	<b>342,653</b>	<b>5,150</b>	<b>-</b>	<b>347,803</b>
<b>Fund balances</b>				
Reserved for property taxes	115,955	-	-	115,955
Reserved for encumbrances	106,813	196,420	-	303,233
Unreserved	215,076	683,214	-	898,290
<b>Total fund balances</b>	<b>437,844</b>	<b>879,634</b>	<b>-</b>	<b>1,317,478</b>
<b>Total liabilities and fund balances</b>	<b>\$ 780,497</b>	<b>\$ 884,784</b>	<b>\$ -</b>	<b>\$ 1,665,281</b>

AVON LAKE CITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Permanent Improvements	Building Improvements	School Net Plus	Total Capital Projects
Revenues				
Taxes	\$ 664,651	\$ -	\$ -	\$ 664,651
Interest	-	30,178	-	30,178
Intergovernmental	128,056	-	-	128,056
Contributions and donations	-	-	-	-
Total revenues	<u>792,707</u>	<u>30,178</u>	<u>-</u>	<u>822,885</u>
Expenditures				
Current				
Instruction				
Regular	-	880	202	1,082
Supporting services				
Fiscal services	11,166	-	-	11,166
Operation and maintenance	267,444	-	-	267,444
Pupil transportation	57,515	-	-	57,515
Capital outlay	14,367	15,631	-	29,998
Total expenditures	<u>350,492</u>	<u>16,511</u>	<u>202</u>	<u>367,205</u>
Excess (deficiency) of revenues over expenditures	<u>442,215</u>	<u>13,667</u>	<u>(202)</u>	<u>455,680</u>
Other financing sources (uses)				
Transfers-out	(310,000)	-	-	(310,000)
Total other financing sources (uses)	<u>(310,000)</u>	<u>-</u>	<u>-</u>	<u>(310,000)</u>
Net change in fund balances	132,215	13,667	(202)	145,680
Fund balances, beginning of year	<u>305,629</u>	<u>865,967</u>	<u>202</u>	<u>1,171,798</u>
Fund balances, end of year	<u>\$ 437,844</u>	<u>\$ 879,634</u>	<u>\$ -</u>	<u>\$ 1,317,478</u>

**Individual Fund Statements – Nonmajor Funds**

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**Agency Funds**

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

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

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

AVON LAKE CITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Student Activities Fund			
	Beginning Balance	Additions	Deductions	Ending Balance
	June 30, 2005			June 30, 2006
<b>Assets</b>				
Equity in pooled cash	\$ 132,726	\$ 274,827	\$ 251,376	\$ 156,177
<b>Total assets</b>	<b>\$ 132,726</b>	<b>\$ 274,827</b>	<b>\$ 251,376</b>	<b>\$ 156,177</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 10,232	\$ -	10,232
Due to students	132,726	264,595	251,376	\$ 145,945
<b>Total liabilities</b>	<b>\$ 132,726</b>	<b>\$ 274,827</b>	<b>\$ 251,376</b>	<b>\$ 156,177</b>

	Staff Services Fund			
	Beginning Balance	Additions	Deductions	Ending Balance
	June 30, 2005			June 30, 2006
<b>Assets</b>				
Equity in pooled cash	\$ 3,701	\$ 2,714	\$ 2,361	\$ 4,054
<b>Total assets</b>	<b>\$ 3,701</b>	<b>\$ 2,714</b>	<b>\$ 2,361</b>	<b>\$ 4,054</b>
<b>Liabilities</b>				
Due to others	\$ 3,701	\$ 2,714	\$ 2,361	\$ 4,054
<b>Total liabilities</b>	<b>\$ 3,701</b>	<b>\$ 2,714</b>	<b>\$ 2,361</b>	<b>\$ 4,054</b>

	Total Agency Funds			
	Beginning Balance	Additions	Deductions	Ending Balance
	June 30, 2005			June 30, 2006
<b>Assets</b>				
Equity in pooled cash	\$ 136,427	\$ 277,541	\$ 253,737	\$ 160,231
<b>Total assets</b>	<b>136,427</b>	<b>277,541</b>	<b>253,737</b>	<b>160,231</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 10,232	\$ -	\$ 10,232
Due to students	132,726	264,595	251,376	145,945
Due to others	3,701	2,714	2,361	4,054
<b>Total liabilities</b>	<b>\$ 136,427</b>	<b>\$ 277,541</b>	<b>\$ 253,737</b>	<b>\$ 160,231</b>

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 22,209,721	\$ 22,362,256	\$ 22,984,224	\$ 621,968
Tuition and fees	386,301	388,954	399,772	10,818
Interest	415,424	418,277	429,911	11,634
Intergovernmental	6,041,302	6,082,793	6,251,976	169,183
Miscellaneous	68,016	68,483	70,388	1,905
<b>Total revenues</b>	<b>29,120,764</b>	<b>29,320,763</b>	<b>30,136,271</b>	<b>815,508</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instruction</b>				
Regular				
Salaries	10,491,464	10,530,696	10,810,526	(279,830)
Benefits	3,520,531	3,533,696	3,991,085	(457,389)
Purchased services	630,936	633,295	827,165	(193,870)
Materials and supplies	1,132,276	1,136,510	783,159	353,351
Capital outlay	259,776	260,747	122,340	138,407
<b>Total regular</b>	<b>16,034,983</b>	<b>16,094,944</b>	<b>16,534,275</b>	<b>(439,331)</b>
Special				
Salaries	1,419,691	1,425,000	1,383,835	41,165
Benefits	540,336	542,357	430,899	111,458
Materials and supplies	2,764	2,774	4,253	(1,479)
<b>Total special</b>	<b>1,962,791</b>	<b>1,970,131</b>	<b>1,818,987</b>	<b>151,144</b>
Vocational				
Salaries	181,322	182,000	142,552	39,448
Benefits	77,112	77,400	46,820	30,580
Purchased services	1,494	1,500	1,087	413
<b>Total vocational</b>	<b>259,928</b>	<b>260,900</b>	<b>190,459</b>	<b>70,441</b>
Adult/continuing				
Salaries	49,814	50,000	12,426	37,574
Benefits	6,277	6,300	690	5,610
Materials and supplies	-	-	29	(29)
<b>Total adult/continuing</b>	<b>56,091</b>	<b>56,300</b>	<b>13,145</b>	<b>43,155</b>
Other				
Salaries	59,776	60,000	134,281	(74,281)
Benefits	-	-	9	(9)
Purchased services	324,651	325,865	234,627	91,238
Other	393,528	395,000	350,950	44,050
<b>Total other instruction</b>	<b>777,955</b>	<b>780,865</b>	<b>719,867</b>	<b>60,998</b>
<b>Total instruction</b>	<b>19,091,748</b>	<b>19,163,140</b>	<b>19,276,733</b>	<b>(113,593)</b>

(continued)

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Supporting services				
Pupil				
Salaries	1,588,859	1,594,800	1,529,696	65,104
Benefits	591,747	593,960	1,008,391	(414,431)
Purchased services	218,232	219,048	175,329	43,719
Materials and supplies	37,058	37,197	20,255	16,942
Capital outlay	996	1,000	210	790
Total pupil	<u>2,436,892</u>	<u>2,446,005</u>	<u>2,733,881</u>	<u>(287,876)</u>
Instructional staff				
Salaries	517,365	519,300	477,397	41,903
Benefits	209,208	209,990	124,322	85,668
Purchased services	15,044	15,100	11,143	3,957
Materials and supplies	43,417	43,579	32,151	11,428
Capital outlay	16,189	16,250	3,906	12,344
Total instructional staff	<u>801,223</u>	<u>804,219</u>	<u>648,919</u>	<u>155,300</u>
Board of education				
Salaries	6,974	7,000	7,230	(230)
Benefits	1,375	1,380	455	925
Purchased services	8,657	8,689	5,594	3,095
Other	4,981	5,000	5,446	(446)
Total business	<u>21,987</u>	<u>22,069</u>	<u>18,725</u>	<u>3,344</u>
Administration				
Salaries	1,763,904	1,770,500	1,691,658	78,842
Benefits	790,145	793,100	571,814	221,286
Purchased services	552,681	554,748	374,415	180,333
Materials and supplies	33,141	33,265	27,064	6,201
Capital outlay	8,692	8,725	15,569	(6,844)
Other	27,019	27,120	35,601	(8,481)
Total administration	<u>3,175,582</u>	<u>3,187,458</u>	<u>2,716,121</u>	<u>471,337</u>
Fiscal				
Salaries	267,002	268,000	264,366	3,634
Benefits	129,239	129,722	99,720	30,002
Purchased services	60,206	60,431	46,523	13,908
Materials and supplies	14,338	14,392	945	13,447
Capital outlay	14,944	15,000	52,494	(37,494)
Other	392,905	394,374	418,471	(24,097)
Total fiscal	<u>878,634</u>	<u>881,919</u>	<u>882,519</u>	<u>(600)</u>

(continued)

