



**AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Avon Local School District
Lorain County
3075 Stoney Ridge Road
Avon, Ohio 44011

We have audited the accompanying general-purpose financial statements of the Avon Local School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Avon Local School District, Lorain County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As described in Note 4, the District restated the beginning budgetary-basis fund balance of the Capital Projects fund to correctly reflect unencumbered fund balance at June 30, 1999.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

February 13, 2001

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AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and other debits				
Equity in pooled cash and cash equivalents	\$ 2,653,119	\$ 189,299	\$ 1,746,108	\$ 8,127,753
Receivables, net				
Taxes, current	6,534,632	-	1,697,570	276,915
Taxes, delinquent	77,423	-	20,803	3,029
Due from other governments	-	13,384	-	-
Due from other funds	240,000	-	-	-
Inventories and supplies	-	-	-	-
Restricted cash	330,334	-	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Amount available for debt service	-	-	-	-
Amount to be provided for debt	-	-	-	-
Amount to be provided for benefits	-	-	-	-
Amount to be provided for capital leases	-	-	-	-
Total assets and other debits	<u>9,835,508</u>	<u>202,683</u>	<u>3,464,481</u>	<u>8,407,697</u>
Liabilities, fund equity and other credits				
Liabilities				
Accounts and contracts payable	95,672	17,213	-	106,701
Accrued salaries and benefits	956,847	30,875	-	-
Accrued interest payable	-	-	11,864	-
Due to other governments	164,288	4,078	-	-
Due to other funds	-	-	-	240,000
Due to others	-	-	-	-
Deferred revenue	5,148,879	-	1,305,640	220,765
Bonds payable	-	-	-	-
Capital leases	-	-	-	-
Compensated absences	28,575	-	-	-
Total liabilities	<u>6,394,261</u>	<u>52,166</u>	<u>1,317,504</u>	<u>567,466</u>
Fund equity and other credits				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings				
Unreserved	-	-	-	-
Fund balances				
Reserved for budget stabilization	330,334	-	-	-
Reserved for property taxes	1,463,176	-	412,733	59,179
Reserved for debt service	-	-	1,734,244	-
Reserved for encumbrances	609,523	20,294	-	352,099
Unreserved	1,038,214	130,223	-	7,428,953
Total fund equity and other credits	<u>3,441,247</u>	<u>150,517</u>	<u>2,146,977</u>	<u>7,840,231</u>
Total liabilities, fund equity and other credits	<u>\$ 9,835,508</u>	<u>\$ 202,683</u>	<u>\$ 3,464,481</u>	<u>\$ 8,407,697</u>

See accompanying notes to the financial statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		Trust and Agency	General Fixed Assets	
Enterprise				
\$ 89,565	\$ 20,405	\$ -	\$ -	\$ 12,826,249
-	-	-	-	8,509,117
-	-	-	-	101,255
-	-	-	-	13,384
-	-	-	-	240,000
6,919	-	-	-	6,919
-	-	-	-	330,334
253,185	-	23,485,049	-	23,738,234
(93,818)	-	-	-	(93,818)
-	-	-	2,146,977	2,146,977
-	-	-	18,143,023	18,143,023
-	-	-	987,174	987,174
-	-	-	45,352	45,352
<u>255,851</u>	<u>20,405</u>	<u>23,485,049</u>	<u>21,322,526</u>	<u>66,994,200</u>
468	2,017	-	-	222,071
16,396	-	-	-	1,004,118
-	-	-	-	11,864
18,167	-	-	89,837	276,370
-	-	-	-	240,000
-	18,338	-	-	18,338
1,305	-	-	-	6,676,589
-	-	-	20,290,000	20,290,000
-	-	-	45,352	45,352
21,996	-	-	897,337	947,908
<u>58,332</u>	<u>20,355</u>	<u>-</u>	<u>21,322,526</u>	<u>29,732,610</u>
-	-	23,485,049	-	23,485,049
133,587	-	-	-	133,587
63,932	-	-	-	63,932
-	-	-	-	330,334
-	-	-	-	1,935,088
-	-	-	-	1,734,244
-	-	-	-	981,916
-	50	-	-	8,597,440
<u>197,519</u>	<u>50</u>	<u>23,485,049</u>	<u>-</u>	<u>37,261,590</u>
<u>\$ 255,851</u>	<u>\$ 20,405</u>	<u>\$ 23,485,049</u>	<u>\$ 21,322,526</u>	<u>\$ 66,994,200</u>

