



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments  
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AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2011  
Fiscal Year Audited Under GAGAS: 2011





# Dave Yost • Auditor of State

Board of Education  
Avon Local School District  
35573 Detroit Road  
Avon, Ohio 44011

We have reviewed the *Independent Auditor's Report* of the Avon Local School District, Lorain County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 12, 2011

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**AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

Members of the Board of Education  
Avon Local School District  
35573 Detroit Road  
Avon, Ohio 44011

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Avon Local School District, Lorain County, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Avon Local School District, Lorain County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 3 to the financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59, *Financial Instruments Omnibus*.

  
Balestra, Harr & Scherer, CPAs, Inc.  
October 14, 2011

AVON LOCAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

Unaudited

The discussion and analysis of the Avon Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- Total assets increased \$ 6,006,050 in governmental activities with the most significant increases in cash and cash equivalents and taxes receivable offset by a decrease in capital assets.
- Total revenues in governmental activities were \$ 39.6 million. General revenues accounted for \$ 35.7 million of revenue or 90.3 percent of all revenues for governmental activities. Program-specific revenues in the form of charges for services, operating grants, and contributions accounted for \$ 3.8 million or 9.7 percent of total revenues.
- Total program expenses were \$ 34.0 million in governmental activities. Instructional expenses made up \$ 19.7 million or 57.9 percent of this total while support services accounted for \$ 10.2 million or 29.8 percent.
- Total outstanding debt decreased by \$ 2,990,000 to a total of \$ 35,010,767.

**Using this Annual Financial Report**

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

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

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as an entity looks at all financial transactions and asks the question, "How did we do financially during the 2011 fiscal year?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

AVON LOCAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

Unaudited

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. Changes to our net assets are a direct result of property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated educational programs, state funding, student enrollment, and general inflation.

In the Statement of Net Assets and the Statement of Activities, the School District is classified as Governmental Activities. The School District's programs and services reported here include instruction, support services operation and maintenance of plant, pupil transportation, extracurricular activities and general administration.

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

#### *Fund Financial Statements*

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for its financial transactions. However, these fund financial statements concentrate on the School District's most significant funds. The School District's major governmental funds are the General Fund, Debt Service Fund and Building Fund.

#### *Governmental Funds*

All of the School District's activities are reported in governmental funds, which accounts for flow of money into and out of those funds and the year-end balances available for spending in future years. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps the reader determine the amount of financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

AVON LOCAL SCHOOL DISTRICT  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2011

Unaudited

**The School District as a Whole**

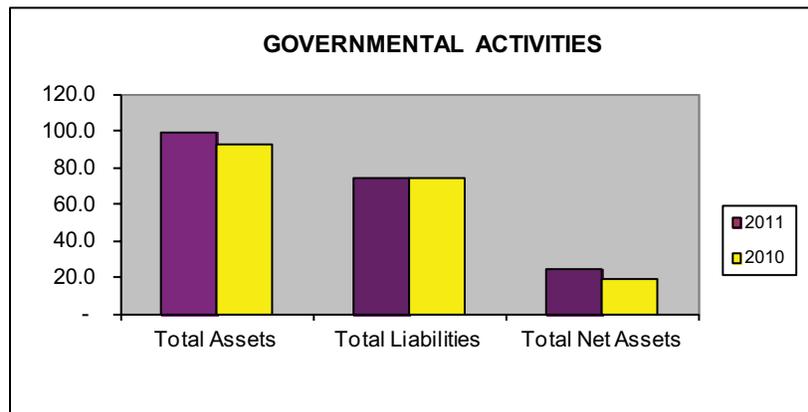
You may recall the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010:

