

**NORTH ROYALTON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 10, 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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**NORTH ROYALTON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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**NORTH ROYALTON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution	N/A	10.550	\$0	\$41,484	\$0	\$41,484
Nutrition Cluster:						
National School Breakfast Program	05PU-2005	10.553	2,961	0	2,961	0
National School Breakfast Program	05PU-2006	10.553	4,743	0	4,743	0
Subtotal National School Breakfast Program			7,704	0	7,704	0
National School Lunch Program	LLP4-2005	10.555	45,413	0	45,413	0
National School Lunch Program	LLP4-2006	10.555	89,160	0	89,160	0
Subtotal National School Lunch Program			134,573	0	134,573	0
Total Nutrition Cluster			142,277	0	142,277	0
Total U.S. Department of Agriculture			142,277	41,484	142,277	41,484
U.S. Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
IDEA Part B (Title VI-B)	6BSF-2005	84.027	0	0	42,996	0
IDEA Part B (Title VI-B)	6BSF-2006	84.027	907,274	0	833,728	0
Collaborative Grant	6BSD-2005	84.027	38,070	0	36,533	0
Collaborative Grant	6BSD-2006	84.027	70,117	0	69,266	0
Subtotal IDEA Part B			1,015,461	0	982,523	0
Preschool Disability Grant	PGS1-2005P	84.173	423	0	3,496	0
Preschool Disability Grant	PGS1-2006P	84.173	19,798	0	17,588	0
Subtotal Preschool Disability Grant			20,221	0	21,084	0
Total Special Education Cluster			1,035,682	0	1,003,607	0
Drug Free School Grant	DRS1-2005	84.186	7,631	0	890	0
Drug Free School Grant	DRS1-2006	84.186	7,139	0	8,310	0
Total Drug Free School Grant			14,770	0	9,200	0
Title V - Innovative Programs	C2S1-2005	84.298	8,930	0	9,027	0
Title V - Innovative Programs	C2S1-2006	84.298	15,021	0	16,033	0
Total Title V - Innovative Programs			23,951	0	25,060	0
Title II, Part A - Teacher and Principal Training and Recruiting	TRS1-2005	84.367	13,827	0	11,923	0
Title II, Part A - Teacher and Principal Training and Recruiting	TRS1-2006	84.367	58,697	0	63,468	0
Total Title II, Part A - Teacher and Principal Training and Recruiting			72,524	0	75,391	0
Title III - Limited English Proficiency Grant	T3S1-2005	84.365	0	0	1,255	0
Title III - Limited English Proficiency Grant	T3S1-2006	84.365	15,419	0	15,720	0
Total Title III - Limited English Proficiency Grant			15,419	0	16,975	0
Total U.S. Department of Education			1,162,346	0	1,130,233	0
Total Federal Financial Assistance			\$1,304,623	\$41,484	\$1,272,510	\$41,484

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

**NORTH ROYALTON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B –FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Values may change from month to month and are entirely subjective. At June 30, 2006, the District had no significant food commodities in inventory.

NOTE C – NATIONAL SCHOOL LUNCH PROGRAM

Cash receipts from the U.S. Department of Agriculture are co-mingled with State grants and local monies. It is assumed federal monies are expended first.

CFDA – Catalog of Federal Domestic Assistance.

N/A – Not applicable



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Royalton City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2006. We did not audit the financial statements of the Suburban Health Consortium, an agency fund, which represents 80% of assets of the aggregate remaining fund information. Other auditors audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated December 14, 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

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

Betty Montgomery
Auditor of State

December 14, 2006



Auditor of State Betty Montgomery

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

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

Compliance

We have audited the compliance of the North Royalton City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 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 its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Royalton City School District as of and for the year ended June 30, 2006, and have issued our report thereon dated December 14, 2006. We did not audit the financial statements of the Suburban Health Consortium, an agency fund, which represents 80% of assets of the aggregate remaining fund information. Other auditors audited those financial statements. Our audit was performed to form opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards receipts and expenditures provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



Betty Montgomery
Auditor of State

December 14, 2006

NORTH ROYALTON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

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

1. SUMMARY OF AUDITOR'S RESULTS

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

**NORTH ROYALTON CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

NORTH ROYALTON CITY SCHOOL DISTRICT

North Royalton, Ohio

**Comprehensive
Annual Financial Report**
For the Fiscal Year Ended June 30, 2006

North Royalton City School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2006
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NORTH ROYALTON CITY SCHOOLS

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6579 Royalton Road
North Royalton, Ohio 44133

December 14, 2006

Board of Education Members
North Royalton City School District

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the North Royalton City School District ("School District") for the fiscal year ended June 30, 2006. This CAFR, which includes financial statements and other financial and statistical data, conforms to generally accepted accounting principles as applicable to governmental entities. Responsibility for both the accuracy of the data presented, and the completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the School District. All disclosures necessary to enable the reader to gain an understanding of the School District's financial activities have been included.

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

This report is divided into the following sections:

- I. The Introductory Section, which includes a Table of Contents, this Transmittal Letter, a List of Principal Officials, the School District's Organizational Chart and the GFOA Certificate of Achievement.
- II. The Financial Section, which begins with the Independent Accountant's Report, and includes Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the School District's financial position and operating results, the Combining Statements for the nonmajor funds and other schedules that provide detailed information relative to the Basic Financial Statements.
- III. The Statistical Section, which includes related financial and demographic information, generally presented on a multi-year basis.

The School District

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

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

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

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

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

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

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

The Reporting Entity

The School District has reviewed its reporting entity definition in order to ensure conformance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." In evaluating how to define the District for financial reporting purposes, management has considered all agencies, departments and organizations making up the North Royalton City School District (the primary government) and its potential component units.

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

Economic Condition and Outlook

The City of North Royalton continues to experience a period of rapid growth. The 2000 U.S. Census data reports a population of 28,648 in the City of North Royalton. This represents a 23.5 percent increase since the 1990 census. The median household income is \$57,398.

The North Royalton City School District receives 69.2 percent of its governmental revenues from local property tax collections. Therefore the long-term financial health of the School District is very dependent on its tax base. The total assessed value of the School District's tax duplicate rose by nearly 76 percent in the last ten years. The increased value in the duplicate is due to revisions in property values made by the County Auditor every three years and new construction taking place in the School District.

The City of North Royalton and the City of Broadview Heights continue to attract new housing and commercial development. There are currently 27 new housing developments approved and under construction in the School District. As of June 30, 2006 there were approximately 1,000 new home lots approved by the Planning Commissions and City Councils of the respective cities for completion in the School District over the next five years.

Enrollment for the 1996-1997 school year was 4,181 students. Enrollment for the 2005-2006 school year was 4,599 students. The School District enlists the assistance of a professional demographer to develop enrollment projections. Projections are developed assuming low, moderate and high growth rates in the School District. The last enrollment projections completed in March 2004 indicate that the growth in the student population will continue. Student enrollment projections for the 2013-2014 school year estimates an enrollment of 5,562 students assuming moderate growth rates.

Educational Program

During the 2006 school year, the School District's curriculum included a wide range of electives and comprehensive courses of study in college preparatory, liberal arts and vocational programs. The School District offers advanced placement courses at the high school in American Government, English, Calculus AB, Computer Science, Economics and Physics B. Test scores indicate students are achieving higher than State and national averages. The School District has earned the highest rating on the State of Ohio District Report Card for the past six consecutive years.

The graduating Class of 2006 exceeded the state and national average scores on both the American College Test (ACT) and the Scholastic Aptitude Test (SAT). The composite score of 22.2 on the ACT surpassed the state average of 21.5 and the national average of 21.1. The mean scores for North Royalton students on the SAT of 556 in mathematics and 538 in critical reading surpassed the state mean score of 535 and the national score of 518 in mathematics and the state mean of 535 and the national mean of 503 in the critical reading section. This year the high school has three semi-finalists and three commended scholars in the National Merit Scholarship Program.

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

Ninety percent of the high school graduates last year indicated they intended to continue their education at the university or college level with 66 percent attending a four-year college and 24 percent a two-year college. The high school offers 190 courses on the main campus with an additional 50 vocational offerings at Cuyahoga Valley Career Center. Additional academic statistics from the Class of 2005 include: 22 percent received an Honors Diploma, 15 percent were members of the National Honor Society, 5 percent graduated Magna Cum Laude, and 4 percent graduated Cum Laude.

Major Initiatives:

2005-2006 School Year

- Continued to upgrade technology, specifically through staff development to enable more efficient utilization of technology as a support to instruction.
- Continued the cycle of curriculum review, enabling monitoring and updating of the K-12 educational program.
- Developed Continuous Improvement Plans that are designed to improve student performance.
- All levels implemented competitive Special Education Access Grants to help special education students access the general curriculum.
- Expanded the program in language arts for gifted students for grades 3 and 4 using the William and Mary curriculum materials.
- Began implementation of the Response to Intervention (RtI) process.
- Formulated assessment maps for language arts in grades K – 4.

For the Future

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

Long Term Planning

The School District has placed an emphasis on long term planning. The administrative staff meets twice per year to review and discuss staffing levels for the next five years in light of enrollment changes and program requirements. Operating costs and capital expenditure needs are also reviewed and analyzed during these meetings. As previously noted, the growing student population places stress on both the operating budget and physical facilities. Enrollment projections are completed at least biannually by professional demographers and the results are analyzed and incorporated into the operating and capital budget projections for the next five year period.

The Board of Education, in its policy making role, reviews and updates School District policies on a regular basis. The impact of policy changes on School District finances is one part of this review. For example, the Board has adopted a policy requiring intervention services be provided any student who scores below the proficient level in reading, writing, mathematics social studies or science proficiency tests, or who do not demonstrate academic performance at their grade level based on the results of a diagnostic assessment.

Intervention services have generally been funded through state and federal grants. The reduction of those revenue sources has required the School District's general fund to absorb those expenses. In addition, the School District has chosen to increase these services with the implementation of the Response to Intervention process. This is the practice of providing high quality instructions and interventions matched to student need, monitoring progress frequently to make decisions about changes in instructional goals and applying child response data to important educational decisions.

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.

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

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

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

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

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

Financial Condition

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

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

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

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

As part of this reporting model, management is responsible for preparing a Management's Discussion and Analysis of the School District. This discussion appears after the Independent Accountants' Report in the financial section of this report. Management's Discussion and Analysis provides an assessment of the School District's finances for fiscal year 2006. Because that discussion focuses on major funds, other nonmajor funds are discussed briefly in this letter.

Financial Highlights – Internal Service Fund

The only internal service fund carried on the financial records relates to self-insurance. This fund accounts for the revenues and expenses related to the provision of vision benefits to the School District employees. The internal service fund had net assets of \$132,959 at June 30, 2006, compared with net assets of \$121,668 at June 30, 2005, reflecting a net increase in net assets of \$11,291.

Cash Management

The Board of Education has an aggressive cash management program which consists of expediting the receipt of revenues and prudently depositing cash which is insured by the Federal Deposit Insurance Corporation as well as investing available cash in instruments issued by the United States Government or the State of Ohio. The program is beneficial because of access to daily balances which enables the Board to maintain minimum balance accounts and invest to the maximum extent. The total amount of interest earned by the governmental funds was \$525,868 for the year ended June 30, 2006 of which \$516,134 was credited directly to the general fund.

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

Risk Management

The School District contracts for general liability insurance with \$3,000,000 limit with no deductible and automobile liability which has a \$1,000,000 combined single limit of liability. In fiscal year 2006, the School District contracted for buildings and contents insurance for \$90,944,252. Settled claims have not exceeded this commercial coverage in any of the past three years.

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

Independent Audit

State statutes require the School District to be subjected to an annual examination by an independent auditor. An annual audit serves to maintain and strengthen the School District's accounting and budgetary controls. Independent auditor, Betty Montgomery, Auditor of State, was selected to render an opinion on the School District's financial statements as of and for the year ended June 30, 2006. The opinion appears at the beginning of the financial section of this report.

Awards

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to North Royalton City School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. The Certificate of Achievement is the highest form of recognition in the area of governmental financial reporting.

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

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

Acknowledgments

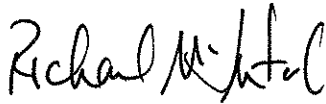
The publication of this report is a significant step toward professionalizing the North Royalton City School District's financial reporting. It enhances the School District's accountability to the residents of the North Royalton City School District.

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

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

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

Respectfully submitted,



Richard McIntosh
Treasurer



Randy Boroff
Superintendent

North Royalton City School District

Principal Officials

June 30, 2006

Board of Education

Ms. Catherine BicanPresident
Ms. Cheryl Tuttle..... Vice-President
Ms. Heidi Dolezal..... Member
Ms. Barbara Soggs..... Member
Ms. Barbara Zindroski..... Member

Treasurer

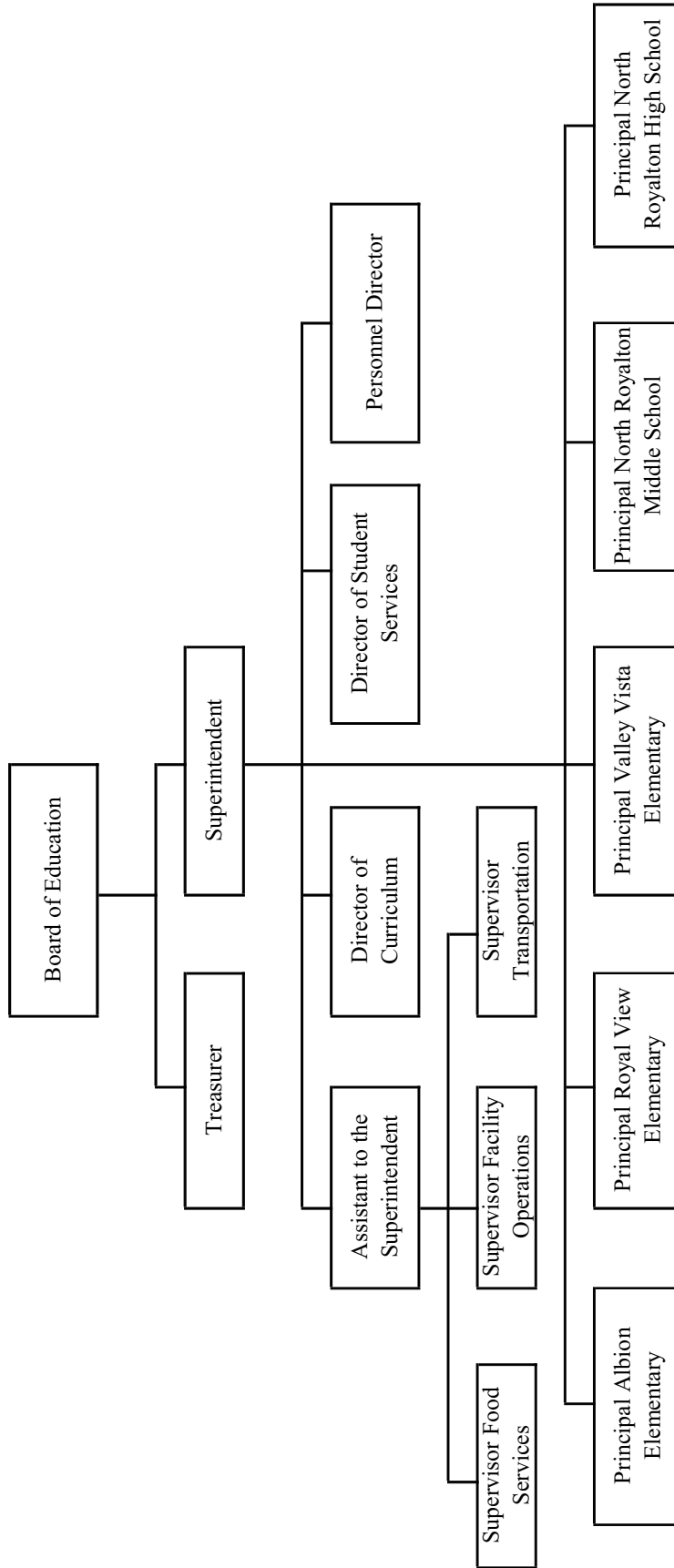
Mr. Richard McIntosh

Administration

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

North Royalton City School District

Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to
North Royalton
City School District,
Ohio

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

President

Jeffrey R. Emer

Executive Director



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Royalton City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 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 did not audit the financial statements of the Suburban Health Consortium, an agency fund, which represents 80% of assets of the aggregate remaining fund information. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for the Suburban Health Consortium on the report of the other auditors.

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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the North Royalton City School District, Cuyahoga County, Ohio, as of June 30, 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 14, 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 require. We have applied certain limited procedures, consisting principally of inquires 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, based on our audit and the report of the other auditors, 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.



Betty Montgomery
Auditor of State

December 14, 2006

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The discussion and analysis of North Royalton City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 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, the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- ❑ Net assets of governmental activities increased \$1,532,915, which represents a 11.0 percent increase from 2005. This increase is the result of the School District actively pursuing grants and monitoring expenses while still maintaining the high academic standards the communities expect of the School District.
- ❑ Governmental Activities reflected total revenue in the amount of \$45,890,406, a \$1,175,284 increase from the prior fiscal year. This increase is the result of an increase in taxes and interest income.
- ❑ Total program expenses were \$44,357,491 in Governmental Activities, a 3.48 percent increase over 2005. This increase is the due to an increase in salaries and health care costs.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

Reporting the School District's Most Significant Funds

The analysis of the School District's major funds begins on page 10. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general and bond retirement debt service funds.

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

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

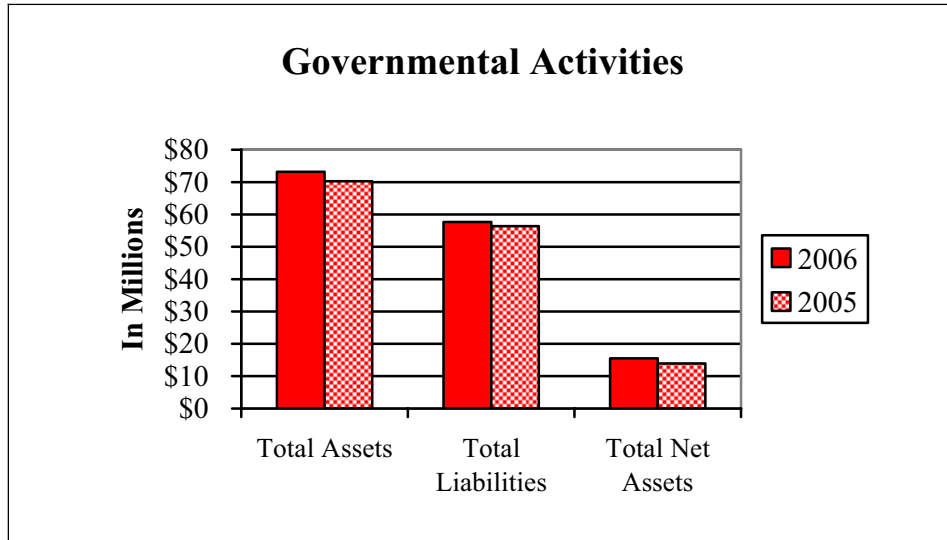
Table 1
 Net Assets
 Governmental Activities

	2006	2005	Change
Assets			
Current and Other Assets	\$45,877,645	\$42,275,055	\$3,602,590
Capital Assets, Net of Depreciation	27,284,658	28,029,200	(744,542)
<i>Total Assets</i>	<u>73,162,303</u>	<u>70,304,255</u>	<u>2,858,048</u>
Liabilities			
Current and Other Liabilities	34,872,578	32,159,747	2,712,831
Long-Term Liabilities:			
Due Within One Year	2,031,017	2,492,396	(461,379)
Due in More Than One Year	20,784,903	21,711,222	(926,319)
<i>Total Liabilities</i>	<u>57,688,498</u>	<u>56,363,365</u>	<u>1,325,133</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	10,845,300	7,984,585	2,860,715
Restricted for:			
Capital Projects	693,794	694,252	(458)
Debt Service	1,401,679	3,149,780	(1,748,101)
Other Purposes	337,334	277,658	59,676
Unrestricted	2,195,698	1,834,615	361,083
<i>Total Net Assets</i>	<u><u>\$15,473,805</u></u>	<u><u>\$13,940,890</u></u>	<u><u>\$1,532,915</u></u>

Graph 1
 Net Assets
 (In Millions)

	2006	2005
Total Assets	\$73.2	\$70.3
Total Liabilities	<u>57.7</u>	<u>56.4</u>
Total Net Assets	<u><u>\$15.5</u></u>	<u><u>\$13.9</u></u>

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited



Total assets increased \$2,858,048. Equity in pooled cash and cash equivalents increased \$1,485,444. Property taxes receivable increased \$2,113,262 due to new construction and the elimination of the 10 percent property tax rollback for businesses in January 2006. This increase was offset by a decrease in capital assets of \$744,542 due to the annual depreciation exceeding capital outlays.

Liabilities increased by \$1,325,133. This increase resulted from an increase in deferred revenue in the amount of \$3,020,124 due to the amount of tax revenue available to advance the School District from the County Auditor decreasing as well as an increase in accrued wages of \$189,307.

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets of \$1,532,915.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$41,846,235 or 91.19 percent of the total revenue. The most significant portion of the general revenue is local property tax accounting for 75.91 percent of total general revenues. The remaining amount of revenue received was in the form of program revenues, which equated to \$4,044,171 or 8.81 percent of total revenue.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net assets for the fiscal year 2006 and 2005. The increase in net assets can be mainly attributed to the increase in property taxes and interest offset by a slight increase in expenses. Total expenses increased \$1,492,515 due to an increase in salaries and health benefits.

