

***AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2006

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board of Education
Auburn Vocational School District
8140 Auburn Rd.
Concord Township, OH 44077-9723

We have reviewed the *Report of Independent Accountants* of the Auburn Vocational School District, Lake County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2005 to June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Auburn Vocational School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 29, 2007

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**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
AUDIT REPORT
For the Year Ending June 30, 2006**

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Charles E. Harris & Associates, Inc.
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REPORT OF INDEPENDENT ACCOUNTANTS

Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, OH 44077

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 Auburn Vocational School District, Lake 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 an opinion on these financial statements based on our audit.

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

In our opinion, the basic 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 Auburn Vocational School District, Lake County, Ohio, as of June 30, 2006, and the respective changes in financial position and cash flows, thereof and the budgetary comparison for the General Fund and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2007 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, 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Auburn Vocational School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.

January 19, 2007

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**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

The management discussion and analysis of Auburn Vocational School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this management discussion and analysis is to look at the District's financial performance as a whole. Readers should review the basic financial statements and notes to those respective statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key Financial Highlights for 2006 are as follows:

In total, net assets decreased by \$ 106,049.

Revenues for governmental activities totaled \$ 11,430,018 in 2006. Of this total, 85 percent consisted of General revenues while Program revenues accounted for the remaining balance of 15 percent.

Program expenses totaled \$ 11,536,067. Instructional expenses made up 51 percent of this total while support services accounted for 47 percent. Other expenses rounded out the remaining 2 percent.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand Auburn Vocational 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 Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate and long-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 District's most significant funds with all other non-major funds presented in total in one column. In the case of Auburn Vocational School District, the General Fund is the most significant.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

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

These two statements report the District's net assets and changes in those net assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's performance, demographic and socioeconomic factors and willingness of the community to support the District. On the other hand, financial factors may include the District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

In the *Statement of Net Assets* and the *Statement of Activities*, the District is classified into governmental activities. All of the District's programs and services are reported here including instruction, support services and operation of non-instructional services

Reporting the District's Most Significant Funds

Fund Financial Statements – The analysis of the District's major fund begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the General Fund.

Governmental Funds – Most of the District's activities are reported as governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you 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.

Proprietary Funds – Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as internal service funds.

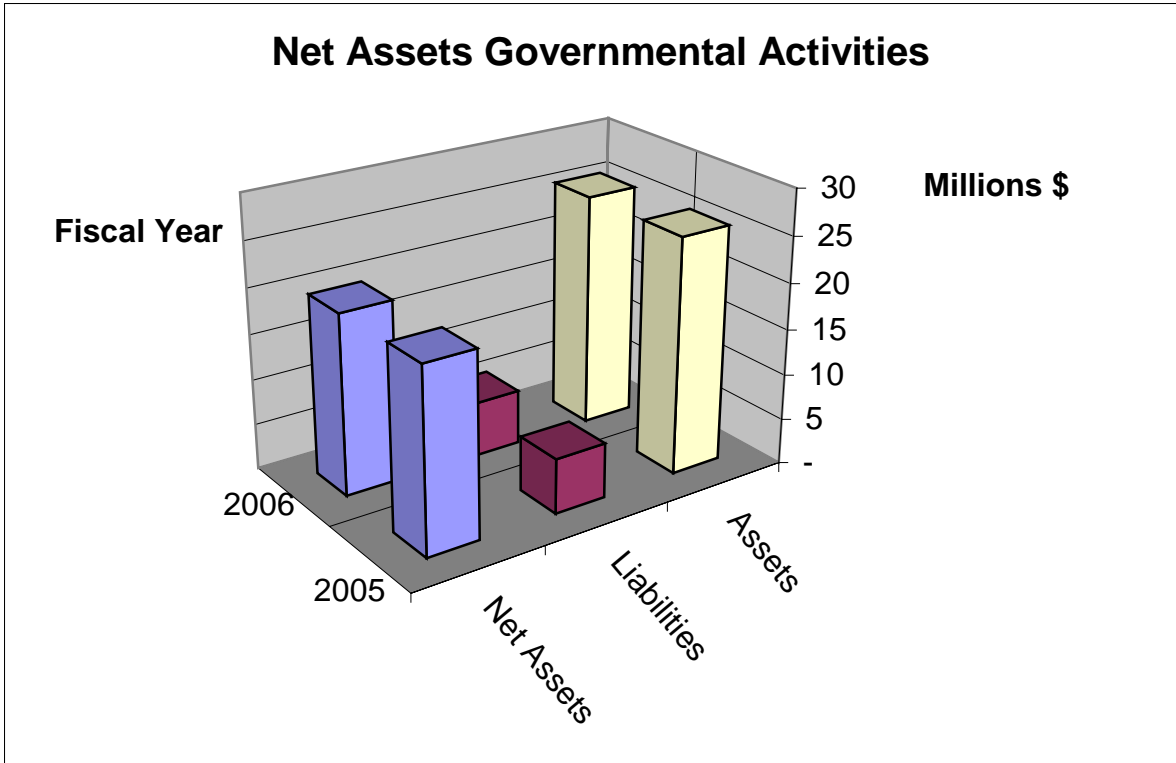
The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2006 compared to 2005:

**Table 1
NET ASSETS
GOVERNMENTAL ACTIVITIES**

	<u>2006</u>	<u>2005</u>	<u>INCREASE / (DECREASE)</u>
Assets			
Current and Other Assets	\$ 11,655,751	\$ 11,503,722	\$ 152,029
Capital Assets, Net	14,086,570	14,368,340	(281,770)
Total Assets	<u>\$ 25,742,321</u>	<u>\$ 25,872,062</u>	<u>\$ (129,741)</u>
Liabilities			
Current Liabilities	\$ 5,533,029	\$ 5,465,509	\$ 67,520
Long Term Liabilities			
Due within one year	16,005	15,303	702
Due in more than one year	305,129	397,043	(91,914)
Total Liabilities	<u>5,854,163</u>	<u>5,877,855</u>	<u>(23,692)</u>
Net Assets			
Invested in Capital Assets	14,086,570	14,368,340	(281,770)
Restricted for:			
Capital Projects	3,656	16,881	(13,225)
Other purposes	1,021,188	894,203	126,985
Unrestricted	4,776,744	4,714,783	61,961
Total Net Assets	<u>\$ 19,888,158</u>	<u>\$ 19,994,207</u>	<u>\$ (106,049)</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**



Governmental Activities

Total assets decreased by \$129,741. The decrease is the result of a decrease in capital assets, intergovernmental receivables and taxes receivables offset by an increase in cash and accounts receivables, due from other governments, and inventory.