Table 1  
 Statement of Net Assets

	Governmental Activities	
	2011	2010 *
<b>Assets</b>		
Current assets	\$ 45,126,160	\$ 37,664,171
Capital assets, net	<u>53,436,710</u>	<u>54,892,649</u>
<b>Total assets</b>	<u>98,562,870</u>	<u>92,556,820</u>
<b>Liabilities</b>		
Other liabilities	36,535,186	33,244,103
Long-term liabilities	<u>37,606,686</u>	<u>40,395,267</u>
<b>Total liabilities</b>	<u>74,141,872</u>	<u>73,639,370</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	15,255,399	13,698,021
Restricted	5,031,278	4,637,550
Unrestricted	<u>4,134,321</u>	<u>581,879</u>
<b>Total net assets</b>	<u>\$ 24,420,998</u>	<u>\$ 18,917,450</u>

\*Certain reclassifications were made for consistency in reporting. There was no effect on total net assets.

At June 30, 2011, assets show cash of \$ 14.9 million, taxes receivable of \$ 28.7 million, capital assets of \$ 53.4 million and other assets of \$ 1.5 million. Liabilities show accrued salaries and benefits of \$ 2.7 million, long term debt of \$ 37.6 million and \$ 33.8 million in other liabilities. Total net assets were valued at \$ 24.4 million at June 30, 2011.



AVON LOCAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

Unaudited

Table 2, the Statement of Activities, shows the change in net assets for fiscal year 2011. A comparative analysis of government-wide data is presented.

Table 2  
Change in Net Assets

	2011 Amount	% of Total	2010 Amount	% of Total
Revenues:				
General revenues				
Property taxes levied for:				
General purpose	\$ 22,019,519	55.68%	\$ 17,430,281	52.54%
Debt service	3,477,121	8.79%	3,176,887	9.58%
Capital improvements	721,257	1.82%	659,953	1.99%
Grants and entitlements not restricted to specific purposes	7,650,007	19.34%	7,221,032	21.77%
Investment earnings	129,232	0.33%	190,773	0.58%
Miscellaneous	1,717,175	4.34%	1,112,958	3.36%
Total general revenues	35,714,311	90.30%	29,791,884	89.81%
Total program revenues	3,837,238	9.70%	3,380,392	10.19%
Total revenue	39,551,549	100.00%	33,172,276	100.00%
Program expenses:				
Instruction				
Regular	14,949,779	43.91%	14,436,771	42.18%
Special	3,909,702	11.48%	4,024,424	11.76%
Vocational	171,486	0.50%	168,425	0.49%
Other instruction	684,781	2.01%	561,479	1.64%
Supporting services				
Pupil	1,075,442	3.16%	1,265,309	3.70%
Instructional staff	1,730,447	5.08%	1,737,791	5.08%
Board of education	212,223	0.63%	228,608	0.67%
Administration	1,871,960	5.50%	2,066,854	6.04%
Fiscal services	840,840	2.47%	808,343	2.36%
Business	18,069	0.05%	41,761	0.12%
Operation and maintenance	2,286,762	6.72%	2,377,533	6.95%
Pupil transportation	1,854,172	5.45%	2,081,166	6.08%
Central services	270,120	0.79%	364,092	1.06%
Operation of non-instructional services				
Food service operation	812,613	2.39%	900,067	2.63%
Latchkey operations	188,861	0.55%	140,080	0.41%
Community services	475,268	1.40%	178,720	0.52%
Extracurricular activities				
Academic and subject oriented	62,642	0.18%	76,410	0.22%
Sports oriented	800,982	2.35%	801,281	2.34%
Co-curricular	31,660	0.09%	36,630	0.11%
Interest	1,800,192	5.29%	1,931,113	5.64%
Total program expenses	34,048,001	100.00%	34,226,857	100.00%
Changes in net assets	5,503,548		(1,054,581)	
Net assets, beginning of year restated	18,917,450		19,972,031	
Net assets, end of year	\$ 24,420,998		\$ 18,917,450	

AVON LOCAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

Unaudited

The vast majority of revenue supporting all Governmental Activities is general revenue. General revenue totaled \$ 35.7 million or 90.3 percent of total revenue, an increase of \$ 5.9 million compared 2010. The most significant portion of the general revenue is local property tax, 66.3 percent. The remaining amount of revenue received was in the form of program revenues, which equated to \$ 3.8 million or 9.7 percent of total revenue.