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

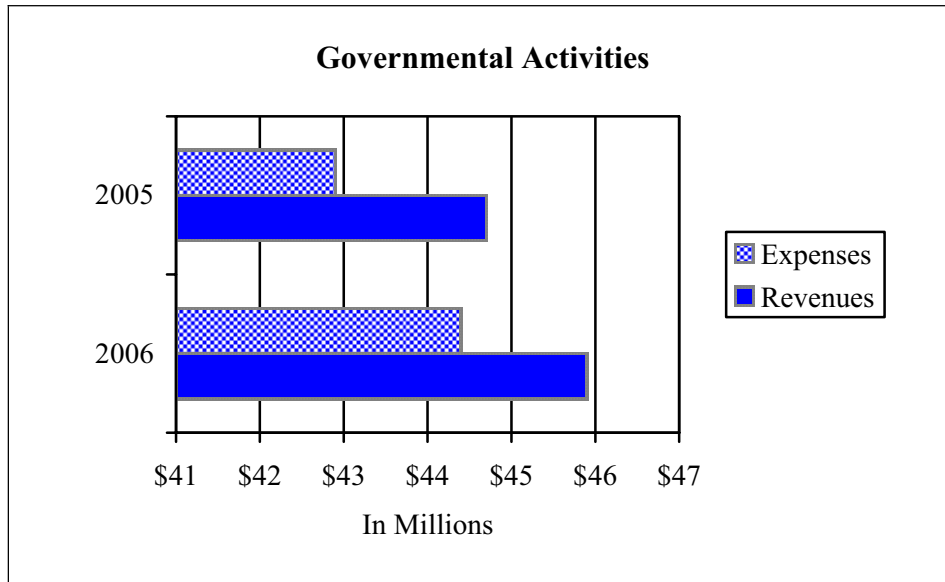
Table 2
 Governmental Activities

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Program revenues			
Charges for Services and Sales	\$1,796,375	\$1,880,320	(\$83,945)
Operating Grants, Contributions and Interest	2,186,617	2,097,894	88,723
Capital Grants and Contributions	61,179	153,862	(92,683)
<i>Total Program Revenues</i>	<u>4,044,171</u>	<u>4,132,076</u>	<u>(87,905)</u>
General revenues			
Property Taxes	31,764,632	30,703,076	1,061,556
Grants and Entitlements not Restricted to Specific Programs	9,475,185	9,539,711	(64,526)
Investment Earnings	516,550	236,072	280,478
Gain on Sale of Capital Assets	44	0	44
Miscellaneous	89,824	104,187	(14,363)
<i>Total General Revenues</i>	<u>41,846,235</u>	<u>40,583,046</u>	<u>1,263,189</u>
<i>Total Revenues</i>	<u>45,890,406</u>	<u>44,715,122</u>	<u>1,175,284</u>
Program Expenses			
Instruction:			
Regular	19,181,614	18,824,347	357,267
Special	3,964,579	3,694,607	269,972
Vocational	168,079	196,199	(28,120)
Support Services:			
Pupil	2,201,623	2,073,596	128,027
Instructional Staff	2,806,302	2,854,523	(48,221)
Board of Education	32,661	32,209	452
Administration	3,045,649	2,956,743	88,906
Fiscal	1,003,012	925,283	77,729
Business	287,549	300,767	(13,218)
Operation and Maintenance of Plant	3,776,192	3,422,885	353,307
Pupil Transportation	3,258,231	2,991,475	266,756
Central	437,407	348,821	88,586
Operation Non-Instructional Services	760,088	835,474	(75,386)
Operation of Food Services	1,386,551	1,383,071	3,480
Extracurricular Activities	886,853	928,390	(41,537)
Interest and Fiscal Charges	1,161,101	1,096,586	64,515
<i>Total Program Expenses</i>	<u>44,357,491</u>	<u>42,864,976</u>	<u>1,492,515</u>
<i>Increase in Net Assets</i>	1,532,915	1,850,146	(317,231)
<i>Net Assets Beginning of Year</i>	<u>13,940,890</u>	<u>12,090,744</u>	<u>1,850,146</u>
<i>Net Assets End of Year</i>	<u>\$15,473,805</u>	<u>\$13,940,890</u>	<u>\$1,532,915</u>

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Graph 2
Revenues and Expenses
(In Millions)

	2006	2005
Revenues	\$45.9	\$44.7
Expenses	44.4	42.9



Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. It increases as a result of new construction or collection from a new voted levy. Although school districts experience inflationary growth in expenses, tax revenue does not keep pace with the increased expenses due to House Bill 920. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay less than \$35.00 and the School District would collect the same dollar value the levy generated in the year it passed. The 10 percent rollback on all residential/agricultural property and the 2.5 percent rollback on all owner occupied homes would reduce the amount of taxes paid.

Thus school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 69.2 percent of revenues for governmental activities for North Royalton City School District in fiscal year 2006 versus 68.7 percent in fiscal year 2005. This increase was due to new construction coming on to the tax duplicate and the elimination of the 10 percent rollback for businesses that was effective in January 2006.

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Instruction comprises 52.6 percent of governmental program expenses. Instruction along with pupil and instructional staff support comprises 63.9 percent of governmental program expenses. Interest and fiscal charges was 2.62 percent. Interest expense was attributable to the outstanding debt issues previously approved by the residents of the School District to fund capital projects.

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

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2006		2005	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$19,181,614	(\$18,555,851)	\$18,824,347	(\$18,022,568)
Special	3,964,579	(3,832,611)	3,694,607	(3,491,765)
Vocational	168,079	(168,079)	196,199	(196,199)
Support Services:				
Pupil	2,201,623	(2,167,257)	2,073,596	(2,057,241)
Instructional Staff	2,806,302	(2,068,952)	2,854,523	(2,185,851)
Board of Education	32,661	(32,661)	32,209	(32,209)
Administration	3,045,649	(3,009,884)	2,956,743	(2,918,492)
Fiscal	1,003,012	(994,958)	925,283	(916,853)
Business	287,549	(287,549)	300,767	(300,767)
Operation and Maintenance of Plant	3,776,192	(3,639,624)	3,422,885	(3,305,354)
Pupil Transportation	3,258,231	(3,219,187)	2,991,475	(2,933,164)
Central	437,407	(437,407)	348,821	(348,821)
Operation of Non-Instructional Services	760,088	(56,799)	835,474	(141,871)
Operation of Food Services	1,386,551	(46,123)	1,383,071	(99,559)
Extracurricular Activities	886,853	(635,277)	928,390	(685,600)
Interest and Fiscal Charges	1,161,101	(1,161,101)	1,096,586	(1,096,586)
<i>Total</i>	<u>\$44,357,491</u>	<u>(\$40,313,320)</u>	<u>\$42,864,976</u>	<u>(\$38,732,900)</u>

The dependence upon general revenues for governmental activities is apparent as local property tax accounts for roughly 69.2 percent of the total revenues in fiscal year 2006. This amount is approximately the same as in 2005. Almost 97 percent of instructional activities are supported through taxes and other general revenues; for all governmental activities general revenue support is 90.9 percent of total governmental revenues. The community, as a whole, is by far the primary support for North Royalton City School District students.

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The School District's Funds

Information regarding the School District's major funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$45,717,549 and expenditures of \$44,987,667. The general fund had a moderate increase of \$392,254 in fund balance mainly due to higher tax revenues and better interest rates on investments. The net change in fund balance for the year in the bond retirement fund was an increase of \$152,306. Other Governmental Funds had an increase in fund balance mainly due to this being the first year of a new state biennium budget and the Auxiliary Service funds being permitted to carry balances to year two of the budget cycle. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, property taxes from the communities that comprise the School District are the largest revenue source, accounting for 69.2 percent of total governmental revenue.

General Fund Budgeting Highlights

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

During the course of fiscal year 2006, the School District amended its general fund by approximately five one hundredths of one percent. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

For the general fund, actual budget basis revenue totaled \$39,108,631, which was very close to the final budget estimates of \$38,965,976. Original budget estimates of \$38,210,170 differed from the final budget estimates due to lower estimates of property taxes.

Actual budget basis expenditures totaled \$38,443,210 compared to the final estimate of \$39,219,432.

The School District's unencumbered ending cash balance totaled \$6,186,668.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006 the School District had \$27,284,658 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal 2006 balances compared to 2005:

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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

	2006	2005
Land	\$478,111	\$478,111
Land Improvements	580,913	556,127
Buildings and Improvements	22,910,452	23,615,517
Furniture and Equipment	1,815,124	1,951,340
Vehicles	1,500,058	1,428,105
<i>Total Capital Assets</i>	<i>\$27,284,658</i>	<i>\$28,029,200</i>

For fiscal year 2006, capital assets decreased \$744,542. The School District replaced the roofs on several school buildings and purchased new school buses. These increases were offset by the annual depreciation which accounts for the overall decrease in capital assets. Ohio law requires school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks and instructional materials and supplies. For fiscal year 2006, this amounted to \$651,930 for each set aside. See Note 8 to the basic financial statements for additional information on the School District's capital assets and Note 19 for additional information regarding required set-asides.

Debt

At June 30, 2006 the School District had \$19,898,979 in general obligation bonds outstanding. Table 5 summarizes the bonds outstanding.

Table 5
 Outstanding Debt at Fiscal Year End
 Governmental Activities

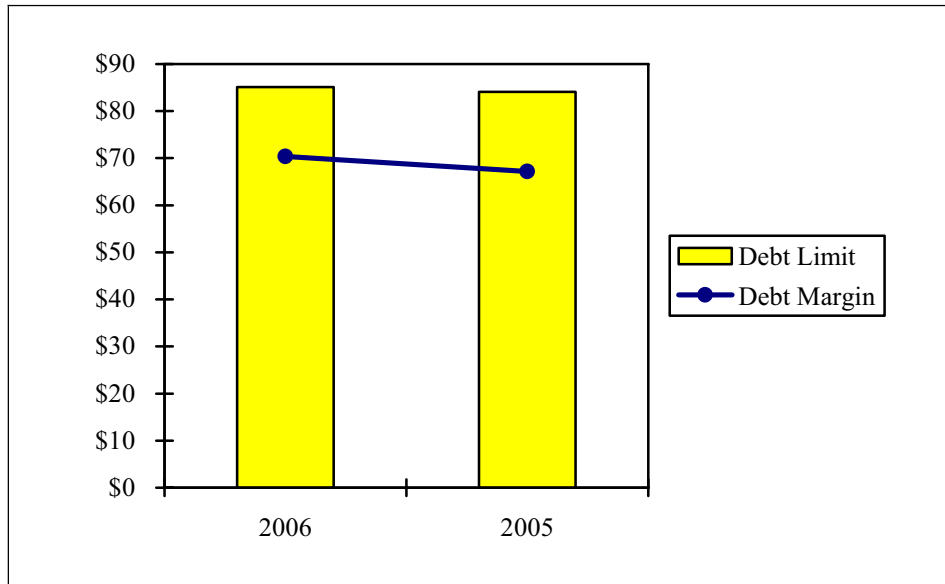
	2006	2005
1993 School Improvement Bonds	\$2,040,000	\$2,589,868
1994 School Improvement Bonds	3,482,146	4,224,676
2005 School Improvement Bonds	14,376,833	14,655,207
<i>Total</i>	<i>\$19,898,979</i>	<i>\$21,469,751</i>

The School District's overall legal debt margin increased to \$70.4 million. This is the additional amount of debt the School District could issue. The debt margin increased \$2.6 million from 2005 to 2006 due to the School District paying down current debt and increasing property valuations. See Note 14 to the basic financial statements for detail on the School District's long-term obligations.

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Graph 3
Legal Debt Margin
(in millions)

	2006	2005
Overall Debt Limit	\$85.1	\$84.1
Overall Debt Margin	70.4	67.8



School District Outlook

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

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

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

Concomitant with the facilities issue is the need to generate additional operating revenue to meet the demands placed on the School District by the continued growth in its student population as well as

North Royalton City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

the spate of under-funded and unfunded mandates from the State and Federal governments. The School District is working with a separate citizen financial advisory committee to address the operating needs of the district.

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

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

Contacting the School District's Financial Management

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

North Royalton City School District

Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$10,674,796
Accounts Receivable	3,953
Intergovernmental Receivable	281,913
Inventory Held for Resale	16,434
Materials and Supplies Inventory	81,202
Property Taxes Receivable	34,639,190
Unamortized Bond Issuance Costs	180,157
Nondepreciable Capital Assets	478,111
Depreciable Capital Assets, Net	<u>26,806,547</u>
<i>Total Assets</i>	<u>73,162,303</u>
Liabilities	
Accounts Payable	261,827
Accrued Wages Payable	3,155,762
Contracts Payable	47,364
Matured Compensated Absences Payable	101,017
Intergovernmental Payable	1,090,645
Deferred Revenue	30,137,596
Accrued Interest Payable	62,850
Claims Payable	15,517
Long-Term Liabilities:	
Due Within One Year	2,031,017
Due In More Than One Year	<u>20,784,903</u>
<i>Total Liabilities</i>	<u>57,688,498</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	10,845,300
Restricted for:	
Capital Projects	693,794
Debt Service	1,401,679
Other Purposes	337,334
Unrestricted	<u>2,195,698</u>
<i>Total Net Assets</i>	<u>\$15,473,805</u>

See accompanying notes to the basic financial statements

North Royalton City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
Instruction:					
Regular	\$19,181,614	\$338,402	\$286,522	\$839	(\$18,555,851)
Special	3,964,579	0	131,968	0	(3,832,611)
Vocational	168,079	0	0	0	(168,079)
Support Services:					
Pupil	2,201,623	353	34,013	0	(2,167,257)
Instructional Staff	2,806,302	0	737,350	0	(2,068,952)
Board of Education	32,661	0	0	0	(32,661)
Administration	3,045,649	145	35,041	579	(3,009,884)
Fiscal	1,003,012	90	7,603	361	(994,958)
Business	287,549	0	0	0	(287,549)
Operation and Maintenance of Plant	3,776,192	50,344	63,795	22,429	(3,639,624)
Pupil Transportation	3,258,231	2,073	0	36,971	(3,219,187)
Central	437,407	0	0	0	(437,407)
Operation of Non-Instructional Services	760,088	0	703,289	0	(56,799)
Operation of Food Services	1,386,551	1,176,372	164,056	0	(46,123)
Extracurricular Activities	886,853	228,596	22,980	0	(635,277)
Interest and Fiscal Charges	1,161,101	0	0	0	(1,161,101)
<i>Totals</i>	<u>\$44,357,491</u>	<u>\$1,796,375</u>	<u>\$2,186,617</u>	<u>\$61,179</u>	<u>(40,313,320)</u>

General Revenues

Property and Other Local Taxes Levied for:

General Purposes	28,267,848
Debt Service	2,622,996
Capital Outlay	873,788
Grants and Entitlements not Restricted to Specific Programs	9,475,185
Investment Earnings	516,550
Gain on Sale of Capital Assets	44
Miscellaneous	89,824

Total General Revenues

41,846,235

Change in Net Assets

1,532,915

Net Assets Beginning of Year

13,940,890

Net Assets End of Year

\$15,473,805

See accompanying notes to the basic financial statements

North Royalton City School District

*Balance Sheet
Governmental Funds
June 30, 2006*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$6,788,326	\$2,538,486	\$1,171,111	\$10,497,923
Restricted Assets:				
Equity in Pooled Cash and				
Cash Equivalents	28,397	0	0	28,397
Property Taxes Receivable	31,101,150	2,587,696	950,344	34,639,190
Accounts Receivable	3,953	0	0	3,953
Intergovernmental Receivable	214,343	0	67,570	281,913
Interfund Receivable	54,350	469,000	0	523,350
Inventory Held for Resale	0	0	16,434	16,434
Materials and Supplies Inventory	81,202	0	0	81,202
<i>Total Assets</i>	<u>\$38,271,721</u>	<u>\$5,595,182</u>	<u>\$2,205,459</u>	<u>\$46,072,362</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$191,016	\$0	\$70,811	\$261,827
Contracts Payable	7,829	0	39,535	47,364
Accrued Wages and Benefits	3,110,311	0	45,451	3,155,762
Interfund Payable	0	0	523,350	523,350
Intergovernmental Payable	1,050,166	0	40,479	1,090,645
Matured Compensated Absences Payable	101,017	0	0	101,017
Deferred Revenue	28,457,891	2,312,389	858,575	31,628,855
Accrued Interest Payable	0	0	1,783	1,783
<i>Total Liabilities</i>	<u>32,918,230</u>	<u>2,312,389</u>	<u>1,579,984</u>	<u>36,810,603</u>
 Fund Balances				
Reserved for Encumbrances	459,596	0	439,698	899,294
Reserved for Property Taxes	2,819,764	265,181	88,394	3,173,339
Reserved for Bus Purchase	28,397	0	0	28,397
Unreserved:				
Undesignated, Reported in:				
General Fund	2,045,734	0	0	2,045,734
Special Revenue Funds	0	0	322,889	322,889
Debt Service Fund	0	3,017,612	0	3,017,612
Capital Projects Funds (Deficit)	0	0	(225,506)	(225,506)
<i>Total Fund Balances</i>	<u>5,353,491</u>	<u>3,282,793</u>	<u>625,475</u>	<u>9,261,759</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$38,271,721</u>	<u>\$5,595,182</u>	<u>\$2,205,459</u>	<u>\$46,072,362</u>

See accompanying notes to the basic financial statements

North Royalton City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2006*

Total Governmental Fund Balances	\$9,261,759
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,284,658
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	1,276,916
Tuition and Fees	214,343
Total	1,491,259
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.	132,959
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds, a bond issuance expenditure is reported when bonds are issued.	180,157
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(61,067)
Long-term liabilities payable are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences	(2,916,941)
General Obligation Bonds	(19,898,979)
Total	(22,815,920)
 <i>Net Assets of Governmental Activities</i>	 \$15,473,805

See accompanying notes to the basic financial statements

North Royalton City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$28,149,769	\$2,602,932	\$868,461	\$31,621,162
Intergovernmental	9,093,569	291,523	2,184,966	11,570,058
Interest	516,134	0	9,734	525,868
Tuition and Fees	280,677	0	24,448	305,125
Extracurricular Activities	22,998	0	204,208	227,206
Contributions and Donations	0	0	123,105	123,105
Charges for Services	0	0	1,203,212	1,203,212
Rentals	48,989	0	3,000	51,989
Miscellaneous	56,707	0	33,117	89,824
<i>Total Revenues</i>	<u>38,168,843</u>	<u>2,894,455</u>	<u>4,654,251</u>	<u>45,717,549</u>
Expenditures				
Current:				
Instruction:				
Regular	18,112,942	0	345,576	18,458,518
Special	3,745,988	0	131,355	3,877,343
Vocational	168,184	0	0	168,184
Support Services:				
Pupil	2,131,297	0	29,709	2,161,006
Instructional Staff	1,909,001	0	722,752	2,631,753
Board of Education	32,661	0	0	32,661
Administration	2,774,906	0	34,401	2,809,307
Fiscal	955,363	34,931	4,964	995,258
Business	286,639	0	0	286,639
Operation and Maintenance of Plant	3,528,377	0	40,999	3,569,376
Pupil Transportation	2,812,288	0	0	2,812,288
Central	418,949	0	0	418,949
Operation of Non-Instructional Services	62,296	0	709,258	771,554
Operation of Food Services	0	0	1,313,791	1,313,791
Extracurricular Activities	679,938	0	251,963	931,901
Capital Outlay	6,760	0	1,018,733	1,025,493
Debt Service:				
Principal Retirement	0	1,935,000	0	1,935,000
Interest and Fiscal Charges	0	772,218	16,428	788,646
<i>Total Expenditures</i>	<u>37,625,589</u>	<u>2,742,149</u>	<u>4,619,929</u>	<u>44,987,667</u>
<i>Excess of Revenues Over Expenditures</i>	<u>543,254</u>	<u>152,306</u>	<u>34,322</u>	<u>729,882</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	4,500	0	0	4,500
Transfers In	0	0	155,500	155,500
Transfers Out	(155,500)	0	0	(155,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(151,000)</u>	<u>0</u>	<u>155,500</u>	<u>4,500</u>
<i>Net Change in Fund Balances</i>	392,254	152,306	189,822	734,382
<i>Fund Balances Beginning of Year</i>	<u>4,961,237</u>	<u>3,130,487</u>	<u>435,653</u>	<u>8,527,377</u>
<i>Fund Balances End of Year</i>	<u>\$5,353,491</u>	<u>\$3,282,793</u>	<u>\$625,475</u>	<u>\$9,261,759</u>

See accompanying notes to the basic financial statements

North Royalton City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006*

Net Change in Fund Balances - Total Governmental Funds \$734,382

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

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

Capital Outlay	966,286
Depreciation	<u>(1,693,885)</u>

Total (727,599)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (16,943)

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

Property Taxes	143,470
Tuition and Fees	<u>8,843</u>

Total 152,313

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,935,000

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

Accrued Interest on Bonds	6,282
Amortization of Issuance Costs	(14,509)
Amortization of Premium on Bonds	155,174
Amortization of Accounting Loss	(140,551)
Bond Accretion	<u>(378,851)</u>

Total (372,455)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (183,074)

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statements of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 11,291