Total liabilities decreased by \$ 23,692. The majority of the decrease can be attributed primarily to the increase in accounts payable and deferred revenue, offset by a decrease in long term liabilities.

The vast majority of revenue supporting all Governmental Activities is General revenues. General revenue totaled \$ 9,698,520 or 85 percent of the total revenue. Two significant portions of the General revenue are local property tax and grants and entitlements, this constitutes 76 percent of total revenue. The remaining amount of revenue was in the form of program revenues that equated to \$1,731,498 or only 15 percent of total revenue.

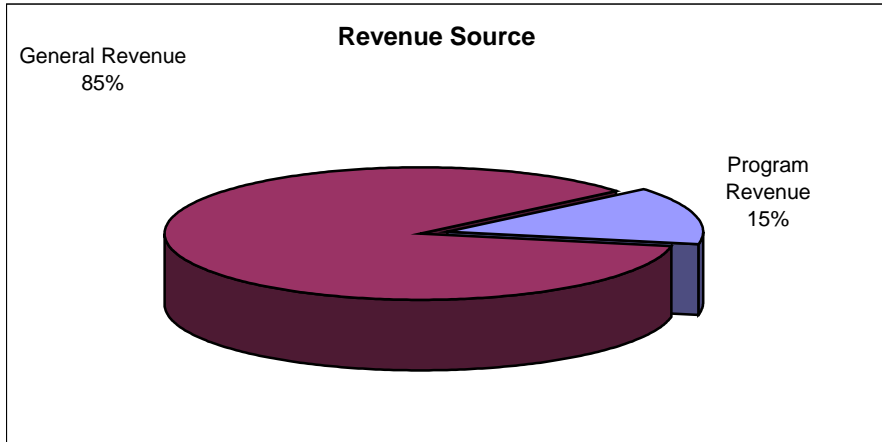
**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Table 2 summarizes the revenue, expenses and the changes in net assets for fiscal year 2006 with comparative totals for fiscal year 2005.

Table 2
Governmental Activities

	June 30,	
	2006	2005
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 1,099,458	\$ 1,015,548
Operating Grants, and Contributions	629,040	697,520
Capital Grants	3,000	3,000
Total Program Revenues	\$ 1,731,498	\$ 1,716,068
General Revenue		
Property Taxes	\$ 5,878,482	\$ 5,784,645
Grants and Entitlements	3,167,537	3,183,186
Investment Earnings	139,558	191,928
Miscellaneous	512,943	392,050
Total General Revenues	\$ 9,698,520	\$ 9,551,809
Total Program & General Revenues	\$ 11,430,018	\$ 11,267,877
Program Expenses		
Instruction:		
Regular	\$ 280,018	\$ 278,518
Special	342,726	335,246
Vocational	3,773,819	3,716,719
Adult Continuing	1,491,816	1,368,910
Support Services:		
Pupil	1,118,605	1,072,026
Instructional Staff	282,345	295,663
Board of Education	46,619	37,250
Administration	1,308,059	1,245,358
Fiscal	475,672	481,296
Business	1,719	778
Operation and Maintenance of plant	1,978,426	1,915,561
Pupil Transportation	32,601	44,614
Central	228,721	74,144
Operation of Non-Instructional Services:		
Extracurricular Activities	---	1,280
Food Service	174,921	183,904
Other	---	62,488
Total Program Expenses	\$ 11,536,067	\$ 11,113,755
Increase (Decrease) in Net Assets	\$ (106,049)	\$ 154,122

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

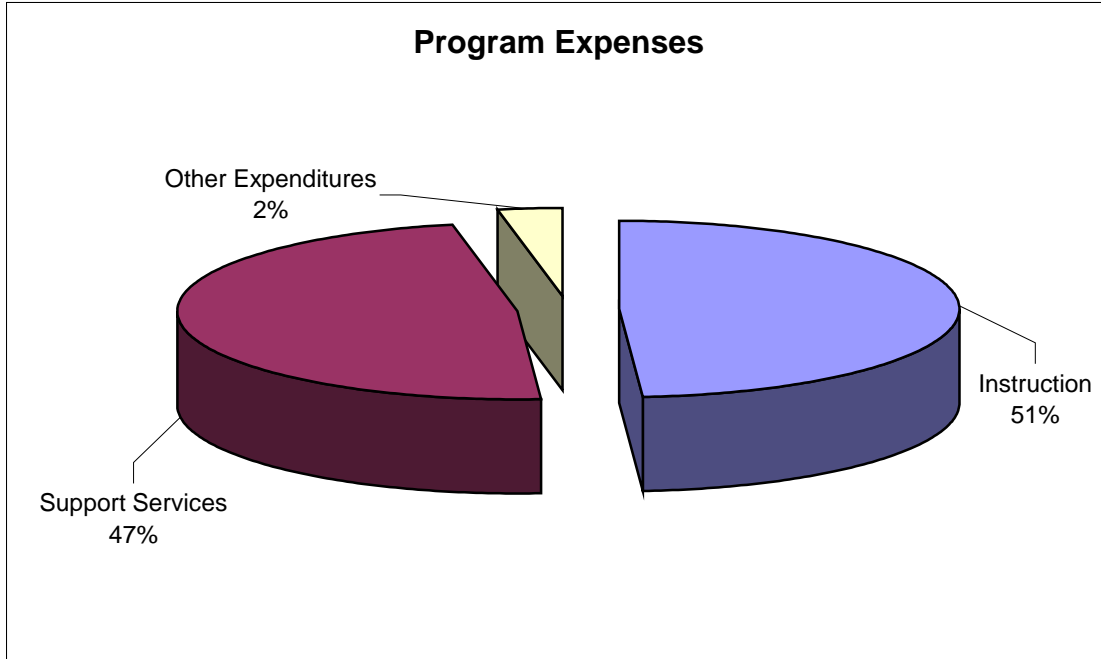


GOVERNMENTAL ACTIVITIES

The District has carefully planned its financial future by forecasting its revenues and expenditures over the next five years. In October of 2006, the District submitted its yearly five-year forecast to the Ohio Department of Education. Based upon the current five-year financial forecast, the District has adequate operating funds for the next three (2006 – 2008) years. Although the District relies heavily upon local property taxes to support its operations, the District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Approximately 51 percent of the District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass an additional 47 percent. The remaining program expenses of 2 percent are budgeted to facilitate other obligations of the District, such as the food service program, numerous extracurricular activities and uniform school supplies.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**