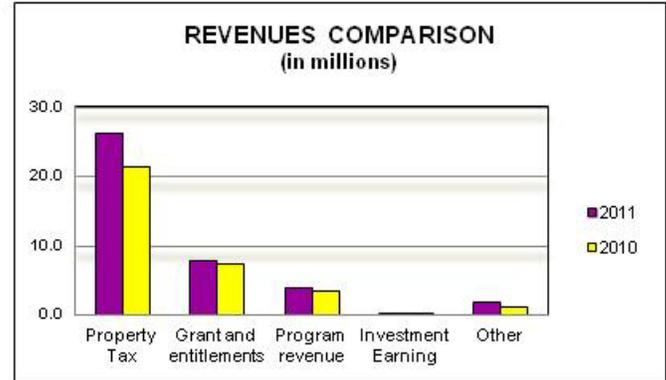
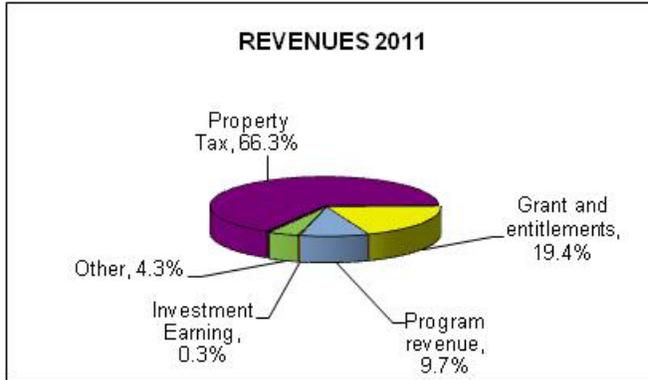


Table 3 shows the total cost of services for governmental activities and net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

Table 3  
Net Cost of Services

	Total Cost of Services	Net Cost of Services
<b>Governmental activities</b>		
<b>Instruction</b>		
Regular	\$ 14,949,779	\$(14,154,826)
Special	3,909,702	(3,153,962)
Vocational	171,486	(152,506)
Other instruction	684,781	(638,276)
<b>Supporting services</b>		
Pupil	1,075,442	(955,442)
Instructional staff	1,730,447	(1,645,301)
Board of education	212,223	(177,223)
Administration	1,871,960	(1,866,960)
Fiscal services	840,840	(840,840)
Business	18,069	(18,069)
Operation and maintenance	2,286,762	(2,286,762)
Pupil transportation	1,854,172	(1,845,172)
Central services	270,120	(256,470)
<b>Operation of non-instructional services</b>		
Food service operation	812,613	130,623
Latchkey operations	188,861	(2,467)
Community services	475,268	7,000
<b>Extracurricular activities</b>		
Academic and subject oriented	62,642	(62,642)
Sports oriented	800,982	(459,616)
Co-curricular	31,660	(31,660)
Interest	1,800,192	(1,800,192)
<b>Totals</b>	<b>\$ 34,048,001</b>	<b>\$(30,210,763)</b>

AVON LOCAL SCHOOL DISTRICT  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2011