Change in Net Assets of Governmental Activities \$1,532,915

See accompanying notes to the basic financial statements

North Royalton City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$28,426,507	\$28,988,850	\$29,094,991	\$106,141
Intergovernmental	8,884,713	9,060,474	9,093,648	33,174
Interest	496,078	505,892	507,744	1,852
Tuition and Fees	274,228	279,653	280,677	1,024
Extracurricular Activities	22,470	22,914	22,998	84
Rentals	50,674	51,677	51,866	189
Miscellaneous	55,500	56,516	56,707	191
<i>Total Revenues</i>	<u>38,210,170</u>	<u>38,965,976</u>	<u>39,108,631</u>	<u>142,655</u>
Expenditures				
Current:				
Instruction:				
Regular	18,676,624	18,676,624	18,404,887	271,737
Special	4,043,378	4,043,378	3,923,451	119,927
Vocational	194,786	194,786	193,709	1,077
Support Services:				
Pupil	2,184,750	2,184,750	2,115,360	69,390
Instructional Staff	1,934,406	1,934,406	1,913,709	20,697
Board of Education	34,681	34,681	32,543	2,138
Administration	2,976,473	2,955,678	2,944,890	10,788
Fiscal	965,753	965,753	953,913	11,840
Business	289,580	289,580	286,245	3,335
Operation and Maintenance of Plant	3,731,979	3,731,979	3,570,772	161,207
Pupil Transportation	2,948,789	2,948,789	2,867,495	81,294
Central	489,079	489,079	488,074	1,005
Operation of Non-Instructional Services	66,524	66,524	61,857	4,667
Extracurricular Activities	696,665	696,665	679,545	17,120
Capital Outlay	6,760	6,760	6,760	0
<i>Total Expenditures</i>	<u>39,240,227</u>	<u>39,219,432</u>	<u>38,443,210</u>	<u>776,222</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,030,057)</u>	<u>(253,456)</u>	<u>665,421</u>	<u>918,877</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	4,301	4,468	4,500	32
Advances In	264,065	269,289	270,275	986
Advances Out	(325,000)	(325,000)	(206,126)	118,874
Transfers Out	(155,500)	(155,500)	(155,500)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(212,134)</u>	<u>(206,743)</u>	<u>(86,851)</u>	<u>119,892</u>
<i>Net Change in Fund Balance</i>	(1,242,191)	(460,199)	578,570	1,038,769
<i>Fund Balance Beginning of Year</i>	5,074,438	5,074,438	5,074,438	0
Prior Year Encumbrances Appropriated	533,660	533,660	533,660	0
<i>Fund Balance End of Year</i>	<u>\$4,365,907</u>	<u>\$5,147,899</u>	<u>\$6,186,668</u>	<u>\$1,038,769</u>

See accompanying notes to the basic financial statements

North Royalton City School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2006

	<u>Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$148,476
Liabilities	
Claims Payable	<u>15,517</u>
Net Assets	
Unrestricted	<u><u>\$132,959</u></u>

See accompanying notes to the basic financial statements

North Royalton City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2006*

	Insurance
Operating Revenues	
Charges for Services	\$152,656
Operating Expenses	
Purchased Services	23,901
Claims	117,464
<i>Total Operating Expenses</i>	141,365
<i>Change in Net Assets</i>	11,291
<i>Net Assets Beginning of Year</i>	121,668
<i>Net Assets End of Year</i>	\$132,959

See accompanying notes to the basic financial statements

North Royalton City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2006

	Insurance
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$152,656
Cash Payments for Purchased Services	(23,901)
Cash Payments for Claims	(111,633)
<i>Net Increase in Cash and Cash Equivalents</i>	17,122
<i>Cash and Cash Equivalents Beginning of Year</i>	131,354
<i>Cash and Cash Equivalents End of Year</i>	\$148,476
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$11,291
Adjustments:	
Increase in Claims Payable	5,831
<i>Net Cash Provided by Operating Activities</i>	\$17,122
 See accompanying notes to the basic financial statements	

North Royalton City School District
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$10,769,224</u>
Liabilities	
Undistributed Monies	\$10,509,744
Due to Students	<u>259,480</u>
<i>Total Liabilities</i>	<u>\$10,769,224</u>

See accompanying notes to the basic financial statements

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 1 - Description of the School District and Reporting Entity

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

The School District is located in a suburban area south of Cleveland, Ohio. It is located in Cuyahoga County and encompasses nearly all of the City of North Royalton and a smaller portion of the City of Broadview Heights. It is staffed by 255 classified employees and 306 certified personnel who provide services to 4,599 students and other community members. The School District currently operates three elementary buildings, one middle school, one high school, an administrative building, a maintenance garage and a bus garage.

Reporting Entity

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

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

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

The School District participates in three jointly governed organizations and a shared risk pool. These organizations are the Lakeshore Northeast Ohio Computer Association, Cuyahoga Valley Career Center, Ohio Schools Council Association and the Suburban Health Consortium which are presented in Notes 16 and 18 to the basic financial statements.

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

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

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

B. Fund Accounting

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

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

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

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

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

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows and are classified as either enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund The internal service fund accounts for financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self-insurance fund that accounts for vision benefits of the School District's employees.

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

C. Measurement Focus

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

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

North Royalton City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

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 net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

D. Basis of Accounting

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

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

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

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

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

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

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

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

North Royalton City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

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

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During fiscal year 2006, investments were limited to federal home loan mortgage corporation bonds, federal home loan mortgage corporation discount notes, federal home loan bank bonds, federal home loan bank discount note, fannie mae note, fannie mae discount note and STAROhio, the State Treasurer's Investment Pool.

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

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

North Royalton City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$516,134, which includes \$175,588 assigned from other School District funds.

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

G. Prepaid Items

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

H. Inventory

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

I. Restricted Assets

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

J. Capital Assets

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

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

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

North Royalton City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

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

K. Interfund Balances

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

L. Compensated Absences

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

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

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are

North Royalton City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$4,359,560, of which \$188,371 is restricted by enabling legislation. Net assets restricted for other purposes include food service operations and extracurricular activities.

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

O. Fund Balance Reserves

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

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for the self insurance program. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenues and expenses not meeting the definitions of operating are reported as non-operating.

Q. Bond Issuance Costs

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

R. Deferred Loss on Refunding

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

S. Interfund Activity

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

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

T. Extraordinary and Special Items

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

U. Estimates

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

Note 3 - Change in Accounting Principles

For fiscal year 2006, the School District has implemented GASB Statement No. 42 "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No.44, "Economic Condition Reporting: The Statistical Section", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

The purpose of GASB Statement No. 44 is to improve the understandability and usefulness of the information that State and local governments present as supplementary information in the statistical section.

GASB Statement No. 47 establishes standards of accounting and financial reporting for termination benefits.

The implementation of GASB Statement No. 42 and GASB Statement No. 47 did not materially affect the presentation of the financial statements of the School District.

Note 4 - Budgetary Basis of Accounting

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

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

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

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

5 Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

Net Change in Fund Balance	
GAAP Basis	\$392,254
Net Adjustment for Revenue Accruals	931,398
Advances In	270,275
Beginning Fair Value Adjustment for Investments	(15,718)
Ending Fair Value Adjustment for Investments	24,108
Net Adjustment for Expenditure Accruals	(211,674)
Advances Out	(206,126)
Encumbrances	<u>(605,947)</u>
Budget Basis	<u><u>\$578,570</u></u>

Note 5 - Deposits and Investments

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

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$1,776,383 of the School District's bank balance of \$1,976,383 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

North Royalton City School District

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Investments

Investments are reported at fair value. As of June 30, 2006, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Bonds	\$4,214,028	January 18, 2008
Federal Home Loan Mortgage Corporation Discount Notes	2,458,269	January 9, 2007
Federal Home Loan Bank Bonds	2,729,601	March 14, 2008
Federal Home Loan Bank Discount Note	997,150	July 21, 2006
Fannie Mae Note	1,380,517	September 28, 2007
Fannie Mae Discount Note	2,945,554	December 29, 2006
STAROhio	5,108,805	Average 34.8 days
Total	<u>\$19,833,924</u>	

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

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

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

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2006:

<u>Investment</u>	<u>Percentage of Investments</u>
Federal Home Loan Mortgage Corporation Bonds	21.25%
Federal Home Loan Mortgage Corporation Discount Notes	12.39%
Federal Home Loan Bank Bonds	13.76%
Federal Home Loan Bank Discount Note	5.03%
Fannie Mae Note	6.96%
Fannie Mae Discount Note	14.85%
STAROhio	25.76%

Note 6 – Fund Deficits

Fund balances at June 30, 2006, included the following individual fund deficits:

<i>Special Revenue Funds:</i>	
Immigrant Education	\$318
Class Size Reduction Grant	906
<i>Capital Projects Funds:</i>	
Building	470,727
SchoolNet Plus	99

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

The building capital projects fund's deficit is the result of the issuance of short-term bond anticipation notes which are used to finance the project until bonds are issued. The notes were purchased by the bond retirement fund and are reflected as an interfund payable on the fund financial statements. Once the notes are retired or bonds are issued, this deficit will be eliminated.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after

North Royalton City School District

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2006

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 received in calendar 2006 represents 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.

Tangible personal property tax revenue received during calendar 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 listed as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however this year the settlement was late.

The School District receives property taxes from Cuyahoga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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 late settlement of tangible personal property taxes and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$2,819,764 in the general fund, \$265,181 in the bond retirement debt service fund, and \$88,394 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2005 was \$3,757,125 in the general fund, \$354,079 in the bond retirement debt service fund, and \$114,083 in the permanent improvement capital projects fund. The difference was in the timing and collection by the County Auditor.

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

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

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

	2005 Second Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$889,240,600	95.12 %	\$931,920,590	95.22 %
Public Utility Personal	19,944,270	2.13	17,260,620	1.76
Tangible Personal Property	25,647,714	2.75	29,503,890	3.02
Total	\$934,832,584	100.00 %	\$978,685,100	100.00 %
 Full tax rate per \$1,000 of assessed valuation	 \$61.70		 \$61.00	

Note 8 – Capital Assets

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

	Balance 06/30/05	Additions	Deductions	Balance 06/30/06
<i>Capital Assets not being Depreciated:</i>				
Land	\$478,111	\$0	\$0	\$478,111
<i>Capital Assets being Depreciated:</i>				
Land Improvements	1,621,972	86,470	0	1,708,442
Buildings and Improvements	39,662,390	192,585	0	39,854,975
Furniture and Equipment	5,908,969	333,928	(252,842)	5,990,055
Vehicles	3,478,599	353,303	(135,006)	3,696,896
<i>Total Capital Assets being Depreciated</i>	50,671,930	966,286	(387,848)	51,250,368
Less Accumulated Depreciation:				
Land Improvements	(1,065,845)	(61,684)	0	(1,127,529)
Buildings and Improvements	(16,046,873)	(897,650)	0	(16,944,523)
Furniture and Equipment	(3,957,629)	(457,757)	240,455	(4,174,931)
Vehicles	(2,050,494)	(276,794)	130,450	(2,196,838)
<i>Total Accumulated Depreciation</i>	(23,120,841)	(1,693,885) *	370,905	(24,443,821)
<i>Total Assets being Depreciated, Net</i>	27,551,089	(727,599)	(16,943)	26,806,547
<i>Governmental Activities Capital Assets, Net</i>	\$28,029,200	(\$727,599)	(\$16,943)	\$27,284,658

North Royalton City School District

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For the Fiscal Year Ended June 30, 2006*

*Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$625,302
Special	91,683
Vocational	10,478
Support Services:	
Pupil	48,976
Instructional Staff	139,721
Administration	212,140
Fiscal	3,896
Business	953
Operation and Maintenance of Plant	132,999
Pupil Transportation	257,741
Central	16,159
Operation of Non-Instructional Services	36,272
Operation of Food Service	76,141
Extracurricular Activities	41,424
Total Depreciation Expense	<u>\$1,693,885</u>

Note 9 - Receivables

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

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivable</u>	<u>Amount</u>
Tuition	\$214,343
SIRI Grant	28,904
Food Service	20,978
Class Size Reduction Grant	10,700
Title V	2,868
Drug Free Schools Grant	2,238
Immigrant Education	1,882
Total	<u>\$281,913</u>

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 10 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

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 2006, 10.58 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 \$624,228, \$582,269, and \$469,853, respectively; 52.25 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, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

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

North Royalton City School District

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For the Fiscal Year Ended June 30, 2006*

A DB or Combined Plan member with five or more years of 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. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004 were \$2,434,952, \$2,300,094, and \$2,195,017, respectively; 83.73 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$13,630 made by the School District and \$66,240 made by the plan members.

Note 11 - Postemployment Benefits

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$187,304 for fiscal year 2006.

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

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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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, compared to 3.43 percent of covered payroll for 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 two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$319,784.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

Note 12 - Other Employee Benefits

A. Compensated Absences

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

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

B. Life Insurance

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

Note 13 – Interfund Transaction

A. Interfund Transfers

The general fund made transfers to the athletics and music special revenue fund and to the building capital projects fund for the amounts of \$35,500 and \$120,000. The reason for the transfers were to help provide funding for fiscal year 2006

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

B. Interfund Balance

<u>Interfund Payable</u>	<u>Interfund Receivable</u>	
	<u>General</u>	<u>Bond Retirement</u>
<i>Nonmajor Funds:</i>		
SIRI Grant	\$43,000	\$0
Immigrant Education	2,200	0
Title V	1,050	0
Drug Free Schools Grant	2,400	0
Class Size Reduction Grant	5,700	0
Building	0	469,000
<i>Total All Funds</i>	<u>\$54,350</u>	<u>\$469,000</u>

Interfund receivables and payables are due to the timing of the receipt of grant monies received by the various funds. The general fund provides temporary funding of the program until the grant dollars are received. The \$469,000 interfund transaction between the debt service and building capital projects fund is a manuscript note. The manuscript note was issued by the School District and purchased by the bond retirement debt service fund as an investment. The manuscript note will be paid on May 24, 2007.

Note 14 - Long-Term Obligations

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

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

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Changes in long-term obligations of the School District during fiscal year 2006 were as follows:

	Principal Outstanding 6/30/05	Additions	Deductions	Principal Outstanding 6/30/06	Amounts Due in One Year
General Obligation Bonds					
1993 School Improvement Bonds					
Capital Appreciation Bonds	\$193,390	\$0	\$193,390	\$0	\$0
Accretion on Capital Appreciation Bonds	356,478	20,132	376,610	0	0
Current Interest Term Bonds	2,040,000	0	0	2,040,000	650,000
Total 1993 School Improvement Bonds	2,589,868	20,132	570,000	2,040,000	650,000
1994 School Improvement Bonds					
Capital Appreciation Bonds	810,715	0	0	810,715	0
Accretion on Capital Appreciation Bonds	1,428,961	217,470	0	1,646,431	0
Current Interest Term Bonds	1,985,000	0	960,000	1,025,000	1,025,000
Total 1994 School Improvement Bonds	4,224,676	217,470	960,000	3,482,146	1,025,000
2005 School Improvement Bonds					
Current Interest Serial Bonds	14,145,000	0	405,000	13,740,000	255,000
Capital Appreciation Bonds	279,974	0	0	279,974	0
Accretion on Capital Appreciation Bonds	34,031	141,249	0	175,280	0
Unamortized Loss	(1,885,725)	0	(140,551)	(1,745,174)	0
Unamortized Premium	2,081,927	0	155,174	1,926,753	0
Total 2005 School Improvement Bonds	14,655,207	141,249	419,623	14,376,833	255,000
Total General Obligation Bonds	21,469,751	378,851	1,949,623	19,898,979	1,930,000
Other Long-Term Obligations					
Compensated Absences	2,733,867	321,343	138,269	2,916,941	101,017
Total Governmental Activities Long-Term Liabilities	\$24,203,618	\$700,194	\$2,087,892	\$22,815,920	\$2,031,017

Compensated absences will be paid from the general and food service, title VI-B and class size reduction grant special revenue funds.

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

At June 30, 2006 the full amount of the serial and capital appreciation bonds had been retired by the School District through annual debt service repayments.

North Royalton City School District

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

During fiscal year 2006 capital appreciation bonds matured and were retired with an original principal amount of \$193,390 and an accreted interest amount of \$376,610 (for a total of \$570,000). The accretion recorded for 2006 was \$20,132.

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

At June 30, 2006 the full amount of the serial bonds had been retired by the School District through annual debt service repayments.

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

The maturity amount of outstanding capital appreciation bonds at June 30, 2006 is \$3,065,000. The accretion recorded for 2006 was \$217,470, for a total outstanding bond liability of \$2,457,146 at June 30, 2006.

On March 17, 2005, the School District issued \$14,424,974 in voted general obligation bonds which included serial and capital appreciation (deep discount) bonds in the amount of \$14,145,000 and \$279,974, respectively. The general obligation bonds were issued for the purpose of refunding a portion of the 1994 school improvement bonds to take advantage of lower interest rates. The bonds were issued for a twenty-five year period with final maturity at December 1, 2019. The bonds will be retired from the debt service fund.

The serial and capital appreciation bonds remained outstanding at June 30, 2006. The capital appreciation bonds were originally sold at a discount of \$2,480,026, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2011 through 2012.

The maturity amount of outstanding capital appreciation bonds at June 30, 2006 is \$2,760,000. The accretion recorded for 2006 was \$141,249, for a total outstanding bond liability of \$455,254 at June 30, 2006.

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*Notes to the Basic Financial Statements
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The School District's overall debt margin was \$70,439,569 with an unvoted debt margin of \$945,027 at June 30, 2006. Principal and interest requirements to retire the general obligation bonds follow:

	General Obligation Bonds					
	Term		Serial		Capital Appreciation	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$1,675,000	\$170,119	\$255,000	\$545,813	\$0	\$0
2008	685,000	59,184	260,000	538,088	296,594	728,406
2009	705,000	19,916	270,000	530,138	268,984	751,016
2010	0	0	280,000	521,888	245,137	774,863
2011	0	0	0	517,688	165,697	1,214,303
2012-2016	0	0	5,810,000	2,177,907	114,277	1,265,723
2017-2020	0	0	6,865,000	571,725	0	0
Total	<u>\$3,065,000</u>	<u>\$249,219</u>	<u>\$13,740,000</u>	<u>\$5,403,247</u>	<u>\$1,090,689</u>	<u>\$4,734,311</u>

In 2005, the School District defeased a 1994 school improvement bond issue, in order to take advantage of lower interest rates. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the School District's financial statements. On June 30, 2006, \$13,330,000 of the defeased bonds are still outstanding.

Note 15 - 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 various insurance companies through the Ohio Schools Council Association insurance program. The following is a summary of the School District's insurance coverage as of June 30, 2006:

Company	Coverage	Amount
Travelers Insurance Company	Boiler and Machinery	\$30,000,000
Indiana Insurance Company	Buildings and Contents - replacement costs	90,944,252
	Inland Marine Coverage	3,746,976
	Crime Insurance	15,000
	Automobile Liability	1,000,000
	Uninsured Motorists	50,000
	General Liability	
	Per occurrence	1,000,000
Total per year	3,000,000	

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Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

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

B. Employee Health Benefits

For fiscal 2006, the District was a participant in the Suburban Health Consortium (the “Consortium”) to provide employee health, dental and prescription drug benefits. The Consortium is administered by Medical Mutual. Payments are made to the Consortium for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal agent of the Consortium is the North Royalton City School District. The Treasurer of the North Royalton City School District pays monthly for the actual amount of claims processed, the stop-loss premium and the administrative charges. The entire risk of loss transfers to the Consortium upon payment of the premiums.

The School District’s portion of the monthly insurance premiums is as follows:

	Board Share of Premium			
	Select Plan		Classic Plan	
	Family	Single	Family	Single
Medical	\$686.96	\$274.78	\$932.63	\$373.05
Prescription Drug	244.66	97.86	244.66	97.86
Dental	96.62	41.40	96.62	41.40

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 11. As such, no funding provisions are required by the School District.

C. Self-Insurance

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

The claims liability of \$15,517 reported in the internal service fund at June 30, 2006 is based on an estimate provided by the third party administrators and the requirements of GASB Statement No. 30 “Risk Financing Omnibus”, which requires that a liability for unpaid claims cost, including estimates of cost relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund’s claims liability amount in 2005 and 2006 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2005	\$13,632	\$103,064	\$107,010	\$9,686
2006	9,686	117,464	111,633	15,517

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D. Workers' Compensation

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

Note 16 - Jointly Governed Organizations

Lakeshore Northeast Ohio Computer Association – The Lakeshore Northeast Ohio Computer Association (LNOCA) is a jointly governed computer service bureau owned and operated by eleven public school districts. The primary function of LNOCA is to provide data services to the eleven member districts. Major areas of service provided by LNOCA include accounting, payroll, inventory, career guidance services, handicapped student tracking, pupil scheduling, attendance reporting and grade reporting. Each school is represented on the LNOCA Board of Directors by its superintendent. Each year, the Board of Directors elects a Chairman, a Vice Chairman and a Recording Director. The School District paid \$86,403 for fiscal year 2006. Each school district supports LNOCA based upon a per student charge dependent upon the software package used. The Cuyahoga County Education Service Center serves as the fiscal agent of LNOCA. Financial information can be obtained by contacting the Treasurer of the fiscal agent at 5700 West Canal Road, Valleyview, OH 44125.

Cuyahoga Valley Career Center - The Cuyahoga Valley Career Center is a joint vocational school which is a jointly governed organization among eleven school districts. Each participating school district appoints one board member to the Cuyahoga Valley Career Center's Board of Education. The students of each participating school district may attend classes offered at the vocational facility. Each participant's control over the operation of the Cuyahoga Valley Career Center is limited to representation on the board. Continued existence of the Cuyahoga Valley Career Center is not dependent on the School District's continued participation. The School District made no contribution for fiscal year 2006. Financial information can be obtained from the Cuyahoga Valley Career Center, 8001 Brecksville Road, Brecksville, Ohio 44101.

Ohio Schools Council Association - The Ohio Schools' Council Association (Council) is a jointly governed organization among ninety-one school districts. The jointly governed organization was formed to purchase quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council's Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2006, the School District paid \$13,910 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Secretary/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10 Independence, Ohio 44131.

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

In 1997, Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a

North Royalton City School District

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participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

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

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

Note 17 - Contingencies

A. Grants

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

B. Litigation

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

Note 18 – Shared Risk Pool

The Suburban Health Consortium ("the Consortium") is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverages for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors shall be the governing body of the Consortium. The Board of Education of each Consortium Member shall appoint its Superintendent or such Superintendent's designee to be its representative of the Board of Directors. The officers of the Board of Directors shall consist of a Chairman, Vice-Chairman and Recording Secretary, who shall be elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium shall be exercised by or under the direction of the Board of Directors. The Board of Directors shall also set all premiums and other amounts to be paid by the Consortium Members, and the Board of Directors shall also have the authority to waive premiums and other payments. All members of the Board of Directors shall serve without compensation.

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Consortium (North Royalton City School District). The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member, to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors, and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement.

Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal. Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from the Treasurer of the North Royalton City School District (the Fiscal Agent) at 6579 Royalton Road, North Royalton, Ohio 44133.

The School District serves as fiscal agent and custodian of the Consortium, but is not accountable; therefore the operations of the Consortium have been excluded from the School District's financial statements but the funds held on behalf of the Consortium are included as an agency fund.