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Business				
Salaries	57,983	58,200	56,975	1,225
Benefits	30,885	31,000	23,284	7,716
Purchased services	13,440	13,490	2,120	11,370
Total fiscal	<u>102,308</u>	<u>102,690</u>	<u>82,379</u>	<u>20,311</u>
Operation and maintenance				
Salaries	1,415,849	1,421,143	1,361,132	60,011
Benefits	606,901	609,170	426,743	182,427
Purchased services	2,120,260	2,128,189	2,263,952	(135,763)
Materials and supplies	266,526	267,523	265,489	2,034
Capital outlay	15,467	15,525	19,748	(4,223)
Total operation and maintenance	<u>4,425,003</u>	<u>4,441,550</u>	<u>4,337,064</u>	<u>104,486</u>
Pupil transportation				
Salaries	773,607	776,500	743,827	32,673
Benefits	253,442	254,390	154,728	99,662
Purchased services	69,636	69,896	46,852	23,044
Materials and supplies	167,204	167,829	148,889	18,940
Capital outlay	16,937	17,000	1,103	15,897
Other	498	500	323	177
Total pupil transportation	<u>1,281,324</u>	<u>1,286,115</u>	<u>1,095,722</u>	<u>190,393</u>
Central services				
Purchased services	23,319	23,406	30,681	(7,275)
Capital outlay	47,821	48,000	6,927	41,073
Total central services	<u>71,140</u>	<u>71,406</u>	<u>37,608</u>	<u>33,798</u>
Total supporting services	<u>13,194,093</u>	<u>13,243,431</u>	<u>12,552,938</u>	<u>690,493</u>
Extracurricular activities				
Academic and subject oriented				
Salaries	64,758	65,000	50,197	14,803
Benefits	8,369	8,400	2,652	5,748
Purchased services	-	-	3,315	(3,315)
Materials and supplies	5,978	6,000	743	5,257
Total academic and subject oriented	<u>79,105</u>	<u>79,400</u>	<u>56,907</u>	<u>22,493</u>

(continued)

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	(Concluded)		General Fund		Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual		
	Original	Final			
Occupation oriented					
Salaries	1,494	1,500	1,196		304
Benefits	1,395	1,400	65		1,335
Total occupation oriented	<u>2,889</u>	<u>2,900</u>	<u>1,261</u>		<u>1,639</u>
Sports oriented					
Salaries	249,069	250,000	437,436		(187,436)
Benefits	125,730	126,200	73,046		53,154
Purchased services	7,771	7,800	8,320		(520)
Capital outlay	-	-	298		(298)
Other	498	500	345		155
Total sports oriented	<u>383,068</u>	<u>384,500</u>	<u>519,445</u>		<u>(134,945)</u>
Co-curricular activities					
Salaries	43,836	44,000	43,549		451
Benefits	6,476	6,500	2,133		4,367
Total co-curricular activities	<u>50,312</u>	<u>50,500</u>	<u>45,682</u>		<u>4,818</u>
Total extracurricular activities	<u>515,374</u>	<u>517,300</u>	<u>623,295</u>		<u>(105,995)</u>
Capital outlay	<u>217,686</u>	<u>218,500</u>	<u>210,476</u>		<u>8,024</u>
Total expenditures	<u>33,018,901</u>	<u>33,142,371</u>	<u>32,663,442</u>		<u>478,929</u>
Excess (deficiency) of revenues over expenditures	<u>(3,898,137)</u>	<u>(3,821,608)</u>	<u>(2,527,171)</u>		<u>1,294,437</u>
Other financing sources (uses)					
Gain (loss) on sale of assets	-	-	21,820		21,820
Advances in	-	-	160,882		160,882
Refund of prior year expenditures	-	-	30,227		30,227
Transfers-out	-	(51,000)	(50,568)		432
Advances out	-	-	(53,381)		(53,381)
Total other financing sources (uses)	<u>-</u>	<u>(51,000)</u>	<u>108,980</u>		<u>159,980</u>
Net change in fund balance	<u>(3,898,137)</u>	<u>(3,872,608)</u>	<u>(2,418,191)</u>		<u>1,454,417</u>
Prior year encumbrances	854,058	854,058	854,058		-
Fund balances, beginning of year	<u>4,150,342</u>	<u>4,150,342</u>	<u>4,150,342</u>		<u>-</u>
Fund balances, end of year	<u>\$ 1,106,263</u>	<u>\$ 1,131,792</u>	<u>\$ 2,586,209</u>		<u>\$ 1,454,417</u>

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Bond Retirement Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 3,810,511	\$ 3,861,706	\$ 4,335,559	\$ 473,853
Total expenditures and other uses	2,092,180	3,897,157	3,412,453	484,704
Net change in fund balance	1,718,331	(35,451)	923,106	958,557
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	1,250,062	1,250,062	1,250,062	-
Fund balances, end of year	<u>\$ 2,968,393</u>	<u>\$ 1,214,611</u>	<u>\$ 2,173,168</u>	<u>\$ 958,557</u>

	Food Service Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 605,000	\$ 656,243	\$ 748,315	\$ 92,072
Total expenditures and other uses	676,641	719,461	699,583	19,878
Net change in fund balance	(71,641)	(63,218)	48,732	111,950
Prior year encumbrances	1,646	1,646	1,646	-
Fund balances, beginning of year	61,752	61,752	61,752	-
Fund balances, end of year	<u>\$ (8,243)</u>	<u>\$ 180</u>	<u>\$ 112,130</u>	<u>\$ 111,950</u>

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Scholarship Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 7,500	\$ 7,500	\$ 3,144	\$ (4,356)
Total expenditures and other uses	3,500	3,631	3,631	-
Net change in fund balance	4,000	3,869	(487)	(4,356)
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	30,835	30,835	30,835	-
Fund balances, end of year	<u>\$ 34,835</u>	<u>\$ 34,704</u>	<u>\$ 30,348</u>	<u>\$ (4,356)</u>

	Michael Baumhauer Scholarship Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 2,000	\$ 2,000	\$ 1,397	\$ (603)
Total expenditures and other uses	500	1,200	1,200	-
Net change in fund balance	1,500	800	197	(603)
Prior year encumbrances	610	610	610	-
Fund balances, beginning of year	12,574	12,574	12,574	-
Fund balances, end of year	<u>\$ 14,684</u>	<u>\$ 13,984</u>	<u>\$ 13,381</u>	<u>\$ (603)</u>

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Adult Education Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 5,000	\$ 5,000	\$ 456	\$ (4,544)
Total expenditures and other uses	1,000	1,000	-	1,000
Net change in fund balance	4,000	4,000	456	(3,544)
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	4,244	4,244	4,244	-
Fund balances, end of year	<u>\$ 8,244</u>	<u>\$ 8,244</u>	<u>\$ 4,700</u>	<u>\$ (3,544)</u>

	Public School Support Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 185,000	\$ 135,000	\$ 133,289	\$ (1,711)
Total expenditures and other uses	97,888	138,883	138,883	-
Net change in fund balance	87,112	(3,883)	(5,594)	(1,711)
Prior year encumbrances	4,788	4,788	4,788	-
Fund balances, beginning of year	107,172	107,172	107,172	-
Fund balances, end of year	<u>\$ 199,072</u>	<u>\$ 108,077</u>	<u>\$ 106,366</u>	<u>\$ (1,711)</u>

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Local Grants Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 104,000	\$ 104,000	\$ 114,204	\$ 10,204
Total expenditures and other uses	60,236	80,667	80,667	-
Net change in fund balance	43,764	23,333	33,537	10,204
Prior year encumbrances	25,921	25,921	25,921	-
Fund balances, beginning of year	123,086	123,086	123,086	-
Fund balances, end of year	<u>\$ 192,771</u>	<u>\$ 172,340</u>	<u>\$ 182,544</u>	<u>\$ 10,204</u>

	Athletic Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 443,000	\$ 381,000	\$ 370,542	\$ (10,458)
Total expenditures and other uses	309,950	413,692	392,128	21,564
Net change in fund balance	133,050	(32,692)	(21,586)	11,106
Prior year encumbrances	54,020	54,020	54,020	-
Fund balances, beginning of year	58,538	58,538	58,538	-
Fund balances, end of year	<u>\$ 245,608</u>	<u>\$ 79,866</u>	<u>\$ 90,972</u>	<u>\$ 11,106</u>

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Auxiliary Services Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 266,000	\$ 214,000	\$ 212,550	\$ (1,450)
Total expenditures and other uses	266,910	266,910	180,184	86,726
Net change in fund balance	(910)	(52,910)	32,366	85,276
Prior year encumbrances	46,628	46,628	46,628	-
Fund balances, beginning of year	14,955	14,955	14,955	-
Fund balances, end of year	<u>\$ 60,673</u>	<u>\$ 8,673</u>	<u>\$ 93,949</u>	<u>\$ 85,276</u>