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Taxes	\$ 6,673,821	\$ -	\$ 1,679,152	\$ 350,230
Tuition and fees	60,878	-	-	-
Interest	269,585	3,300	184,569	164,256
Intergovernmental	2,387,727	442,279	174,579	37,301
Extracurricular	-	156,353	-	-
Miscellaneous	30,664	7,565	-	-
Total revenues	<u>9,422,675</u>	<u>609,497</u>	<u>2,038,300</u>	<u>551,787</u>
Expenditures				
Current				
Instruction				
Regular	4,170,188	18,331	-	11,451
Special	547,142	96,774	-	-
Vocational education	188,631	-	-	-
Other	21,383	-	-	-
Supporting services				
Pupil	387,036	88,978	-	-
Instructional	290,974	26,708	-	-
Board of education	65,373	-	-	-
Administration	865,748	3,421	-	-
Fiscal	342,406	-	24,216	-
Operation and maintenance	1,016,346	-	-	-
Pupil transportation	526,298	-	-	-
Central services	32,429	10,789	-	-
Non-instructional services				
Community services	-	278,995	-	-
Extracurricular				
Academic oriented	39,354	4,515	-	-
Occupation oriented	638	-	-	-
Sports oriented	241,340	106,282	-	-
Co-curricular	14,289	10,179	-	-
Capital outlay	-	-	-	1,642,850
Debt service				
Principal	18,112	-	360,000	-
Interest	4,134	-	906,031	2,013
Total expenditures	<u>8,771,821</u>	<u>644,972</u>	<u>1,290,247</u>	<u>1,656,314</u>
Excess (deficiency) of revenues over expenditures	<u>650,854</u>	<u>(35,475)</u>	<u>748,053</u>	<u>(1,104,527)</u>
Other financing sources (uses)				
Transfers in	-	60	60,070	-
Transfers out	(120,000)	(60)	-	-
Bond proceeds	-	-	889	8,000,000
Gain on sale of assets	-	-	-	625
Total other financing sources (uses)	<u>(120,000)</u>	<u>-</u>	<u>60,959</u>	<u>8,000,625</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	530,854	(35,475)	809,012	6,896,098
Fund balances at beginning of year	2,910,393	185,992	1,337,965	944,133
Fund balances at end of year	<u>\$ 3,441,247</u>	<u>\$ 150,517</u>	<u>\$ 2,146,977</u>	<u>\$ 7,840,231</u>

See accompanying notes to the financial statements.

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$ -	\$ 8,703,203
-	60,878
-	621,710
-	3,041,886
-	156,353
300	38,529
<u>300</u>	<u>12,622,559</u>
-	4,199,970
-	643,916
-	188,631
-	21,383
-	476,014
-	317,682
-	65,373
-	869,169
-	366,622
-	1,016,346
-	526,298
-	43,218
300	279,295
-	43,869
-	638
-	347,622
-	24,468
-	1,642,850
-	378,112
-	912,178
<u>300</u>	<u>12,363,654</u>
<u>-</u>	<u>258,905</u>
-	60,130
-	(120,060)
-	8,000,889
-	625
<u>-</u>	<u>7,941,584</u>
-	8,200,489
50	5,378,533
<u>\$ 50</u>	<u>\$ 13,579,022</u>

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 6,311,432	\$ 6,311,432	\$ -
Tuition and fees	60,878	60,878	-
Interest	289,492	269,585	(19,907)
Intergovernmental	2,336,798	2,387,727	50,929
Extracurricular	-	-	-
Miscellaneous	15,000	30,664	15,664
Total revenues	<u>9,013,600</u>	<u>9,060,286</u>	<u>46,686</u>
Expenditures			
Current			
Instruction			
Regular	4,358,785	4,358,615	170
Special	524,959	524,959	-
Vocational education	183,161	183,161	-
Other	29,716	29,716	-
Supporting services			
Pupil	385,328	385,325	3
Instructional	310,422	308,649	1,773
Board of education	71,786	71,786	-
Administration	943,511	943,511	-
Fiscal	325,272	325,272	-
Operation and maintenance	1,310,828	1,286,318	24,510
Pupil transportation	665,108	664,922	186
Central services	32,374	32,374	-
Non-instructional services			
Community services	-	-	-
Extracurricular			
Academic oriented	39,061	39,061	-
Occupation oriented	632	632	-
Sports oriented	241,475	241,475	-
Co-curricular	14,248	14,248	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>9,436,666</u>	<u>9,410,024</u>	<u>26,642</u>
Excess (deficiency) of revenues over expenditures	(423,066)	(349,738)	73,328
Other financing sources (uses)			
Operating transfers-in	-	-	-
Operating transfers-out	(120,000)	(120,000)	-
Bond proceeds	-	-	-
Note proceeds	-	-	-
Premium and accrued interest on bonds	-	-	-
Advances in	-	-	-
Advances out	(240,000)	(240,000)	-
Gain on sale of assets	-	-	-
Total other financing sources (uses)	<u>(360,000)</u>	<u>(360,000)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(783,066)	(709,738)	73,328
Fund balances at beginning of year	2,718,883	2,718,883	-
Prior year encumbrances	269,239	269,239	-
Fund balances at end of year	<u>\$ 2,205,056</u>	<u>\$ 2,278,384</u>	<u>\$ 73,328</u>

See accompanying notes to the financial statements.