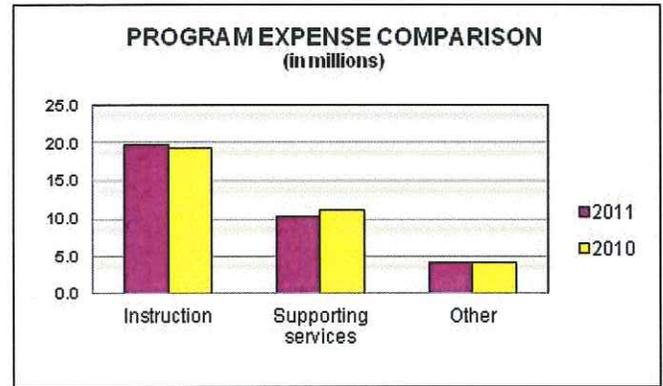
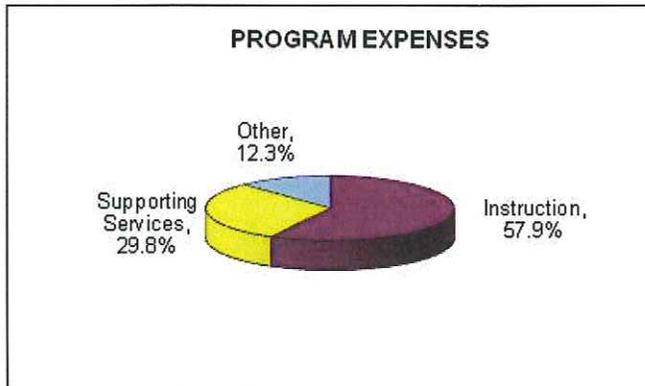
Unaudited

As you can see the reliance upon local tax revenues for governmental activities is crucial. A significant percentage of our instructional and supporting services are covered by our property tax collections.

The unusual nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As a result of legislation enacted in 1976, the overall revenue generated by a voted millage does not increase as a result of inflation. The effective millage rate is reduced in direct proportion to the increase in property valuation, which results in virtually no increase in property tax.

Our School District, which is very dependent upon property taxes, is hampered by a lack of revenue growth and must periodically ask the voters to increase property taxes to maintain a constant level of service.

The largest Governmental Activities program expense remains instruction, comprising \$ 19.7 million or 57.9 percent of expenses. When combined with supporting services of \$ 10.2 million, these categories make up 87.7 percent of expenses. For 2011, the instruction expenses increased approximately \$ 500,000 and the supporting services decreased by approximately \$ 800,000 compared to 2010.



The dependence upon tax revenues for governmental activities is apparent. Property taxes cover the largest percent of the cost of instruction, for all governmental activities. Our community has taken the responsibility for the primary support for Avon Local School District students.

**School District Funds**

The General Fund assets increased by \$ 7.5 million due to increases in cash and cash equivalents and taxes receivables. Liabilities increased by \$ 3.0 million notably from unearned revenue and fund balance reserves increased by \$ 4.5 million.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2011, the School District amended its General Fund budget several times. State Foundation revenues were less than originally estimated due to the new funding formula (Evidenced based Model) being enacted. Commercial property development along with the increased housing were added to the tax duplicate, however, these were offset by the triennial update that resulted in an overall valuation decrease of 0.5 percent.

On the General Fund expenditure side of the equation, the District increased its staffing needs due to the increased student population which had been anticipated in the original budgeting process.

AVON LOCAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

Unaudited

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of Fiscal Year 2011, the School District had \$ 53.4 million invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2011 balances compared to fiscal 2010:

Table 4  
Capital Assets at June 30, 2011  
Governmental Activities

	<u>2011</u>	<u>2010</u>
Land	\$ 3,548,206	\$ 3,548,206
Construction in progress	152,667	49,720
Land improvements	1,660,810	1,762,754
Buildings and improvements	47,025,728	48,168,759
Furniture and equipment	303,851	341,991
Vehicles	745,448	1,021,219
	<u>\$ 53,436,710</u>	<u>\$ 54,892,649</u>

All capital assets, except land and construction in progress, are reported net of depreciation. The increase in capital assets is due to the continuing construction projects. For more information about the District's capital assets, see Notes to the Basic Financial Statements.