	Management Information Systems Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 12,000	\$ 12,000	\$ 11,778	\$ (222)
Total expenditures and other uses	21,100	21,100	20,600	500
Net change in fund balance	(9,100)	(9,100)	(8,822)	278
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	24,307	24,307	24,307	-
Fund balances, end of year	<u>\$ 15,207</u>	<u>\$ 15,207</u>	<u>\$ 15,485</u>	<u>\$ 278</u>

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Entry Year Programs Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 14,000	\$ 3,700	\$ 3,700	\$ -
Total expenditures and other uses	100	3,800	3,800	-
Net change in fund balance	13,900	(100)	(100)	-
Prior year encumbrances	100	100	100	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ 14,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Data Communications Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 10,000	\$ 21,000	\$ 21,000	\$ -
Total expenditures and other uses	-	21,000	21,000	-
Net change in fund balance	10,000	-	-	-
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	School Net Development Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 5,000	\$ 5,000	\$ 3,925	\$ (1,075)
Total expenditures and other uses	-	4,001	4,001	-
Net change in fund balance	5,000	999	(76)	(1,075)
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	76	76	76	-
Fund balances, end of year	<u>\$ 5,076</u>	<u>\$ 1,075</u>	<u>\$ -</u>	<u>\$ (1,075)</u>

	Student Reading Intervention Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ -	\$ -	\$ -	\$ -
Total expenditures and other uses	-	2	2	-
Net change in fund balance	-	(2)	(2)	-
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	2	2	2	-
Fund balances, end of year	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Alternative Schools Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 55,000	\$ 42,165	\$ 42,165	\$ -
Total expenditures and other uses	42,441	42,553	42,553	-
Net change in fund balance	12,559	(388)	(388)	-
Prior year encumbrances	7,351	7,351	7,351	-
Fund balances, beginning of year	(6,963)	(6,963)	(6,963)	-
Fund balances, end of year	<u>\$ 12,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Title VI-B Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 575,000	\$ 906,025	\$ 906,025	\$ -
Total expenditures and other uses	729,581	879,531	879,531	-
Net change in fund balance	(154,581)	26,494	26,494	-
Prior year encumbrances	105,076	105,076	105,076	-
Fund balances, beginning of year	(105,076)	(105,076)	(105,076)	-
Fund balances, end of year	<u>\$ (154,581)</u>	<u>\$ 26,494</u>	<u>\$ 26,494</u>	<u>\$ -</u>

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Title V Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 10,000	\$ 11,779	\$ 11,779	\$ -
Total expenditures and other uses	10,264	14,561	14,561	-
Net change in fund balance	(264)	(2,782)	(2,782)	-
Prior year encumbrances	50	50	50	-
Fund balances, beginning of year	2,732	2,732	2,732	-
Fund balances, end of year	<u>\$ 2,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Drug Free Schools Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 8,000	\$ 15,172	\$ 11,697	\$ (3,475)
Total expenditures and other uses	10,665	16,867	13,392	3,475
Net change in fund balance	(2,665)	(1,695)	(1,695)	-
Prior year encumbrances	3,030	3,030	3,030	-
Fund balances, beginning of year	(1,335)	(1,335)	(1,335)	-
Fund balances, end of year	<u>\$ (970)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Early Childhood Education Development Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 25,000	\$ 33,584	\$ 33,584	\$ -
Total expenditures and other uses	21,830	33,584	33,584	-
Net change in fund balance	3,170	-	-	-
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ 3,170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Class Size Reduction Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 25,000	\$ 84,435	\$ 84,435	\$ -
Total expenditures and other uses	66,966	80,239	80,239	-
Net change in fund balance	(41,966)	4,196	4,196	-
Prior year encumbrances	1,345	1,345	1,345	-
Fund balances, beginning of year	(1,345)	(1,345)	(1,345)	-
Fund balances, end of year	<u>\$ (41,966)</u>	<u>\$ 4,196</u>	<u>\$ 4,196</u>	<u>\$ -</u>

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Library Bond Retirement Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 55,000	\$ 55,000	\$ 54,897	\$ (103)
Total expenditures and other uses	317,214	317,214	317,214	-
Net change in fund balance	(262,214)	(262,214)	(262,317)	(103)
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	941,191	941,191	941,191	-
Fund balances, end of year	<u>\$ 678,977</u>	<u>\$ 678,977</u>	<u>\$ 678,874</u>	<u>\$ (103)</u>

	Permanent Improvements Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 695,000	\$ 699,481	\$ 788,967	\$ 89,486
Total expenditures and other uses	739,295	762,218	762,218	-
Net change in fund balance	(44,295)	(62,737)	26,749	89,486
Prior year encumbrances	68,195	68,195	68,195	-
Fund balances, beginning of year	129,895	129,895	129,895	-
Fund balances, end of year	<u>\$ 153,795</u>	<u>\$ 135,353</u>	<u>\$ 224,839</u>	<u>\$ 89,486</u>

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Building Improvements Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 33,954	\$ 33,954	\$ 30,177	\$ (3,777)
Total expenditures and other uses	708,440	708,440	212,930	495,510
Net change in fund balance	(674,486)	(674,486)	(182,753)	491,733
Prior year encumbrances	208,440	208,440	208,440	-
Fund balances, beginning of year	657,527	657,527	657,527	-
Fund balances, end of year	<u>\$ 191,481</u>	<u>\$ 191,481</u>	<u>\$ 683,214</u>	<u>\$ 491,733</u>

	School Net Plus Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 35,000	\$ -	\$ -	\$ -
Total expenditures and other uses	202	202	202	-
Net change in fund balance	34,798	(202)	(202)	-
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	202	202	202	-
Fund balances, end of year	<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

AVON LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Self Insurance Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 3,185,000	\$ 3,885,000	\$ 4,361,741	\$ 476,741
Total expenditures and other uses	3,211,511	4,404,158	4,183,178	220,980
Net change in fund balance	(26,511)	(519,158)	178,563	697,721
Prior year encumbrances	211,511	211,511	211,511	-
Fund balances, beginning of year	308,588	308,588	308,588	-
Fund balances, end of year	\$ 493,588	\$ 941	\$ 698,662	\$ 697,721

AVON LAKE CITY SCHOOL DISTRICT  
NET ASSETS BY COMPONENT  
LAST FOUR FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	2006	2005	2004	2003
Governmental activities				
Invested in capital assets, net of related debt	\$ 13,050,247	\$ 13,551,954	\$ 12,403,818	\$ 9,132,085
Restricted	6,018,615	5,115,807	4,677,199	3,766,080
Unrestricted	(1,432,914)	(562,847)	(639,465)	5,174,622
Total primary government net assets	<u>\$ 17,635,948</u>	<u>\$ 18,104,914</u>	<u>\$ 16,441,552</u>	<u>\$ 18,072,787</u>

**Note:**

The District began to report accrual information when it implemented GASB Statement 34 in 2003. Information prior to 2003 is not available.

AVON LAKE CITY SCHOOL DISTRICT  
EXPENSES, PROGRAM REVENUES AND NET (EXPENSES) REVENUE  
LAST FOUR FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	2006	2005	2004	2003
Expenses				
Governmental activities:				
Instruction				
Regular	\$ 17,283,670	\$ 17,067,490	\$ 17,041,281	\$ 11,689,934
Special	2,074,881	2,057,130	1,726,273	1,616,580
Vocational	187,079	252,331	226,332	197,384
Adult/continuing	13,409	36,793	32,974	12,922
Other instruction	718,927	649,596	-	-
Supporting services				
Pupil	3,279,597	2,530,881	2,235,500	1,564,520
Instructional staff	495,175	873,051	1,583,121	1,583,368
Board of education	17,999	18,202	12,284	14,625
Administration	2,900,181	3,090,189	3,032,320	2,590,859
Fiscal services	949,135	922,519	875,443	772,525
Business	87,500	86,459	72,063	61,081
Operation and maintenance	4,667,818	4,582,836	3,716,052	3,639,874
Rupil transportation	1,210,650	1,318,645	1,157,158	1,063,898
Central services	62,203	12,498	11,129	31,335
Operation of non-instructional				
Food service operation	802,400	829,674	694,053	646,164
Community services	219,150	334,781	288,654	241,576
Extracurricular activities	1,046,500	1,243,236	1,098,085	938,883
Interest	2,285,814	2,427,174	2,727,315	2,893,026
Total primary government expenses	<u>38,302,088</u>	<u>38,333,485</u>	<u>36,530,037</u>	<u>29,558,554</u>
Program revenues				
Governmental activities:				
Charges for services and sales				
Instruction	412,502	378,491	316,206	197,275
Supporting services	26,135	40,630	68,667	151,087
Food service	619,103	586,662	531,639	520,370
Extracurricular activities	340,212	448,435	454,198	278,885
Operating grants, interest and contributions	1,033,158	1,010,702	1,327,736	974,121
Capital grants and contributions	-	-	13,585	78,952
Total primary government program revenues	<u>2,431,110</u>	<u>2,464,920</u>	<u>2,712,031</u>	<u>2,200,690</u>
Net (expense) revenue	<u>\$ (35,870,978)</u>	<u>\$ (35,868,565)</u>	<u>\$ (33,818,006)</u>	<u>\$ (27,357,864)</u>
Total primary government net expense				

**Note:**

The District began to report accrual information when it implemented GASB Statement 34 in 2003. Information prior to 2003 is not available.