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 1,615,450	\$ 1,615,450	\$ -
-	-	-	-	-	-
3,172	3,300	128	184,565	184,569	4
428,895	428,895	-	139,063	174,579	35,516
155,202	156,353	1,151	-	-	-
7,565	7,565	-	-	-	-
<u>594,834</u>	<u>596,113</u>	<u>1,279</u>	<u>1,939,078</u>	<u>1,974,598</u>	<u>35,520</u>
28,700	21,296	7,404	-	-	-
122,554	117,974	4,580	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
94,010	93,451	559	-	-	-
30,399	30,011	388	-	-	-
-	-	-	-	-	-
5,000	4,789	211	-	-	-
-	-	-	32,230	24,216	8,014
-	-	-	-	-	-
-	-	-	-	-	-
11,196	10,784	412	-	-	-
308,647	290,587	18,060	-	-	-
5,400	4,894	506	-	-	-
-	-	-	-	-	-
120,269	118,469	1,800	-	-	-
16,108	14,025	2,083	-	-	-
-	-	-	-	-	-
-	-	-	8,430,000	8,430,000	-
-	-	-	908,075	908,044	31
<u>742,283</u>	<u>706,280</u>	<u>36,003</u>	<u>9,370,305</u>	<u>9,362,260</u>	<u>8,045</u>
(147,449)	(110,167)	37,282	(7,431,227)	(7,387,662)	43,565
60	60	-	60,070	60,070	-
(60)	(60)	-	-	-	-
-	-	-	8,048,199	8,012,753	(35,446)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>8,108,269</u>	<u>8,072,823</u>	<u>(35,446)</u>
(147,449)	(110,167)	37,282	677,042	685,161	8,119
125,940	125,940	-	1,060,947	1,060,947	-
137,701	137,701	-	-	-	-
<u>\$ 116,192</u>	<u>\$ 153,474</u>	<u>\$ 37,282</u>	<u>\$ 1,737,989</u>	<u>\$ 1,746,108</u>	<u>\$ 8,119</u>

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	Capital Projects		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 300,076	\$ 300,076	\$ -
Tuition and fees	-	-	-
Interest	111,000	164,256	53,256
Intergovernmental	37,301	37,301	-
Extracurricular	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>448,377</u>	<u>501,633</u>	<u>53,256</u>
Expenditures			
Current			
Instruction			
Regular	18,837	18,837	-
Special	-	-	-
Vocational education	-	-	-
Other	-	-	-
Supporting services			
Pupil	-	-	-
Instructional	-	-	-
Board of education	-	-	-
Administration	-	-	-
Fiscal	115,466	113,562	1,904
Operation and maintenance	-	-	-
Pupil transportation	-	-	-
Central services	-	-	-
Non-instructional services			
Community services	-	-	-
Extracurricular			
Academic oriented	-	-	-
Occupation oriented	-	-	-
Sports oriented	-	-	-
Co-curricular	-	-	-
Capital outlay	2,245,184	2,051,443	193,741
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>2,379,487</u>	<u>2,183,842</u>	<u>195,645</u>
Excess (deficiency) of revenues over expenditures	(1,931,110)	(1,682,209)	248,901
Other financing sources (uses)			
Operating transfers-in	-	-	-
Operating transfers-out	-	-	-
Bond proceeds	-	-	-
Note proceeds	8,000,000	8,000,000	-
Premium and accrued interest on bonds	109,000	109,266	266
Advances in	240,000	240,000	-
Advances out	-	-	-
Gain on sale of assets	625	625	-
Total other financing sources (uses)	<u>8,349,625</u>	<u>8,349,891</u>	<u>266</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	6,418,515	6,667,682	249,167
Fund balances at beginning of year	436,340	436,340	-
Prior year encumbrances	564,931	564,931	-
Fund balances at end of year	<u>\$ 7,419,786</u>	<u>\$ 7,668,953</u>	<u>\$ 249,167</u>

See accompanying notes to the financial statements.

