



**AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2002**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**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 fiscal year ended June 30, 2002, 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 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 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 provides 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, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2002 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.

The accompanying Schedule of Federal Awards Expenditures is presented for 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

December 13, 2002

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AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and other debits</b>				
Equity in pooled cash and equivalents	\$ 3,533,399	\$ 244,152	\$ 2,158,491	\$ 1,529,966
Restricted cash	42,840	-	-	-
Receivables, net				
Taxes, current	7,923,732	-	1,869,493	326,985
Taxes, delinquent	77,749	-	17,254	2,979
Due from other governments	-	27,131	-	-
Due from other funds	200,000	-	-	-
Inventories and supplies	-	-	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Amount available for debt service	-	-	-	-
Amount to be provided for debt service	-	-	-	-
Amount to be provided for benefits	-	-	-	-
Amount to be provided for capital leases	-	-	-	-
<b>Total assets and other debits</b>	<b>\$ 11,777,720</b>	<b>\$ 271,283</b>	<b>\$ 4,045,238</b>	<b>\$ 1,859,930</b>
<b>Liabilities, fund equity and other credits</b>				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 99,560	\$ 8,467	\$ -	\$ 198,244
Accrued salaries and benefits	1,319,141	53,025	-	-
Accrued interest payable	2,714	-	-	-
Due to other governments	219,728	7,703	-	-
Due to other funds	-	-	-	200,000
Due to others	-	-	-	-
Deferred revenue	6,582,354	10,567	1,537,183	277,533
Notes payable	700,000	-	-	-
Bonds payable	-	-	-	-
Capital leases	-	-	-	-
Compensated absences	11,322	-	-	-
<b>Total liabilities</b>	<b>8,934,819</b>	<b>79,762</b>	<b>1,537,183</b>	<b>675,777</b>
<b>Fund equity and other credits</b>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings				
Unreserved	-	-	-	-
Fund balances				
Reserved for budget stabilization	42,840	-	-	-
Reserved for property taxes	1,419,127	-	349,564	52,431
Reserved for debt service	-	-	2,158,491	-
Reserved for encumbrances	706,730	21,256	-	1,194,598
Unreserved	674,204	170,265	-	(62,876)
<b>Total fund equity and other credits</b>	<b>2,842,901</b>	<b>191,521</b>	<b>2,508,055</b>	<b>1,184,153</b>
<b>Total liabilities, fund equity and other credits</b>	<b>\$ 11,777,720</b>	<b>\$ 271,283</b>	<b>\$ 4,045,238</b>	<b>\$ 1,859,930</b>

See accompanying notes to the general purpose financial statements.