Note 19 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

North Royalton City School District

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2005	(\$533,133)	\$0
Current Year Set-aside Requirement	651,930	651,930
Qualifying Disbursements	<u>(831,174)</u>	<u>(685,649)</u>
Totals	<u><u>(\$712,377)</u></u>	<u><u>(\$33,719)</u></u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>(\$712,377)</u></u>	<u><u>\$0</u></u>
Set-aside Reserve Balance as of June 30, 2006	<u><u>\$0</u></u>	<u><u>\$0</u></u>

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the textbook and capital acquisition set-asides. The extra amount in the textbook set-aside may be used to reduce the set-aside requirement of future years. The extra amount in the capital acquisition set-aside may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

**Combining and Individual
Fund Statements and Schedules**

Combining Statements – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(continued)

Combining Statements – Nonmajor Governmental Funds (continued)

Nonmajor Special Revenue Funds (continued)

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

SIRI Grant – To account for State monies used to fund professional development for teachers in reading strategies for use in the classroom.

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

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

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

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

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

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

Nonmajor Capital Projects Funds

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

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

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

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

North Royalton City School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$555,846	\$615,265	\$1,171,111
Property Taxes Receivable	0	950,344	950,344
Intergovernmental Receivable	67,570	0	67,570
Inventory Held for Resale	16,434	0	16,434
<i>Total Assets</i>	<u>\$639,850</u>	<u>\$1,565,609</u>	<u>\$2,205,459</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$63,320	\$7,491	\$70,811
Contracts Payable	0	39,535	39,535
Accrued Wages and Benefits	45,451	0	45,451
Interfund Payable	54,350	469,000	523,350
Intergovernmental Payable	40,479	0	40,479
Deferred Revenue	0	858,575	858,575
Accrued Interest Payable	0	1,783	1,783
<i>Total Liabilities</i>	<u>203,600</u>	<u>1,376,384</u>	<u>1,579,984</u>
 Fund Balances			
Reserved for Encumbrances	113,361	326,337	439,698
Reserved for Property Taxes	0	88,394	88,394
Unreserved, Undesignated Reported in:			
Special Revenue Funds	322,889	0	322,889
Capital Projects Funds (Deficit)	0	(225,506)	(225,506)
<i>Total Fund Balances</i>	<u>436,250</u>	<u>189,225</u>	<u>625,475</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$639,850</u>	<u>\$1,565,609</u>	<u>\$2,205,459</u>

North Royalton City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2006

	Nonmajor Special Revenue Funds	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
Property and Other Local Taxes	\$0	\$868,461	\$868,461
Intergovernmental	2,066,194	118,772	2,184,966
Interest	9,734	0	9,734
Tuition and Fees	24,448	0	24,448
Extracurricular Activities	204,208	0	204,208
Contributions and Donations	111,105	12,000	123,105
Charges for Services	1,203,212	0	1,203,212
Rentals	0	3,000	3,000
Miscellaneous	33,117	0	33,117
<i>Total Revenues</i>	<u>3,652,018</u>	<u>1,002,233</u>	<u>4,654,251</u>
Expenditures			
Current:			
Instruction:			
Regular	345,576	0	345,576
Special	131,355	0	131,355
Support Services:			
Pupil	29,709	0	29,709
Instructional Staff	722,752	0	722,752
Administration	34,401	0	34,401
Fiscal	4,964	0	4,964
Operation and Maintenance of Plant	40,999	0	40,999
Operation of Non-Instructional Services	709,258	0	709,258
Operation of Food Services	1,313,791	0	1,313,791
Extracurricular Activities	251,963	0	251,963
Capital Outlay	27,143	991,590	1,018,733
Debt Service:			
Interest and Fiscal Charges	0	16,428	16,428
<i>Total Expenditures</i>	<u>3,611,911</u>	<u>1,008,018</u>	<u>4,619,929</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	40,107	(5,785)	34,322
Other Financing Sources			
Transfers In	35,500	120,000	155,500
<i>Net Change in Fund Balances</i>	75,607	114,215	189,822
<i>Fund Balances Beginning of Year</i>	<u>360,643</u>	<u>75,010</u>	<u>435,653</u>
<i>Fund Balances End of Year</i>	<u>\$436,250</u>	<u>\$189,225</u>	<u>\$625,475</u>

North Royalton City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006

	Food Service	Scholarship	Adult Education	Public School Support
Assets				
Equity in Pooled Cash and Cash Equivalents	\$97,046	\$2,700	\$63,019	\$50,382
Intergovernmental Receivable	20,978	0	0	0
Inventory Held for Resale	16,434	0	0	0
<i>Total Assets</i>	<u>\$134,458</u>	<u>\$2,700</u>	<u>\$63,019</u>	<u>\$50,382</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$1,286	\$0	\$74	\$1,595
Accrued Wages and Benefits	31,021	0	0	0
Interfund Payable	0	0	0	0
Intergovernmental Payable	22,820	0	106	0
<i>Total Liabilities</i>	<u>55,127</u>	<u>0</u>	<u>180</u>	<u>1,595</u>
 Fund Balances				
Reserved for Encumbrances	3,903	500	0	2,987
Unreserved, Undesignated (Deficit)	75,428	2,200	62,839	45,800
<i>Total Fund Balances (Deficit)</i>	<u>79,331</u>	<u>2,700</u>	<u>62,839</u>	<u>48,787</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$134,458</u>	<u>\$2,700</u>	<u>\$63,019</u>	<u>\$50,382</u>

<u>Local Grants</u>	<u>Athletics and Music</u>	<u>Auxiliary Services</u>	<u>Educational Management Information Systems</u>	<u>SchoolNet Professional Development</u>
\$22,030	\$63,773	\$144,656	\$9,546	\$625
0	0	0	0	0
0	0	0	0	0
<u>\$22,030</u>	<u>\$63,773</u>	<u>\$144,656</u>	<u>\$9,546</u>	<u>\$625</u>
\$1,788	\$3,883	\$42,630	\$0	\$0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>1,788</u>	<u>3,883</u>	<u>42,630</u>	<u>0</u>	<u>0</u>
3,298	5,978	47,962	0	580
16,944	53,912	54,064	9,546	45
<u>20,242</u>	<u>59,890</u>	<u>102,026</u>	<u>9,546</u>	<u>625</u>
<u>\$22,030</u>	<u>\$63,773</u>	<u>\$144,656</u>	<u>\$9,546</u>	<u>\$625</u>

(continued)

North Royalton City School District
Combining Balance Sheet
Nonmajor Special Revenue Funds (continued)
June 30, 2006

	<u>SIRI Grant</u>	<u>Title VI-B</u>	<u>Immigrant Education</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$20,409	\$74,397	\$2,858
Intergovernmental Receivable	28,904	0	1,882
Inventory Held for Resale	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u><u>\$49,313</u></u>	<u><u>\$74,397</u></u>	<u><u>\$4,740</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$3,351	\$5,322	\$2,858
Accrued Wages and Benefits	0	8,544	0
Interfund Payable	43,000	0	2,200
Intergovernmental Payable	<u>0</u>	<u>16,091</u>	<u>0</u>
<i>Total Liabilities</i>	<u>46,351</u>	<u>29,957</u>	<u>5,058</u>
Fund Balances			
Reserved for Encumbrances	0	45,294	0
Unreserved, Undesignated (Deficit)	<u>2,962</u>	<u>(854)</u>	<u>(318)</u>
<i>Total Fund Balances (Deficit)</i>	<u>2,962</u>	<u>44,440</u>	<u>(318)</u>
<i>Total Liabilities and Fund Balances</i>	<u><u>\$49,313</u></u>	<u><u>\$74,397</u></u>	<u><u>\$4,740</u></u>

<u>Title V</u>	<u>Drug Free Schools Grant</u>	<u>Preschool Grant</u>	<u>Class Size Reduction Grant</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$38	\$1,228	\$2,210	\$929	\$555,846
2,868	2,238	0	10,700	67,570
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,434</u>
<u>\$2,906</u>	<u>\$3,466</u>	<u>\$2,210</u>	<u>\$11,629</u>	<u>\$639,850</u>
\$0	\$0	\$533	\$0	\$63,320
0	0	0	5,886	45,451
1,050	2,400	0	5,700	54,350
<u>0</u>	<u>0</u>	<u>513</u>	<u>949</u>	<u>40,479</u>
<u>1,050</u>	<u>2,400</u>	<u>1,046</u>	<u>12,535</u>	<u>203,600</u>
0	1,218	741	900	113,361
<u>1,856</u>	<u>(152)</u>	<u>423</u>	<u>(1,806)</u>	<u>322,889</u>
<u>1,856</u>	<u>1,066</u>	<u>1,164</u>	<u>(906)</u>	<u>436,250</u>
<u>\$2,906</u>	<u>\$3,466</u>	<u>\$2,210</u>	<u>\$11,629</u>	<u>\$639,850</u>

North Royalton City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2006

	Food Service	Scholarship	Adult Education	Public School Support	Local Grants
Revenues					
Intergovernmental	\$159,828	\$0	\$0	\$0	\$0
Interest	4,350	0	0	0	0
Tuition and Fees	0	0	17,073	5,985	0
Extracurricular Activities	0	0	0	0	0
Contributions and Donations	0	2,000	0	21,639	64,486
Charges for Services	1,177,245	0	0	25,967	0
Miscellaneous	12,160	0	6,155	14,802	0
<i>Total Revenues</i>	<u>1,353,583</u>	<u>2,000</u>	<u>23,228</u>	<u>68,393</u>	<u>64,486</u>
Expenditures					
Current:					
Instruction:					
Regular	0	0	22,087	66,359	511
Special	0	0	0	0	0
Support Services:					
Pupil	0	0	0	741	0
Instructional Staff	0	0	0	0	0
Administration	0	0	0	0	0
Fiscal	0	0	0	0	0
Operation and Maintenance of Plant	980	0	0	0	40,019
Operation of Non-Instructional Services	0	2,000	0	0	0
Operation of Food Services	1,313,791	0	0	0	0
Extracurricular Activities	0	0	0	0	0
Capital Outlay	0	0	0	4,000	23,143
<i>Total Expenditures</i>	<u>1,314,771</u>	<u>2,000</u>	<u>22,087</u>	<u>71,100</u>	<u>63,673</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	38,812	0	1,141	(2,707)	813
Other Financing Sources					
Transfers In	0	0	0	0	0
<i>Net Change in Fund Balances</i>	38,812	0	1,141	(2,707)	813
<i>Fund Balances (Deficit)</i>					
<i>Beginning of Year</i>	<u>40,519</u>	<u>2,700</u>	<u>61,698</u>	<u>51,494</u>	<u>19,429</u>
<i>End of Year</i>	<u>\$79,331</u>	<u>\$2,700</u>	<u>\$62,839</u>	<u>\$48,787</u>	<u>\$20,242</u>

Athletics and Music	Auxiliary Services	Educational Management Information Systems	Entry Year Program	Network Connectivity	SchoolNet Professional Development	Ohio Reads Grant
\$0	\$654,219	\$15,206	\$5,600	\$18,000	\$3,925	\$9,876
416	4,968	0	0	0	0	0
1,390	0	0	0	0	0	0
204,208	0	0	0	0	0	0
22,980	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>228,994</u>	<u>659,187</u>	<u>15,206</u>	<u>5,600</u>	<u>18,000</u>	<u>3,925</u>	<u>9,876</u>
0	0	0	5,600	18,000	5,338	11,599
0	0	0	0	0	0	0
0	0	4,964	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	4,964	0	0	0	0
0	0	0	0	0	0	0
0	665,475	0	0	0	0	0
0	0	0	0	0	0	0
251,963	0	0	0	0	0	0
0	0	0	0	0	0	0
<u>251,963</u>	<u>665,475</u>	<u>9,928</u>	<u>5,600</u>	<u>18,000</u>	<u>5,338</u>	<u>11,599</u>
(22,969)	(6,288)	5,278	0	0	(1,413)	(1,723)
<u>35,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
12,531	(6,288)	5,278	0	0	(1,413)	(1,723)
<u>47,359</u>	<u>108,314</u>	<u>4,268</u>	<u>0</u>	<u>0</u>	<u>2,038</u>	<u>1,723</u>
<u>\$59,890</u>	<u>\$102,026</u>	<u>\$9,546</u>	<u>\$0</u>	<u>\$0</u>	<u>\$625</u>	<u>\$0</u>

(continued)

North Royalton City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds (continued)
For the Fiscal Year Ended June 30, 2006

	Vocational Education	Student Reading Intervention	SIRI Grant	Title VI-B	Immigrant Education
Revenues					
Intergovernmental	\$118	\$17,103	\$37,062	\$994,808	\$17,301
Interest	0	0	0	0	0
Tuition and Fees	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0
Contributions and Donations	0	0	0	0	0
Charges for Services	0	0	0	0	0
Miscellaneous	0	0	0	0	0
<i>Total Revenues</i>	<u>118</u>	<u>17,103</u>	<u>37,062</u>	<u>994,808</u>	<u>17,301</u>
Expenditures					
Current:					
Instruction:					
Regular	0	12,627	34,100	68,538	18,074
Special	0	0	0	131,355	0
Support Services:					
Pupil	0	0	0	21,717	0
Instructional Staff	0	87	0	690,629	589
Administration	0	0	0	34,401	0
Fiscal	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0
Operation of Non-Instructional Services	0	0	0	31,404	0
Operation of Food Services	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0
Capital Outlay	0	0	0	0	0
<i>Total Expenditures</i>	<u>0</u>	<u>12,714</u>	<u>34,100</u>	<u>978,044</u>	<u>18,663</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	118	4,389	2,962	16,764	(1,362)
Other Financing Sources					
Transfers In	0	0	0	0	0
<i>Net Change in Fund Balances</i>	118	4,389	2,962	16,764	(1,362)
<i>Fund Balances (Deficit)</i>					
<i>Beginning of Year</i>	<u>(118)</u>	<u>(4,389)</u>	<u>0</u>	<u>27,676</u>	<u>1,044</u>
<i>Fund Balances (Deficit)</i> <i>End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$2,962</u>	<u>\$44,440</u>	<u>(\$318)</u>

Title V	Drug Free Schools Grant	Preschool Grant	Class Size Reduction Grant	Total Nonmajor Special Revenue Funds
\$23,586	\$16,095	\$20,221	\$73,246	\$2,066,194
0	0	0	0	9,734
0	0	0	0	24,448
0	0	0	0	204,208
0	0	0	0	111,105
0	0	0	0	1,203,212
0	0	0	0	33,117
<u>23,586</u>	<u>16,095</u>	<u>20,221</u>	<u>73,246</u>	<u>3,652,018</u>
16,269	6,329	804	59,341	345,576
0	0	0	0	131,355
0	2,287	0	0	29,709
0	0	18,724	12,723	722,752
0	0	0	0	34,401
0	0	0	0	4,964
0	0	0	0	40,999
6,545	0	0	3,834	709,258
0	0	0	0	1,313,791
0	0	0	0	251,963
0	0	0	0	27,143
<u>22,814</u>	<u>8,616</u>	<u>19,528</u>	<u>75,898</u>	<u>3,611,911</u>
772	7,479	693	(2,652)	40,107
0	0	0	0	35,500
772	7,479	693	(2,652)	75,607
<u>1,084</u>	<u>(6,413)</u>	<u>471</u>	<u>1,746</u>	<u>360,643</u>
<u>\$1,856</u>	<u>\$1,066</u>	<u>\$1,164</u>	<u>(\$906)</u>	<u>\$436,250</u>

North Royalton City School District

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2006

	<u>Permanent Improvement</u>	<u>Building</u>	<u>SchoolNet Plus</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$614,861	\$56	\$348	\$615,265
Property Taxes Receivable	950,344	0	0	950,344
<i>Total Assets</i>	<u>\$1,565,205</u>	<u>\$56</u>	<u>\$348</u>	<u>\$1,565,609</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$7,044	\$0	\$447	\$7,491
Contracts Payable	39,535	0	0	39,535
Interfund Payable	0	469,000	0	469,000
Deferred Revenue	858,575	0	0	858,575
Accrued Interest Payable	0	1,783	0	1,783
<i>Total Liabilities</i>	<u>905,154</u>	<u>470,783</u>	<u>447</u>	<u>1,376,384</u>
 Fund Balances				
Reserved for Encumbrances	326,337	0	0	326,337
Reserved for Property Taxes	88,394	0	0	88,394
Unreserved, Undesignated (Deficit)	245,320	(470,727)	(99)	(225,506)
<i>Total Fund Balances (Deficit)</i>	<u>660,051</u>	<u>(470,727)</u>	<u>(99)</u>	<u>189,225</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,565,205</u>	<u>\$56</u>	<u>\$348</u>	<u>\$1,565,609</u>

North Royalton City School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2006

	Permanent Improvement	Building	SchoolNet Plus	Total Nonmajor Capital Projects Funds
Revenues				
Property and Other Local Taxes	\$868,461	\$0	\$0	\$868,461
Intergovernmental	102,574	16,198	0	118,772
Contributions and Donations	12,000	0	0	12,000
Rentals	3,000	0	0	3,000
<i>Total Revenues</i>	<u>986,035</u>	<u>16,198</u>	<u>0</u>	<u>1,002,233</u>
Expenditures				
Capital Outlay	871,819	114,435	5,336	991,590
Debt Service:				
Interest and Fiscal Charges	0	16,428	0	16,428
<i>Total Expenditures</i>	<u>871,819</u>	<u>130,863</u>	<u>5,336</u>	<u>1,008,018</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	114,216	(114,665)	(5,336)	(5,785)
Other Financing Sources				
Transfers In	0	120,000	0	120,000
<i>Net Change in Fund Balances</i>	114,216	5,335	(5,336)	114,215
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>545,835</u>	<u>(476,062)</u>	<u>5,237</u>	<u>75,010</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$660,051</u></u>	<u><u>(\$470,727)</u></u>	<u><u>(\$99)</u></u>	<u><u>\$189,225</u></u>

Combining Statements - Fiduciary Funds

Agency Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the School District's own programs. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results or operations. A description of the School District's agency funds follows:

Student Activities Fund This fund reflects resources that belong to the student bodies of the various schools, accounting for sales and other revenue generating activities.

Suburban Health Insurance Consortium Fund This fund is used to account for monies held on behalf of the Suburban Health Consortium for which the School District is the fiscal agent.

North Royalton City School District
Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2006

	Beginning Balance 6/30/05	Additions	Deductions	Ending Balance 6/30/06
<i>Student Activities</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$269,264	\$863,230	\$873,014	\$259,480
Liabilities				
Due to Students	\$269,264	\$863,230	\$873,014	\$259,480
 <i>Surburban Health Insurance Consortium</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$0	\$34,963,598	\$24,453,854	\$10,509,744
Liabilities				
Undistributed Monies	\$0	\$34,963,598	\$24,453,854	\$10,509,744
 <i>Total Agency Funds</i>				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$269,264	\$35,826,828	\$25,326,868	\$10,769,224
Liabilities				
Due to Students	\$269,264	\$863,230	\$873,014	\$259,480
Undistributed Monies	0	34,963,598	24,453,854	10,509,744
<i>Total Liabilities</i>	\$269,264	\$35,826,828	\$25,326,868	\$10,769,224

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

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Local Taxes	\$28,426,507	\$28,988,850	\$29,094,991	\$106,141
Intergovernmental	8,884,713	9,060,474	9,093,648	33,174
Interest	496,078	505,892	507,744	1,852
Tuition and Fees	274,228	279,653	280,677	1,024
Extracurricular Activities	22,470	22,914	22,998	84
Rentals	50,674	51,677	51,866	189
Miscellaneous	55,500	56,516	56,707	191
<i>Total Revenues</i>	<i>38,210,170</i>	<i>38,965,976</i>	<i>39,108,631</i>	<i>142,655</i>
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	13,467,784	13,467,784	13,355,279	112,505
Fringe Benefits	4,068,557	4,068,557	4,065,382	3,175
Purchased Services	236,091	236,091	231,039	5,052
Materials and Supplies	804,996	804,996	654,137	150,859
Capital Outlay - New	97,355	97,355	97,209	146
Capital Outlay - Replacement	1,075	1,075	1,075	0
Other	766	766	766	0
Total Regular	18,676,624	18,676,624	18,404,887	271,737
Special:				
Salaries and Wages	2,073,068	2,073,068	2,065,712	7,356
Fringe Benefits	617,765	617,765	612,812	4,953
Purchased Services	1,337,340	1,337,340	1,232,705	104,635
Materials and Supplies	15,205	15,205	12,222	2,983
Total Special	4,043,378	4,043,378	3,923,451	119,927
Vocational:				
Salaries and Wages	101,000	101,000	100,766	234
Fringe Benefits	40,961	40,961	40,634	327
Materials and Supplies	3,500	3,500	3,016	484
Capital Outlay - New	49,325	49,325	49,293	32
Total Vocational	194,786	194,786	193,709	1,077
Total Instruction	\$22,914,788	\$22,914,788	\$22,522,047	\$392,741

(continued)

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Support Services:				
Pupil:				
Salaries and Wages	\$1,427,971	\$1,427,971	\$1,361,283	\$66,688
Fringe Benefits	468,751	468,751	467,298	1,453
Purchased Services	268,855	268,855	267,606	1,249
Materials and Supplies	17,735	17,735	17,735	0
Other	1,438	1,438	1,438	0
Total Pupil	2,184,750	2,184,750	2,115,360	69,390
Instructional Staff:				
Salaries and Wages	1,356,115	1,356,115	1,339,367	16,748
Fringe Benefits	514,183	514,183	511,454	2,729
Purchased Services	31,451	31,451	30,836	615
Materials and Supplies	30,739	30,739	30,134	605
Capital Outlay - New	888	888	888	0
Other	1,030	1,030	1,030	0
Total Instructional Staff	1,934,406	1,934,406	1,913,709	20,697
Board of Education:				
Salaries and Wages	16,950	16,950	16,950	0
Fringe Benefits	246	246	246	0
Purchased Services	8,250	8,250	6,482	1,768
Materials and Supplies	500	500	130	370
Other	8,735	8,735	8,735	0
Total Board of Education	34,681	34,681	32,543	2,138
Administration:				
Salaries and Wages	1,778,928	1,778,928	1,777,663	1,265
Fringe Benefits	828,776	828,776	828,101	675
Purchased Services	297,505	277,631	277,631	0
Materials and Supplies	41,858	33,350	33,350	0
Capital Outlay - New	8,331	8,331	8,331	0
Capital Outlay - Replacement	1,177	8,764	1,177	7,587
Other	19,898	19,898	18,637	1,261
Total Administration	\$2,976,473	\$2,955,678	\$2,944,890	\$10,788