Totals
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 8,226,958	\$ 8,226,958	\$ -
60,878	60,878	-
588,229	621,710	33,481
2,942,057	3,028,502	86,445
155,202	156,353	1,151
22,565	38,229	15,664
<u>11,995,889</u>	<u>12,132,630</u>	<u>136,741</u>
4,406,322	4,398,748	7,574
647,513	642,933	4,580
183,161	183,161	-
29,716	29,716	-
479,338	478,776	562
340,821	338,660	2,161
71,786	71,786	-
948,511	948,300	211
472,968	463,050	9,918
1,310,828	1,286,318	24,510
665,108	664,922	186
43,570	43,158	412
308,647	290,587	18,060
44,461	43,955	506
632	632	-
361,744	359,944	1,800
30,356	28,273	2,083
2,245,184	2,051,443	193,741
8,430,000	8,430,000	-
908,075	908,044	31
<u>21,928,741</u>	<u>21,662,406</u>	<u>266,335</u>
(9,932,852)	(9,529,776)	403,076
-	-	-
60,130	60,130	-
(120,060)	(120,060)	-
8,048,199	8,012,753	(35,446)
8,000,000	8,000,000	-
109,000	109,266	266
240,000	240,000	-
(240,000)	(240,000)	-
625	625	-
<u>16,097,894</u>	<u>16,062,714</u>	<u>(35,180)</u>
6,165,042	6,532,938	367,896
4,342,110	4,342,110	-
971,871	971,871	-
<u>\$ 11,479,023</u>	<u>\$ 11,846,919</u>	<u>\$ 367,896</u>

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS – THE PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000

	Enterprise
Operating revenues	
Charges for services	\$ 409,329
Miscellaneous	32,312
Total operating revenues	441,641
Operating expenses	
Salaries and wages	100,295
Fringe benefits	32,249
Contractual services	349
Materials and supplies	434,409
Depreciation	8,750
Total operating expenses	576,052
Operating (loss)	(134,411)
Nonoperating revenues	
Intergovernmental	44,973
Interest	425
Total nonoperating revenues	45,398
(Loss) before operating transfers	(89,013)
Operating transfers-in	59,930
Net (loss)	(29,083)
Add depreciation on fixed assets acquired by contributed capital	7,010
Retained earnings at beginning of year	86,005
Retained earnings at end of year	\$ 63,932

See accompanying notes to the financial statements.

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
COMBINED STATEMENT OF CASH FLOWS
THE PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2000

	Enterprise
Cash flows from operating activities:	
Operating (loss)	\$ (134,411)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation	8,750
Donated commodities used	18,281
Changes in net assets (increase) decrease and liabilities increase (decrease):	
Receivables, accounts and other	595
Inventories and supplies	1,682
Accounts and contracts payable	(264)
Accrued salaries and benefits	(1,201)
Intergovernmental payable	(805)
Deferred revenue	(1,975)
Compensated absences	1,346
Total adjustments	26,409
Net cash (used in) operating activities	(108,002)
Cash flows from non-capital financing activities	
Intergovernmental revenue	33,469
Operating transfers-in	59,930
Net cash provided by non-capital financing activities	93,399
Cash flows provided by investing activities:	
Interest income	425
Net cash provided by investing activities	425
Net (decrease) in cash and cash equivalents	(14,178)
Equity in pooled cash and equivalents, beginning of year	103,743
Equity in pooled cash and equivalents, end of year	\$ 89,565
Non-cash transactions:	
Fixed assets acquired with contributed capital	\$ 7,600
Disposal of fixed assets	\$ 1,430

See accompanying notes to the financial statements.

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AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Avon Local School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on or as of, October 1, 1999 was 1,604. The District employs 110 certificated and 67 non-certificated employees.

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

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 organizations' 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 organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided 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 following entities, which perform activities within the District's boundaries for the benefit of its residents, are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District. The District has no component units.

Lake Erie Educational Computer Association - The Avon Local School District participates in the Lake Erie Educational Computer Association (LEECA). LEECA provides data services needed by the participating school districts. This is a jointly governed organization. The District's participation is disclosed in Note 16 to the financial statements.

Lake Erie Regional Council of Governments - The Lake Erie Regional Council of Governments (LERC) promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The District's participation is disclosed in Note 16 to the financial statements.

Lorain County Joint Vocational School District - The Lorain County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for vocational and special education needs of the students. This is a jointly governed organization. The District's participation is disclosed in Note 16 to the financial statements.

Ohio Schools Council of Governments - The Ohio Schools Council promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The District's participation is disclosed in Note 16 to the financial statements.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of the Avon Local School District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Avon Local School District has the following fund types and account groups:

Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be sixty days. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available. Reimbursements due for federally funded programs are recognized when the corresponding expenditures are made.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the use of current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

General Fund - used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

Debt Service Fund - used to account for the accumulation of resources for the payment of interest and principal on long-term general obligation debt other than those payable from Enterprise Funds.

Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary or trust funds.

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION (continued)

Proprietary Fund Type

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Allocations of costs, such as depreciation, are recognized in the proprietary fund.

As permitted, the Board of Education has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations. Proprietary funds include the following fund type:

Enterprise Funds - used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Board of Education is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Fiduciary fund types account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Fund - accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.

Agency Funds - custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

Account Groups

The District maintains two account groups as described below:

General Fixed Assets Account Group - used to account for fixed assets acquired principally for general purposes other than those accounted for in proprietary or trust funds.