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long- Term Debt	
Enterprise	Trust and Agency			
\$ 142,034	\$ 24,616	\$ -	\$ -	\$ 7,632,658
-	-	-	-	42,840
-	-	-	-	10,120,210
-	-	-	-	97,982
-	-	-	-	27,131
-	-	-	-	200,000
2,970	-	-	-	2,970
253,185	-	32,009,450	-	32,262,635
(111,699)	-	-	-	(111,699)
-	-	-	2,605,692	2,605,692
-	-	-	16,264,308	16,264,308
-	-	-	1,322,485	1,322,485
-	-	-	10,273	10,273
<u>\$ 286,490</u>	<u>\$ 24,616</u>	<u>\$ 32,009,450</u>	<u>\$ 20,202,758</u>	<u>\$ 70,477,485</u>
\$ -	\$ 39	\$ -	\$ -	\$ 306,310
9,989	-	-	-	1,382,155
-	-	-	-	2,714
11,393	-	-	103,329	342,153
-	-	-	-	200,000
-	24,527	-	-	24,527
2,970	-	-	-	8,410,607
-	-	-	-	700,000
-	-	-	18,870,000	18,870,000
-	-	-	10,273	10,273
8,334	-	-	1,219,156	1,238,812
<u>32,686</u>	<u>24,566</u>	<u>-</u>	<u>20,202,758</u>	<u>31,487,551</u>
-	-	32,009,450	-	32,009,450
119,186	-	-	-	119,186
134,618	-	-	-	134,618
-	-	-	-	42,840
-	-	-	-	1,821,122
-	-	-	-	2,158,491
-	-	-	-	1,922,584
-	50	-	-	781,643
<u>253,804</u>	<u>50</u>	<u>32,009,450</u>	<u>-</u>	<u>38,989,934</u>
<u>\$ 286,490</u>	<u>\$ 24,616</u>	<u>\$ 32,009,450</u>	<u>\$ 20,202,758</u>	<u>\$ 70,477,485</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, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Taxes	\$ 7,824,967	\$ -	\$ 1,832,879	\$ 310,753
Tuition and fees	64,694	-	-	-
Interest	174,744	1,345	-	110,025
Intergovernmental	3,506,643	519,519	222,397	48,083
Extracurricular	-	188,772	-	-
Miscellaneous	12,541	5,500	-	-
Total revenues	<u>11,583,589</u>	<u>715,136</u>	<u>2,055,276</u>	<u>468,861</u>
Expenditures				
Current				
Instruction				
Regular	5,523,005	42,339	-	22,409
Special	816,781	81,636	-	-
Vocational education	134,970	-	-	-
Other	48,442	-	-	-
Supporting services				
Pupil	514,133	180,228	-	-
Instructional	328,924	23,731	-	5,059
Board of education	138,391	-	-	-
Administration	986,415	4,462	-	-
Fiscal	352,923	-	29,922	5,007
Operation and maintenance	1,294,477	545	-	-
Pupil transportation	1,301,724	-	-	-
Central services	51,471	7,585	-	-
Non-instructional services				
Community services	-	263,456	-	-
Extracurricular				
Academic oriented	48,698	6,268	-	-
Occupation oriented	659	-	-	-
Sports oriented	306,622	83,665	-	-
Co-curricular	17,843	3,317	-	-
Capital outlay	113,619	-	-	6,154,026
Debt services				
Principal	16,408	-	805,000	-
Interest	43,723	-	1,093,318	-
Total expenditures	<u>12,039,228</u>	<u>697,232</u>	<u>1,928,240</u>	<u>6,186,501</u>
Excess (deficiency) of revenues over expenditures	<u>(455,639)</u>	<u>17,904</u>	<u>127,036</u>	<u>(5,717,640)</u>
Other financing sources (uses)				
Operating transfers-out	(70,000)	-	-	-
Total other financing sources (uses)	<u>(70,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(525,639)</u>	<u>17,904</u>	<u>127,036</u>	<u>(5,717,640)</u>
Fund balances, beginning of year	3,368,540	173,617	2,381,019	6,901,793
Fund balances, end of year	<u>\$ 2,842,901</u>	<u>\$ 191,521</u>	<u>\$ 2,508,055</u>	<u>\$ 1,184,153</u>

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$ -	\$ 9,968,599
-	64,694
-	286,114
-	4,296,642
-	188,772
300	18,341
<u>300</u>	<u>14,823,162</u>
-	5,587,753
-	898,417
-	134,970
-	48,442
-	694,361
-	357,714
-	138,391
-	990,877
-	387,852
-	1,295,022
-	1,301,724
-	59,056
300	263,756
-	54,966
-	659
-	390,287
-	21,160
-	6,267,645
-	821,408
-	1,137,041
<u>300</u>	<u>20,851,501</u>
-	(6,028,339)
-	(70,000)
-	(70,000)
-	(6,098,339)
50	12,825,019
<u>\$ 50</u>	<u>\$ 6,726,680</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, 2002