(continued)

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fiscal:				
Salaries and Wages	\$300,896	\$300,896	\$300,333	\$563
Fringe Benefits	129,742	129,742	128,077	1,665
Purchased Services	11,281	11,281	10,532	749
Materials and Supplies	13,351	13,351	12,321	1,030
Capital Outlay - New	6,384	6,384	6,384	0
Other	504,099	504,099	496,266	7,833
Total Fiscal	965,753	965,753	953,913	11,840
Business:				
Salaries and Wages	184,680	184,680	183,433	1,247
Fringe Benefits	95,693	95,693	95,546	147
Purchased Services	5,861	5,861	4,551	1,310
Materials and Supplies	817	817	817	0
Capital Outlay - New	1,293	1,293	1,293	0
Other	1,236	1,236	605	631
Total Business	289,580	289,580	286,245	3,335
Operation and Maintenance of Plant:				
Salaries and Wages	1,543,089	1,543,089	1,502,915	40,174
Fringe Benefits	680,317	680,317	677,608	2,709
Purchased Services	1,227,578	1,227,578	1,137,307	90,271
Materials and Supplies	280,585	280,585	252,532	28,053
Capital Outlay - Replacement	410	410	410	0
Total Operation and Maintenance of Plant	3,731,979	3,731,979	3,570,772	161,207
Pupil Transportation:				
Salaries and Wages	1,292,518	1,292,518	1,235,826	56,692
Fringe Benefits	471,153	471,153	453,539	17,614
Purchased Services	663,035	663,035	657,514	5,521
Materials and Supplies	500,424	500,424	498,957	1,467
Capital Outlay - New	21,659	21,659	21,659	0
Total Pupil Transportation	\$2,948,789	\$2,948,789	\$2,867,495	\$81,294

(continued)

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Central:				
Salaries and Wages	\$175,000	\$175,000	\$174,515	\$485
Fringe Benefits	37,980	37,980	37,960	20
Purchased Services	228,058	228,058	227,558	500
Materials and Supplies	29,052	29,052	29,052	0
Capital Outlay - New	18,989	18,989	18,989	0
Total Central	489,079	489,079	488,074	1,005
Total Support Services	15,555,490	15,534,695	15,173,001	361,694
Operation of Non-Instructional Services:				
Community Services:				
Salaries and Wages	29,549	29,549	29,549	0
Fringe Benefits	11,210	11,210	11,210	0
Purchased Services	25,000	25,000	20,333	4,667
Materials and Supplies	765	765	765	0
Total Operation of Non-Instructional Services	66,524	66,524	61,857	4,667
Extracurricular Activities:				
Academic Oriented Activities:				
Salaries and Wages	185,400	185,400	170,540	14,860
Fringe Benefits	5,155	5,155	5,155	0
Total Academic Oriented Activities	190,555	190,555	175,695	14,860
Sport Oriented Activities:				
Salaries and Wages	457,286	457,286	457,286	0
Fringe Benefits	25,823	25,823	23,563	2,260
Purchased Services	23,001	23,001	23,001	0
Total Sport Oriented Activities	506,110	506,110	503,850	2,260
Total Extracurricular Activities	696,665	696,665	679,545	17,120
Capital Outlay:				
Building Improvement Services:				
Capital Outlay - Replacement	6,760	6,760	6,760	0
Total Expenditures	39,240,227	39,219,432	38,443,210	776,222
Excess of Revenues Over (Under) Expenditures	(\$1,030,057)	(\$253,456)	\$665,421	\$918,877

(continued)

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (continued)
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Sale of Capital Assets	\$4,301	\$4,468	\$4,500	\$32
Advances In	264,065	269,289	270,275	986
Advances Out	(325,000)	(325,000)	(206,126)	118,874
Transfers Out	(155,500)	(155,500)	(155,500)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(212,134)</u>	<u>(206,743)</u>	<u>(86,851)</u>	<u>119,892</u>
<i>Net Change in Fund Balance</i>	(1,242,191)	(460,199)	578,570	1,038,769
<i>Fund Balance Beginning of Year</i>	5,074,438	5,074,438	5,074,438	0
Prior Year Encumbrances Appropriated	<u>533,660</u>	<u>533,660</u>	<u>533,660</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,365,907</u></u>	<u><u>\$5,147,899</u></u>	<u><u>\$6,186,668</u></u>	<u><u>\$1,038,769</u></u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Bond Retirement Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$2,014,791	\$2,677,695	\$2,684,722	\$7,027
Intergovernmental	230,934	306,916	307,721	805
<i>Total Revenues</i>	<u>2,245,725</u>	<u>2,984,611</u>	<u>2,992,443</u>	<u>7,832</u>
Expenditures				
Current:				
Support Services:				
Fiscal:				
Other	38,844	38,464	34,931	3,533
Debt Service:				
Principal Retirement	2,524,000	2,524,000	2,524,000	0
Interest and Fiscal Charges	788,200	788,200	786,876	1,324
<i>Total Debt Service</i>	<u>3,312,200</u>	<u>3,312,200</u>	<u>3,310,876</u>	<u>1,324</u>
<i>Total Expenditures</i>	<u>3,351,044</u>	<u>3,350,664</u>	<u>3,345,807</u>	<u>4,857</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,105,319)</u>	<u>(366,053)</u>	<u>(353,364)</u>	<u>12,689</u>
Other Financing Sources				
Manuscript Notes Issued	351,968	467,773	469,000	1,227
Transfers In	90,056	119,686	120,000	314
<i>Total Other Financing Sources</i>	<u>442,024</u>	<u>587,459</u>	<u>589,000</u>	<u>1,541</u>
<i>Net Change in Fund Balance</i>	(663,295)	221,406	235,636	14,230
<i>Fund Balance Beginning of Year</i>	<u>2,771,850</u>	<u>2,771,850</u>	<u>2,771,850</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,108,555</u>	<u>\$2,993,256</u>	<u>\$3,007,486</u>	<u>\$14,230</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Food Service Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$147,428	\$146,275	\$146,347	\$72
Interest	4,382	4,348	4,350	2
Charges for Services	1,185,940	1,176,663	1,177,245	582
Miscellaneous	12,250	12,154	12,160	6
<i>Total Revenues</i>	<u>1,350,000</u>	<u>1,339,440</u>	<u>1,340,102</u>	<u>662</u>
Expenditures				
Current:				
Operation of Food Service:				
Salaries and Wages	451,372	451,372	444,348	7,024
Fringe Benefits	241,977	241,977	234,601	7,376
Purchased Services	18,122	18,122	18,122	0
Materials and Supplies	624,278	624,278	601,543	22,735
Capital Outlay - New	16,243	16,243	14,536	1,707
Capital Outlay - Replacement	159	159	159	0
<i>Total Expenditures</i>	<u>1,352,151</u>	<u>1,352,151</u>	<u>1,313,309</u>	<u>38,842</u>
<i>Net Change in Fund Balance</i>	(2,151)	(12,711)	26,793	39,504
<i>Fund Balance Beginning of Year</i>	64,203	64,203	64,203	0
Prior Year Encumbrances Appropriated	861	861	861	0
<i>Fund Balance End of Year</i>	<u>\$62,913</u>	<u>\$52,353</u>	<u>\$91,857</u>	<u>\$39,504</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Scholarship Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contributions and Donations	\$3,000	\$2,000	\$2,000	\$0
Expenditures				
Current:				
Operation of Non-Instructional Services:				
Community Services:				
Purchased Services	4,700	4,700	2,500	2,200
<i>Net Change in Fund Balance</i>	(1,700)	(2,700)	(500)	2,200
<i>Fund Balance Beginning of Year</i>	2,700	2,700	2,700	0
<i>Fund Balance End of Year</i>	<u>\$1,000</u>	<u>\$0</u>	<u>\$2,200</u>	<u>\$2,200</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Adult Education Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Tuition and Fees	\$62,477	\$17,073	\$17,073	\$0
Miscellaneous	22,523	6,155	6,155	0
<i>Total Revenues</i>	<u>85,000</u>	<u>23,228</u>	<u>23,228</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	89,474	40,000	19,601	20,399
Fringe Benefits	2,492	6,000	546	5,454
Purchased Services	0	1,000	0	1,000
Materials and Supplies	8,034	3,000	1,808	1,192
<i>Total Expenditures</i>	<u>100,000</u>	<u>50,000</u>	<u>21,955</u>	<u>28,045</u>
<i>Net Change in Fund Balance</i>	(15,000)	(26,772)	1,273	28,045
<i>Fund Balance Beginning of Year</i>	<u>61,698</u>	<u>61,698</u>	<u>61,698</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$46,698</u></u>	<u><u>\$34,926</u></u>	<u><u>\$62,971</u></u>	<u><u>\$28,045</u></u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Public School Support Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Tuition and Fees	\$6,563	\$5,985	\$5,985	\$0
Contributions and Donations	23,729	21,639	21,639	0
Charges for Services	28,476	25,967	25,967	0
Miscellaneous	16,232	14,802	14,802	0
<i>Total Revenues</i>	<u>75,000</u>	<u>68,393</u>	<u>68,393</u>	<u>0</u>
Expenditures				
Current:				
Instruction:				
Regular:				
Purchased Services	25,715	25,715	18,715	7,000
Materials and Supplies	31,593	31,593	21,594	9,999
Capital Outlay - New	8,389	8,389	8,389	0
Other	20,888	20,888	20,888	0
Total Instruction	<u>86,585</u>	<u>86,585</u>	<u>69,586</u>	<u>16,999</u>
Support Services:				
Pupil:				
Purchased Services	168	168	0	168
Materials and Supplies	741	741	741	0
Total Support Services	<u>909</u>	<u>909</u>	<u>741</u>	<u>168</u>
Capital Outlay:				
Building Improvement Services:				
Capital Outlay - Replacement	14,756	14,756	4,000	10,756
<i>Total Expenditures</i>	<u>102,250</u>	<u>102,250</u>	<u>74,327</u>	<u>27,923</u>
<i>Net Change in Fund Balance</i>	(27,250)	(33,857)	(5,934)	27,923
<i>Fund Balance Beginning of Year</i>	49,484	49,484	49,484	0
Prior Year Encumbrances Appropriated	<u>2,250</u>	<u>2,250</u>	<u>2,250</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$24,484</u></u>	<u><u>\$17,877</u></u>	<u><u>\$45,800</u></u>	<u><u>\$27,923</u></u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Local Grants Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Contributions and Donations	\$165,000	\$64,486	\$64,486	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Purchased Services	23	5,015	15	5,000
Materials and Supplies	746	500	496	4
Total Instruction	769	5,515	511	5,004
Support Services:				
Operation and Maintenance of Plant:				
Purchased Services	7,710	5,939	5,034	905
Materials and Supplies	35,217	24,132	23,815	317
Capital Outlay - New	21,565	15,000	14,335	665
Total Support Services	64,492	45,071	43,184	1,887
Capital Outlay:				
Site Improvement Services:				
Capital Outlay - New	53,153	37,828	28,206	9,622
<i>Total Expenditures</i>	118,414	88,414	71,901	16,513
<i>Net Change in Fund Balance</i>	46,586	(23,928)	(7,415)	16,513
<i>Fund Balance Beginning of Year</i>	6,460	6,460	6,460	0
Prior Year Encumbrances Appropriated	17,899	17,899	17,899	0
<i>Fund Balance End of Year</i>	\$70,945	\$431	\$16,944	\$16,513

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Athletics and Music Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$409	\$414	\$416	\$2
Tuition and Fees	1,365	1,385	1,390	5
Extracurricular Activities	200,640	203,414	204,208	794
Contributions and Donations	22,578	22,891	22,980	89
<i>Total Revenues</i>	<u>224,992</u>	<u>228,104</u>	<u>228,994</u>	<u>890</u>
Expenditures				
Current:				
Extracurricular Activities:				
Occupation Oriented Activities:				
Purchased Services	55	55	55	0
Materials and Supplies	8,566	8,566	8,566	0
Capital Outlay - New	396	396	396	0
Other	2,304	2,304	50	2,254
Total Occupation Oriented Activities	<u>11,321</u>	<u>11,321</u>	<u>9,067</u>	<u>2,254</u>
Sport Oriented Activities:				
Purchased Services	37,583	37,583	37,583	0
Materials and Supplies	85,382	85,382	85,382	0
Capital Outlay - New	31,122	31,122	31,122	0
Other	121,119	121,118	105,119	15,999
Total Sport Oriented Activities	<u>275,206</u>	<u>275,205</u>	<u>259,206</u>	<u>15,999</u>
School and Public Service				
Co-curricular Activities:				
Other	280	280	280	0
<i>Total Expenditures</i>	<u>286,807</u>	<u>286,806</u>	<u>268,553</u>	<u>18,253</u>
<i>Excess of Revenues Under Expenditures</i>	(61,815)	(58,702)	(39,559)	19,143
Other Financing Sources				
Transfers In	34,880	35,362	35,500	138
<i>Net Change in Fund Balance</i>	(26,935)	(23,340)	(4,059)	19,281
<i>Fund Balance Beginning of Year</i>	52,438	52,438	52,438	0
Prior Year Encumbrances Appropriated	6,935	6,935	6,935	0
<i>Fund Balance End of Year</i>	<u>\$32,438</u>	<u>\$36,033</u>	<u>\$55,314</u>	<u>\$19,281</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Auxiliary Services Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$688,174	\$661,359	\$654,219	(\$7,140)
Interest	5,213	4,962	4,968	6
<i>Total Revenues</i>	<u>693,387</u>	<u>666,321</u>	<u>659,187</u>	<u>(7,134)</u>
Expenditures				
Current:				
Operation of Non-Instructional Services:				
Community Services:				
Salaries and Wages	12,712	15,200	15,165	35
Fringe Benefits	2,069	3,075	2,468	607
Purchased Services	278,204	333,650	331,193	2,457
Materials and Supplies	420,731	373,956	362,034	11,922
Capital Outlay - New	178,485	161,470	110,544	50,926
Other	0	12,680	0	12,680
<i>Total Expenditures</i>	<u>892,201</u>	<u>900,031</u>	<u>821,404</u>	<u>78,627</u>
<i>Net Change in Fund Balance</i>	(198,814)	(233,710)	(162,217)	71,493
<i>Fund Balance Beginning of Year</i>	245	245	245	0
Prior Year Encumbrances Appropriated	<u>250,609</u>	<u>250,609</u>	<u>250,609</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$52,040</u>	<u>\$17,144</u>	<u>\$88,637</u>	<u>\$71,493</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Educational Management Information Systems Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$17,000	\$15,206	\$15,206	\$0
Expenditures				
Current:				
Support Services:				
Pupil:				
Purchased Services	2,500	6,415	4,964	1,451
Fiscal:				
Purchased Services	2,500	6,414	4,964	1,450
<i>Total Expenditures</i>	<u>5,000</u>	<u>12,829</u>	<u>9,928</u>	<u>2,901</u>
<i>Net Change in Fund Balance</i>	12,000	2,377	5,278	2,901
<i>Fund Balance Beginning of Year</i>	<u>4,268</u>	<u>4,268</u>	<u>4,268</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$16,268</u></u>	<u><u>\$6,645</u></u>	<u><u>\$9,546</u></u>	<u><u>\$2,901</u></u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Entry Year Program
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$5,600	\$5,600	\$5,600	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	5,600	5,600	5,600	0
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Network Connectivity Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$18,000	\$18,000	\$18,000	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Purchased Services	7,433	7,433	7,433	0
Capital Outlay - New	10,567	10,567	10,567	0
<i>Total Expenditures</i>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
SchoolNet Professional Development Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$5,000	\$3,925	\$3,925	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	1,874	3,189	3,173	16
Fringe Benefits	33	431	431	0
Purchased Services	131	2,314	2,314	0
<i>Total Expenditures</i>	<u>2,038</u>	<u>5,934</u>	<u>5,918</u>	<u>16</u>
<i>Net Change in Fund Balance</i>	2,962	(2,009)	(1,993)	16
<i>Fund Balance Beginning of Year</i>	404	404	404	0
Prior Year Encumbrances Appropriated	<u>1,634</u>	<u>1,634</u>	<u>1,634</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$5,000</u></u>	<u><u>\$29</u></u>	<u><u>\$45</u></u>	<u><u>\$16</u></u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Ohio Reads Grant Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$17,771	\$17,771	\$17,771	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	4,000	4,000	4,000	0
Purchased Services	4,000	4,000	4,000	0
Materials and Supplies	4,339	4,339	3,976	363
<i>Total Expenditures</i>	<u>12,339</u>	<u>12,339</u>	<u>11,976</u>	<u>363</u>
<i>Excess of Revenues Over Expenditures</i>	<u>5,432</u>	<u>5,432</u>	<u>5,795</u>	<u>363</u>
Other Financing Sources (Uses)				
Advances In	1,876	1,876	1,876	0
Advances Out	(11,713)	(11,713)	(12,076)	(363)
<i>Total Other Financing Sources (Uses)</i>	<u>(9,837)</u>	<u>(9,837)</u>	<u>(10,200)</u>	<u>(363)</u>
<i>Net Change in Fund Balance</i>	(4,405)	(4,405)	(4,405)	0
<i>Fund Balance Beginning of Year</i>	66	66	66	0
Prior Year Encumbrances Appropriated	4,339	4,339	4,339	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Vocational Education Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$118	\$118	\$118	\$0
Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	118	118	118	0
Other Financing Uses				
Advances Out	<u>(1,065)</u>	<u>(1,065)</u>	<u>(1,065)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(947)	(947)	(947)	0
<i>Fund Balance Beginning of Year</i>	<u>947</u>	<u>947</u>	<u>947</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Student Reading Intervention Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$23,051	\$17,103	\$17,103	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Materials and Supplies	16,520	19,054	16,520	2,534
Support Services:				
Instructional Staff:				
Materials and Supplies	87	87	87	0
<i>Total Expenditures</i>	16,607	19,141	16,607	2,534
<i>Excess of Revenues Over Expenditures</i>	6,444	(2,038)	496	2,534
Other Financing Uses				
Advances Out	0	0	(17,154)	(17,154)
<i>Net Change in Fund Balance</i>	6,444	(2,038)	(16,658)	(14,620)
<i>Fund Balance Beginning of Year</i>	51	51	51	0
Prior Year Encumbrances Appropriated	16,607	16,607	16,607	0
<i>Fund Balance End of Year</i>	\$23,102	\$14,620	\$0	(\$14,620)

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
SIRI Grant Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$10,995	\$8,158	\$8,158	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	24,180	21,646	10,664	10,982
Fringe Benefits	1,493	1,493	1,493	0
Purchased Services	24,699	24,699	18,623	6,076
Materials and Supplies	3,320	3,320	3,320	0
<i>Total Expenditures</i>	<u>53,692</u>	<u>51,158</u>	<u>34,100</u>	<u>17,058</u>
<i>Excess of Revenues Under Expenditures</i>	(42,697)	(43,000)	(25,942)	17,058
Other Financing Sources				
Advances In	57,954	43,000	43,000	0
<i>Net Change in Fund Balance</i>	15,257	0	17,058	17,058
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$15,257</u>	<u>\$0</u>	<u>\$17,058</u>	<u>\$17,058</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Title VI-B Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$1,160,567	\$1,015,461	\$1,015,461	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	9,333	10,046	10,046	0
Fringe Benefits	1,341	1,443	1,443	0
Purchased Services	11,248	11,537	11,537	0
Materials and Supplies	48,028	26,785	26,542	243
Capital Outlay - New	35,098	29,108	29,108	0
Total Regular	105,048	78,919	78,676	243
Special:				
Salaries and Wages	46,973	56,945	50,564	6,381
Fringe Benefits	18,248	23,822	19,643	4,179
Materials and Supplies	9,401	29,822	27,950	1,872
Capital Outlay - New	66,447	90,559	66,532	24,027
Total Special	141,069	201,148	164,689	36,459
Total Instruction	246,117	280,067	243,365	36,702
Support Services:				
Pupil:				
Salaries and Wages	15,383	16,559	16,559	0
Fringe Benefits	4,792	5,170	5,158	12
Total Pupil	20,175	21,729	21,717	12
Instructional Staff:				
Salaries and Wages	364,024	395,605	391,855	3,750
Fringe Benefits	202,161	244,140	217,619	26,521
Purchased Services	75,023	86,184	84,216	1,968
Total Instructional Staff	\$641,208	\$725,929	\$693,690	\$32,239

(continued)