General Long-Term Debt Account Group - used to account for the outstanding principal balances of general obligation bonds and other long-term debt not reported in proprietary funds.

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. DEPOSITS AND INVESTMENTS

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Investment income is distributed to the funds based on their contribution to the pool, as permitted by the Ohio Revised Code.

During fiscal year 2000, the District invested funds in the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investments could be sold for on June 30, 2000.

C. RESTRICTED CASH

Restricted cash in the general fund represents cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State. A Fund balance reserve has also been established.

D. RECEIVABLES

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

E. INVENTORIES AND SUPPLIES

The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds. For all funds, cost is determined on a first-in, first-out basis.

F. FIXED ASSETS AND DEPRECIATION

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The District does not possess any infrastructure.

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on estimated life of assets. Useful lives of the depreciable assets consisting of machinery and equipment are 20 years.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group or capitalized in the proprietary funds.

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. LONG-TERM LIABILITIES

Unmatured general long-term liabilities, which are related to governmental fund type operations, are reflected in the general long-term debt account group.

H. UNPAID COMPENSATED ABSENCES

Compensated absences are absences for which employees will be paid, such as vacation, severance, and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in the General Long-term Debt Account Group.

In the proprietary funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

I. FUND EQUITY

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations.

J. TOTAL COLUMNS

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

K. REBATABLE ARBITRAGE

Rebatable arbitrage is recorded as a reduction of interest revenue in the Building Fund.

L. USE OF ESTIMATES

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

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the object code function level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

Tax Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed or are deficient of current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" do not include July 1, 1999 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the fund, function and object level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among functions within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" represent the final appropriation amounts including all amendments and modifications.

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Appropriations (continued)

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balances for subsequent-year expenditures.

Budgetary Reporting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles (GAAP basis) are that:

- 1.) Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).
- 2.) Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).
- 3.) Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balances for governmental fund types.

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Budgetary Reporting (continued)

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow:

	Excess (deficiency) of revenues over expenditures and other sources (uses) - <u>reconciliation of budget basis to GAAP basis</u>			
	General	Special Revenue	Debt Service	Capital Projects
Budget basis	\$ (709,738)	\$ (110,167)	\$ 685,161	\$ 6,667,682
Adjustments, increase (decrease)				
Revenue accruals	362,389	13,384	(7,948,162)	(299,112)
Expenditure accruals	878,203	61,308	8,072,013	527,528
GAAP basis, as reported	<u>\$ 530,854</u>	<u>\$ (35,475)</u>	<u>\$ 809,012</u>	<u>\$ 6,896,098</u>

B. FUND EQUITY DEFICITS

Not apparent in the general purpose financial statements is a deficit fund equity balance of \$ 429 in the Eisenhower Professional Development Fund. This deficit equity balance at year-end resulted from reflecting expenditures in accordance with the modified accrual basis which is substantially larger than the amounts recognized on the budget basis. The District, in accordance with its budget basis, will appropriate such expenditures from resources of the subsequent year.

NOTE 4 RESTATEMENT OF PRIOR YEAR EQUITY

On the budgetary basis financial statements for the year ended June 30, 1999, an error was made in accounting for encumbrances outstanding at June 30, 1998 in the capital projects fund. This error did not affect the deficiency of revenues over expenditures for the year ended June 30, 1999. The budgetary basis fund balance has been restated to correct the error, as follows:

	As previously Reported June 30, 1999	Adjustment	As Restated June 30, 1999
Deficiency of revenues over expenditures, June 30, 1999	\$ (2,800,346)	\$ -	\$ (2,800,346)
Unencumbered fund balance at June 30, 1998	514,698	-	514,698
1998 encumbrances outstanding	2,626,719	95,269	2,721,988
	<u>\$ 341,071</u>	<u>\$ 95,269</u>	<u>\$ 436,340</u>

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 5 DEPOSITS AND INVESTMENTS

The Avon Local School District maintains a cash and investment pool used by various funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in pooled cash and equivalents."

A. LEGAL REQUIREMENTS

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

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

Inactive deposits are public deposits that the District's Board of Education has identified as not required for use within the current two 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 invested in the following obligations provided they matured or were redeemable within two years from the date of purchase:

- 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 or interest by the United States;
- 2.) Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3.) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to 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 (STAR Ohio); and
- 7.) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 5 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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 of debt of the District, and must be purchased with the expectation that it will be held until maturity.

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

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.

B. DEPOSITS

At year-end, the carrying amount of the Avon Local School District's deposits was \$ 1,373,555 and the bank balance was \$ 1,441,588 all of which was covered by federal depository insurance or collateral held by a qualified third party trustee in the name of the Avon Local School District.