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

Table 3

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006
Instruction:		
Regular	\$ 280,018	\$ (274,701)
Special	342,726	(342,726)
Vocational	3,773,819	(2,640,232)
Adult Continuing	1,491,816	(1,415,541)
Support Services:		
Pupil	1,118,605	(717,864)
Instructional Staff	282,345	(276,634)
Board of Education	46,619	(46,619)
Administration	1,308,059	(1,308,059)
Fiscal	475,672	(475,672)
Business	1,719	(1,719)
Operations and Maintenance of Plant	1,978,426	(1,975,426)
Pupil Transportation	32,601	(32,601)
Central	228,721	(220,996)
Operation of Non-Instructional:		
Food Service	174,921	(75,779)
Other	---	---
Total Program Expenses	\$ 11,536,067	\$ (9,804,569)

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 50 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 24 percent, while investments and other miscellaneous type revenues support the remaining activity costs. Program revenues fund only 15 percent of all governmental expenses.

District Funds

Information regarding the District's major fund can be found on pages 14-17. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 11,497,030 and expenditures of \$ 11,567,138. The net change in fund balances for the year was as follows: General Fund \$ 226,997, and Other Governmental Funds (\$ 297,105).

General Fund Budgeting Highlights

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

During the course of fiscal year 2006, the District amended its general fund budget several times, none significantly. Fluctuations among the budget base expenditures categories are due to the District's site-based style of budgeting that is designed to tightly control expenses but provide flexibility for managers to redirect funds as conditions develop during the year.

Overall revenue received by the General Fund was greater than revised budgetary projections by \$ 225,490 or 2.42%. The increase was due primarily to intergovernmental and interest revenue exceeding the budget. Actual expenditures for the year were \$ 9,075,738 or 1.73% under General Fund budget projections. The decrease was due to lower than anticipated expenditures and management controls to reduce the expenditures. Fund unencumbered cash balance of \$ 4,897,905 that was \$ 409,788 higher than revised projections.

Capital Assets

All capital assets, except land, are reported net of depreciation. At the end of fiscal 2006, the District had \$ 14,086,570 invested in land, buildings, equipment and vehicles. Table 4 shows fiscal 2006 values compared to 2005.

Table 4

Capital Assets at June 30

Governmental Activities

	2006	2005
Land	\$ 1,666,712	\$ 1,464,641
Land Improvements	656,090	689,980
Building and Improvements	10,078,998	10,376,136
Furniture and Equipment	1,663,581	1,805,059
Vehicles	21,189	32,524
	\$ 14,086,570	\$ 14,368,340
Total Capital Assets	\$ 14,086,570	\$ 14,368,340

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

During fiscal 2006, the District purchased \$ 502,923 of capital assets. Approximately 40 percent or \$ 202,071 was for land, 44 percent or \$ 221,845 for furniture and equipment and 16 percent or \$ 79,007 for building and building improvements.

District Outlook

The District has a strong financial position. The Board of Education and the administration closely monitor the District's revenues and expenditures in accordance with its financial forecast and the District's Continuous Improvement Plan.

The District's financial future is not without challenges, though. The nature of school funding in Ohio severely restricts the growth in the District's operating revenues and requires the District to periodically seek additional funds from the taxpayers to offset rising operating costs.

In addition, the problem of limited growth in revenue, school districts are faced with the challenge of losing traditional sources of tax revenue through the Ohio General Assembly legislative actions. In 2003, the Ohio General Assembly passed Amended Substitute House Bill 95 that will phase-out, the taxation on business inventories.

Financial aid from the State of Ohio through the State Foundation Program has not been as a major source of operating revenue for the Auburn Vocational School District. Because the District is considered a wealthy district in terms of property values, it receives a relatively small amount of revenue from the State to fund operating expenses.

As a result of the challenges mentioned above, the District's administration continues to carefully plan its expenditures to provide adequate resources to meet student needs over the next several years. The administration and the District's Task Force is currently reviewing all programs and services provided to students with the goal of reducing operating costs.

Contacting the District's Financial Management

This report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Carolyn Bennett, Treasurer, at Auburn Vocational School District, 8140 Auburn Road, Concord Township, Ohio 44077.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 5,268,504
Cash with Fiscal Agent	209,235
Accounts Receivable	81,708
Accrued Interest	24,635
Materials and Supplies Inventory	61,781
Prepaid Items	3,743
Taxes Receivable	5,778,745
Non-depreciable Capital Assets	1,666,712
Depreciable Capital Assets, Net	12,419,858
Land Held For Resale	227,400
Total Assets	25,742,321
Liabilities	
Accounts Payable	166,726
Accrued Wages	470,410
Intergovernmental Payable	69,010
Claims Payable	89,370
Deferred Revenue	4,737,513
Long-term Liabilities:	
Due Within One Year	16,005
Due in More than One Year	305,129
Total Liabilities	5,854,163
Net Assets	
Invested in Capital Assets	14,086,570
Restricted for:	
Capital Projects	3,656
Other Purposes	1,021,188
Unrestricted	4,776,744
Total Net Assets	\$ 19,888,158