AVON LAKE CITY SCHOOL DISTRICT  
GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS  
LAST FOUR FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)

	2006	2005	2004	2003
Net (expense) revenue				
Total primary government net expense	\$ (35,870,978)	\$ (35,868,565)	\$ (33,818,006)	\$ (27,357,864)
General revenues and other changes in net assets				
Governmental activities:				
Property taxes levied for:				
General purposes	23,165,725	24,308,114	22,600,586	21,030,950
Debt service	3,532,839	3,900,350	3,179,264	2,983,852
Capital improvements	664,825	700,018	641,184	216,824
Grants and entitlements				
not restricted to specific purposes	7,096,997	6,973,114	6,114,769	6,201,476
Investment earnings	602,965	331,950	120,589	665,235
Miscellaneous	338,661	271,569	538,981	536,927
Total primary government	35,402,012	36,485,115	33,195,373	31,635,264
Change in net assets				
Total primary government	\$ (468,966)	\$ 616,550	\$ (622,633)	\$ 4,277,400

**Note:**

The District began to report accrual information when it implemented GASB Statement 34 in 2003. Information prior to 2003 is not available.

AVON LAKE CITY SCHOOL DISTRICT  
 FUND BALANCES – GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Fund										
Reserved	\$ 5,815,564	\$ 4,687,670	\$ 2,877,394	\$ 3,518,950	\$ 3,775,434	\$ 3,244,894	\$ 3,087,428	\$ 2,580,919	\$ 2,670,650	\$ 1,375,745
Unreserved	(957,142)	1,099,541	2,780,039	2,505,782	1,822,594	638,880	1,398,725	710,363	(661,374)	(1,704,921)
Total General Fund	\$ 4,858,422	\$ 5,787,211	\$ 5,657,433	\$ 6,024,732	\$ 5,598,028	\$ 3,883,774	\$ 4,486,153	\$ 3,291,282	\$ 2,009,276	\$ (329,176)
All other governmental funds										
Reserved	\$ 1,596,764	\$ 1,573,675	\$ 629,297	\$ 2,000,056	\$ 8,091,755	\$ 31,157,309	\$ 7,468,479	\$ 485,813	\$ 273,605	\$ 118,578
Unreserved, reported in										
Special Revenue Funds (1)	606,911	444,599	459,923	506,653	525,868	352,109	412,210	270,505	247,558	190,036
Debt Service Funds	2,852,044	2,191,254	1,879,686	1,867,075	1,866,270	1,900,733	1,700,199	2,319,290	2,647,689	2,887,354
Capital Projects Funds	898,290	787,624	1,363,806	917,499	(67,374)	564,347	34,335,290	24,541	197,954	265,063
Total all other governmental funds	\$ 5,954,009	\$ 4,997,152	\$ 4,332,712	\$ 5,291,283	\$ 10,416,519	\$ 33,974,498	\$ 43,916,178	\$ 3,100,149	\$ 3,366,806	\$ 3,461,031

(1) Prior to the implementation of GASB Statement No. 34 in 2003, certain funds were previously accounted for as Enterprise Funds.

AVON LAKE CITY SCHOOL DISTRICT  
GENERAL GOVERNMENTAL REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Taxes	\$ 27,353,596	\$ 28,925,023	\$ 26,350,410	\$ 24,201,750	\$ 23,763,436	\$ 21,492,775	\$ 20,719,032	\$ 17,735,288	\$ 18,551,710	\$ 16,392,372
Interest	496,026	327,617	114,933	641,818	1,030,724	3,856,734	2,209,388	573,565	470,553	459,922
Intergovernmental	8,130,155	7,994,271	7,304,436	7,162,106	6,104,383	3,944,108	3,538,190	3,246,696	3,359,738	2,703,300
Extracurricular	370,501	446,956	503,878	323,363	348,905	378,122	313,653	261,595	280,057	209,952
Charges for services	619,103	586,662	866,832	824,254	161,439	184,131	84,619	71,198	33,344	64,892
Miscellaneous	747,009	688,284	667,027	695,986	219,983	296,944	233,442	103,424	210,128	86,034
<b>Total</b>	<b>\$ 37,716,390</b>	<b>\$ 38,968,813</b>	<b>\$ 35,807,516</b>	<b>\$ 33,849,277</b>	<b>\$ 31,628,870</b>	<b>\$ 30,152,814</b>	<b>\$ 27,098,324</b>	<b>\$ 21,991,766</b>	<b>\$ 22,905,530</b>	<b>\$ 19,916,472</b>

Source: School District Financial Records, All Governmental Fund Types.

Note: Beginning in fiscal year 2003, the Food Service Fund, the Uniform School Supply Fund and the Summer School Fund are being accounted for in the General Governmental Revenues as opposed to the Proprietary Fund Revenues.

AVON LAKE CITY SCHOOL DISTRICT  
GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

LAST TEN FISCAL YEARS

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Expenditures										
Current										
Instruction										
Regular	\$ 15,389,028	\$ 15,174,910	\$ 14,917,287	\$ 12,873,943	\$ 11,851,577	\$ 11,182,553	\$ 10,542,815	\$ 9,866,600	\$ 9,605,620	\$ 9,144,512
Special	2,042,418	2,035,391	1,712,208	1,634,261	1,357,776	1,717,385	1,595,555	1,271,982	1,180,178	1,009,962
Vocational	182,050	247,656	220,233	202,223	177,076	191,316	177,010	143,794	135,980	132,229
Adult/continuing	13,449	37,489	32,829	11,228	-	-	-	-	385	5,612
Other instruction	718,927	649,596	-	-	-	-	-	-	-	99,601
Supporting services										
Pupil	3,276,384	2,654,253	2,021,379	1,578,932	1,348,868	1,299,685	1,147,167	1,065,280	1,089,648	882,093
Instructional staff	693,314	904,103	1,625,559	1,585,293	1,397,177	1,185,753	957,277	898,107	854,573	805,609
Board of education	17,999	18,249	12,386	14,630	14,203	38,207	334,084	251,372	284,936	240,762
Administration	2,690,840	2,975,064	2,989,248	2,688,406	2,512,923	2,523,349	2,032,944	1,717,655	1,756,688	1,519,556
Fiscal services	952,909	900,934	887,229	785,429	684,597	582,021	519,373	502,699	516,442	459,149
Business	85,006	83,903	74,498	64,486	66,560	62,840	88,365	89,847	66,341	49,108
Operation and maintenance	4,180,675	4,112,400	3,783,645	3,662,932	2,914,613	2,513,142	2,038,514	1,906,088	1,897,775	1,988,334
Pupil transportation	1,169,507	1,281,848	1,162,022	1,106,931	842,024	785,314	779,798	675,732	691,100	717,771
Central services	62,203	12,498	11,129	31,335	43,687	74,075	46,077	27,430	54,313	4,168
Operation of non-instructional										
Food service operation	764,245	761,281	726,173	619,239	-	-	-	-	-	-
Community services	206,188	331,941	288,491	241,458	190,950	180,021	166,016	145,319	97,299	137,188
Extracurricular activities	991,341	1,176,253	1,081,643	964,977	916,161	832,866	660,459	615,600	551,191	498,036
Capital outlay	240,474	333,521	2,143,711	6,084,750	28,287,138	13,974,311	3,463,186	669,928	2,518,183	649,908
Debt service										
Principal	2,226,686	2,173,153	2,011,312	1,601,395	1,460,620	615,000	585,000	634,655	1,194,589	363,574
Interest	1,784,679	2,722,220	2,509,149	2,548,577	2,613,177	2,964,060	2,967,142	499,727	524,444	517,270
Total expenditures	\$ 37,688,322	\$ 38,586,663	\$ 38,210,131	\$ 38,300,425	\$ 56,679,127	\$ 40,721,898	\$ 28,100,782	\$ 20,981,815	\$ 23,019,685	\$ 19,224,442
Debt service as a percentage of noncapital expenditures	10.71%	12.80%	12.53%	12.88%	14.35%	13.38%	14.42%	5.58%	8.38%	4.74%