AVON LOCAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

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**Debt**

At June 30, 2011, the Avon Local Schools had \$ 35.0 million in bonds and notes outstanding, a decrease of \$ 2,729,427 from fiscal year 2010. The bonds were issued in 1996 (\$ 5.9 million), 2000 (\$ 1.9 million), 2003 (\$14.9 million), 2004 (\$6.4 million), 2006 (\$14.8 million) and 2007 (\$12.4 million) for improvements and construction of the High School, the Heritage North Elementary, Heritage South Elementary, Heritage South Connector, Athletic Fields, Avon East Elementary and High School Addition.

As of June 30, 2011 the District had \$ 110,000 of Notes that were issued in 1999, with \$ 55,000 of the notes due within one year.

	2011	2010
<b>Notes</b>		
Energy Conservation (1999) 5.2% through 2013	\$ 110,000	\$ 160,000
Total notes	110,000	160,000
<b>Bonds</b>		
School improvement, (1996) 4.80% through 2020	1,740,000	1,740,000
School improvement, (2000) 5.32% through 2019	475,000	910,000
School improvement (2003) 2.00% through 2029	3,435,000	4,145,000
School improvement, capital appreciation bonds and accretion of interest (2003) 10.62 (average effective), 2015, 2016, 2017, 2018 maturity	765,953	710,291
School improvement refunding bonds (2004) 2.00% through 2020	4,425,000	4,900,000
School improvement refunding, capital appreciation bonds and accretion of interest (2004) 10.78 (average effective), 2016, 2017 maturity	623,390	538,957
School improvement (2006) 4.00% through 2034	10,805,000	11,975,000
School improvement, capital appreciation bonds and accretion of interest (2006) 12.54 (average effective), 2013, 2014, 2015 maturity	721,870	639,805
School improvement refunding bonds(2007) 4.00% through 2029	11,660,000	11,810,000
School improvement refunding capital appreciation bonds and accretion of interest (2007) 17.43 (average effective), 2019, 2020 maturity	249,554	211,141
Total bonds	34,900,767	37,580,194
Total debt	\$ 35,010,767	\$ 37,740,194

For more information about the District's debt, see Notes to the Basic Financial Statements.

AVON LOCAL SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011

Unaudited

**Current Issues**

The Avon Local School District has committed itself to a fiscal discipline based on long-term plans. The District is financially stable. The Board of Education and administration have implemented fiscal management disciplines that utilize a variety of formal plans. We are working within the five-year budget plan, the five-year renovations plan, the continuous improvement plan, and the enrollment projections.

The financial future of the School District is not without its challenges. These challenges are internal and external in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes to fund its operations. Thus management must diligently plan expenses staying carefully within its five-year forecast. Additional revenues than what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast. The School District has the necessary revenue base to support current program levels for the next fiscal year. Our future revenue base is dependent upon the renewal of all emergency levies and the ability to go to the voters of the district for additional operational funds.

Externally, several significant legislative and judicial actions have occurred that will have a major impact on our School District. The sudden downturn in the economy has put pressures on both the State budget as well as our School District budget. We are concerned that the tax base may be weakened as a result of the current economic conditions and therefore negatively impact tax revenues. The ongoing legislative efforts to support the existence of community (charter) schools come at the expense of our current State subsidy. This year funds will be deducted from our State subsidy and redirected to community (charter) schools. The School District's commitment to improve fiscal management has led to many budgeting, reporting and internal control enhancements.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. All of the School District's financial abilities will be needed to meet the challenges of the future.

**Contacting the School District Fiscal Management**

This financial report was designed to comply with the most current reporting requirements and is intended to provide our parents, citizens, taxpayers, investors and creditors an understanding of the School District's financial position. Kent R. Zeman, Treasurer, can be contacted at the Avon Local School District, 35573 Detroit Road, Avon, Ohio 44011.