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 7,143,642	\$ 7,821,979	\$ 678,337
Tuition and fees	17,100	64,694	47,594
Interest	164,912	174,744	9,832
Intergovernmental	2,830,000	3,506,643	676,643
Extracurricular	-	-	-
Miscellaneous	8,000	12,541	4,541
Total revenues	<u>10,163,654</u>	<u>11,580,601</u>	<u>1,416,947</u>
Expenditures			
Current			
Instructional			
Regular	5,410,014	5,400,957	9,057
Special	822,044	813,277	8,767
Vocational education	138,527	137,179	1,348
Other	87,613	87,558	55
Supporting services			
Pupil	507,332	505,276	2,056
Instructional	330,426	325,204	5,222
Board of education	166,422	164,427	1,995
Administration	1,025,485	1,007,373	18,112
Fiscal	354,880	352,925	1,955
Operation and maintenance	1,517,620	1,458,352	59,268
Pupil transportation	1,320,615	1,306,693	13,922
Central services	53,004	52,596	408
Non-instructional services			
Community services	-	-	-
Extracurricular			
Academic oriented	51,173	49,338	1,835
Occupation oriented	1,000	679	321
Sports oriented	309,610	307,473	2,137
Co-curricular	15,550	14,723	827
Capital outlay	568,067	568,000	67
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>12,679,382</u>	<u>12,552,030</u>	<u>127,352</u>
Excess (deficiency) of revenues over expenditures	<u>(2,515,728)</u>	<u>(971,429)</u>	<u>1,544,299</u>
Other financing sources			
Operating transfers-in	-	315,031	315,031
Operating transfers-out	(385,031)	(385,031)	-
Advances in	240,000	240,000	-
Advances out	(200,000)	(200,000)	-
Total other financing sources (uses)	<u>(345,031)</u>	<u>(30,000)</u>	<u>315,031</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(2,860,759)</u>	<u>(1,001,429)</u>	<u>1,859,330</u>
Fund balances, beginning of year	3,297,917	3,297,917	-
Prior year encumbrances	471,210	471,210	-
Fund balances, end of year	<u>\$ 908,368</u>	<u>\$ 2,767,698</u>	<u>\$ 1,859,330</u>

See accompanying notes to the general purpose financial statements.

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 2,018,647	\$ 1,921,010	\$ (97,637)
-	-	-	-	-	-
1,213	1,345	132	-	-	-
512,214	545,399	33,185	159,258	222,397	63,139
166,000	188,772	22,772	-	-	-
5,500	5,500	-	-	-	-
<u>684,927</u>	<u>741,016</u>	<u>56,089</u>	<u>2,177,905</u>	<u>2,143,407</u>	<u>(34,498)</u>
56,672	43,346	13,326	-	-	-
111,178	86,122	25,056	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
189,680	181,991	7,689	-	-	-
31,964	27,526	4,438	-	-	-
-	-	-	-	-	-
5,000	4,552	448	-	-	-
-	-	-	30,200	29,922	278
1,600	1,600	-	-	-	-
-	-	-	-	-	-
27,646	26,631	1,015	-	-	-
278,486	268,746	9,740	-	-	-
7,340	6,670	670	-	-	-
-	-	-	-	-	-
84,469	83,807	662	-	-	-
8,711	8,552	159	-	-	-
-	-	-	-	-	-
-	-	-	805,000	805,000	-
-	-	-	1,134,055	1,134,043	12
<u>802,746</u>	<u>739,543</u>	<u>63,203</u>	<u>1,969,255</u>	<u>1,968,965</u>	<u>290</u>
<u>(117,819)</u>	<u>1,473</u>	<u>119,292</u>	<u>208,650</u>	<u>174,442</u>	<u>(34,208)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(117,819)</u>	<u>1,473</u>	<u>119,292</u>	<u>208,650</u>	<u>174,442</u>	<u>(34,208)</u>
116,959	116,959	-	1,984,049	1,984,049	-
90,811	90,811	-	-	-	-
<u>\$ 89,951</u>	<u>\$ 209,243</u>	<u>\$ 119,292</u>	<u>\$ 2,192,699</u>	<u>\$ 2,158,491</u>	<u>\$ (34,208)</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, 2002

	Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 310,000	\$ 311,925	\$ 1,925
Tuition and fees	-	-	-
Interest	108,101	110,025	1,924
Intergovernmental	40,000	48,083	8,083
Extracurricular	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>458,101</u>	<u>470,033</u>	<u>11,932</u>
Expenditures			
Current			
Instructional			
Regular	44,867	44,851	16
Special	-	-	-
Vocational education	-	-	-
Other	-	-	-
Supporting services			
Pupil	-	-	-
Instructional	5,575	5,159	416
Board of education	-	-	-
Administration	-	-	-
Fiscal	5,076	5,007	69
Operation and maintenance	-	-	-
Pupil transportation	-	-	-
Central services	-	-	-
Non-instructional services			
Community services	-	-	-
Extracurricular			
Academic oriented	-	-	-
Occupation oriented	-	-	-
Sports oriented	-	-	-
Co-curricular	-	-	-
Capital outlay	7,998,519	7,886,157	112,362
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>8,054,037</u>	<u>7,941,174</u>	<u>112,863</u>
Excess (deficiency) of revenues over expenditures	<u>(7,595,936)</u>	<u>(7,471,141)</u>	<u>124,795</u>
Other financing sources			
Operating transfers-in	-	-	-
Operating transfers-out	-	-	-
Advances in	200,000	200,000	-
Advances out	(240,500)	(240,000)	500
Total other financing sources (uses)	<u>(40,500)</u>	<u>(40,000)</u>	<u>500</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(7,636,436)</u>	<u>(7,511,141)</u>	<u>125,295</u>
Fund balances, beginning of year	295,921	295,921	-
Prior year encumbrances	7,352,344	7,352,344	-
Fund balances, end of year	<u>\$ 11,829</u>	<u>\$ 137,124</u>	<u>\$ 125,295</u>

See accompanying notes to the general purpose financial statements.

Totals  
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 9,472,289	\$ 10,054,914	\$ 582,625
17,100	64,694	47,594
274,226	286,114	11,888
3,541,472	4,322,522	781,050
166,000	188,772	22,772
13,500	18,041	4,541
<u>13,484,587</u>	<u>14,935,057</u>	<u>1,450,470</u>
5,511,553	5,489,154	22,399
933,222	899,399	33,823
138,527	137,179	1,348
87,613	87,558	55
697,012	687,267	9,745
367,965	357,889	10,076
166,422	164,427	1,995
1,030,485	1,011,925	18,560
390,156	387,854	2,302
1,519,220	1,459,952	59,268
1,320,615	1,306,693	13,922
80,650	79,227	1,423
278,486	268,746	9,740
58,513	56,008	2,505
1,000	679	321
394,079	391,280	2,799
24,261	23,275	986
8,566,586	8,454,157	112,429
805,000	805,000	-
1,134,055	1,134,043	12
<u>23,505,420</u>	<u>23,201,712</u>	<u>303,708</u>
(10,020,833)	(8,266,655)	1,754,178
-	315,031	315,031
(385,031)	(385,031)	-
440,000	440,000	-
(440,500)	(440,000)	500
<u>(385,531)</u>	<u>(70,000)</u>	<u>315,531</u>
(10,406,364)	(8,336,655)	2,069,709
5,694,846	5,694,846	-
7,914,365	7,914,365	-
<u>\$ 3,202,847</u>	<u>\$ 5,272,556</u>	<u>\$ 2,069,709</u>

AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS – PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2002

	Enterprise
Operating revenues	
Charges for services	\$ 491,314
Miscellaneous	44,006
Total operating revenues	535,320
Operating expenses	
Salaries and wages	64,875
Fringe benefits	10,671
Contractual services	424
Materials and supplies	491,980
Depreciation	8,941
Total operating expenses	576,891
Operating loss	(41,571)
Nonoperating revenues	
Interest	592
Intergovernmental	47,894
Total nonoperating revenues	48,486
Income before operating transfers-in	6,915
Operating transfers-in	70,000
Net income	76,915
Add depreciation on fixed assets acquired by contributed capital	7,201
Retained earnings, beginning of year	50,502
Retained earnings, end of year	\$ 134,618

See accompanying notes to the general purpose financial statements.



AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY  
COMBINED STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2002

	Enterprise
Cash flows from operating activities:	
Operating (loss)	\$ (41,571)
Adjustments to reconcile operating (loss) to	
Net cash (used in) operating activities:	
Depreciation	8,941
Donated commodities	10,759
Changes in net assets (increase) decrease	
and liabilities increase (decrease):	
Inventories and supplies	3,193
Accounts and contracts payable	(48,389)
Accrued salaries and benefits	(3,163)
Due to other governments	(11,896)
Deferred revenue	606
Compensated absences	(8,958)
Total adjustments	(48,907)
Net cash (used in) operating activities:	(90,478)
Cash flows from non-capital financing activities:	
Intergovernmental revenue	37,135
Operating transfers-in	70,000
Cash flows provided by non-capital financing activities	107,135
Cash flows provided by investing activities:	
Interest income	592
Net cash provided by investing activities	592
Net increase in cash and cash equivalents	17,249
Equity in pooled cash and equivalents,	
Beginning of year	124,785
Equity in pooled cash and equivalents,	
End of year	\$ 142,034

See accompanying notes to the general purpose financial statements.