The accompanying notes are an integral part of the basic financial statements.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Governmental Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants	
Instruction:					
Regular	\$ 280,018	\$ -	\$ 5,317	\$ -	\$ (274,701)
Special	342,726	-	-	-	(342,726)
Vocational	3,773,819	1,001,242	132,345	-	(2,640,232)
Adult Continuing	1,491,816	-	76,275	-	(1,415,541)
Support Services:					
Pupil	1,118,605	-	400,741	-	(717,864)
Instruction Staff	282,345	-	5,711	-	(276,634)
Board of Education	46,619	-	-	-	(46,619)
Administration	1,308,059	-	-	-	(1,308,059)
Fiscal	475,672	-	-	-	(475,672)
Business	1,719	-	-	-	(1,719)
Operation and Maintenance of Plant	1,978,426	-	-	3,000	(1,975,426)
Pupil Transportation	32,601	-	-	-	(32,601)
Central	228,721	-	7,725	-	(220,996)
Operation of Non-Instructional Services:					
Food Service	174,921	98,216	926	-	(75,779)
Totals	<u>\$ 11,536,067</u>	<u>\$ 1,099,458</u>	<u>\$ 629,040</u>	<u>\$ 3,000</u>	<u>\$ (9,804,569)</u>

General Revenues

Property taxes levied for:

General purpose \$ 5,878,482

Grants and entitlements not restricted

to specific program 3,167,537

Investment earnings 139,558

Miscellaneous 512,943

Total General Revenues 9,698,520

Change in Net Assets (106,049)

Net Assets Beginning of Year 19,994,207

Net Assets End of Year \$ 19,888,158

The accompanying notes are an integral part of the basic financial statements.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 4,949,470	\$ 319,034	\$ 5,268,504
Taxes Receivable	5,778,745	-	5,778,745
Accounts Receivable	54,022	19,523	73,545
Materials and Supplies Inventory	59,273	2,508	61,781
Intergovernmental Receivable	8,163	-	8,163
Interfund Receivable	208,902	-	208,902
Interest Receivable	24,635	-	24,635
Prepaid Items	3,743	-	3,743
	<u>\$ 11,086,953</u>	<u>\$ 341,065</u>	<u>\$ 11,428,018</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 122,167	\$ 44,559	\$ 166,726
Accrued Wages and Benefits	454,097	16,313	470,410
Interfund Payable	-	208,902	208,902
Intergovernmental Payable	66,474	2,536	69,010
Deferred Revenue	5,130,198	2,059	5,132,257
Total Liabilities	<u>5,772,936</u>	<u>274,369</u>	<u>6,047,305</u>
Fund Balances			
Reserved for Property Taxes	710,666	-	710,666
Unreserved:			
Undesignated, reported in:			
General Fund	4,603,351	-	4,603,351
Special Revenue Funds	-	63,040	63,040
Capital Projects Fund	-	3,656	3,656
Total Fund Balances	<u>5,314,017</u>	<u>66,696</u>	<u>5,380,713</u>
Total Liabilities and Fund Balances	<u>\$ 11,086,953</u>	<u>\$ 341,065</u>	<u>\$ 11,428,018</u>

The accompanying notes are an integral part of the basic financial statements.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006**

Total Governmental Fund Balances	\$ 5,380,713
 <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	14,313,970
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds: Delinquent Property Taxes	394,744
One 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.	119,865
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds: Compensated Absences	<u>(321,134)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$ 19,888,158</u></u>

The accompanying notes are an integral part of the basic financial statements.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 5,945,494	\$ -	\$ 5,945,494
Intergovernmental	2,833,179	966,398	3,799,577
Interest	138,543	1,015	139,558
Tuition and Fees	-	1,000,729	1,000,729
Charges for Services	-	98,216	98,216
Miscellaneous	509,328	4,128	513,456
Total Revenues	<u>9,426,544</u>	<u>2,070,486</u>	<u>11,497,030</u>
Expenditures			
Current:			
Instruction:			
Special	335,469	14,176	349,645
Vocational	3,173,194	330,161	3,503,355
Adult/Continuing	101	1,498,166	1,498,267
Support Services:			
Pupil	832,706	302,049	1,134,755
Instructional Staff	181,604	5,967	187,571
Board of Education	45,829	-	45,829
Administration	1,247,905	44,966	1,292,871
Fiscal	478,029	-	478,029
Business	1,719	-	1,719
Operation and Maintenance of Plant	1,821,465	25,305	1,846,770
Pupil Transportation	21,266	-	21,266
Central	186,888	40,488	227,376
Operation of Non-instructional Services:			
Food Service	52,943	121,978	174,921
Other	55,050	-	55,050
Capital Outlay	535,379	214,335	749,714
Total Expenditures	<u>8,969,547</u>	<u>2,597,591</u>	<u>11,567,138</u>
Excess of Revenues Over (Under)			
Expenditures	<u>456,997</u>	<u>(527,105)</u>	<u>(70,108)</u>
Other Financing Sources (Uses)			
Transfers In	-	230,000	230,000
Transfers Out	<u>(230,000)</u>	-	<u>(230,000)</u>
Total Other Financing Sources (Uses)	<u>(230,000)</u>	<u>230,000</u>	<u>-</u>
Net Change in Fund Balances	226,997	(297,105)	(70,108)
Fund Balances Beginning of Year	<u>5,087,020</u>	<u>363,801</u>	<u>5,450,821</u>
Fund Balances End of Year	<u>\$ 5,314,017</u>	<u>\$ 66,696</u>	<u>\$ 5,380,713</u>

The accompanying notes are an integral part of the basic financial statements.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
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 \$ (70,108)

*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 capital
outlays exceeded depreciation in the current period

Capital Asset Additions and Deletions, Net	503,513	
Current Year Depreciation	(785,283)	
Land Held for Resale	227,400	
Total	(54,370)	(54,370)

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

Delinquent property taxes	(67,012)	
Total	(67,012)	(67,012)

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

(5,771)

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

Compensated Absences		91,212
		91,212

<i>Changes in Net Assets of Governmental Activities</i>		<u><u>\$ (106,049)</u></u>
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The accompanying notes are an integral part of the basic financial statements.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
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**