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AVON LOCAL SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 14,933,757
Accounts receivable	12,447
Accrued interest receivable	5,846
Due from other governments	1,340,710
Taxes receivable	28,708,915
Deferred charges	124,485
Capital assets	
Nondepreciable capital assets	3,700,873
Depreciable capital assets, net	<u>49,735,837</u>
Total assets	<u>98,562,870</u>
<b>Liabilities</b>	
Accounts and contracts payable	345,427
Retainage payable	12,350
Accrued salaries and benefits	2,772,807
Interest payable	149,942
Due to other governments	688,307
Unearned revenue	26,679,836
Note payable	5,020,000
Unamortized bond premium	866,517
Long term liabilities	
Due within one year	2,165,870
Due in more than one year	<u>35,440,816</u>
Total liabilities	<u>74,141,872</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	15,255,399
Restricted for:	
Debt service	1,633,557
Capital projects	2,823,711
Other purposes	574,010
Unrestricted	<u>4,134,321</u>
Total net assets	<u>\$ 24,420,998</u>

See the accompanying notes to the basic financial statements.

AVON LOCAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Charges for Services and Sales</u>	<u>Operating Grants, Interest and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
Governmental activities				
Instruction				
Regular	\$ 14,949,779	\$ 496,045	\$ 298,908	\$ (14,154,826)
Special	3,909,702	-	755,740	(3,153,962)
Vocational	171,486	-	18,980	(152,506)
Other instruction	684,781	-	46,505	(638,276)
Supporting services				
Pupil	1,075,442	-	120,000	(955,442)
Instructional staff	1,730,447	-	85,146	(1,645,301)
Board of education	212,223	-	35,000	(177,223)
Administration	1,871,960	-	5,000	(1,866,960)
Fiscal services	840,840	-	-	(840,840)
Business	18,069	-	-	(18,069)
Operation and maintenance	2,286,762	-	-	(2,286,762)
Pupil transportation	1,854,172	-	9,000	(1,845,172)
Central services	270,120	-	13,650	(256,470)
Operation of non-instructional services				
Food service operation	812,613	633,412	309,824	130,623
Latchkey operations	188,861	186,394	-	(2,467)
Community services	475,268	-	482,268	7,000
Extracurricular activities				
Academic and subject oriented	62,642	-	-	(62,642)
Sports oriented	800,982	341,366	-	(459,616)
Co-curricular	31,660	-	-	(31,660)
Interest	1,800,192	-	-	(1,800,192)
Totals	<u>\$ 34,048,001</u>	<u>\$ 1,657,217</u>	<u>\$ 2,180,021</u>	<u>\$ (30,210,763)</u>

General revenues

Property taxes levied for:

General purpose	22,019,519
Debt service	3,477,121
Capital improvements	721,257
Grants and entitlements not restricted to specific purposes	7,650,007
Investment earnings	129,232
Miscellaneous	1,717,175
Total general revenues	<u>35,714,311</u>

Change in net assets	5,503,548
Net assets, beginning of year	18,917,450
Net assets, end of year	<u>\$ 24,420,998</u>

See the accompanying notes to the basic financial statements.