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AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

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, 2001 was 1,910. The District employs 135 certificated and 74 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 15 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 15 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 15 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 15 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, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units.

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 is 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, except for what is on hand with the county treasurer on the last day of the fiscal year which is recognized in the current period. 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. Nonexchange 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 taxes are levied (See Note 11). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 nonexchange transactions must also be available before it can be recognized.

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.

AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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, 2002

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 2002, 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, 2002.

C. RESTRICTED CASH

Restricted cash in the general fund represents cash and cash equivalents set aside to establish a budget stabilization reserve. 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, 2002

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. COMPENSATED ABSENCES

Compensated absences are absences for which employees will be paid, such as vacation 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 District 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 specific events that are outside the control of the District and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental fund types, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund from which the employees who have accumulated unpaid leave are paid. The remainder of the compensated absences liability is reported in the general long-term debt account group. The District uses the vesting method to calculate the compensated absences liability.

In the proprietary funds, the entire amount of compensated absences is reported as an expense and fund liability.

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, 2002

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 fund level. 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, 2001 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 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 and objects within a fund may be modified during the year. 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, 2002

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.

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	\$ (1,001,429 )	\$ 1,473	\$ 174,442	\$ (7,511,141 )
Adjustments, increase (decrease)				
Revenue accruals	(237,012 )	(25,880 )	(88,131 )	(201,172 )
Expenditure accruals	712,802	42,311	40,725	1,994,673
GAAP basis, as reported	<u>\$ (525,639 )</u>	<u>\$ 17,904</u>	<u>\$ 127,036</u>	<u>\$ (5,717,640 )</u>

AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 4 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);
- 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; and
- 8.) 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, 2002

NOTE 4 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

- 9.) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation 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 \$ 624,944 and the bank balance was \$ 682,694. Of the bank balance, \$200,000 was covered by Federal Depository Insurance and \$482,694 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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	<u>\$ 7,050,554</u>	<u>\$ 7,050,554</u>

AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 5 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, 2001	Additions	Disposals	Balance June 30, 2002
Land	\$ 2,690,786	\$ -	\$ -	\$ 2,690,786
Buildings and improvements	17,700,873	260,223	-	17,961,096
Construction in process	402,720	6,000,411	-	6,403,131
Furniture and equipment	2,979,783	297,628	-	3,277,411
Vehicles	1,065,016	612,010	-	1,677,026
	<u>\$ 24,839,178</u>	<u>\$ 7,170,272</u>	<u>\$ -</u>	<u>\$ 32,009,450</u>

B. PROPRIETARY FUND TYPE FIXED ASSETS

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

	Balance June 30, 2002
<u>Enterprise</u>	
Machinery and equipment	\$ 253,185
Less accumulated depreciation	111,699
Net fixed assets	<u>\$ 141,486</u>

NOTE 6 DEFERRED REVENUE

Deferred revenue at year-end, consisted of:

	Balance June 30, 2002
Property taxes	\$ 8,397,070
Grants	\$ 10,567
Federal commodities, unused	2,970
	<u>\$ 8,410,607</u>

NOTE 7 GENERAL LONG-TERM DEBT

	Outstanding June 30, 2001	Additions	Deductions	Outstanding June 30, 2002
Due to other governments	\$ 76,972	\$ 103,329	\$ 76,972	\$ 103,329
Bonds payable	19,675,000	-	805,000	18,870,000
Capital leases	26,681	-	16,408	10,273
Compensated absences	1,044,313	174,843	-	1,219,156
	<u>\$ 20,822,966</u>	<u>\$ 278,172</u>	<u>\$ 898,380</u>	<u>\$ 20,202,758</u>

AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

**NOTE 8 BONDS PAYABLE AND NOTES PAYABLE**

Bonds payable at year-end consisted of:

	Outstanding June 30, 2001	Additions	Deductions	Outstanding June 30, 2002
General obligation bonds				
School improvement, (1996) 4.8% through 2001	\$ 11,375,000	\$ -	\$ 455,000	\$ 10,920,000
Energy conservation, (1999) 5.2% through 2013	515,000	-	30,000	485,000
School improvement, (2000) 5.32% through 2019	7,785,000	-	320,000	7,465,000
	<u>\$ 19,675,000</u>	<u>\$ -</u>	<u>\$ 805,000</u>	<u>\$ 18,870,000</u>

Notes payable at year-end consisted of:

	Outstanding June 30, 2001	Additions	Deductions	Outstanding June 30, 2002
Tax anticipation note (2001) 4.55% through 2005	\$ 400,000	\$ -	\$ -	\$ 400,000
Tax anticipation note (2001) 4.70% through 2004	300,000	-	-	300,000
	<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700,000</u>

**NOTE 9 DEBT SERVICE REQUIREMENTS TO MATURITY**

Debt service requirements, including principal and interest, to retire debt obligations outstanding at June 30, 2002, consisted of:

Year ending June 30,	Bonds Payable	Notes Payable	Total
2003	\$ 1,917,474	\$ 227,925	\$ 2,145,399
2004	1,955,787	218,625	2,174,412
2005	2,067,149	209,275	2,276,424
2006	2,091,482	102,300	2,193,782
2007	1,254,588	-	1,254,588
2008 - 2012	7,416,735	-	7,416,735
2013 - 2017	7,846,076	-	7,846,076
2018 - 2021	5,737,614	-	5,737,614
	<u>\$ 30,286,905</u>	<u>\$ 758,125</u>	<u>\$ 31,045,030</u>

Not reflected above are due to other governments of \$ 103,329, capital leases of \$ 10,273, and compensated absences of \$ 1,219,156.

AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

**NOTE 10 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 \$ 43,208 at June 30, 2002. 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, 2002.

	Year ending June 30,	Amount
	2003	\$ 8,859
	2004	1,477
Total minimum lease payments		10,336
Less amount representing interest		(63 )
Net present value of minimum lease payments		\$ 10,273

**NOTE 11 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 2002 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$ 47.46 per \$ 1,000 of valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$ 29.18 per \$ 1,000 of assessed valuation for real property classified as residential/agricultural and \$ 30.23 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, 2002, was \$ 47.46 per \$ 1,000 of valuation.

AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 11 PROPERTY TAXES (continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2002. 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, 2002 was \$ 1,821,122 and is recognized as revenue and a reservation of fund balance.

The property valuation consisted of:

Real Property - 2001	
Residential / Agricultural	\$ 272,215,560
Commercial / Industrial	61,771,340
Public Utilities	8,190
Mineral	2,130
Tangible Personal Property – 2002	
General	20,953,670
Public Utilities	11,260,440
	<u>\$ 366,211,330</u>

NOTE 12 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 this commercial coverage in any of the past three years.

Performance bonds of \$ 20,000 are maintained for the superintendent and \$50,000 for the treasurer by Buckeye Union Commercial Insurance Company. A blanket employees' bond with a single limit of \$10,000 and a dishonesty bond of \$50,000 per employee 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.

AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 12 RISK MANAGEMENT (continued)

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.

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 School District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits since December 1988. The LERC is a claims-servicing pool comprised of fourteen Lorain County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow or individual account balance. Upon termination, the terminating School District would be liable for all outstanding claims beyond their individual account balance. The LERC Board of Directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. This plan provides a medical/surgical and dental plan with deductibles of \$50 for single and \$100 for family coverage.

The LERC's pool premiums are billed to each participating school district based on actuarially determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program in any given year, each participating member is notified of their deficiency and their premium is adjusted to cover its share of the additional cost of anticipated future claims.