AVON LAKE CITY SCHOOL DISTRICT  
 OTHER FINANCING SOURCES AND USES AND NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Excess of revenues over (under) expenditures	\$ 28,068	\$ 382,150	\$ (2,402,615)	\$ (4,451,148)	\$ (25,050,257)	\$ (10,569,084)	\$ (1,002,458)	\$ 1,009,951	\$ (114,155)	\$ 692,030
Other financing sources (uses)										
Proceeds of refunding bonds	-	40,569,842	-	-	-	-	-	-	-	-
Transfers-in	360,568	389,564	355,825	383,457	367,490	29,943	409,807	424,002	1,082,008	199,302
Proceeds from loan issue	-	-	-	257,069	800,000	-	-	-	-	-
Proceeds from note issue	-	-	-	-	1,785,717	-	-	-	-	-
Proceeds from bond issue	-	-	-	-	-	-	43,005,134	-	2,195,000	-
Gain on sale of capital assets	-	-	-	-	1,600	500	-	4,622	60	1,800
Capital lease proceeds	-	-	1,076,745	-	609,977	-	-	-	162,654	-
Transfers-out	(360,568)	(389,564)	(355,825)	(383,457)	(370,807)	(4,948)	(409,807)	(424,002)	(1,082,008)	(199,302)
Payment to bond escrow agent	-	(40,157,774)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	412,068	1,076,745	257,069	3,193,977	25,495	43,005,134	4,622	2,357,714	1,800
Net change in fund balances	\$ 28,068	\$ 794,218	\$ (1,325,870)	\$ (4,194,079)	\$ (21,856,280)	\$ (10,543,589)	\$ 42,002,676	\$ 1,014,573	\$ 2,243,559	\$ 693,830

AVON LAKE CITY SCHOOL DISTRICT  
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS

Year	Agriculture, Residential and Other Real Property		Public Utility Property		Tangible Personal Property		Total		Assessed Value Ratio
	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (2)	Assessed Value	Estimated Actual Value (3)	Assessed Value	Estimated Actual Value	
2006	\$ 639,000,320	\$ 1,825,715,200	\$ 89,484,090	\$ 101,686,466	\$ 52,701,113	\$ 210,804,452	\$ 781,185,523	\$ 2,138,206,118	37%
2005	608,828,450	1,739,509,857	94,787,120	107,712,636	71,691,440	311,701,913	775,307,010	2,158,924,406	36%
2004	577,484,470	1,649,955,629	89,826,130	102,075,148	76,118,840	330,951,478	743,429,440	2,082,982,255	36%
2003	526,706,330	1,504,875,229	87,013,120	98,878,545	85,523,650	342,094,600	699,243,100	1,945,848,374	36%
2002	496,622,850	1,418,922,429	90,597,440	102,951,636	73,893,390	295,573,560	661,113,680	1,817,447,625	36%
2001	477,312,060	1,363,748,743	119,221,210	135,478,648	74,240,490	296,961,960	670,773,760	1,796,189,351	37%
2000	409,716,690	1,170,619,114	102,252,710	116,196,261	77,626,205	310,504,820	589,595,605	1,597,320,195	37%
1999	396,077,135	1,131,648,957	89,551,480	101,763,045	73,246,003	292,984,012	558,874,618	1,526,396,014	37%
1998	379,164,090	1,083,325,971	94,906,220	107,847,977	63,205,045	252,820,180	537,275,355	1,443,994,128	37%
1997	338,117,080	966,048,800	95,204,230	108,186,625	57,582,400	230,329,600	490,903,710	1,304,565,025	38%

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

(1) This amount is calculated based upon an assessed value of 35 percent of actual value.

(2) This amount is calculated based upon the current assessed value of 88 percent of actual value.

(3) The amount is calculated based upon an assessed value of 25 percent of actual value.

AVON LAKE CITY SCHOOL DISTRICT  
 PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS  
 (PER \$ 1,000 ASSESSED VALUATION)

LAST TEN FISCAL YEARS

Year	School Levy	Library	County Levy	JVS Levy	City Levy	Total Levy	Debt Service			
							School (1)	County (2)	Included in Total Levy City	Total
2006	\$ 60.26	\$ 1.80	\$ 13.49	\$ 2.45	\$ 6.95	\$ 84.95	\$ 4.91	\$ -	\$ -	\$ 4.91
2005	64.51	1.80	13.19	2.45	6.95	88.90	4.91	-	-	4.91
2004	60.36	1.80	12.89	2.45	7.24	84.74	4.98	-	-	4.98
2003	60.69	1.80	12.89	2.45	7.24	85.07	4.98	-	-	4.98
2002	61.14	1.80	12.89	2.45	7.24	85.52	5.15	-	-	5.15
2001	55.94	1.80	10.79	2.45	7.24	78.22	5.18	-	-	5.18
2000	56.54	1.80	10.79	2.45	7.24	78.82	5.78	-	-	5.78
1999	56.63	1.80	12.69	2.45	7.24	80.81	5.87	-	-	5.87
1998	53.87	1.80	12.69	2.45	7.24	78.05	1.25	-	-	1.25
1997	53.87	1.80	12.69	2.45	7.24	78.05	1.25	-	-	1.25

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

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

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

AVON LAKE CITY SCHOOL DISTRICT  
 PRINCIPAL TAXPAYERS –  
 TANGIBLE PERSONAL PROPERTY  
 AS OF JUNE 30, 2006 AND JUNE 30, 1997

DECEMBER 31, 2005		
Name of Taxpayer	Assessed Value (1)	Percent of Total Assessed Value
Noveon, Inc.	\$ 11,033,400	1.41%
Ford Motor Company	10,941,200	1.40%
Polyone Corporation	8,739,950	1.12%
Tioxide America, Inc.	3,245,690	0.42%
Glidden Company	2,075,890	0.27%
Ed Tomko Chyrsler Plymouth Inc.	1,135,200	0.15%
Western Scott Fetzer, Co.	692,150	0.09%
Riser Foods Company	629,840	0.08%
Wateredge, Inc.	534,110	0.07%
Polymer Diagnostics, Inc.	499,450	0.06%
	<u>\$ 39,526,880</u>	<u>5.06%</u>

DECEMBER 31, 1996		
Name of Taxpayer	Assessed Value (1)	Percent of Total Assessed Value
Ford Motor Company	\$ 20,587,630	36.70%
Geon Company	14,545,480	25.93%
BF Goodrich Company	9,271,540	16.53%
Rosborough Manufacturing Corporation	1,198,860	2.14%
Nissan Motor Manufacturing Corporation	1,109,790	1.98%
Scott Fetzer Company	926,080	1.65%
Watter-Edge Uniflex, Inc.	694,800	1.24%
Arrow Aluminum Casting Company	665,130	1.19%
Rini Rego Supermarkets, Inc.	575,220	1.03%
Ed Tomko Chyrsler Plymouth Inc.	454,880	0.81%
	<u>\$ 50,029,410</u>	<u>89.20%</u>

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

(1) Assessed Values are for the 2006 and 1997 collection year, respectively.

AVON LAKE CITY SCHOOL DISTRICT  
 PRINCIPAL TAXPAYERS –  
 REAL ESTATE TAX

AS OF JUNE 30, 2006 AND JUNE 30, 1997

DECEMBER 31, 2005		
Name of Taxpayer	Assessed Value (1)	Percent of Total Assessed Value
Ford Motor Company	\$ 9,945,200	1.56%
American Transmission	4,154,700	0.65%
Geon Company	4,084,290	0.64%
Kopf Properties, Ltd.	2,430,940	0.38%
Legacy Pointe, Ltd.	2,174,100	0.34%
Learwood Square Company, LLC	1,935,420	0.30%
Towne Independent Living	1,898,610	0.30%
Gamellia Construction, Inc.	1,859,800	0.29%
Waterside Crossings, Ltd.	1,841,000	0.29%
FMD Group, Inc.	1,785,010	0.28%
	<u>\$ 32,109,070</u>	<u>5.02%</u>

DECEMBER 31, 1996		
Name of Taxpayer	Assessed Value (1)	Percent of Total Assessed Value
Cleveland Electric Illuminating Company	\$ 18,128,040	5.36%
Ford Motor Company	7,590,140	2.25%
KOPF Construction	2,076,970	0.61%
BF Goodrich Company	1,346,030	0.40%
Learwood Square Company	1,085,000	0.32%
Avon Lake Associates	1,061,620	0.31%
Geon Company	994,810	0.29%
Paul E. Hadju	938,580	0.28%
Shoreham Development Company	859,750	0.25%
Lesco Inc.	782,150	0.23%
	<u>\$ 34,863,090</u>	<u>10.30%</u>

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

(1) Assessed Values are for the 2006 and 1997 collection year, respectively.

AVON LAKE CITY SCHOOL DISTRICT  
 PRINCIPAL TAXPAYERS –  
 PUBLIC UTILITY TAX

AS OF JUNE 30, 2006 AND JUNE 30, 1997

DECEMBER 31, 2005		
Name of Taxpayer	Assessed Value (1)	Percent of Total Assessed Value
Orion Power Midwest LP	\$ 90,366,460	83.89%
Cleveland Electric Illuminating Company	9,284,430	8.62%
American Landmark LTD	4,886,930	4.53%
Centurytel of Ohio, Inc.	2,065,130	1.92%
Columbia Gas of Ohio	1,121,070	1.04%
	<u>\$ 107,724,020</u>	<u>99.99%</u>

DECEMBER 31, 1996		
Name of Taxpayer	Assessed Value (1)	Percent of Total Assessed Value
Cleveland Electric Illuminating Company	\$ 87,257,550	91.65%
Central Telephone Utility	4,664,980	4.90%
Columbia Gas of Ohio	2,804,820	2.95%
Norfolk and Western Railroad	422,520	0.44%
Columbia Gas Transmission	52,630	0.06%
Phonetel Technologies, Inc.	1,730	0.00%
	<u>\$ 95,204,230</u>	<u>100.00%</u>

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

(1) Assessed Values are for the 2006 and 1997 collection year, respectively.  
 Assessed Values include public utilities and real estate values, details of which are not available.