AVON LOCAL SCHOOL DISTRICT

BALANCE SHEET -  
GOVERNMENTAL FUNDS

JUNE 30, 2011

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 8,378,198	\$ 1,209,069	\$ 1,455,170	\$ 3,891,320	\$ 14,933,757
Receivables, net of allowance					
Taxes, current	23,932,613	3,531,730	-	729,841	28,194,184
Taxes, delinquent	436,903	64,496	-	13,332	514,731
Accounts and other	12,447	-	-	-	12,447
Accrued interest	5,846	-	-	-	5,846
Due from other governments	1,255,241	45,193	-	40,276	1,340,710
<b>Total assets and other debits</b>	<b>\$ 34,021,248</b>	<b>\$ 4,850,488</b>	<b>\$ 1,455,170</b>	<b>\$ 4,674,769</b>	<b>\$ 45,001,675</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts and contracts payable	\$ 165,696	\$ -	\$ -	\$ 179,731	\$ 345,427
Retainage payable	-	-	-	12,350	12,350
Accrued salaries and benefits	2,673,508	-	-	99,299	2,772,807
Interest payable	-	-	30,591	-	30,591
Due to other governments	637,074	-	-	51,233	688,307
Note payable	-	-	5,020,000	-	5,020,000
Compensated absences	65,870	-	-	-	65,870
Unearned revenue	23,208,176	3,281,427	-	710,810	27,200,413
<b>Total liabilities</b>	<b>26,750,324</b>	<b>3,281,427</b>	<b>5,050,591</b>	<b>1,053,423</b>	<b>36,135,765</b>
<b>Fund balances</b>					
Restricted	-	1,569,061	-	3,633,049	5,202,110
Assigned	580,521	-	-	-	580,521
Unassigned	6,690,403	-	(3,595,421)	(11,703)	3,083,279
<b>Total fund balances</b>	<b>7,270,924</b>	<b>1,569,061</b>	<b>(3,595,421)</b>	<b>3,621,346</b>	<b>8,865,910</b>
<b>Total liabilities and fund balances</b>	<b>\$ 34,021,248</b>	<b>\$ 4,850,488</b>	<b>\$ 1,455,170</b>	<b>\$ 4,674,769</b>	<b>\$ 45,001,675</b>

See the accompanying notes to the basic financial statements.

AVON LOCAL SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2011

Total governmental funds balances	\$ 8,865,910
Amount reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	53,436,710
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Property taxes	520,577
Deferred expenses	124,485
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(2,530,049)
Bonds payable	(34,900,767)
Note payable	(110,000)
Unamortized bond premium	(866,517)
Accrued interest payable	<u>(119,351)</u>
Net assets of governmental activities	<u>\$ 24,420,998</u>

See the accompanying notes to the basic financial statements.

AVON LOCAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 22,343,964	\$ 3,547,597	\$ -	\$ 734,889	\$ 26,626,450
Tuition and fees	873,109	-	-	-	873,109
Interest	42,559	23,083	11,831	52	77,525
Intergovernmental	7,119,773	437,773	-	2,272,482	9,830,028
Charges for services	-	-	-	633,412	633,412
Extracurricular	220,379	-	-	185,462	405,841
Miscellaneous	1,061,283	158,028	-	242,719	1,462,030
Total revenues	<u>31,661,067</u>	<u>4,166,481</u>	<u>11,831</u>	<u>4,069,016</u>	<u>39,908,395</u>
Expenditures					
Current					
Instruction					
Regular	13,258,492	-	-	452,250	13,710,742
Special	3,055,497	-	-	819,782	3,875,279
Vocational	170,072	-	-	-	170,072
Other instruction	659,525	-	-	25,256	684,781
Supporting services					
Pupil	950,304	-	-	123,509	1,073,813
Instructional staff	1,633,662	-	-	83,048	1,716,710
Board of education	176,409	-	-	35,814	212,223
Administration	1,855,642	-	-	5,026	1,860,668
Fiscal services	754,501	74,445	-	11,169	840,115
Business	16,854	-	-	1,215	18,069
Operation and maintenance	2,285,042	-	-	-	2,285,042
Pupil transportation	1,538,061	-	-	9,000	1,547,061
Central services	255,750	-	-	13,650	269,400
Operation of non-instructional services					
Food service operation	-	-	-	792,033	792,033
Community services	-	-	-	474,800	474,800
Enterprise operations	-	-	-	188,861	188,861
Extracurricular activities	615,228	-	-	178,742	793,970
Capital outlay	-	-	4,795	235,863	240,658
Debt service					
Principal	50,000	2,940,000	-	-	2,990,000
Interest	8,400	1,529,781	3,399	-	1,541,580
Total expenditures	<u>27,283,439</u>	<u>4,544,226</u>	<u>8,194</u>	<u>3,450,018</u>	<u>35,285,877</u>
Net change in fund balances	4,377,628	(377,745)	3,637	618,998	4,622,518
Fund balances, beginning of year restated	2,893,296	1,946,806	(3,599,058)	3,002,348	4,243,392
Fund balances, end of year	<u>\$ 7,270,924</u>	<u>\$ 1,569,061</u>	<u>\$ (3,595,421)</u>	<u>\$ 3,621,346</u>	<u>\$ 8,865,910</u>