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Title VI-B Fund (continued)
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Administration:				
Salaries and Wages	\$21,679	\$25,360	\$23,336	\$2,024
Fringe Benefits	14,171	16,504	15,254	1,250
Capital Outlay - New	2,649	2,851	2,851	0
Total Administration	<u>38,499</u>	<u>44,715</u>	<u>41,441</u>	<u>3,274</u>
Total Support Services	<u>699,882</u>	<u>792,373</u>	<u>756,848</u>	<u>35,525</u>
Operation of Non-Instructional Services:				
Community Services:				
Salaries and Wages	23,002	25,000	24,760	240
Fringe Benefits	7,586	9,810	8,166	1,644
Purchased Services	0	12,203	0	12,203
Total Operation of Non-Instructional Services	<u>30,588</u>	<u>47,013</u>	<u>32,926</u>	<u>14,087</u>
<i>Total Expenditures</i>	<u>976,587</u>	<u>1,119,453</u>	<u>1,033,139</u>	<u>86,314</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>183,980</u>	<u>(103,992)</u>	<u>(17,678)</u>	<u>86,314</u>
Other Financing Sources (Uses)				
Advances In	139,433	122,000	122,000	0
Advances Out	<u>(175,786)</u>	<u>(126,691)</u>	<u>(189,225)</u>	<u>(62,534)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(36,353)</u>	<u>(4,691)</u>	<u>(67,225)</u>	<u>(62,534)</u>
<i>Net Change in Fund Balance</i>	147,627	(108,683)	(84,903)	23,780
<i>Fund Balance Beginning of Year</i>	44,840	44,840	44,840	0
Prior Year Encumbrances Appropriated	<u>63,844</u>	<u>63,844</u>	<u>63,844</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$256,311</u>	<u>\$1</u>	<u>\$23,781</u>	<u>\$23,780</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Immigrant Education Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$17,297	\$15,419	\$15,419	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	8,446	10,062	10,062	0
Fringe Benefits	1,335	1,590	1,590	0
Materials and Supplies	4,502	3,858	3,858	0
Capital Outlay - New	735	3,734	3,734	0
Total Instruction	15,018	19,244	19,244	0
Support Services:				
Instructional Staff:				
Purchased Services	494	589	589	0
<i>Total Expenditures</i>	15,512	19,833	19,833	0
<i>Excess of Revenues Over (Under) Expenditures</i>	1,785	(4,414)	(4,414)	0
Other Financing Sources (Uses)				
Advances In	9,703	8,650	8,650	0
Advances Out	(5,414)	(6,450)	(6,450)	0
<i>Total Other Financing Sources (Uses)</i>	4,289	2,200	2,200	0
<i>Net Change in Fund Balance</i>	6,074	(2,214)	(2,214)	0
<i>Fund Balance Beginning of Year</i>	950	950	950	0
Prior Year Encumbrances Appropriated	1,264	1,264	1,264	0
<i>Fund Balance End of Year</i>	\$8,288	\$0	\$0	\$0

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Title V Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental	\$22,120	\$23,951	\$23,951	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	1,308	2,890	2,853	37
Fringe Benefits	202	441	441	0
Purchased Services	8,942	11,136	11,136	0
Materials and Supplies	2,842	4,085	4,085	0
Total Instruction	13,294	18,552	18,515	37
Operation of Non-Instructional Services:				
Community Services:				0
Purchased Services	779	1,700	1,700	0
Materials and Supplies	5,461	4,172	4,172	0
Capital Outlay - New	982	673	673	0
Total Operation of Non-Instructional Services	7,222	6,545	6,545	0
<i>Total Expenditures</i>	20,516	25,097	25,060	37
<i>Excess of Revenues Over (Under) Expenditures</i>	1,604	(1,146)	(1,109)	37
Other Financing Sources (Uses)				
Advances In	6,880	7,450	7,450	0
Advances Out	(7,061)	(15,400)	(15,400)	0
<i>Total Other Financing Sources (Uses)</i>	(181)	(7,950)	(7,950)	0
<i>Net Change in Fund Balance</i>	1,423	(9,096)	(9,059)	37
<i>Fund Balance Beginning of Year</i>	70	70	70	0
Prior Year Encumbrances Appropriated	9,027	9,027	9,027	0
<i>Fund Balance End of Year</i>	<u>\$10,520</u>	<u>\$1</u>	<u>\$38</u>	<u>\$37</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Drug Free Schools Grant Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$16,885	\$14,770	\$14,770	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	2,230	3,535	3,535	0
Fringe Benefits	345	546	546	0
Purchased Services	1,057	2,375	2,375	0
Materials and Supplies	1,189	932	932	0
Total Instruction	4,821	7,388	7,388	0
Support Services:				
Pupil:				
Salaries and Wages	1,250	1,980	1,980	0
Materials and Supplies	193	317	307	10
Total Support Services	1,443	2,297	2,287	10
Operation of Non-Instructional Services:				
Community Services:				
Purchased Services	0	518	518	0
Materials and Supplies	497	225	225	0
Total Operation of Non-Instructional Services	497	743	743	0
<i>Total Expenditures</i>	6,761	10,428	10,418	10
<i>Excess of Revenues Over Expenditures</i>	10,124	4,342	4,352	10
Other Financing Sources (Uses)				
Advances In	4,115	3,600	3,600	0
Advances Out	(5,617)	(8,900)	(8,900)	0
<i>Total Other Financing Sources (Uses)</i>	(1,502)	(5,300)	(5,300)	0
<i>Net Change in Fund Balance</i>	8,622	(958)	(948)	10
<i>Fund Balance Beginning of Year</i>	3	3	3	0
Prior Year Encumbrances Appropriated	955	955	955	0
<i>Fund Balance End of Year</i>	\$9,580	\$0	\$10	\$10

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Preschool Grant Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$25,149	\$20,221	\$20,221	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Materials and Supplies	4,050	3,527	3,509	18
Support Services:				
Instructional Staff:				
Salaries and Wages	15,104	16,560	16,171	389
Fringe Benefits	2,501	2,677	2,677	0
Total Support Services	17,605	19,237	18,848	389
<i>Total Expenditures</i>	21,655	22,764	22,357	407
<i>Excess of Revenues Over (Under) Expenditures</i>	3,494	(2,543)	(2,136)	407
Other Financing Sources (Uses)				
Advances In	4,851	3,900	3,900	0
Advances Out	(6,468)	(6,925)	(6,925)	0
<i>Total Other Financing Sources (Uses)</i>	(1,617)	(3,025)	(3,025)	0
<i>Net Change in Fund Balance</i>	1,877	(5,568)	(5,161)	407
<i>Fund Balance Beginning of Year</i>	4,137	4,137	4,137	0
Prior Year Encumbrances Appropriated	1,961	1,961	1,961	0
<i>Fund Balance End of Year</i>	<u>\$7,975</u>	<u>\$530</u>	<u>\$937</u>	<u>\$407</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Class Size Reduction Grant Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$139,827	\$72,524	\$72,524	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Salaries and Wages	47,461	50,872	50,872	0
Fringe Benefits	7,428	7,962	7,962	0
Total Instruction	54,889	58,834	58,834	0
Support Services:				
Instructional Staff:				
Salaries and Wages	4,067	4,359	4,359	0
Fringe Benefits	537	605	576	29
Purchased Services	7,667	7,825	7,825	0
Materials and Supplies	805	863	863	0
Total Support Services	13,076	13,652	13,623	29
Operation of Non-Instructional Services:				
Community Services:				
Purchased Services	3,577	3,834	3,834	0
Total Expenditures	71,542	76,320	76,291	29
Excess of Revenues Over (Under) Expenditures	68,285	(3,796)	(3,767)	29
Other Financing Sources (Uses)				
Advances In	30,173	15,650	15,650	0
Advances Out	(12,203)	(13,080)	(13,080)	0
Total Other Financing Sources (Uses)	17,970	2,570	2,570	0
Net Change in Fund Balance	86,255	(1,226)	(1,197)	29
Fund Balance Beginning of Year	20	20	20	0
Prior Year Encumbrances Appropriated	1,206	1,206	1,206	0
Fund Balance End of Year	\$87,481	\$0	\$29	\$29

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Permanent Improvement Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property and Other Local Taxes	\$873,395	\$891,781	\$891,781	\$0
Intergovernmental	100,459	102,574	102,574	0
Contributions and Donations	11,753	12,000	12,000	0
Rentals	2,938	3,000	3,000	0
<i>Total Revenues</i>	<i>988,545</i>	<i>1,009,355</i>	<i>1,009,355</i>	<i>0</i>
Expenditures				
Current:				
Instruction:				
Regular:				
Materials and Supplies	14,590	14,590	8,831	5,759
Capital Outlay - New	20,628	20,628	20,628	0
Total Instruction	35,218	35,218	29,459	5,759
Support Services:				
Administration:				
Purchased Services	21,068	21,068	21,068	0
Capital Outlay - New	85	85	85	0
Total Administration	21,153	21,153	21,153	0
Fiscal:				
Other	12,157	12,157	12,157	0
Operation and Maintenance of Plant:				
Purchased Services	10,622	10,622	10,622	0
Capital Outlay - New	57,637	57,637	57,637	0
Total Operation and Maintenance of Plant	68,259	68,259	68,259	0
Pupil Transportation:				
Capital Outlay - New	302,675	302,675	278,941	23,734
Total Support Services	\$404,244	\$404,244	\$380,510	\$23,734

(continued)

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Permanent Improvement Fund (continued)
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Capital Outlay:				
Site Acquisition Services:				
Purchased Services	\$129,823	\$129,823	\$129,823	\$0
Capital Outlay - New	25,080	25,080	25,080	0
Capital Outlay - Replacement	41,941	41,941	41,941	0
Total Site Acquisition Services	196,844	196,844	196,844	0
Building Improvement Services:				
Purchased Services	26,051	26,051	26,051	0
Capital Outlay - New	12,231	12,231	12,231	0
Capital Outlay - Replacement	656,908	656,908	566,022	90,886
Total Building Improvement Services	695,190	695,190	604,304	90,886
Total Capital Outlay	892,034	892,034	801,148	90,886
<i>Total Expenditures</i>	1,331,496	1,331,496	1,211,117	120,379
<i>Net Change in Fund Balance</i>	(342,951)	(322,141)	(201,762)	120,379
<i>Fund Balance Beginning of Year</i>	62,265	62,265	62,265	0
Prior Year Encumbrances Appropriated	392,696	392,696	392,696	0
<i>Fund Balance End of Year</i>	\$112,010	\$132,820	\$253,199	\$120,379

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Building Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues	\$0	\$0	\$0	\$0
Expenditures				
Current:				
Capital Outlay:				
Building Improvement Services				
Capital Outlay - New	114,435	114,435	114,435	0
<i>Net Change in Fund Balance</i>	(114,435)	(114,435)	(114,435)	0
<i>Fund Balance Beginning of Year</i>	56	56	56	0
Prior Year Encumbrances Appropriated	114,435	114,435	114,435	0
<i>Fund Balance End of Year</i>	<u>\$56</u>	<u>\$56</u>	<u>\$56</u>	<u>\$0</u>

North Royalton City School District
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
SchoolNet Plus Fund
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$60,000	\$0	\$0	\$0
Expenditures				
Current:				
Instruction:				
Regular:				
Capital Outlay - New	7,965	7,965	7,617	348
<i>Net Change in Fund Balance</i>	52,035	(7,965)	(7,617)	348
<i>Fund Balance Beginning of Year</i>	5,687	5,687	5,687	0
Prior Year Encumbrances Appropriated	2,278	2,278	2,278	0
<i>Fund Balance End of Year</i>	<u>\$60,000</u>	<u>\$0</u>	<u>\$348</u>	<u>\$348</u>

North Royalton City School District
Schedule of Revenues, Expenses and Changes
In Fund Equity - Budget (Non-GAAP Basis) and Actual
Self Insurance Fund
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$150,000	\$152,656	\$152,656	\$0
Expenses				
Purchased Services	23,901	23,901	23,901	0
Claims	136,099	136,099	111,633	24,466
<i>Total Expenses</i>	<u>160,000</u>	<u>160,000</u>	<u>135,534</u>	<u>24,466</u>
<i>Net Change in Fund Equity</i>	(10,000)	(7,344)	17,122	24,466
<i>Fund Equity Beginning of Year</i>	<u>131,354</u>	<u>131,354</u>	<u>131,354</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$121,354</u></u>	<u><u>\$124,010</u></u>	<u><u>\$148,476</u></u>	<u><u>\$24,466</u></u>

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Statistical Section

This part of the North Royalton City School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School District's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the School District's financial performance and well-being have changed over time.	S-2 - S-7
Revenue Capacity These schedules contain information to help the reader assess the School District's most significant local revenue source, the property tax.	S-8 - S-17
Debt Capacity These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.	S-18 - S-21
Economic and Demographic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the School District's financial activities take place.	S-22 - S-24
Operating Information These schedules contain service data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.	S-25 - S-32

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant fiscal year. The School District implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that fiscal year.

North Royalton City School District

*Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Invested in Capital Assets, Net of Related Debt	\$5,676,183	\$8,008,290	\$7,984,585	\$8,918,547
Restricted for:				
Capital Projects	351,756	470,886	694,252	693,794
Debt Service	2,262,835	2,704,713	3,149,780	3,328,432
Other Purposes	408,144	369,575	277,658	337,334
Unrestricted (Deficit)	<u>(3,485,176)</u>	<u>537,280</u>	<u>1,834,615</u>	<u>2,195,698</u>
Total Net Assets	<u><u>\$5,213,742</u></u>	<u><u>\$12,090,744</u></u>	<u><u>\$13,940,890</u></u>	<u><u>\$15,473,805</u></u>

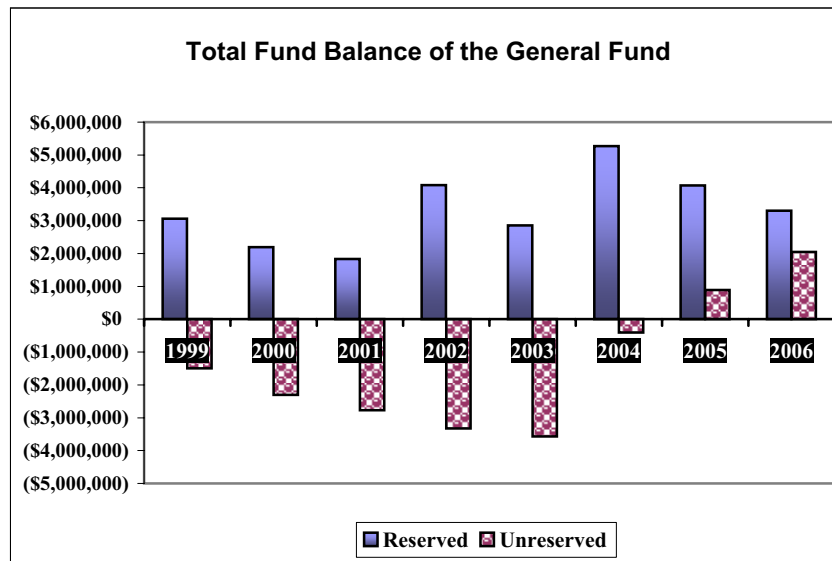
North Royalton City School District
Changes in Net Assets of Governmental Activities
Last Four Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006
Expenses				
Regular Instruction	\$17,302,942	\$17,400,569	\$18,824,347	\$19,181,614
Special Instruction	2,932,155	3,405,594	3,694,607	3,964,579
Vocational Instruction	165,516	100,839	196,199	168,079
Pupil Support	1,834,793	1,931,083	2,073,596	2,201,623
Instructional Staff Support	2,236,506	2,544,774	2,854,523	2,806,302
Board of Education	17,890	27,367	32,209	32,661
Administration	2,767,986	2,676,212	2,956,743	3,045,649
Fiscal	797,449	911,411	925,283	1,003,012
Business	225,304	281,670	300,767	287,549
Operation and Maintenance of Plant	2,928,794	3,188,596	3,422,885	3,776,192
Pupil Transportation	2,197,402	2,700,384	2,991,475	3,258,231
Central	268,640	299,018	348,821	437,407
Operation of Non-Instructional Services	592,156	607,217	835,474	760,088
Food Service Operations	612,425	1,318,533	1,383,071	1,386,551
Extracurricular Activities	1,477,114	856,680	928,390	886,853
Interest and Fiscal Charges	1,552,707	1,453,624	1,096,586	1,161,101
<i>Total Expenses</i>	<u>37,909,779</u>	<u>39,703,571</u>	<u>42,864,976</u>	<u>44,357,491</u>
Program Revenues				
Charges for Services and Sales				
Regular Instruction	39,966	205,392	466,294	338,402
Special Instruction	214,701	249,760	0	0
Pupil Support	0	1,733	586	353
Administration	0	0	0	145
Fiscal	0	0	0	90
Business	33,260	57,500	0	0
Operation and Maintenance of Plant	0	0	59,358	50,344
Pupil Transportation	0	0	0	2,073
Food Service Operations	1,039,189	1,058,187	1,125,999	1,176,372
Extracurricular Activities	314,716	184,324	228,083	228,596
Operating Grants, Contributions and Interest	1,249,769	1,809,757	2,097,894	2,186,617
Capital Grants and Contributions	177,730	21,489	153,862	61,179
<i>Total Program Revenues</i>	<u>3,069,331</u>	<u>3,588,142</u>	<u>4,132,076</u>	<u>4,044,171</u>
Net Expense	<u>(34,840,448)</u>	<u>(36,115,429)</u>	<u>(38,732,900)</u>	<u>(40,313,320)</u>
General Revenues				
Property Taxes Levied for:				
General Purposes	20,685,488	29,363,757	27,467,331	28,267,848
Debt Service	2,119,417	2,747,051	2,434,371	2,622,996
Capital Outlay	623,569	858,498	801,374	873,788
Grants and Entitlements not				
Restricted to Specific Programs	9,099,437	9,707,794	9,539,711	9,475,185
Interest	82,610	76,094	236,072	516,550
Gain on Sale of Capital Assets	0	37,000	0	44
Miscellaneous	211,124	202,237	104,187	89,824
<i>Total General Revenues</i>	<u>32,821,645</u>	<u>42,992,431</u>	<u>40,583,046</u>	<u>41,846,235</u>
<i>Change in Net Assets</i>	<u>(\$2,018,803)</u>	<u>\$6,877,002</u>	<u>\$1,850,146</u>	<u>\$1,532,915</u>

North Royalton City School District
Fund Balances, Governmental Funds
Last Eight Fiscal Years (1)
(modified accrual basis of accounting)

	1999	2000	2001
General Fund			
Reserved	\$3,061,111	\$2,195,839	\$1,837,447
Unreserved	(1,495,350)	(2,298,819)	(2,773,494)
Total General Fund	<u>1,565,761</u>	<u>(102,980)</u>	<u>(936,047)</u>
All Other Governmental Funds			
Reserved	777,544	464,868	403,208
Unreserved, Undesignated, Reported in:			
Special Revenue funds	75,762	261,058	259,757
Debt Service funds	1,514,584	1,760,637	1,947,210
Capital Projects funds (Deficit)	139,572	(91,568)	22,450
Total All Other Governmental Funds	<u>2,507,462</u>	<u>2,394,995</u>	<u>2,632,625</u>
Total Governmental Funds	<u><u>\$4,073,223</u></u>	<u><u>\$2,292,015</u></u>	<u><u>\$1,696,578</u></u>

(1) Information prior to 1999 is not available.



2002	2003	2004	2005	2006
\$4,084,889	\$2,858,989	\$5,267,827	\$4,076,588	\$3,307,757
(3,323,666)	(3,572,721)	(407,775)	884,649	2,045,734
761,223	(713,732)	4,860,052	4,961,237	5,353,491
654,939	685,236	953,271	1,155,733	793,273
362,082	349,737	354,312	155,988	322,889
2,085,527	2,163,827	2,307,768	2,776,408	3,017,612
21,261	59,945	(161,003)	(521,989)	(225,506)
3,123,809	3,258,745	3,454,348	3,566,140	3,908,268
\$3,885,032	\$2,545,013	\$8,314,400	\$8,527,377	\$9,261,759

North Royalton City School District
Changes in Fund Balances
Last Eight Fiscal Years (1)
(modified accrual basis of accounting)

	1999	2000	2001
Revenues			
Property and Other Local Taxes	\$23,299,237	\$21,489,911	\$23,556,926
Intergovernmental	7,875,351	8,427,372	9,294,779
Interest	326,446	362,541	344,644
Tuition and Fees	150,030	164,501	189,970
Extracurricular Activities	150,352	154,521	172,601
Contributions and Donations	0	0	0
Charges for Services	0	0	0
Rentals	0	0	0
Miscellaneous	291,803	176,022	318,075
<i>Total Revenues</i>	<u>\$32,093,219</u>	<u>\$30,774,868</u>	<u>\$33,876,995</u>
Expenditures			
Current:			
Instruction:			
Regular and Special	14,320,381	15,938,182	17,346,887
Vocational, Adult and Other	687,258	940,207	667,207
Regular	0	0	0
Special	0	0	0
Vocational	0	0	0
Support Services:			
Pupil	1,444,322	1,532,063	1,678,325
Instructional Staff	1,501,589	1,743,107	1,860,622
Board of Education	0	0	0
Administration	2,256,472	2,355,345	2,672,500
Fiscal	853,059	963,201	943,231
Business	0	0	0
Operation and Maintenance of Plant	2,626,710	2,734,729	2,985,176
Pupil Transportation	1,960,510	2,129,235	2,418,968
Central	93,740	120,075	95,031
Operation of Non-Instructional Services	502,770	468,277	482,556
Food Service Operations	0	0	0
Extracurricular Activities	432,962	667,421	760,587
Capital Outlay	693,582	357,399	10,581
Debt Service:			
Principal Retirement	1,310,000	1,235,000	1,295,000
Interest and Fiscal Charges	1,454,050	1,393,381	1,332,570
Interest on Capital Appreciation Bonds	0	0	0
Bond Issuance Costs	0	0	0
<i>Total Expenditures</i>	<u>30,137,405</u>	<u>32,577,622</u>	<u>34,549,241</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>1,955,814</u>	<u>(1,802,754)</u>	<u>(672,246)</u>
Other Financing Sources (Uses):			
Sale of Capital Assets	12,549	21,546	1,100
General Obligation Bonds Issued	0	0	0
Premium on General Obligation Bonds Issued	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0
Transfers In	236,100	123,610	471,896
Transfers Out	(237,100)	(123,610)	(471,896)
<i>Total Other Financing Sources (Uses)</i>	<u>11,549</u>	<u>21,546</u>	<u>1,100</u>
<i>Net Change in Fund Balances</i>	<u>\$1,967,363</u>	<u>(\$1,781,208)</u>	<u>(\$671,146)</u>
<i>Debt Service as a Percentage of Noncapital Expenditures</i>	9.39%	8.16%	7.61%

(1) Information prior to 1999 is not available.

(2) Includes General, Special Revenue, Capital Projects and Debt Service Funds.

(3) Regular and Special Instruction were shown in total for fiscal years 1999, 2000, and 2001.