AVON LAKE CITY SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS (1)  
LAST TEN FISCAL YEARS

Year (2)	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2005	\$ 28,644,396	\$ 27,902,337	97.41%	\$ 413,543	28,315,880	98.85%	\$ 2,240,206 (3)	7.82%
2004	28,283,085	27,988,587	98.96%	504,570	28,493,157	100.74%	204,731	0.72%
2003	23,975,086	23,572,502	98.32%	277,716	23,850,218	99.48%	143,552	0.60%
2002	22,599,575	22,572,967	99.88%	251,027	22,823,994	100.99%	101,237	0.45%
2001	20,308,622	20,104,185	98.99%	180,557	20,284,742	99.88%	278,567	1.37%
2000	18,396,971	18,217,508	99.02%	146,642	18,364,150	99.82%	248,453	1.35%
1999	15,320,145	15,193,124	99.17%	163,710	15,356,834	100.24%	182,242	1.19%
1998	15,321,549	15,177,360	99.06%	110,063	15,287,423	99.78%	181,537	1.18%
1997	14,972,306	14,856,181	99.22%	131,575	14,987,756	100.10%	139,709	0.93%
1996	13,406,720	13,590,249	101.37%	285,652	13,875,901	103.50%	124,759	0.93%

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

(1) Includes Homestead/Rollback taxes assessed locally but distributed through the State and reported as Intergovernmental Revenue.

(2) Represents collection year. 2006 information cannot be presented because all collections have not been made by June 30.

(3) A principal taxpayer was delinquent in filing its personal property tax return with the Lorain County Auditor.

AVON LAKE CITY SCHOOL DISTRICT  
 OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS

Year	General Obligation Bonded Debt (1)	Notes Payable	Loans Payable	Capital Leases	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)	Per ADM (a)
2006	\$ 44,143,314	\$ 1,188,182	\$ 104,069	\$ 221,606	\$ 45,657,171	7.78%	\$ 2,516	\$ 13,425
2005	45,473,372	1,345,701	324,019	543,292	47,686,384	8.13%	2,628	14,543
2004	46,654,726	1,500,300	534,703	925,761	49,615,490	8.46%	2,734	15,201
2003	47,690,331	1,620,717	736,437	283,594	50,331,079	8.58%	2,774	15,434
2002	48,629,052	1,785,717	625,455	483,902	51,524,126	8.78%	2,840	16,346
2001	49,648,295	-	-	-	49,648,295	8.46%	2,736	16,041
2000	50,135,432	-	-	-	50,135,432	8.54%	2,763	16,915
1999	7,020,000	-	-	125,525	7,145,525	2.32%	431	2,417
1998	7,595,000	856,000	-	185,180	8,636,180	2.80%	521	2,865
1997	6,584,555	150,000	-	10,034	6,744,589	2.19%	407	2,130

Source: (1) School District Financial Records

(a) See Schedule S-17 for personal income, population, and ADM data. These ratios are calculated using data for the prior calendar year.

AVON LAKE CITY SCHOOL DISTRICT  
 COMPUTATION OF DIRECT AND OVERLAPPING GENERAL OBLIGATION DEBT  
 AS OF JUNE 30, 2006

Jurisdiction	General Obligation Debt Outstanding	Total Assessed Value	Percentage Applicable to School District (1)	Amount Applicable to School District
Direct				
Avon Lake City School District	\$ 42,130,642	\$ 781,185,523	100.00%	\$ 42,130,642
Overlapping				
Lorain County (2)	26,890,000	6,276,363,667	12.45%	3,346,855
City of Avon Lake (2)	39,663,751	781,185,523	100.00%	39,663,751
Sub Total				43,010,606
Total	\$ 108,684,393			\$ 85,141,248

Source: Lorain County Auditor - Total Assessed Value is presented on a calendar year basis (including School District's) because that is the manner in which the information is maintained by the County Auditor.

(1) Percentages are computed 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.

(2) Debt is as of December 31, 2005.

AVON LAKE CITY SCHOOL DISTRICT  
COMPUTATION OF LEGAL DEBT MARGIN  
LAST TEN FISCAL YEARS

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Assessed Valuation	\$ 781,185,523	\$ 775,307,010	\$ 743,429,440	\$ 699,243,100	\$ 661,113,680	\$ 670,773,760	\$ 589,592,105	\$ 558,874,513	\$ 537,275,355	\$ 490,903,710
Debt Limit -9% of Assessed Value (1)	70,306,697	69,777,631	66,908,650	62,931,879	59,500,231	60,369,638	53,063,289	50,298,706	48,354,782	44,181,334
Debt applicable to limitation										
Total voted general obligation debt	40,829,925	42,424,925	43,699,977	47,090,331	48,629,052	49,648,295	50,135,142	7,020,000	7,595,000	6,584,555
Total unvoted general obligation debt	1,300,717	1,610,717	1,915,717	2,220,717	-	-	-	-	-	-
Less amount available in debt service funds	(2,852,044)	(3,197,332)	(2,302,495)	(2,323,028)	(2,480,271)	(2,436,179)	(2,475,278)	(2,410,455)	(2,759,502)	(2,887,354)
Amount of debt subject to debt limit:	39,278,598	40,838,310	43,313,199	46,988,020	46,148,781	47,212,116	47,659,864	4,609,545	4,835,498	3,697,201
Overall debt margin	31,028,099	28,939,321	23,595,451	15,943,859	13,351,450	13,157,522	5,403,425	45,689,161	43,519,284	40,484,133
Overall Limit - .10% of Assessed Value (1)	\$ 781,186	\$ 775,307	\$ 743,429	\$ 699,243	\$ 661,114	\$ 670,774	\$ 589,592	\$ 558,875	\$ 537,275	\$ 490,904
Amount of debt subject to debt limit:	-	-	-	-	-	-	-	-	-	-
Unvoted Debt Margin	\$ 781,186	\$ 775,307	\$ 743,429	\$ 699,243	\$ 661,114	\$ 670,774	\$ 589,592	\$ 558,875	\$ 537,275	\$ 490,904
Additional Limit for Unvoted Energy Conservation Bonds and Notes:										
Debt Limit - .9% of Assessed Value	\$ 7,030,670	\$ 6,977,763	\$ 6,690,865	\$ 6,293,188	\$ 5,950,023	\$ 6,036,964	\$ 5,306,329	\$ 5,029,871	\$ 4,835,478	\$ 4,418,133
Amount of debt subject to debt limit:	1,300,717	1,610,717	1,915,717	2,220,717	735,000	1,025,000	1,340,000	1,680,000	2,020,000	-
Additional Unvoted Debt Margin	\$ 5,729,953	\$ 5,367,046	\$ 4,775,148	\$ 4,072,471	\$ 5,215,023	\$ 5,011,964	\$ 3,966,329	\$ 3,349,871	\$ 2,815,478	\$ 4,418,133

Source: Lorain County Auditor and School District Financial Records.

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

AVON LAKE CITY SCHOOL DISTRICT  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN FISCAL YEARS

Calendar Year	Population (1)	Per Capita Income	Personal Income	Average Daily Student Enrollment (3)	Unemployment Rate (2)		
					Lorain County	Ohio	U.S.
2006	18,145	\$ 32,336	\$ 586,736,720	3,401	5.4%	5.1%	4.6%
2005	18,145	32,336	586,736,720	3,279	6.5%	6.2%	5.7%
2004	18,145	32,336	586,736,720	3,264	6.2%	6.4%	5.6%
2003	18,145	32,336	586,736,720	3,261	7.4%	6.8%	6.3%
2002	18,145	32,336	586,736,720	3,152	6.0%	6.0%	5.8%
2001	18,145	32,336	586,736,720	3,095	5.0%	4.5%	4.5%
2000	18,145	32,336	586,736,720	2,964	4.0%	4.3%	4.0%
1999	16,570	18,627	308,649,390	2,956	4.8%	4.5%	4.3%
1998	16,570	18,627	308,649,390	3,014	4.5%	4.4%	4.5%
1997	16,570	18,627	308,649,390	3,167	5.0%	4.5%	5.0%

Source:

(1) Population statistics for the City of Avon Lake for the years 1994 through 1999 were estimated by the U.S. Census Bureau in the Population Estimate Program. The population figure for the year 2000 through 2006 is actual based on the 2000 Census.

(2) The Cleveland Public Library - Document Section as of July 1st

(3) Average Daily Student Enrollment is compiled as of the first week in October reported to the Ohio Department of Education for the fiscal year.