NOTE 13 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 defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions to SERS for the years ended June 30, 2002, 2001, and 2000 were \$ 216,700, \$ 201,100 and \$ 213,600, respectively. The full amount has been contributed for 2001 and 2000. For 2002, 40% 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, 2002

NOTE 13 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 defined benefit pension plan 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 or by calling (614) 227-4090.

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, 2002, 2001, and 2000 were \$ 853,900, \$ 728,800, and \$ 655,000, respectively. The full amount has been contributed for 2001 and 2000. For 2002, 82% has been contributed with the remainder being reported as a fund liability.

NOTE 14 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, 2001 (the latest information available) the allocation rate was 9.80%. 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 2001, 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, 2001 were \$ 161,439,934 and the target level was \$ 242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$ 315.7 million at cost.

The number of participants currently receiving health care benefits is approximately 50,000. For 2001, the portion of the District's contributions that were used to fund postemployment benefits was \$ 182,156.

AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 14 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.

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 to the Health Care Reserve Fund from which payments for health care benefits are paid. For fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5% of covered payroll. The balance in the Health Care Reserve Fund was \$ 3,256 million at June 30, 2001 (the latest information available). For the year ended June 30, 2001, net health care costs paid by STRS Ohio were \$ 300,772,000. There were 102,132 eligible benefit recipients.

NOTE 15 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, 2002 the District paid approximately \$ 189,100 to LEECA.

B. Lake Erie Regional Council of Governments (LERC)

The Lake Erie Regional Council of Governments (LERC) is a jointly governed organization among fourteen 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, 2002 the District paid approximately \$ 707,800 to LERC.

AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 15 JOINTLY GOVERNED ORGANIZATIONS (continued)

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 ninety one school 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 Albert G. Vasek, Executive Secretary/Treasurer, at the Ohio Schools Council located at 6133 Rockside Road, Suite 10, Independence, Ohio 44131. During the year ended June 30, 2002, the District paid approximately \$217,900 to Ohio Schools Council.

The School District participates in the Council's electric purchase program which was implemented during fiscal year 1998. This program allows the 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 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 the Cleveland Electric Illuminating Co. (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 school district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

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

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

AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 16 CONTRIBUTED CAPITAL

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

	Amount
Contributed capital, 6/30/01	\$ 126,387
Reductions, depreciation	(7,201 )
Contributed capital, 6/30/02	\$ 119,186

NOTE 17 CONTRACTUAL COMMITMENTS

At June 30, 2002 the District had contractual commitments as follows:

Elementary building	\$ 902,003
Other construction contracts	690,547
	\$ 1,592,550

NOTE 18 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.

The District is 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 as of June 30, 2002.

NOTE 19 SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan 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 School District is currently unable to determine what effect, if any, this decision will have in its future State funding and its financial operations.

NOTE 20 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, 2002, the reserve activity (cash basis) was as follows:

	Textbook	Capital Maintenance	Budget Stabilization
Balance, July 1, 2001	\$ (15,686 )	\$ -	\$ 357,871
Required set aside	210,340	210,340	-
Offset credits	-	(360,008 )	-
Qualifying expenditures	(206,691 )	(7,866,157 )	(315,031 )
Total	(12,037 )	(8,015,825 )	42,840
Carry forward at June 30, 2002	\$ (12,037 )	\$ -	\$ 42,840

AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 21 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	\$ 360,540	\$ 130,774	\$ 44,006	\$ 535,320
Operating expenses				
Salaries and wages	34,062	-	30,813	64,875
Fringe benefits	3,857	-	6,814	10,671
Contractual services	-	-	424	424
Materials and supplies	365,005	124,001	2,974	491,980
Depreciation	8,941	-	-	8,941
Total operating expenses	411,865	124,001	41,025	576,891
Operating income (loss)	(51,325 )	6,773	2,981	(41,571 )
Nonoperating revenues	48,486	-	-	48,486
Operating transfers-in	70,000	-	-	70,000
Net income	\$ 67,161	\$ 6,773	\$ 2,981	\$ 76,915
Other information				
Net working capital	\$ 34,659	\$ 71,015	\$ 14,978	\$ 120,652
Total assets	\$ 192,063	\$ 71,015	\$ 23,412	\$ 286,490
Total equity	\$ 168,144	\$ 71,015	\$ 14,645	\$ 253,804