Revenue	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Taxes	\$ 6,477,003	\$ 6,129,000	\$ 6,128,531	\$ (469)
Intergovernmental	2,337,696	2,600,000	2,833,179	233,179
Interest	127,800	198,000	197,116	(884)
Tuition and Fees	1,000	700	600	(100)
Charges for Services	51,000	54,500	48,116	(6,384)
Miscellaneous	75,000	103,430	103,578	148
Total Revenues	9,069,499	9,085,630	9,311,120	225,490
Expenditures				
Current:				
Instruction:				
Special	541,637	541,637	338,922	202,715
Vocational	3,732,750	3,709,750	3,240,630	469,120
Adult/Continuing	-	17,000	16,286	714
Support Services:				
Pupil	991,646	991,646	804,575	187,071
Instructional Staff	115,047	115,047	192,233	(77,186)
Board of Education	36,026	36,026	45,234	(9,208)
Administration	1,274,732	1,274,732	1,252,381	22,351
Fiscal	381,099	381,099	477,847	(96,748)
Business	752	752	421	331
Operation and Maintenance of Plant	1,747,569	1,747,569	1,855,199	(107,630)
Pupil Transportation	20,000	20,000	20,243	(243)
Central	52,951	54,451	187,580	(133,129)
Operation of Non-instructional Services	67,622	67,622	58,423	9,199
Extracurricular Activities	-	-	121	(121)
Capital Outlay	274,980	274,980	585,643	(310,663)
Total Expenditures	9,236,811	9,232,311	9,075,738	156,573
Excess of Revenues Over (Under) Expenditures	(167,312)	(146,681)	235,382	382,063
Other Financing Sources (Uses)				
Advances In	450,000	314,060	314,060	-
Advances Out	(110,000)	(116,000)	(198,275)	(82,275)
Transfers In	50,000	-	-	-
Transfers Out	(330,000)	(330,000)	(230,000)	100,000
Refund of Prior Years Revenue	(10,000)	(10,000)	-	10,000
Refund of Prior Years Expenditures	56,311	358,372	358,372	-
Total Other Financing Sources (Uses)	106,311	216,432	244,157	27,725
Net Change in Fund Balance	(61,001)	69,751	479,539	409,788
FUND BALANCES - BEGINNING OF YEAR	4,273,603	4,273,603	4,273,603	-
PRIOR YEAR ENCUMBRANCES - APPROPRIATED	85,811	85,811	85,811	-
FUND BALANCES - END OF YEAR	\$ 4,298,413	\$ 4,429,165	\$ 4,838,953	\$ 409,788

The accompanying notes are an integral part of the basic financial statements

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
STATEMENT OF FUND NET ASSETS
INTERNAL SERVICE FUND
JUNE 30, 2006

	Governmental Activities - Internal Service Fund <hr style="border: 0.5px solid black;"/>
Assets	
Cash with Fiscal Agent	\$ 209,235 <hr style="border: 0.5px solid black;"/>
Total Assets	209,235 <hr style="border: 0.5px solid black;"/>
Liabilities	
Claims Payable	89,370 <hr style="border: 0.5px solid black;"/>
Total Liabilities	89,370 <hr style="border: 0.5px solid black;"/>
Net Assets	
Unrestricted	119,865 <hr style="border: 0.5px solid black;"/>
Total Net Assets	\$ 119,865 <hr style="border: 1px solid black;"/>

The accompanying notes are an integral part of the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Governmental Activities - Internal Service Fund <u> </u>
Operating Revenues	
Charges for Services	\$ 604,715
Operating Expenses	
Claims	<u>610,486</u>
Operating Loss	(5,771)
Net Assets Beginning Year	<u>125,636</u>
Net Assets End of Year	<u><u>\$ 119,865</u></u>

The accompanying notes are an integral part of the basic financial statements.

AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Governmental Activities Internal Service Fund
Increase (Decrease) in Cash with Fiscal Agent	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$ 604,715
Cash Payments for Claims	<u>(640,601)</u>
Net Cash Used in Operating Activities	<u>(35,886)</u>
Cash with Fiscal Agents - Beginning of Year	<u>245,121</u>
Cash with Fiscal Agents - End of Year	<u><u>\$ 209,235</u></u>
Reconciliation of Operating Income to Net Cash	
Used in Operating Activities	
Operating Loss	\$ (5,771)
Adjustment:	
Decrease in Claims Payable	<u>(30,115)</u>
Net Cash Used In Operating Activities	<u><u>\$ (35,886)</u></u>

The accompanying notes are an integral part of the basic financial statements.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
STATEMENT OF FIDUCIARY ASSET AND LIABILITIES
AGENCY FUND
JUNE 30, 2006**

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 67,641
Accounts Receivable	<u>339</u>
Total Assets	<u><u>\$ 67,980</u></u>
Liabilities	
Due to Students	<u>\$ 67,980</u>
Total Liabilities	<u><u>\$ 67,980</u></u>

The accompanying notes are an integral part of the basic financial statements

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Note 1 – Description of the District and Reporting Entity

The Auburn Vocational School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Auburn Vocational School District is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. This District operates under an elected Board of Education (11 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of June 30, 2006 was 587. The District employed 142 certificated employees and 66 non-certificated employees.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements are not misleading. The primary government of the District consists of only the funds of those organizational entities for which its elected governing body is financially accountable. For the District, this includes education, pupil transportation, food service and maintenance of the District facilities.

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

The District participates in two jointly governed organizations, a claims servicing pool and an insurance purchasing pool. These organizations are the, the Ohio Schools Council, the Ohio School Boards Association Workers' Compensation Group Rating Program, the Lake-Geauga Computer Association and Lake County Council of Governments Health Care Benefits Program. These organizations are discussed in Notes 13, 14 and 15 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Auburn Vocational 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and internal service fund unless those pronouncements conflict or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Basis of Presentation

The 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.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 2 – Summary of Significant Accounting Policies (Continued)

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

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient 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 District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental activity is self-financing or draws from the general revenues of the District.

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

B. Fund Accounting

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

Governmental Funds – Governmental funds are those through which most governmental functions 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 is the District’s major governmental fund:

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

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

Proprietary Funds – Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as internal service funds.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Fiduciary Fund – 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 District under a trust agreement for individuals, private organizations or other governments and are, therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's fiduciary fund includes an agency fund which accounts for student activities.

C. Measurement Focus

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

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of revenues, expenses and 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 District finances and meets the cash flow needs of its internal service fund activity.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in 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.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 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.