AVON LAKE CITY SCHOOL DISTRICT  
 PRINCIPAL EMPLOYERS  
 AS OF DECEMBER 31, 2005 AND 2001

Employer	Nature of Activity or Business	December 2005		December 2001 (1)	
		Approximate Number of Employees	Rank	Approximate Number of Employees	Rank
Ford Motor Company	Van and sport utility vehicle assembly	2,693	1	2,715	1
PolyOne Corp	Distributor of thermoplastics, compounds & resins	600	2	500	2
Avon Lake City School District	Public education	382	3	379	3
Cleveland Electric	Electric power distribution service	315	4	-	-
Noveon, Inc	Manufactures polymers & specialties chemicals	250	5	175	5
The City of Avon Lake	Governmental	153	6	138	8
Giant Eagle	Grocery retail	150	7	145	7
Kopf Construction Corp	Commercial/residential contractor	125	8	110	11
Sunrise Medical HHG, Inc	Manufactures customized wheelchairs	120	9	154	6
TNT Logistics North America	Freight forwarding & automobile carrier services	100	10	-	-
Western/Scott Fetzer Company	Gas control technology	-	-	280	4
Arrow Aluminum Castings Co	Aluminum, sand, and permanent mold castings	-	-	125	9
Rosborough Manufacturing	Steel industry equipment & chemical mixing	-	-	125	10

(1) Information prior to 2001 is not available

Sources: "2006 Harris Ohio Industrial Directory" in cooperation with respective employers.

AVON LAKE CITY SCHOOL DISTRICT  
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY TYPE  
 LAST THREE FISCAL YEARS

	2006	2005	2004
Professional Staff			
Teaching Staff:			
Elementary K-6	102.62	98.12	98.62
Middle	37.00	40.00	35.00
High	66.50	73.00	65.72
Tutors	14.16	10.77	10.65
Administrators			
District/Building	15.00	20.00	17.00
Auxiliary Positions			
Psychologist	1.00	1.00	1.00
Nurse	1.63	1.26	1.26
Speech & Language Therapist	2.43	2.43	2.03
Physical Therapist	1.00	0.00	0.00
Occupational Therapist Assistant	1.00	0.75	0.75
Support Staff			
Counseling	9.00	9.00	8.50
Computer Tech	2.00	2.00	1.00
Printer	1.00	1.00	1.00
Librarian/Media	3.00	6.00	5.00
Library Aide	4.75	5.25	4.50
Clerical	27.96	27.34	26.94
Teaching Aide	24.51	22.87	30.37
General Maintenance	8.00	6.00	6.00
Mechanic	2.00	2.00	2.00
Transportation Supervisor	1.00	1.00	1.00
Bus Drivers	29.81	24.11	23.61
Custodial	28.00	30.00	28.00
Food Service	22.18	14.88	13.41
Security	1.50	1.00	1.00
Attendants & Monitors	35.50	26.01	16.97
Total	<u>442.55</u>	<u>425.79</u>	<u>401.33</u>

(1) Data prior to 2004 is not available

AVON LAKE CITY SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS

Year	Average Daily Student Enrollment (1)	General Fund Expenditures	Cost Per Pupil (1)	Percent Change	Teaching Staff	Pupil Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals
2006	3,401	\$ 31,152,350	9,571	-2.33%	222	15.32	7.70%
2005	3,279	30,945,649	9,799	4.29%	224	14.64	7.40%
2004	3,264	30,504,120	9,396	11.79%	231	14.13	9.10%
2003	3,261	26,473,638	8,405	1.29%	209	15.60	11.10%
2002	3,152	24,263,971	8,298	7.29%	213	14.80	10.50%
2001	3,095	22,920,956	7,734	-6.46%	207	14.95	n/a
2000	2,964	20,075,017	8,268	22.56%	209	14.18	n/a
1999	2,956	18,374,955	6,746	1.32%	200	14.78	n/a
1998	3,014	18,002,651	6,658	15.55%	196	15.38	n/a
1997	3,167	16,967,543	5,762	0.47%	191	16.58	n/a

Source: School District Financial Records.

(1) Ohio Department of Education  
EFM - Expenditure per Pupil Report

n/a Not available

AVON LAKE CITY SCHOOL DISTRICT  
TEACHER BASE SALARIES  
LAST TEN FISCAL YEARS

Year	Minimum Salary (a)	Maximum Salary (a)	Avon Lake Average Salary (b)
2006	\$ 32,988	\$ 72,079	\$ 55,782
2005	31,950	69,811	53,245
2004	30,989	67,711	51,385
2003	30,086	65,738	50,119
2002	29,139	63,669	47,315
2001	28,263	61,755	47,491
2000	27,466	60,013	44,738
1999	26,731	58,407	45,118
1998	26,016	56,845	4,335
1997	25,197	55,055	-

Sources:

(a) District salary schedules

(b) Ohio Department of Education

AVON LAKE CITY SCHOOL DISTRICT  
 TEACHER EDUCATION AND EXPERIENCE  
 JUNE 30, 2006

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Degree	Number of Teachers	Percentage of Total
Bachelor's Degree	13	5.86%
Bachelor + 10	18	8.11%
Bachelor + 20	29	13.06%
Master's Degree	75	33.78%
Master's + 10	49	22.07%
Master's + 20	16	7.21%
Master's + 30	22	9.91%
	<u>222</u>	<u>100.00%</u>

Degree	Number of Teachers	Percentage of Total
0 - 5	44	19.82%
6-10	61	27.48%
11 and over	117	52.70%
	<u>222</u>	<u>100.00%</u>

AVON LAKE CITY SCHOOL DISTRICT  
 AVERAGE ACT SCORES  
 LAST TEN FISCAL YEARS

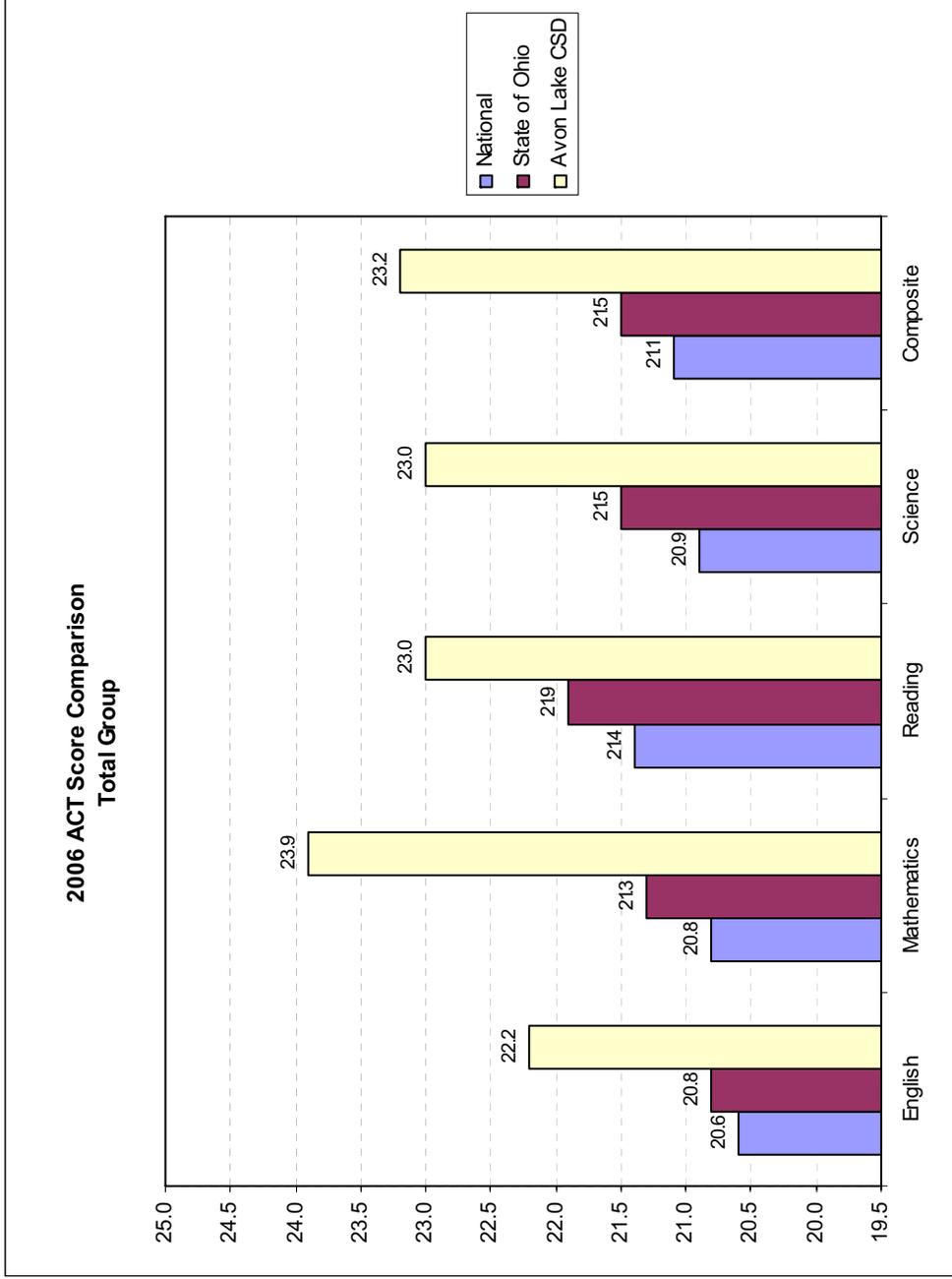
English:	Avon Lake	State of Ohio	National	Science Reasoning:	Avon Lake	State of Ohio	National
2005 - 2006	22.2	20.8	20.6	2005 - 2006	23.0	21.5	20.9
2004 - 2005	22.7	20.7	20.4	2004 - 2005	23.4	21.5	20.9
2003 - 2004	21.9	20.7	20.4	2003 - 2004	22.8	21.5	20.9
2002 - 2003	21.8	20.6	20.3	2002 - 2003	22.5	21.4	20.8
2001 - 2002	21.8	20.6	20.2	2001 - 2002	22.5	21.5	20.8
2000 - 2001	21.6	20.7	20.5	2000 - 2001	22.5	21.5	21.0
1999 - 2000	21.8	20.7	20.5	1999 - 2000	22.8	21.4	21.0
1998 - 1999	21.6	20.8	20.5	1998 - 1999	22.2	21.4	21.0
1997 - 1998	22.0	20.7	20.4	1997 - 1998	22.6	21.5	21.1
1996 - 1997	21.7	20.6	20.3	1996 - 1997	21.5	21.4	21.0