NOTE 22 INTERFUND TRANSACTIONS

Interfund balances at June 30, 2002, consist of the following fund receivable and payable:

Fund	Receivable	Payable
General	\$ 200,000	\$ -
Capital Projects	-	200,000
Total	\$ 200,000	\$ 200,000

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**AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY  
SCHEDULE OF FEDERAL AWARDS REVENUES AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Federal Agency</b> Pass-through Agency Federal Program	<u>CFDA #</u>	Pass-through Agency Awarding <u>Number</u>	<u>Revenues</u>	<u>Non-Cash Revenues</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<b>United States Department Of Education</b>						
Passed-through Ohio Department of Education						
Special Education Cluster:						
Special Education - Grants to States	84.027	48116 6B-SF	\$ 138,066	\$ -	\$ 140,991	\$ -
Title 1 Grants to Local Educational Agencies	84.010	48116 C1-S1	66,217	-	71,091	-
Innovative Education Program Strategies	84.298	48116 C2-S1	11,337	-	10,499	-
Technology Literacy Challenge Fund Grants	84.318	48116 AT-S1	9,000	-	12,219	-
Advanced Placement Programs	84.330	48116 AV-A1	147	-	-	-
Class Size Reduction Subsidy	84.340	48116 CR-S1	14,543	-	14,543	-
Eisenhower Professional Development State Grant	84.281	48116 MS-S1	6,220	-	1,477	-
Safe and Drug-Free Schools and Communities-State Grants	84.186	48116 DR-S1	<u>6,717</u>	-	<u>2,465</u>	-
<b>Total United States Department of Education</b>			<b><u>252,247</u></b>	<b>-</b>	<b><u>253,285</u></b>	<b>-</b>
<b>United States Department Of Agriculture</b>						
Passed-through Ohio Department of Education						
Child Nutrition Cluster:						
National School Lunch Program	10.555	48116 LL-P1	2,006	-	2,006	-
National School Lunch Program	10.555	48116 LL-P4	<u>34,235</u>	-	<u>34,235</u>	-
Total National School Lunch Program			<u>36,241</u>	-	<u>36,241</u>	-
Food Distribution Program	10.550	48116 04-PU	-	<u>\$ 10,759</u>	-	<u>\$ 10,759</u>
<b>Total Nutrition Cluster/Total United States Department of Agriculture</b>			<b><u>36,241</u></b>	<b><u>10,759</u></b>	<b><u>36,241</u></b>	<b><u>10,759</u></b>
<b>Total Federal Financial Assistance</b>			<b><u>\$ 288,488</u></b>	<b><u>\$ 10,759</u></b>	<b><u>\$ 289,526</u></b>	<b><u>\$ 10,759</u></b>

*The notes to the Schedule of Federal Awards, Revenues, and Expenditures are an integral part of this statement.*

**AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS REVENUES AND EXPENDITURES  
JUNE 30, 2002**

**SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards, Revenues, and Expenditures (Schedule) includes the federal grant activity of the District and is presented on the basis of accounting generally accepted in the United States of America. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NATIONAL SCHOOL LUNCH PROGRAM**

Federal revenues from the U.S. Department of Agriculture are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

**NON-CASH SUBSIDIES**

The District receives non-cash support in the form of food subsidies from the Food Distribution Program, CFDA# 10.550. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

**CFDA** – Catalog of Federal Domestic Assistance





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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

We have audited the financial statements of the Avon Local School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 13, 2002. 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.

**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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 13, 2002.

**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 other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the District in a separate letter dated December 13, 2002.

This report is intended for the information and use of management, the Board of Education, and 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

**Jim Petro**  
Auditor of State

December 13, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

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

**Compliance**

We have audited the compliance of Avon Local School District, Lorain County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 each of its major federal programs for the year ended June 30, 2002

**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 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. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 13, 2002.

This report is intended for the information and use of management, Board of Education, and 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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

December 13, 2002

**AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

**JUNE 30, 2002**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Grants to States – CFDA# 84.027; Title I, Part A, ESEA – CFDA#84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	\$ 300,000
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
JANUARY 9, 2003**