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

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

E. Cash and Investments

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

During fiscal year 2006, investments were limited to STAROhio, certificates of deposit, corporate cash and Federal Securities. Except for non-participating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts are reported at cost.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the fiscal year 2006 amounted to \$ 138,543 in the General fund and \$1,015 in other governmental funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months, not purchased from the pool, are reported as investments.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws or other governments or imposed by enabling legislation. There are no restricted assets in 2006. See Note 19 for additional information.

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 the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used.

Inventories consist of donated foods, purchased foods and school supplies held for resale and material and supplies for consumption.

I. Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$ 5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 2 – Summary of Significant Accounting Policies (Continued)

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Building and improvements	10 - 50 years
Furniture and equipment	5 - 10 years
Vehicles	10 years
Text books	6 years

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits in the District's termination policy. The District records a liability for accumulated unused sick leave for classified, certified and administrative employees after fifteen years of service with the District.

L. 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 proprietary funds are reported on the proprietary funds financial statements.

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 2 – Summary of Significant Accounting Policies (Continued)

N. Fund Balance Reserves

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

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

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the funds. All revenues and expenses not meeting these definitions are reported as non-operating.

P. 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 and after non-operating revenues/expenses in internal service funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. This District had no extraordinary or special items.

R. 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 in the financial statements and accompanying notes. Actual results may differ from those estimates.

S. Budgetary Data

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

Note 3 – Compliance and Accountability

A. Changes in Accounting Principles

For fiscal year 2006, the District has implemented, GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination of Benefits".

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

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

The implementation of GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

B. Fund Deficits

The following fund had a deficit fund balance or deficit net assets as of June 30, 2006:

	Deficit Fund Balance
Capital Project Fund:	
Permanent Improvement Fund	\$ 12,869

The general fund is responsible to cover deficit fund balances by means of a transfer or advance. However, this is done when cash is needed rather than when accruals occur.

Note 4 – Budgetary Basis of Accounting

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 4 – Budgetary Basis of Accounting (Continued)

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

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

	Net Change in Fund Balance
GAAP basis	\$ 195,622
Net adjustment for revenue accruals	(193,022)
Advance in	314,060
Net adjustment for expenditure accruals	472,622
Advance out	(198,275)
Adjustment for encumbrances	(111,468)
Budget basis	\$ 479,539

Note 5 – Deposits and Investments

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

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

Inactive deposits are public deposits 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 may be deposited or invested in the following securities:

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 5 – Deposits and Investments (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer, or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At June 30, 2006, the District's self-insurance internal service fund had a balance of \$ 209,235 with Lake County Council of Governments Health Care Benefits Program, a claims servicing pool was determined based on the percentage of the District's participants to total pool participants (See Note 15). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB No. 40. The classification of cash and cash equivalents and investments for the Lake County Council of Governments Health Care Benefits Program Self Insurance Plan as a whole may be obtained from the Plan's fiscal agent. To obtain financial information, write to the Treasurer, 30 South Park Place, Suite 320, Painesville, Ohio 44077.

Cash on Hand – At fiscal year end, the District had \$ 1,205 in undeposited cash on hand, which is included in the balance sheet of the District as part of equity in pooled cash and cash equivalents.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 5 – Deposits and Investments (Continued)

DEPOSITS

At June 30, 2006, the carrying amount of all District deposits was \$ 2,306,703. Based on the criteria described in GASB Statement No. 40, "Deposits and investment Risk Disclosures", as of June 30, 2006, \$ 1,566,231 of the District's bank balance of \$ 2,365,231 was exposed to custodial risk as discussed below, while \$ 799,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in the amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or a specific collateral held at the Federal Reserve Bank in the name of the District.

Investments

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

	<u><1</u>	<u>Maturity 1-2</u>	<u>3-5</u>	<u>Fair Value</u>
Federal Home Loan Mortgage Corporation	\$ -	\$ 124,624	\$ 1,294,880	\$ 1,419,504
Federal National Mortgage Association notes	296,636	-	-	296,636
Federal Home Loan Bank notes	99,469	833,077	192,000	1,124,546
Corporate cash	40	-	-	40
STAROhio	187,520	-	-	187,520
Total	<u>\$ 583,665</u>	<u>\$ 957,701</u>	<u>\$ 1,486,880</u>	<u>\$ 3,028,246</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 investments so that the securities mature to meet cash requirements for ongoing operations and long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. To date, no investments have been purchased with a life greater than four years.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 5 – Deposits and Investments (Continued)

Credit Risk – The Federal Home Loan Mortgage Corporation Bonds and the Federal Home Loan Bank Notes both carry a rating of AAA by Standard & Poor’s. The Federal National Mortgage Association Notes carries ratings of AAA by Standard & Poor’s. STAROhio also carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

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:

	Percentage of Investments
Federal Home Loan Mortgage Corporation	46.88%
Federal National Mortgage Association notes	9.80%
Federal Home Loan Bank notes	37.14%
Corporate cash	.01%
STAROhio	6.17%

Note 6 – Property Taxes

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

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 6 – Property Taxes (Continued)

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

The District receives property taxes from Lake County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes, which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 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 to the District as an advance at June 30, 2006 was \$ 710,666 in the General Fund. The amount available as an advance at June 30, 2005, was \$ 839,747 in the General Fund.

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

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 6 – Property Taxes (Continued)

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

	2005 Second Half Collections Lake County		2005 Second Half Collections Geauga County	
Real Property – 2005 valuation				
Residential/Agricultural	\$ 1,626,079,030	70.07%	\$ 1,468,036,120	78.30%
Commercial/Industrial	320,614,780	13.82%	221,482,450	11.81%
Tangible personal property				
General	250,537,420	5.31%	134,110,870	7.15%
Public Utilities	123,506,869	10.80%	51,318,070	2.74%
	<u>\$ 2,320,738,099</u>	<u>100%</u>	<u>\$ 1,874,947,510</u>	<u>100%</u>
 Total				
Tax rate per \$ 1,000 of assessed valuation	\$ 1.50		\$ 1.50	
	2006 First Half Collections Lake County		2006 First Half Collections Geauga County	
Real Property – 2006 valuation				
Residential/Agricultural	\$ 1,419,773,911	67.50%	\$ 1,674,341,240	80.02%
Commercial/Industrial	283,502,281	13.48%	258,594,950	12.36%
Tangible personal property				
General	273,347,831	13.00%	111,300,460	5.32%
Public Utilities	126,777,690	6.02%	48,047,250	2.30%
	<u>\$ 2,103,401,713</u>	<u>100%</u>	<u>\$ 2,092,283,900</u>	<u>100%</u>
 Total				
Tax rate per \$ 1,000 of assessed valuation	\$ 1.50		\$ 1.50	

Note 7 – Receivables

Receivables at June 30, 2006 consisted of taxes, interfund 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. The following is a summary of the intergovernmental receivables.