(4) Vocational, Adult and Other Instruction were shown in total for fiscal years 1999, 2000, and 2001.

2002	2003	2004	2005	2006
\$28,737,806	\$24,186,901	\$32,761,249	\$29,811,003	\$31,621,162
10,286,408	10,480,631	11,440,394	11,619,390	11,570,058
139,229	88,781	79,545	245,241	525,868
273,604	174,784	557,370	332,735	305,125
203,585	274,061	182,504	225,983	227,206
68,922	79,368	95,195	162,908	123,105
1,507	1,040,802	1,088,120	1,154,091	1,203,212
34,730	33,260	57,500	59,358	51,989
97,354	211,124	202,237	104,187	89,824
<u>39,843,145</u>	<u>36,569,712</u>	<u>46,464,114</u>	<u>43,714,896</u>	<u>45,717,549</u>
0	0	0	0	0
0	0	0	0	0
16,287,227	16,301,818	16,937,356	17,952,372	18,458,518
2,980,258	2,882,418	3,322,726	3,590,761	3,877,343
126,076	174,975	92,605	182,888	168,184
1,947,784	1,810,813	1,881,898	2,051,487	2,161,006
2,107,635	2,089,874	2,371,198	2,803,076	2,631,753
19,469	18,060	27,367	32,209	32,661
2,913,381	2,670,552	2,646,460	2,732,941	2,809,307
820,527	773,273	884,703	927,855	995,258
213,961	215,157	279,716	299,538	286,639
2,901,312	2,801,943	2,959,316	3,345,796	3,569,376
2,240,886	2,014,230	2,393,572	2,625,312	2,812,288
222,259	253,322	294,075	330,191	418,949
641,489	650,522	645,440	819,413	771,554
0	1,203,507	1,283,994	1,343,360	1,313,791
746,566	809,598	826,667	915,181	931,901
817,988	631,320	1,255,125	1,242,520	1,025,493
1,350,000	1,390,000	1,435,000	1,480,000	1,935,000
1,280,896	1,240,693	845,566	828,558	788,646
0	0	348,943	0	0
0	0	0	198,293	0
<u>37,617,714</u>	<u>37,932,075</u>	<u>40,731,727</u>	<u>43,701,751</u>	<u>44,987,667</u>
<u>2,225,431</u>	<u>(1,362,363)</u>	<u>5,732,387</u>	<u>13,145</u>	<u>729,882</u>
7,980	22,344	37,000	0	4,500
0	0	0	14,424,974	0
0	0	0	2,120,721	0
0	0	0	(16,345,863)	0
35,500	35,500	35,500	80,500	155,500
(35,500)	(35,500)	(35,500)	(80,500)	(155,500)
<u>7,980</u>	<u>22,344</u>	<u>37,000</u>	<u>199,832</u>	<u>4,500</u>
<u>\$2,233,411</u>	<u>(\$1,340,019)</u>	<u>\$5,769,387</u>	<u>\$212,977</u>	<u>\$734,382</u>
7.15%	7.05%	6.66%	5.90%	6.20%

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

Collection Year	Real Property			Estimated Actual Value	Tangible
	Assessed Value				General
	Residential/ Agricultural	Commercial/ Industrial	Total		Assessed Value
1998	\$477,937,360	\$91,951,740	\$569,889,100	\$1,628,254,571	\$21,442,254
1999	506,178,520	99,080,010	605,258,530	1,729,310,086	21,230,513
2000	531,317,510	97,965,850	629,283,360	1,797,952,457	24,721,996
2001	605,963,050	118,372,750	724,335,800	2,069,530,857	26,445,510
2002	625,785,930	121,542,850	747,328,780	2,135,225,086	30,539,440
2003	651,970,300	127,003,500	778,973,800	2,225,639,429	30,116,086
2004	714,571,850	136,287,030	850,858,880	2,431,025,371	28,710,170
2005	750,490,800	138,749,800	889,240,600	2,540,687,429	25,647,714
2006	790,921,970	140,998,620	931,920,590	2,662,630,257	29,503,890

(1) Information prior to 1998 is not available.

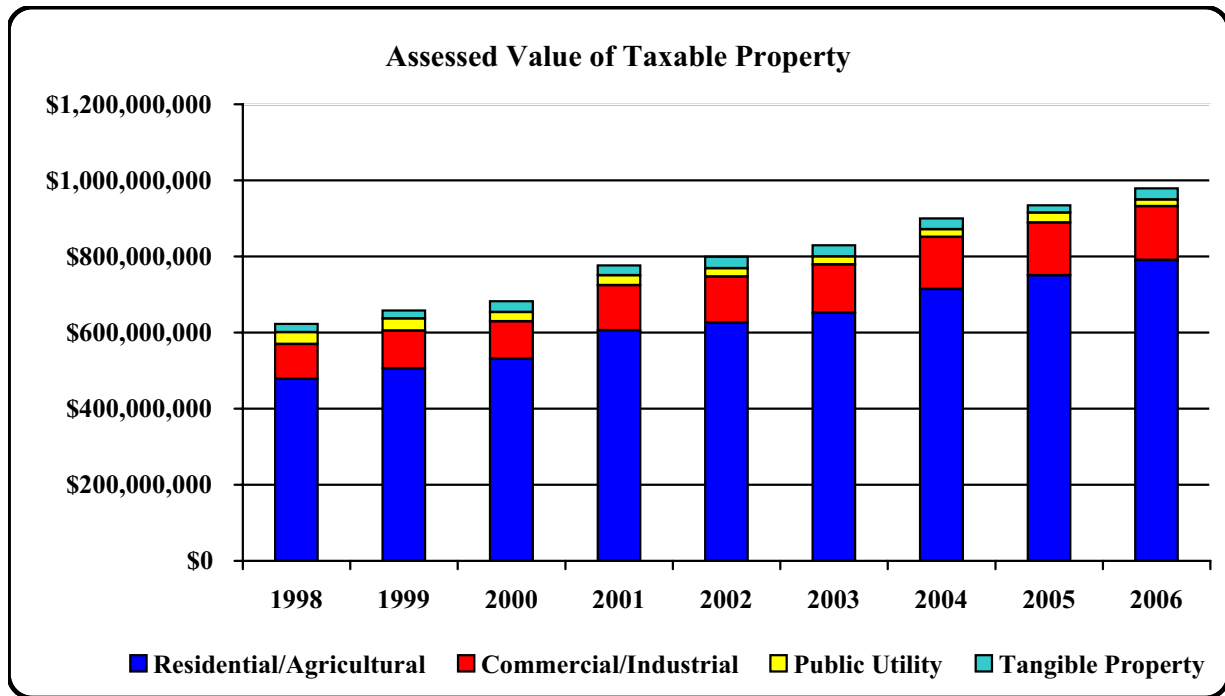
Real property is reappraised every six years with a State mandated update of the current market value in the third year following each reappraisal.

The assessed value for real property (including public utility real property) is 35 percent of estimated true value. Personal property tax is assessed on all tangible personal property used in business in Ohio. The assessed value of public utility personal property ranges from 25 percent of true value for railroad property to 88 percent for electric transmission and distribution property. General business tangible personal property was assessed in previous years at 25 percent for machinery and equipment and 23 percent for inventories. General business tangible personal property tax is being phased out beginning in 2006. The listing percentage is 18.75 percent for 2006, 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

The tangible personal property values associated with each year are the values that, when multiplied by the applicable rates, generated the property tax revenue billed in that year. For real property, the amounts generated by multiplying the assessed values by the applicable rates would be reduced by the 10%, 2 1/2% and the homestead exemptions before being billed. Beginning in the 2006 collection year, the 10% rollback for commercial/industrial property has been eliminated.

Source: Office of the County Auditor, Cuyahoga County, Ohio

Personal Property Business	Tangible Personal Property Public Utility		Total		
Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Weighted Average Tax Rate
\$85,769,016	\$31,264,190	\$35,527,489	\$622,595,544	\$1,749,551,076	\$26.56832
84,922,052	31,814,060	36,152,341	658,303,103	1,850,384,479	27.41161
98,887,984	28,486,370	32,370,875	682,491,726	1,929,211,316	27.74563
105,782,040	25,459,179	28,930,885	776,240,489	2,204,243,782	29.27836
122,157,760	21,240,630	24,137,079	799,108,850	2,281,519,925	28.72641
120,464,344	20,709,590	23,533,625	829,799,476	2,369,637,398	35.24079
124,826,826	20,459,520	23,249,455	900,028,570	2,579,101,652	36.45944
111,511,800	19,944,270	22,663,943	934,832,584	2,674,863,172	37.22938
157,354,080	17,260,620	19,614,341	978,685,100	2,839,598,678	38.10513



North Royalton City School District
Property Tax Rates - Direct and Overlapping Governments
(per \$1,000 of assessed value)
Last Eight Years (1)

	1999	2000	2001
Unvoted Millage			
Operating	<u>\$6.000000</u>	<u>\$6.000000</u>	<u>\$6.000000</u>
Voted Millage - by levy			
1976 Operating - continuing			
Effective Millage Rates			
Residential/Agricultural	12.958900	12.968200	13.042400
Commercial/Industrial	12.635900	12.643600	12.813900
Tangible/Public Utility Personal	36.100000	36.100000	36.100000
1977 Operating - continuing			
Effective Millage Rates			
Residential/Agricultural	1.098900	1.096100	1.073800
Commercial/Industrial	1.212600	1.210100	1.155700
Tangible/Public Utility Personal	2.500000	2.500000	2.500000
1987 Bond (\$7,750,000)	1.100000	1.100000	1.000000
1988 Operating - continuing			
Effective Millage Rates			
Residential/Agricultural	0.942200	0.935700	0.883800
Commercial/Industrial	1.151500	1.146300	1.030400
Tangible/Public Utility Personal	1.500000	1.500000	1.500000
1994 Bond (\$24,000,000)	3.300000	3.100000	2.600000
1995 Emergency (\$2,900,000) (2)	4.700000	4.500000	4.000000
1996 Emergency (\$3,795,000) (3)	6.200000	5.900000	5.000000
2002 Emergency (\$4,395,000)	0.000000	0.000000	0.000000
2005 Emergency (\$6,695,000)	<u>0.000000</u>	<u>0.000000</u>	<u>0.000000</u>
Total Effective Voted Millage by type of property			
Residential/Agricultural	30.300000	29.600000	27.600000
Commercial/Industrial	30.300000	29.600000	27.600000
Tangible/Public Utility Personal	<u>55.400000</u>	<u>54.700000</u>	<u>52.700000</u>

2002	2003	2004	2005	2006
<u>\$6.000000</u>	<u>\$6.000000</u>	<u>\$6.000000</u>	<u>\$6.000000</u>	<u>\$6.000000</u>
13.045900	13.050000	13.092800	13.101000	13.104600
12.819900	12.820500	12.862200	12.865000	12.947600
36.100000	36.100000	36.100000	36.100000	36.100000
1.072700	1.071500	1.058600	1.056200	1.055100
1.153800	1.153600	1.140300	1.139400	1.146700
2.500000	2.500000	2.500000	2.500000	2.500000
0.800000	0.800000	0.800000	0.800000	0.900000
0.881400	0.878500	0.848600	0.842900	0.840400
1.026300	1.025900	0.997600	0.995700	1.002100
1.500000	1.500000	1.500000	1.500000	1.500000
2.600000	2.600000	2.300000	2.200000	2.100000
3.800000	3.700000	3.400000	3.300000	0.000000
4.900000	4.800000	4.400000	4.300000	0.000000
0.000000	5.500000	5.100000	5.000000	4.700000
<u>0.000000</u>	<u>0.000000</u>	<u>0.000000</u>	<u>0.000000</u>	<u>7.200000</u>
27.100000	32.400000	31.000000	30.600100	29.900100
27.100000	32.400000	31.000100	30.600100	29.996400
<u>52.200000</u>	<u>57.500000</u>	<u>56.100000</u>	<u>55.700000</u>	<u>55.000000</u>

(continued)

North Royalton City School District
Property Tax Rates - Direct and Overlapping Governments (continued)
(per \$1,000 of assessed value)
Last Eight Years (1)

	1999	2000	2001
Overlapping Rates by Taxing District			
City of North Royalton			
Effective Millage Rates			
Residential/Agricultural	\$6.490900	\$6.470000	\$6.018800
Commercial/Industrial	7.236800	7.213300	6.471200
Tangible/Public Utility Personal	8.300000	8.300000	8.200000
City of Broadview Heights			
Effective Millage Rates			
Residential/Agricultural	6.499600	6.491700	6.413200
Commercial/Industrial	7.261800	7.245900	7.020400
Tangible/Public Utility Personal	9.400000	9.400000	9.400000
Cuyahoga County			
Effective Millage Rates			
Residential/Agricultural	11.423000	11.411400	11.396700
Commercial/Industrial	12.406500	12.373600	11.929800
Tangible/Public Utility Personal	13.750000	13.750000	14.650000
Cuyahoga County Library			
Effective Millage Rates			
Residential/Agricultural	1.131500	1.397500	1.261000
Commercial/Industrial	1.267500	1.388400	1.200600
Tangible/Public Utility Personal	1.400000	1.400000	1.400000
Cuyahoga Valley JVSD			
Effective Millage Rates			
Residential/Agricultural	2.000000	2.000000	2.000000
Commercial/Industrial	2.000000	2.000000	2.000000
Tangible/Public Utility Personal	2.000000	2.000000	2.000000
Cleveland Metro Parks			
Effective Millage Rates			
Residential/Agricultural	1.429500	1.426700	1.281200
Commercial/Industrial	1.508300	1.503900	1.324700
Tangible/Public Utility Personal	1.550000	1.550000	1.550000

(1) Information prior to 1999 is not available.

(2) This levy was renewed in 2000. This levy was then combined with the 1996 emergency levy and renewed in 2005.

(3) This levy was renewed in 2001. This levy was then combined with the 1995 emergency levy and renewed in 2005.

The rates presented for a particular calendar year are the rates that, when applied to the assessed values presented in the Assessed Value Table, generated the property tax revenue billed in that year.

Rates may only be raised by obtaining the approval of a majority of the voters at a public election.

Source: Ohio Department of Taxation

2002	2003	2004	2005	2006
\$6.349300	\$6.339500	\$6.139900	\$6.131600	\$6.120300
6.797500	6.793600	6.625000	6.596800	6.625300
8.200000	8.200000	8.200000	8.200000	8.200000
6.410000	6.405700	6.343900	6.330900	6.326500
6.991700	7.003000	6.956500	6.953400	6.953200
9.400000	9.400000	9.400000	9.400000	9.400000
11.381500	12.460900	13.442800	13.424600	14.172700
12.002300	12.876400	14.736300	14.662400	15.281400
14.650000	14.650000	16.450000	16.450000	16.450000
1.258300	1.256500	1.159300	1.993100	1.993500
1.198500	1.205000	1.171500	1.989200	2.000000
1.400000	1.400000	1.400000	2.000000	2.000000
2.000000	2.000000	2.000000	2.000000	2.000000
2.000000	2.000000	2.000000	2.000000	2.000000
2.000000	2.000000	2.000000	2.000000	2.000000
1.277100	1.275800	1.166100	1.845700	1.846500
1.333500	1.344700	1.316600	1.839700	1.850000
1.550000	1.550000	1.550000	1.850000	1.850000

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

Collection Year (2)	Current Tax Levy	Current Tax Collections	Percent of Current Tax Collections to Current Tax Levy	Delinquent Tax Collections (3)	Total Tax Collections	Percent of Total Tax Collections to Current Tax Levy
1996	\$18,940,161	\$18,688,226	98.67%	\$259,353	\$18,947,579	100.00%
1997	22,649,597	22,236,039	98.17	396,780	22,632,819	99.93
1998	24,343,994	23,872,162	98.06	383,286	24,255,448	99.64
1999	25,670,639	24,888,533	96.95	515,750	25,404,283	98.96
2000	27,405,644	25,952,337	94.70	485,133	26,437,470	96.47
2001	27,755,925	26,898,677	96.91	600,751	27,499,428	99.08
2002	28,751,361	27,596,484	95.98	784,292	28,380,776	98.71
2003	36,339,103	32,846,659	90.39	1,015,315	33,861,974	93.18
2004	36,868,413	34,061,837	92.39	886,993	34,948,830	94.79
2005	37,663,289	35,455,548	94.14	900,530	36,356,078	96.53

Source: Office of the Auditor, Cuyahoga County, Ohio

- (1) Includes Homestead/Rollback taxes assessed locally, but distributed through the State and reported as Intergovernmental Revenue.
- (2) The 2006 information cannot be presented because all collections have not been made by June 30, 2006.
- (3) The County does not maintain delinquency information by tax year.

North Royalton City School District

Principal Taxpayers

Real Estate Tax

2005 and 1998 (1)

Name of Taxpayer	2005	
	Assessed Value	Percent of Real Property Assessed Value
Spruce Lake, LTD	\$8,209,635	0.88%
CAPREIT Royalton	6,603,660	0.71
MCI Telecommunications	5,427,485	0.58
M & J Dover Farms, LP	5,375,025	0.58
I & J Associates, LTD	3,811,675	0.41
Deer Creek Apt. LTD	3,776,990	0.40
Oak Brook Gardens	3,597,545	0.39
Pine Forest Apartments	3,514,735	0.38
Royalton Plaza	2,399,985	0.26
Timber Ridge Investments, LTD	2,363,200	0.25
Spartan House, LTD	2,345,000	0.25
Shadow Creek Enterprises, LTD	2,309,125	0.25
Hampton Club Company	2,271,290	0.24
Athenian Office Building, LTD	1,981,070	0.21
Abookire Somio	1,358,945	0.15
Selco Service Corporation	1,225,000	0.13
Total	\$56,570,365	6.07%
Total Assessed Valuation	\$889,240,600	
Name of Taxpayer	1998	
	Assessed Value	Percent of Real Property Assessed Value
Royal Oaks	\$6,097,000	1.07%
M & J - Dover Farms Apartments	4,025,000	0.71
Gary Gross - Walnut Hills Apartments	3,640,000	0.64
Harley Gross - Deer Creek Apartments	3,558,100	0.62
MCI Telecommunications	3,591,000	0.63
City of North Royalton	3,586,280	0.63
Oak Brook Garden Apartments	3,541,720	0.62
Pine Forest Apartments	3,312,400	0.58
Somerset West Development Co.	2,730,000	0.48
Timber Ridge Investments	2,333,100	0.41
Theophanes B. Gaitanaros	2,226,000	0.39
Royalton Plaza	1,792,390	0.31
U.S. Hone Corp.	1,374,440	0.24
Somia Abookire	1,365,000	0.24
Zane R. Tollis	1,279,250	0.22
Deaconess Senior Housing, Inc.	1,252,090	0.22
Bent Tree at Seneca Gardens	1,138,970	0.20
Total	\$46,842,740	7.77%
Total Assessed Valuation	\$569,889,100	

Source: Office of the Auditor, Cuyahoga County, Ohio

(1) The amounts presented represent the assessed values upon which 2005 and 1998 collections were based.

North Royalton City School District

Principal Taxpayers

Tangible Personal Property Tax

2005 and 1998 (1)

Name of Taxpayer	2005	
	Assessed Value	Percent of Tangible Personal Property Assessed Value
MCI EDS Capital Asset	\$5,137,820	17.41%
EDS Information Services	1,626,960	5.51
Riser Foods Company	1,350,030	4.58
H & D Steel Service, Inc.	1,192,550	4.04
Valley Tool & Die, Inc.	769,660	2.61
Stevens Painton Corporation	750,980	2.55
Praxair Distribution, Inc.	683,630	2.32
WideOpenWest Cleveland LLC	660,760	2.24
Krenz Krist Machine, Inc.	591,980	2.01
Neighborcare Pharmacy	500,660	1.70
May Tool & Die Company	402,350	1.36
Key Corporate Capital Inc.	374,290	1.27
Storage Technology Corporation	364,740	1.24
Digioia Suburban Excavating LC	355,280	1.20
Discount Drug Mart, Inc.	352,370	1.19
Dieverse Industries, Inc.	348,930	1.18
Total	\$15,462,990	52.41%
Total Assessed Valuation	\$25,647,714	
Name of Taxpayer	1998	
	Assessed Value	Percent of Tangible Personal Property Assessed Value
H & D Steel Service, Inc.	\$1,328,060	6.19%
Discount Drug Mart	761,830	3.55
Riser Foods Co.	651,800	3.04
Krenz Krist Machine, Inc.	638,970	2.98
Valley Tool & Die, Inc.	452,310	2.11
Royal Wire Products, Inc.	382,150	1.78
Transport Services, Inc.	377,330	1.76
Stevens Painton Corp.	369,550	1.72
CNC Sales & Applications	317,650	1.48
Midwest Precision Products	306,540	1.43
Fleming Companies, Inc.	271,780	1.27
Cablevision of the Midwest	270,700	1.26
Waterpro Supplies Corp.	262,300	1.22
Diamond K Industries	255,770	1.19
Lunar Tool & Mold, Inc.	248,200	1.16
Parma International	244,370	1.14
Total	\$7,139,310	33.64%
Total Assessed Valuation	\$21,442,254	

Source: Office of the Auditor, Cuyahoga County, Ohio

(1) The amounts presented represent the assessed values upon which 2005 and 1998 collections were based.