Math:	Avon Lake	State of Ohio	National	Composite:	Avon Lake	State of Ohio	National
2005 - 2006	23.9	21.3	20.8	2005 - 2006	23.2	21.5	21.1
2004 - 2005	24.2	21.2	20.7	2004 - 2005	23.7	21.4	20.9
2003 - 2004	23.3	21.1	20.7	2003 - 2004	22.9	21.4	20.9
2002 - 2003	23.3	21.1	20.6	2002 - 2003	22.6	21.4	20.8
2001 - 2002	23.3	21.2	20.6	2001 - 2002	22.8	21.4	20.8
2000 - 2001	22.3	21.1	20.7	2000 - 2001	22.3	21.4	21.0
1999 - 2000	22.7	21.2	20.7	1999 - 2000	22.8	21.4	21.0
1998 - 1999	22.3	21.1	20.7	1998 - 1999	22.2	21.4	21.0
1997 - 1998	22.5	21.2	20.8	1997 - 1998	22.7	21.4	21.0
1996 - 1997	22.0	21.0	20.6	1996 - 1997	21.9	21.3	21.0

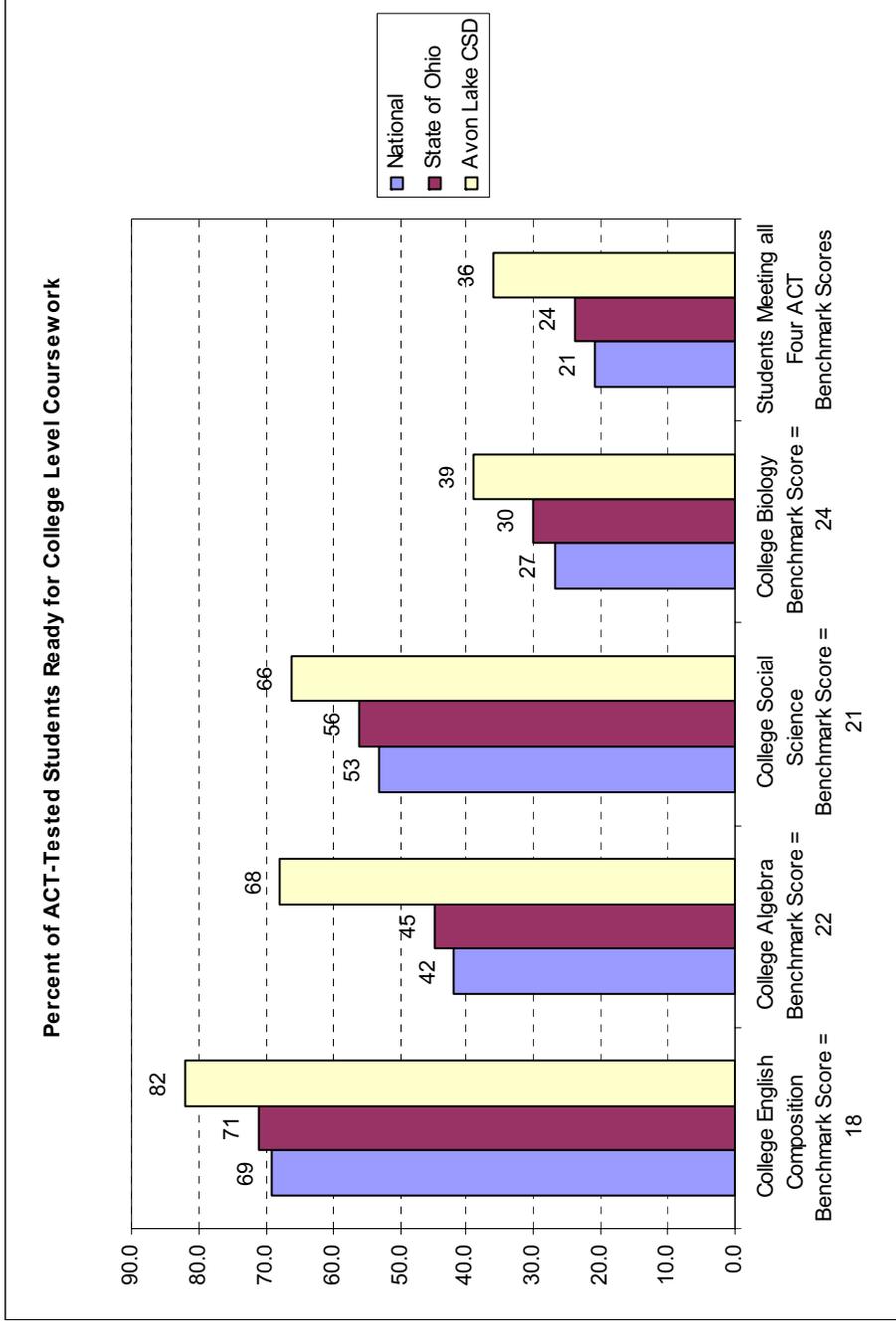
Reading:	Avon Lake	State of Ohio	National
2005 - 2006	23.0	21.9	21.4
2004 - 2005	23.9	21.9	21.3
2003 - 2004	23.3	21.9	21.3
2002 - 2003	22.3	21.8	21.2
2001 - 2002	23.4	21.8	21.1
2000 - 2001	22.4	21.8	21.3
1999 - 2000	23.0	21.9	21.4
1998 - 1999	22.3	21.9	21.4
1997 - 1998	23.1	21.8	21.4
1996 - 1997	22.0	21.8	21.3

Source: American College Testing Program

AVON LAKE CITY SCHOOL DISTRICT  
2006 ACT SCORE COMPARISON  
JUNE 30, 2006



AVON LAKE CITY SCHOOL DISTRICT  
 PERCENT OF ACT TESTED STUDENTS READY FOR COLLEGE LEVEL COURSEWORK  
 JUNE 30, 2006



AVON LAKE CITY SCHOOL DISTRICT  
CAPITAL ASSET INFORMATION  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Elementary Schools</b>										
Eastview (1950)										
Square feet	43,721	43,721	43,721	-	-	-	-	-	-	-
Enrollment	317	328	346	365	333	319	275	281	294	303
Erieview (1950)										
Square feet	37,905	37,905	37,905	-	-	-	-	-	-	-
Enrollment	258	260	258	239	232	229	248	270	280	296
Redwood (1962)										
Square feet	51,273	51,273	-	-	-	-	-	-	-	-
Enrollment	357	311	313	292	280	289	283	261	277	298
Troy (1970)										
Square feet	101,764	101,764	101,764	101,764	101,764	101,764	101,764	101,764	101,764	101,764
Enrollment	553	497	469	505	515	491	442	467	518	558
Westview (1957)										
Square feet	38,445	38,445	-	-	-	-	-	-	-	-
Enrollment	230	224	226	225	217	206	202	228	245	279
<b>Middle School</b>										
Learwood (1959)										
Square feet	108,839	108,839	-	-	-	-	-	-	-	-
Enrollment	512	531	531	536	511	499	513	519	474	467
<b>High School</b>										
Avon Lake High (1927)										
Square feet	321,552	321,552	-	-	-	-	-	-	-	-
Enrollment	1,173	1,128	1,122	1,099	1,065	1,063	1,001	930	927	968

Source: District records.



**Auditor of State  
Betty Montgomery**

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800-282-0370

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**AVON LAKE CITY SCHOOL DISTRICT**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 16, 2007**