C. INVESTMENTS

The District's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the District's name. Investment in STAR Ohio, the State Treasurer's Investment Pool, is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	Carrying Value	Market Value
Investment in State Treasurer's investment Pool	\$ 11,783,028	\$ 11,783,028

NOTE 6 FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. GENERAL FIXED ASSETS ACCOUNT GROUP

The changes in general fixed assets during the year consisted of:

	Balance July 1, 1999	Additions	Disposals	Balance June 30, 2000
Land	\$ 1,996,353	\$ 694,433	\$ -	\$ 2,690,786
Buildings and improvements	16,379,024	792,153	-	17,171,177
Furniture and equipment	2,608,485	186,839	4,760	2,790,564
Vehicles	770,762	61,760	-	832,522
	\$ 21,754,624	\$ 1,735,185	\$ 4,760	\$ 23,485,049

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 6 FIXED ASSETS AND ACCUMULATED DEPRECIATION (continued)

B. PROPRIETARY FUND TYPE FIXED ASSETS

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

	Balance June 30, 2000
<u>Enterprise</u>	
Machinery and equipment	\$ 253,185
Less accumulated depreciation	93,818
Net fixed assets	\$ 159,367

NOTE 7 DEFERRED REVENUE

Deferred revenue at year-end, consisted of:

	Balance June 30, 2000
Property taxes	\$ 6,675,284
Federal commodities, unused	1,305
	\$ 6,676,589

NOTE 8 GENERAL LONG-TERM DEBT

	Outstanding June 30, 1999	Additions	Deductions	Outstanding June 30, 2000
Due to other governments	\$ 81,313	\$ 89,837	\$ 81,313	\$ 89,837
Bonds payable	12,650,000	8,000,000	360,000	20,290,000
Capital leases	63,464	-	18,112	45,352
Compensated absences	840,558	85,062	28,283	897,337
	\$ 13,635,335	\$ 8,174,899	\$ 487,708	\$ 21,322,526

NOTE 9 BONDS AND NOTES PAYABLE

Bonds Payable

	Outstanding June 30, 1999	Additions	Deductions	Outstanding June 30, 2000
General obligation bonds				
School improvement, (1996)				
4.8% through 2021	\$ 12,075,000	\$ -	\$ 330,000	\$ 11,745,000
Energy conservation, (1999)				
5.2% through 2013	575,000	-	30,000	545,000
School improvement, (2000)				
5.32% through 2019	-	8,000,000	-	8,000,000
	\$ 12,650,000	\$ 8,000,000	\$ 360,000	\$ 20,290,000

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 9 BONDS AND NOTES PAYABLE (Continued)

Notes Payable

	Outstanding June 30, 1999	Additions	Deletions	Outstanding June 30, 2000
School Improvement, 1999				
Bond anticipation note				
5.45%	\$ 0	\$ 8,000,000	\$ 8,000,000	\$ 0
Tax anticipation, 1994				
5.75%	\$ 70,000	\$ 0	\$ 70,000	\$ 0

NOTE 10 DEBT SERVICE REQUIREMENTS TO MATURITY

Debt service requirements, including principal and interest, to retire debt obligations outstanding at June 30, 2000, consisted of:

Year ending June 30,	Debt Service
2001	\$ 1,794,393
2002	1,898,185
2003	1,917,474
2004	1,955,787
2005	2,067,149
2006 - 2010	7,634,125
2011 - 2015	8,090,524
2016 - 2020	7,478,546
2021	1,143,300
	\$ 33,979,483

Not reflected above are due to other governments of \$ 89,837, capital leases of \$ 45,352, and compensated absences of \$ 897,337. All obligations will be paid from property taxes of the General Fund. The capital lease obligations will be accounted for in the general long-term debt account group and paid from the general fund.

NOTE 11 CAPITAL LEASES

The Avon Local School District is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Asset Account Group and the General Long-Term Debt Account Group, respectively. The assets under capital leases totaled \$ 99,601 at June 30, 2000. The leases are in effect through fiscal year 2004.

The following is a schedule of future minimum lease payments under the capital leases together with the net present value of the minimum lease payments as of June 30, 2000.

	Year ending June 30,	Amount
	2001	\$ 21,143
	2002	17,054
	2003	8,859
	2004	1,477
Total minimum lease payments		48,533
Less amount representing interest		(3,181)
Net present value of minimum lease payments		\$ 45,352

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 12 PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the District. Taxes collected on real property, other than public utility, in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of the preceding year, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property, other than public utility, in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business, except for public utilities, is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid 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.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88% of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously. The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the District its portion of the taxes collected.

The tax applied to real property collected in 2000 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$ 49.24 per \$ 1,000 of valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$ 31.07 per \$ 1,000 of assessed valuation for real property classified as residential/agricultural and \$ 34.21 per \$ 1,000 of assessed valuation for all other real property. The tax rate applied to tangible personal property for the current year ended June 30, 2000, was \$ 49.24 per \$ 1,000 of valuation.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000 was \$ 1,935,088 and is recognized as revenue and a reservation of fund balance.