	Amount
Governmental Activities:	
General purpose	\$ 8,163
Total intergovernmental receivables	<u>\$ 8,163</u>

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 8 – Capital Assets

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

Governmental Activities	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
Capital Assets, not being depreciated				
Land	\$ 1,464,641	\$ 202,071	\$ --	\$ 1,666,712
Total Capital Assets, not being depreciated	<u>1,464,641</u>	<u>202,071</u>	<u>--</u>	<u>1,666,712</u>
Capital Assets, being depreciated				
Land Improvements	1,045,785	--	--	1,045,785
Building and building improvements	14,446,130	79,007	--	14,525,137
Furniture and equipment	4,267,877	221,845	(13,879)	4,475,843
Vehicles	152,720	--	--	152,720
Library and text books	84,008	--	--	84,008
Total capital assets being depreciated	<u>19,996,520</u>	<u>300,852</u>	<u>(13,879)</u>	<u>20,283,493</u>
Less Accumulated Depreciation				
Land Improvements	(355,803)	(33,892)	--	(389,695)
Building and building improvements	(4,069,994)	(376,145)	--	(4,446,139)
Furniture and equipment	(2,462,820)	(363,321)	13,879	(2,812,262)
Buses and other vehicles	(120,196)	(11,335)	--	(131,531)
Library and text books	(84,008)	--	--	(84,008)
Total accumulated depreciation	<u>(7,092,821)</u>	<u>(784,693)</u>	<u>13,879</u>	<u>(7,863,635)</u>
Total capital assets being depreciated, net	<u>12,903,699</u>	<u>(483,841)</u>	<u>--</u>	<u>12,419,858</u>
Governmental activities capital assets, net	<u>\$ 14,368,340</u>	<u>\$ (281,770)</u>	<u>\$ --</u>	<u>\$ 14,086,570</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 280,018
Vocational	275,179
Adult education	986
Support Services:	
Pupil	833
Board of Education	790
Instruction	10,052
Business	94,774
Operation and maintenance of plant	99,565
Pupil transportation	11,335
Operation of non-instructional services	<u>11,161</u>
Total depreciation expense	<u>\$ 784,693</u>

Land held for resale of \$227,400 was purchased by the District in 2006 for a house project built by the students. The house will subsequently be sold and proceeds will be used for subsequent projects. The sale date of the property cannot be estimated therefore is included as a long-term asset. Proceeds of \$325,031 were received in 2006 for the sale of the house.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 9 – Risk Management

A. Property and Liability

The District has contracted with Indiana Insurance for their Property and Casualty Insurance Program. The program includes Property Insurance (which includes Inland Marine, Crime and Boiler and Machinery), General Liability Insurance with limits of \$ 1,000,000 each occurrence and \$ 2,000,000 aggregate (which includes Sexual Misconduct and Molestation Insurance and School Leaders E&O Insurance). The Auto Liability Insurance coverage has limits of \$ 1,000,000 combined single limit each accident. The District's property and casualty insurance program also has an Umbrella Liability Insurance policy with limits of \$ 3,000,000 each occurrence and \$ 3,000,000 aggregate.

The Liability Policy insures the District, the Board, the board members, administrators, employees, and volunteers with respect to their duties in connection with the School District.

Settled claims have not exceeded the Property and Casualty Coverage in any of the last three years. There has not been a reduction in coverage from the prior year.

B. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school district in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The District has elected to provide medical coverage through a self-insured program. The District uses the General Fund on the Budgetary Basis and the Self Insurance internal service fund on a GAAP Basis to account for and finance its uninsured risks of loss in this program. The claims are serviced through the Lake County Council of Governments Health Care Benefits Program. The Lake County Council of Governments Health Care Benefits Program has stop loss coverage of 110 percent of expected claims. The claims liability as reported in the Self Insurance internal service fund was provided by the third party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 9 – Risk Management (Continued)

The June 30, 2006 claims liability was determined based on the percentage of the District's participants to total pool participants. For the year ended June 30, 2006, the pool's cash reserves and claims liability were \$ 2,233,930 and \$ 5,269,140, respectively. The District's allocated pool percentage for the year ended June 30, 2006 was 9.36 percent, which represents \$ 209,235 and \$ 89,370 of pool cash reserves and claims liabilities, respectively.

	Balance at Beginning of Year	Current Year Claims	Current Year Payments	Balance at End of Year
2006	\$ 119,485	\$ 610,486	\$ 640,601	\$ 89,370
2005	\$ 104,955	\$ 772,478	\$ 757,948	\$ 119,485

Note 10 – Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost sharing multiple employer defined benefit pension system. 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 State statute per 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, OH 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.44 percent of the annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent was 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$ 145,446, \$ 121,746, and \$ 129,832, respectively; 100 percent has been contributed for fiscal year 2006 94.5 percent for fiscal year 2005 and 100% for fiscal year 2004.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, OH 43215-3771 or by calling (614) 227-4090.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 10 – Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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. The option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the PC 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 District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005 and 2004 were \$ 610,261, \$ 586,530, and \$ 555,523, respectively; 100 percent has been contributed for fiscal year 2006, and 85.7 percent for fiscal year 2005 and 100 percent for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$ 6,981 made by the District and \$ 30,105 made by the Plan members.

Note 11 – Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursements 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.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 11 – Postemployment Benefits (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$ 43,590 for fiscal year 2006.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 4.17 percent of covered payroll, an increase of .74 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2006, the minimum pay was established at \$ 35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$ 67,820.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$ 178,221,113, and the target level was \$335.2 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

Note 12 – Employee Benefits

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, an employee is paid for the accumulated sick days over 30 days annually up to a maximum of 318 accumulated sick days.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 13 – Jointly Governed Organizations

A. Ohio Schools Council

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 nine 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. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, OH 44131.