North Royalton City School District

Principal Taxpayers

Public Utilities Tax

2005 and 1998 (1)

Name of Taxpayer	2005	
	Assessed Value	Percent of Public Utility Assessed Value
Cleveland Electric Illuminating Company	\$8,709,271	50.46%
Ohio Bell Telephone Company	3,267,936	18.93
Columbia Gas of Ohio, Inc.	1,475,558	8.55
American Transmission System	1,005,911	5.83
MCI Worldcom Network	258,332	1.49
New Par	213,682	1.24
East Ohio Gas Company	179,501	1.04
Total	\$15,110,191	87.54%
Total Public Utility Valuation	\$19,944,270	
Name of Taxpayer	1998	
	Assessed Value	Percent of Public Utility Assessed Value
Cleveland Electric Illuminating Company	\$14,340,990	45.87%
Ameritech	6,508,620	20.82
Columbia Gas of Ohio, Inc.	4,848,690	15.51
MCI Telecommunications Corporation	1,931,600	6.18
ICG Access Services	1,298,640	4.15
East Ohio Gas Company	1,062,900	3.40
Ohio Edison Company	778,000	2.49
Total	\$30,769,440	96.72%
Total Public Utility Valuation	\$31,264,190	

Source: Office of the Auditor, Cuyahoga County, Ohio

(1) The amounts presented represent the assessed values upon which 2005 and 1998

North Royalton City School District
Computation of Direct and Overlapping
Governmental Activities Debt
December 31, 2005

	<u>General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to School District (1)</u>	<u>Amount of Direct and Overlapping Debt</u>
Direct:			
North Royalton City School District General Obligation Bonds	<u>\$19,898,979</u>	100.00%	<u>\$19,898,979</u>
Overlapping:			
City of North Royalton General Obligation Bonds	6,200,591	98.56	6,111,302
Special Assessment Bonds	1,586,414	98.56	1,563,570
Capital Lease Obligations	293,321	98.56	289,097
City of Broadview Heights General Obligation Bonds	5,034,286	18.38	925,302
Special Assessment Bonds	3,527,608	18.38	648,374
OWDA Loans	3,928,840	18.38	722,121
Revolving Loan	537,819	18.38	98,851
Notes Payable	878,500	18.38	161,468
Cuyahoga County General Obligation Bonds	224,406,000	3.05	6,844,383
Revenue Bonds	109,950,000	3.05	3,353,475
Capital Lease Obligations	8,387,000	3.05	255,804
Loans Payable	2,776,000	3.05	84,668
Regional Transit Authority General Obligation Bonds	139,790,000	3.05	4,263,595
SIB Loan	<u>5,051,815</u>	3.05	<u>154,080</u>
Total Overlapping	<u>512,348,194</u>		<u>25,476,090</u>
Total	<u><u>\$532,247,173</u></u>		<u><u>\$45,375,069</u></u>

Source: Office of the Auditor, Cuyahoga County, Ohio

- (1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the School District by the total assessed valuation of the subdivision. The valuations used were for the 2005 collection year.

North Royalton City School District
*Ratio of General Obligation Bonded Debt
to Estimated Actual Value and Debt per Capita
Last Eight Fiscal Years (1)*

Fiscal Year	Estimated Population	Estimated Actual Value	General Obligation Bonded Debt		
			Bonded Debt	Ratio of Bonded Debt to Estimated Actual Value	Bonded Debt per Capita
1999	28,648	\$1,850,384,479	\$26,270,709	1.42	917
2000	28,648	1,929,211,316	25,035,709	1.30	874
2001	28,648	2,204,243,782	26,268,522	1.19	917
2002	28,648	2,281,519,925	25,164,136	1.10	878
2003	28,648	2,369,637,398	23,600,179	1.00	824
2004	28,648	2,579,101,652	22,455,319	0.87	784
2005	28,648	2,674,863,172	21,469,751	0.80	749
2006	28,648	2,839,598,678	19,898,979	0.70	695

(1) Information prior to 1999 is not available.

Source: Office of the Treasurer, North Royalton City School District, Cuyahoga County Auditor and the U.S. Census Bureau (Census 2000)

North Royalton City School District
Computation of Legal Debt Margin
Last Eight Fiscal Years (1)

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Assessed Valuation (2)	<u>\$658,303,103</u>	<u>\$682,491,726</u>	<u>\$776,240,489</u>
Debt Limit - 9% of Assessed Value (3)	\$59,247,279	\$61,424,255	\$69,861,644
Amount of Debt Outstanding			
General Obligation Bonds	26,270,709	25,035,709	26,268,522
Less Amount Available in Debt Service	<u>(1,514,584)</u>	<u>(1,914,221)</u>	<u>(2,142,384)</u>
Amount of Debt Subject to Limit	<u>24,756,125</u>	<u>23,121,488</u>	<u>24,126,138</u>
Overall Debt Margin	<u>\$34,491,154</u>	<u>\$38,302,767</u>	<u>\$45,735,506</u>
Legal Debt Margin as a Percentage of Debt Limit	58.22%	62.36%	65.47%
Unvoted Legal Debt Limit - .10% of Assessed Value (1)	\$658,303	\$682,492	\$776,240
Amount of Debt Subject to Limit	<u>0</u>	<u>0</u>	<u>0</u>
Unvoted Debt Margin	<u>\$658,303</u>	<u>\$682,492</u>	<u>\$776,240</u>
Unvoted Legal Debt Margin as a Percentage of the Unvoted Debt Limitation	100.00%	100.00%	100.00%

Source: Cuyahoga County Auditor and School District Financial Records

- (1) Information prior to 1999 is not available.
- (2) For fiscal year 2006, HB530 changed the assessed valuation utilized in the legal debt margin calculation to exclude tangible personal property as well as railroad and telephone tangible property.
- (3) Ohio Bond Law sets a limit of 9% for overall debt and 1/10 of 1% for unvoted debt.

2002	2003	2004	2005	2006
<u>\$799,108,850</u>	<u>\$829,799,476</u>	<u>\$900,028,570</u>	<u>\$934,832,584</u>	<u>\$945,027,390</u>
\$71,919,797	\$74,681,953	\$81,002,571	\$84,134,933	\$85,052,465
24,235,000	21,657,123	20,571,066	19,454,079	17,895,689
<u>(2,535,911)</u>	<u>(2,388,460)</u>	<u>(2,782,034)</u>	<u>(3,130,487)</u>	<u>(3,282,793)</u>
<u>21,699,089</u>	<u>19,268,663</u>	<u>17,789,032</u>	<u>16,323,592</u>	<u>14,612,896</u>
<u>\$50,220,708</u>	<u>\$55,413,290</u>	<u>\$63,213,539</u>	<u>\$67,811,341</u>	<u>\$70,439,569</u>
69.83%	74.20%	78.04%	80.60%	82.82%
\$799,109	\$829,799	\$900,029	\$934,833	\$945,027
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$799,109</u>	<u>\$829,799</u>	<u>\$900,029</u>	<u>\$934,833</u>	<u>\$945,027</u>
100.00%	100.00%	100.00%	100.00%	100.00%

North Royalton City School District
Demographic and Economic Statistics
Last Seven Years (1)

Year	Estimated Population	Total Personal Income	Personal Income Per Capita	Median Household Income	Median Age
2000	28,648	\$762,323,280	\$26,610	\$57,398	38.60
2001	28,648	762,323,280	26,610	57,398	38.60
2002	28,648	762,323,280	26,610	57,398	38.60
2003	28,648	762,323,280	26,610	57,398	38.60
2004	28,648	762,323,280	26,610	57,398	38.60
2005	28,648	762,323,280	26,610	57,398	38.60
2006	28,648	762,323,280	26,610	57,398	38.60

Source: 2000 U.S. Census Bureau

- 1) Information prior to 2000 not available
- 2) Information includes only the City of North Royalton.

Median Value of Residential Property	Cuyahoga County Unemployment Rate	Total Assessed Property Value
\$175,000	3.9%	\$682,491,726
175,000	3.9	776,240,489
175,000	3.9	799,108,850
175,000	3.9	829,799,476
175,000	3.9	900,028,570
175,000	3.9	934,832,584
175,000	3.9	978,685,100

North Royalton City School District

Principal Employers

December 31, 2005 (1)

2005			
<u>Employer</u>	<u>City</u>	<u>Nature of Business or Activity</u>	<u>Number of Employees</u>
North Royalton City School District	North Royalton	Public Education	561
Patrician Inc.	North Royalton	Nursing Home	525
Riser Foods Company	North Royalton	Grocery Store	266
City of North Royalton	North Royalton	Government	250
Northeast Care Center Inc.	North Royalton	Residential/Habilitative Services for the Disabled	238
Ohio Bell Telephone Company	North Royalton	Communication Services	227
Cuyahoga County Auditor	Cleveland	Government	189
D & S Construction	North Royalton	Excavating, Utility Construction	78
Valley Tool & Die Inc.	North Royalton	Machining Fasteners	75
Royal Wire Products Inc.	North Royalton	Wire Products	70
Total			<u>2,479</u>
Total Employment within the School District			<u>n/a</u>

Source: City of North Royalton, Ohio

(1) Information prior to 2005 not available.

n/a - Information not available

North Royalton City School District

Building Statistics by Function/Program

Last Three Fiscal Years (1)

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Albion Elementary School			
Constructed in 1955			
Total Building Square Footage	45,405	45,505	45,505
Enrollment Grades 1 - 4	396	372	365
Student Capacity	476	476	476
Regular Instruction Classrooms	20	18	18
Regular Instruction Teachers	20	18	18
Special Instruction Classrooms	3	3	3
Special Instruction Teachers	3	3	3
Royal View Elementary School			
Constructed in 1965			
Total Building Square Footage	48,460	48,460	48,460
Enrollment Grades 1 - 4	481	439	420
Student Capacity	525	525	525
Regular Instruction Classrooms	24	24	24
Regular Instruction Teachers	24	24	24
Special Instruction Classrooms	2	2	3
Special Instruction Teachers	2	2	3
Valley Vista Elementary School			
Constructed in 1959			
Total Building Square Footage	42,536	42,536	42,536
Enrollment Grades 1 - 4	338	380	403
Student Capacity	426	426	426
Regular Instruction Classrooms	18	19	18
Regular Instruction Teachers	18	19	18
Special Instruction Classrooms	2	2	2
Special Instruction Teachers	2	2	2

(continued)

North Royalton City School District
Building Statistics by Function/Program (continued)
Last Three Fiscal Years (1)

	2004	2005	2006
North Royalton Middle School			
Constructed in 1996			
Total Building Square Footage	242,400	242,400	242,400
Enrollment Grades 5 - 8	1,460	1,438	1,404
Student Capacity	1,300	1,300	1,300
Regular Instruction Classrooms	58	61	64
Regular Instruction Teachers	58	61	64
Special Instruction Classrooms	11	11	10
Special Instruction Teachers	11	11	10
High School			
Constructed in 1950			
Total Building Square Footage	260,900	260,900	260,900
Enrollment Grades 9 - 12	1,488	1,541	1,644
Student Capacity	1,480	1,480	1,480
Regular Instruction Classrooms	61	64	64
Regular Instruction Teachers	61	64	64
Special Instruction Classrooms	8	8	9
Special Instruction Teachers	8	8	9

(1) Information prior to 2004 is not available.

North Royalton City School District

Per Pupil Cost

Last Eight Fiscal Years (1)

Fiscal Year	Student Enrollment		General Governmental		Governmental Activities	
	Average Enrollment	Percentage of Change	Total Expenditures (2)	Per Pupil Cost	Total Expenses (2)(3)	Per Pupil Cost
1999	4,124	(2.78) %	\$27,373,355	\$6,638	N/A	N/A
2000	4,202	1.89	29,949,241	7,127	N/A	N/A
2001	4,285	1.98	31,921,671	7,450	N/A	N/A
2002	4,357	1.68	34,978,226	8,028	N/A	N/A
2003	4,428	1.63	35,301,382	7,972	36,357,072	8,211
2004	4,491	1.42	38,102,218	8,484	38,249,947	8,517
2005	4,480	(0.24)	41,194,900	9,195	41,768,390	9,323
2006	4,599	2.66	42,264,021	9,190	43,196,390	9,393

(1) Information prior to 1999 is not available.

(2) Debt Service totals have been excluded.

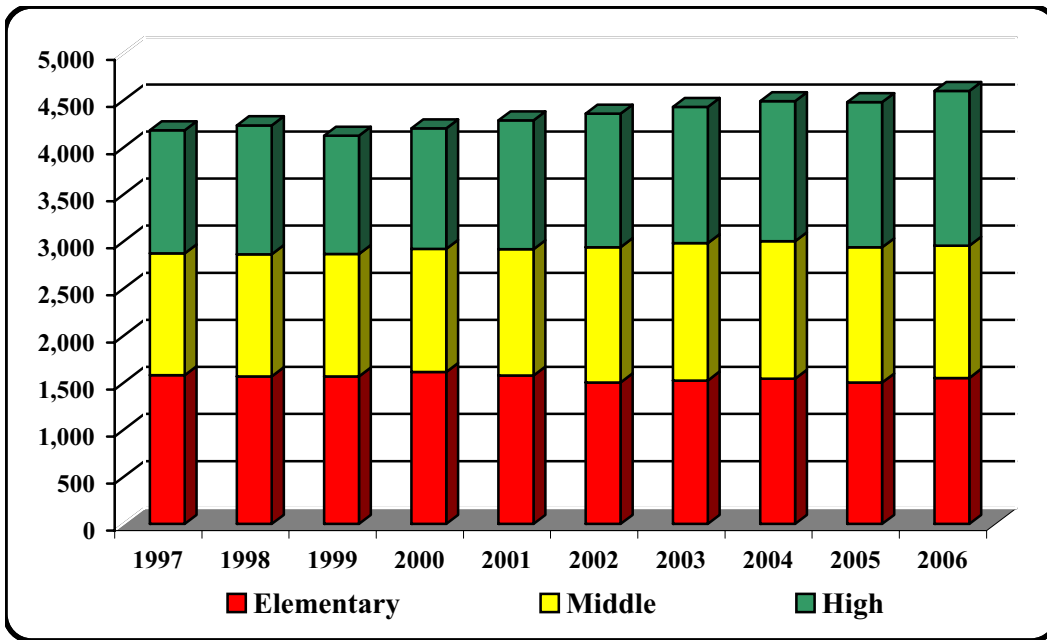
(3) The School District implemented GASB-34 in fiscal year 2003.

North Royalton City School District

Enrollment Statistics

Last Ten Fiscal Years

Fiscal Year	Elementary Schools	Middle School	High School	Total
1997	1,579	1,295	1,307	4,181
1998	1,568	1,297	1,369	4,234
1999	1,567	1,299	1,258	4,124
2000	1,614	1,308	1,280	4,202
2001	1,577	1,341	1,367	4,285
2002	1,503	1,437	1,417	4,357
2003	1,524	1,459	1,445	4,428
2004	1,543	1,460	1,488	4,491
2005	1,501	1,438	1,541	4,480
2006	1,551	1,404	1,644	4,599



Source: North Royalton City School Records

North Royalton City School District
School District Employees by Function/Program
Last Six Fiscal Years (1)

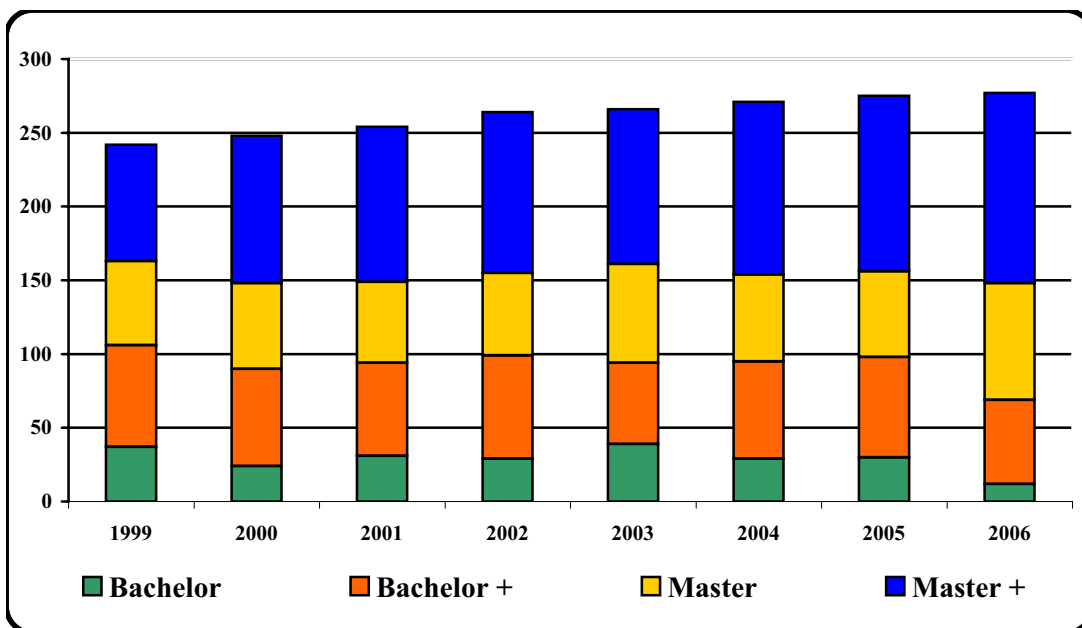
Function/Program	2001	2002	2003	2004	2005	2006
Regular Instruction						
Elementary Classroom Teachers	78	76	75	76	75	76
Middle School Classroom Teachers	69	69	71	69	72	74
High School Classroom Teachers	66	66	66	67	70	71
Special Instruction						
Small Group Instructors	6	8	10	7	6	10
Elementary Classroom Teachers	9	9	9	9	10	12
Gifted Education Teachers	3	3	3	3	3	3
Middle School Classroom Teachers	10	10	10	11	11	10
High School Classroom Teachers	5	7	7	8	8	9
Vocational Instruction						
High School Classroom Teachers	2	2	2	2	2	2
Pupil Support Services						
Guidance Counselors	11	11	11	10	10	11
Media Specialists	4	4	4	4	4	2
Psychologists	4	5	5	5	6	6
Speech & Language Pathologists	4	4	4	4	4	4
Administrators						
Elementary	3	3	3	3	3	4
Middle School	4	4	3	3	3	3
High School	4	4	4	4	4	4
Districtwide	4	4	5	5	5	5
Total Certificated Staff	286	289	292	290	296	306
Support Staff						
Elementary Schools	57	57	56	63	70	72
Middle School	49	54	55	54	52	52
High School	49	53	52	51	51	54
Districtwide	69	67	70	75	72	77
Total Support Staff	224	231	233	243	245	255
Total Staffing	510	520	525	533	541	561

Method: Using 1.0 for each full-time employee at fiscal year end.

(1) Information prior to 2001 is not available.

North Royalton City School District
Full-Time Equivalent Teachers by Education
Last Eight Fiscal Years (1)

Degree	1999	2000	2001	2002
Bachelor	37	24	31	29
Bachelor +6	11	12	9	13
Bachelor +12	8	8	7	7
Bachelor +18	14	8	11	10
Bachelor +24	6	6	4	7
Bachelor +30	30	32	32	33
Master	57	58	55	56
Master +6	33	32	27	27
Master +12	19	37	43	43
Master +18	7	9	12	12
Master +24	6	9	6	10
Master +30	5	1	7	4
Master +36	1	3	3	3
Master +42	3	1	0	2
Master +48	5	8	7	8
Total	242	248	254	264



(1) Information prior to 1999 is not available.

Source: School District Records

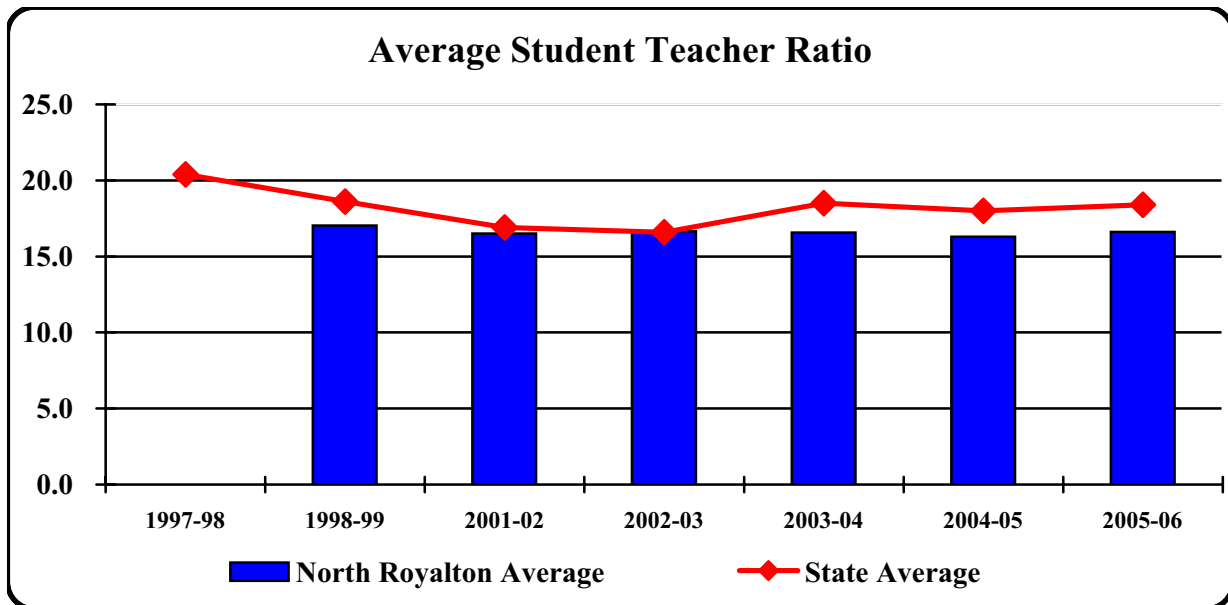
2003	2004	2005	2006
39	29	30	12
6	8	9	8
12	13	13	8
7	11	11	10
8	8	9	8
22	26	26	23
67	59	58	79
21	23	23	28
44	45	46	45
16	20	20	19
5	6	7	8
4	7	7	7
4	4	4	10
2	2	2	0
9	10	10	12
<u>266</u>	<u>271</u>	<u>275</u>	<u>277</u>

North Royalton City School District
Average Number of Students per Teacher
Last Eight School Years (1)

School Year	North Royalton Average	State Average
1998 - 1999	17.0	18.6
1999 - 2000	16.9	18.1
2000 - 2001	16.9	18.0
2001 - 2002	16.5	16.9
2002 - 2003	16.6	16.6
2003 - 2004	16.6	18.5
2004 - 2005	16.3	18.0
2005 - 2006	16.6	18.4

(1) Information prior to 1999 is not available.

Source: Ohio Department of Education, EMIS Reports





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NORTH ROYALTON CITY SCHOOL DISTRICT

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 16, 2007**