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 12 PROPERTY TAXES (continued)

The property valuation consisted of:

Real Property - 1999	
Residential / Agricultural	\$ 206,489,480
Commercial / Industrial	35,251,920
Public Utilities	1,685,340
Mineral	2,870
Tangible Personal Property - 2000	
General	14,965,300
Public Utilities	18,578,450
	\$ 276,973,360

NOTE 13 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with the Indiana Insurance Company for property insurance. Professional liability is protected by the Nationwide Insurance Company with a \$ 5,000,000 aggregate limit.

Vehicles are covered by the Nationwide Mutual Insurance Company. Automobile liability has a \$ 2,000,000 combined single limit liability.

Settled claims have not exceeded commercial coverage in any of the past three years.

Performance bonds of \$ 20,000 are maintained for the superintendent and the treasurer by Buckeye Union Commercial Insurance Company. A blanket employees' bond with a single limit of \$10,000 is covered by Peerless Insurance Company.

The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an 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 Ohio School Boards Association. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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 districts 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 ensures 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.

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 13 RISK MANAGEMENT (continued)

The District provides life insurance and accidental death and dismemberment insurance to its employees. Life insurance is covered through the Medical Life and Insurance Company.

The District has contracted with Lake Erie Regional Employee Protection Plan (LEEP) to provide medical/surgical and dental benefits for its employees and their covered dependents. The LEEP is a shared risk pool comprised of thirteen school districts that provide public education within Lorain County. LEEP is a program administrated by Lake Erie Regional Council.

The Districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$ 165,000 per participant.

Premium contributions are determined annually based on the claims experience of the individual districts. Premiums can be increased or decreased by up to 20% of the prior year's contribution. Member districts may become liable for additional contributions to fund the liability of the pool. In the event of termination, all participating districts' claims would be paid without regard to their individual account balances. The LEEP Board of Directors has authority to return monies to an exiting district subsequent to the settlement of all claims and expenses. This plan provides a medical/surgical and dental plan with a \$100 deductible for family coverage and \$50 deductible for single coverage.

NOTE 14 PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The Avon Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ended June 30, 2000, 1999, and 1998 were \$ 213,636 \$ 186,020, and \$ 162,238, respectively. The full amount has been contributed for 1999 and 1998. For 2000, 47% has been contributed with the remainder being reported as a fund liability and within the general long-term debt account group.

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 14 PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The Avon Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available 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, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions to STRS for the years ended June 30, 2000, 1999, and 1998 were \$ 654,960, \$ 584,163, and \$ 512,174, respectively. The full amount has been contributed for 1999 and 1998. For 2000, 82% has been contributed with the remainder being reported as a fund liability.

NOTE 15 POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 1999 (the latest information available) the allocation rate was 6.3%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum pay has been established as \$ 12,400. The surcharge rate, added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999 were \$ 126,380,984 and the target level was \$ 189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$ 188.0 million.

The number of participants currently receiving health care benefits is approximately 51,000. For 2000, the portion of the District's contributions that were used to fund postemployment benefits was \$ 114,417.

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 15 POSTEMPLOYMENT BENEFITS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Health care benefits are financed on a pay-as-you-go basis.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll.

The Board currently allocates employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$ 2,783 million and net health care costs paid by STRS were \$ 249,929,000 at June 30, 1999 (the latest information available). For the year ended June 30, 1999, there were 95,796 eligible benefit recipients. For 2000, the portion of the District's contributions that were used to fund postemployment benefits was \$366,415.

NOTE 16 JOINTLY GOVERNED ORGANIZATIONS

A. Lake Erie Educational Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty 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 for member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2000 the District paid approximately \$ 107,600 to LEECA.

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 16 JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Lake Erie Regional Council of Governments (LERC)

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

The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2000 the District paid approximately \$ 548,100 to LERC.

C. Lorain County Joint Vocational School District

The Lorain County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for vocational and special education needs of the students. The Board of the Lorain County Joint Vocational School District is comprised of representatives from each participating school district and is responsible for approving its own budgets, appointing personnel, and accounting and financing related activities. The Avon Local School District's students may attend the Lorain County Joint Vocational School District. Each school district's control is limited to its representation on the board. Financial information can be obtained by contacting the Lorain County Joint Vocational School District, 15181 State Route 58, Oberlin, Ohio 44074.

D. Ohio Schools Council of Governments

The Ohio Schools Council is a jointly governed organization among eighty three districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, driver education, food service and insurance. Each member provided operating resources to Ohio Schools Council on a per pupil or actual usage charge except for insurance.