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

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

The District also participates in the Council's prepaid natural gas program, which was implemented during fiscal year 1999. 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 September these estimated payments are compared to their actual usage for the year 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.

B. Lake-Geauga Computer Association

The Lake-Geauga Computer Association (LGCA) is a jointly governed organization among two county consortiums of Ohio school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LGCA based on a per pupil charge. LGCA is governed by an Assembly consisting of two representatives from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Assembly. Continued existence of the LGCA Computer Center is not dependent on the District's continued participation. Financial information can be obtained from LGCA, 8221 Auburn Road, Painesville, OH 44077.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 14 – Insurance Purchasing Pool

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), and insurance purchasing pool. The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 15 – Claims Servicing Pool

The District participates in the Lake County Council of Governments Health Care Benefits (HCBP) Self Insurance Program, a claims servicing pool comprised of eleven Lake County school districts. Each school district has a representative on the assembly (usually the superintendent or designee). Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five-member Board of Directors elected by the HCBP's assembly. The assembly elects officers for one-year terms to serve on the Board of Directors. All participating members retain their risk and are completely responsible for paying their own claims. The HCBP acts solely as the claims servicing agent.

Note 16 – Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 2006.

B. Litigation

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

Note 17 – Interfund Transactions

Transfers made during the year ended June 30, 2006 were \$ 230,000 from the general fund to other governmental funds.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 18 – State School Funding Decision

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

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

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

Note 19 – Set-Asides

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

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

	Textbooks Instructional Materials Reserve	Capital Improvements Reserve
Set-aside reserve balance as of June 30, 2005	\$ (283,011)	\$ --
Current year set-aside requirement	49,035	49,035
Qualifying disbursements	<u>(188,513)</u>	<u>(977,232)</u>
Totals	<u>\$ (422,489)</u>	<u>\$ (928,197)</u>
Set-aside balance as of June 30, 2006 and carried Forward to future fiscal years	<u>\$ (422,489)</u>	<u>\$ --</u>

Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero, only the excess expenditures for the textbook reserve can be carried forward to the next fiscal year.

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 20 – Long-Term Obligations

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

	<u>Outstanding June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2006</u>	<u>Amounts Due In One Year</u>
Compensated absences	\$ <u>412,346</u>	\$ <u>35,806</u>	\$ <u>127,018</u>	\$ <u>321,134</u>	\$ <u>16,005</u>
Total Long-Term Obligations	\$ <u>412,346</u>	\$ <u>35,806</u>	\$ <u>127,018</u>	\$ <u>321,134</u>	\$ <u>16,005</u>

Compensated absences will be paid from the fund from which the employees' are paid.

AUBURN VOCATIONAL SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2006

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>
U.S. Department of Agriculture				
Pass through Ohio Department of Education				
Nutrition Cluster				
School Breakfast Program	10.553	51169-05PU-05/06	\$ 1,932	\$ 1,932
National School Lunch Program	10.555	51169-05LLP4-05/06	14,785	14,785
Total Nutrition Cluster			16,717	16,717
Food Distribution Commodities - See Note 2	10.550	n/a	2,859	2,859
Total U.S. Department of Agriculture			19,576	19,576
U.S. Department of Education				
Pass through Ohio Department of Education				
Adult Basic Education				
Adult Basic Education	84.002	51169-ABS1-2005	8,728	7,680
Adult Basic Education	84.002	51169-ABS1-2005	18,900	29,703
Adult Basic Education	84.002	51169-ABSL-2006	17,916	17,891
Total Adult Basic Education			45,544	55,274
Vocational Education Programs				
Vocational Education Program	84.048	20A0-2005	20,000	8,535
Vocational Education Program	84.048	51169-20C1-2005	77,178	49,369
Vocational Education Program	84.048	51169-20C1-2006	360,351	360,351
Vocational Education Program	84.048	51169-20C2-2005	20,068	-
Vocational Education Program	84.048	51169-20C2-2006	59,028	57,454
Total Vocational Education Programs			536,625	475,709
Safe and Drug Free School - Title IV	84.186	51169-DRS1-2006	1,419	1,419
Innovative Education Program Strategies - Title V	84.298	47183-C2S1-06	1,708	1,708
America's Career Resource Network 2	84.346	OE00-2006	10,000	10,000
Reducing Class Size				
Title IIA - FY05	84.367	47183-TRS1-05	2,601	255
Title IIA - FY06	84.367	47183-TRS1-06	2,584	2,584
Total Reducing Class Size			5,185	2,839
Direct Program:				
Rural School Achievement Program	84.358A	2006	38,317	38,317
Total U.S. Department of Education			638,798	585,266
TOTAL FEDERAL AWARDS EXPENDITURES			\$ 658,374	\$ 604,842

See Notes to the Schedule of Awards Expenditures

AUBURN VOCATIONAL SCHOOL DISTRICT
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2006

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2006, the District had immaterial food commodities in inventory recorded in the Food Service Fund.

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Auburn Vocational School District
Lake County
8140 Auburn Road
Concord Township, OH 44077

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 Auburn Vocational School 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 January 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters, noncompliance with which could have a direct and material effect on 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 that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated January 19, 2007.

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

Charles E. Harris & Associates, Inc.

January 19, 2007

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Auburn Vocational School District
8140 Auburn Road
Concord Township, OH 44077

To the Board of Education:

Compliance

We have audited the compliance of the Auburn Vocational School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

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

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

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

Charles E. Harris & Associates, Inc.
January 19, 2007

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**AUBURN VOCATIONAL SCHOOL DISTRICT
Lake County
June 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Vocational Education CFDA 84.048
(d)(1)(viii)	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**AUBURN VOCATIONAL SCHOOL DISTRICT
LAKE COUNTY**

**Schedule of Prior Audit Findings
June 30, 2006**

The prior audit report, for the year ending June 30, 2005, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

AUBURN VOCATIONAL SCHOOL DISTRICT

LAKE 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
APRIL 10, 2007