The Ohio Schools Council assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. Ohio Schools Council is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Executive Secretary at the Ohio Schools Council located at 155 Center Road, Bedford, Ohio 44146. During the year ended June 30, 2000, the District paid approximately \$ 200 to Ohio Schools Council and approximately \$276,700 to National City Bank for participation in the energy pre-purchase program.

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

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 16 JOINTLY GOVERNED ORGANIZATIONS (continued)

D. Ohio Schools Council of Governments

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.

The District participates in the Council's electric purchase program which was implemented during fiscal year 1999. 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 participating school districts make monthly payments based on estimated usage. Each June these estimated payments are compared to actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointed board, issued \$ 119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI). 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.

NOTE 17 CONTRIBUTED CAPITAL

The changes in the District's contributed capital accounts for its proprietary fund were as follows:

	Amount
Contributed capital, 6/30/99	\$ 132,997
Acquisition of fixed assets	7,600
Reductions, depreciation	(7,010)
Contributed capital, 6/30/00	\$ 133,587

NOTE 18 CONTRACTUAL COMMITMENTS

At June 30, 2000 the District had contractual commitments as follows:

Construction contracts	\$ 433,795
Equipment	103,336
	\$ 537,131

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 19 CONTINGENT LIABILITIES

The District receives financial assistance from various state and federal agencies. There are certain requirements of a compliance nature that have to be met and programs are subject to audit by the grantor agency. Any disallowed claims could be liabilities of the general fund or other applicable funds. In the opinion of management, any claims that might arise would not have a material effect on the District's financial statements.

NOTE 20 SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling to allow the State's legislature to design a plan to remedy perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$ 1,732,591 of school foundation support, all of which was recorded in its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the Ohio constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program on its financial operations.

NOTE 21 STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During fiscal year ended June 30, 2000, the reserve activity (cash basis) was as follows:

	Textbook	Capital Maintenance	Budget Stabilization
Balance, July 1, 1999	\$ 228	\$ -	\$ 101,838
Required set aside	198,201	198,201	228,496
Offset credits	-	-	-
Qualifying expenditures	(209,764)	(1,911,867)	-
Balance June 30, 2000	<u>\$ (11,335)</u>	<u>\$ (1,713,666)</u>	<u>\$ 330,334</u>

Qualifying expenditures for the capital maintenance and textbook reserve exceeded the required set aside. The textbook excess (as presented above) may be used to reduce the set-aside requirements of future years. Portions of the capital maintenance may be used to reduce future set-aside requirements based on legislative updates on building projects.

AVON LOCAL SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 22 SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains enterprise funds to account for the operation of school food service, uniform school supplies, and latchkey services. Segment information related to these follows:

	Food Service	Uniform School Supplies	Latchkey Services	Total
Operating revenues	\$ 307,521	\$ 101,808	\$ 32,312	\$ 441,641
Operating expenses				
Salaries and wages	75,235	-	25,060	100,295
Fringe benefits	28,799	-	3,450	32,249
Contractual services	-	-	349	349
Materials and supplies	339,664	92,153	2,592	434,409
Depreciation	8,750	-	-	8,750
Total operating expenses	452,448	92,153	31,451	576,052
Operating income (loss)	(144,927)	9,655	861	(134,411)
Nonoperating revenues	45,398	-	-	45,398
Operating transfers-in	59,930	-	-	59,930
Net income (loss)	\$ (39,599)	\$ 9,655	\$ 861	\$ (29,083)
Other information				
Net working capital	\$ (9,427)	\$ 64,519	\$ 5,056	\$ 60,148
Fixed asset disposals	\$ 1,430	\$ -	\$ -	\$ 1,430
Current capital contributions	\$ 7,600	\$ -	\$ -	\$ 7,600
Total assets	\$ 175,281	\$ 64,987	\$ 15,583	\$ 255,851
Total equity	\$ 127,944	\$ 64,519	\$ 5,056	\$ 197,519

NOTE 23 INTERFUND TRANSACTIONS

Interfund balances at June 30, 2000, consist of the following fund receivables and payables:

Fund	Receivable	Payable
General	\$ 240,000	\$ -
Capital Projects	-	240,000
Total	\$ 240,000	\$ 240,000

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STATE OF OHIO
OFFICE OF THE AUDITOR

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

Board of Education
Avon Local School District
Lorain County
3075 Stoney Ridge Road
Avon, Ohio 44011

We have audited the financial statements of Avon Local School District, Lorain County, Ohio (District) as of and for the year ended June 30, 2000, and have issued our report thereon dated February 13, 2001 in which we noted the District restated the beginning budgetary-basis fund balance of the Capital Projects Fund. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

Internal Control 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 opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 13, 2001.

Avon Local School District
Lorain County
Report on Compliance and Internal Control Required by
Governmental Auditing Standards
Page 2

This report is intended for the information and use of management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

February 13, 2001



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OFFICE OF THE AUDITOR

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AVON LOCAL SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 3, 2001**