See the accompanying notes to the basic financial statements.

AVON LOCAL SCHOOL DISTRICT  
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds \$ 4,622,518

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

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

Capital asset additions	116,241	
Depreciation expense	<u>(1,572,180)</u>	(1,455,939)

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

Property taxes	(408,553)	
Interest	<u>(512)</u>	(409,065)

Repayment of bonds principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,990,000

Accrued interest expense in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. In the statement of activities bond accretion is amortized over the term of the bonds, whereas in governmental funds, the expenditure is reported when the bonds are issued.

Accrued interest	54,180	
Annual accretion	<u>(260,573)</u>	(206,393)

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

Compensated absences		<u>(37,573)</u>
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Change in net assets of governmental activities \$ 5,503,548

AVON LOCAL SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues and other financing sources	\$ 27,351,432	\$ 29,575,775	\$ 30,103,796	\$ 528,021
Expenditures and other financing uses	<u>29,579,086</u>	<u>29,579,086</u>	<u>27,867,723</u>	<u>1,711,363</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(2,227,654)	(3,311)	2,236,073	2,239,384
Fund balances, beginning of year, as restated, see Note 3	4,564,576	4,564,576	4,564,576	-
Prior year encumbrances	<u>807,740</u>	<u>807,740</u>	<u>807,740</u>	-
Fund balances, end of year	<u>\$ 3,144,662</u>	<u>\$ 5,369,005</u>	<u>\$ 7,608,389</u>	<u>\$ 2,239,384</u>

See the accompanying notes to the basic financial statements.

AVON LOCAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

JUNE 30, 2011

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 59,254
<b>Total assets</b>	<u>\$ 59,254</u>
<b>Liabilities</b>	
Accounts payable	\$ 804
Due to others	5,128
Due to students	53,322
<b>Total liabilities</b>	<u>\$ 59,254</u>

See the accompanying notes to the basic financial statements.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING 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, 2010 was 3,971. The District employs 215 certificated and 135 non-certificated employees.

REPORTING ENTITY

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 the District, this includes general operations, food service, and student related activities of the District.

Within the District boundaries, there are various nonpublic schools. Current State legislation provides funding to these nonpublic schools. These monies are received and disbursed by the District on behalf of the nonpublic schools by the Treasurer of the School District, as directed by the nonpublic schools. These transactions are reported as a governmental activity 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 District has no component units.

The District is associated with the Lake Erie Educational Computer Association, the Lorain County Joint Vocational School District, and the Ohio School Council of Governments which are considered to be jointly governed organizations. These organizations and their relationships with the District are described in more detail in Notes 20 to these financial statements.

B. BASIS OF PRESENTATION

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following are the more significant of the District's accounting policies.

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

Government-wide Financial Statements

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

Fund Financial Statements

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

C. FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary, and fiduciary.

Governmental Funds

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

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

Debt Service Fund - the Debt Service Fund receives property taxes for the payment of general obligation bonds and notes payable.

Building Fund - the Building Fund is used to account for capital improvement projects of the District.

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

Fiduciary Funds

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

D. MEASUREMENT FOCUS

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

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

E. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING (continued)

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 the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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.

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

F. BUDGETARY PROCESS

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

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. BUDGETARY PROCESS (continued)

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

G. CASH AND INVESTMENTS

Cash received by the District is deposited in one central bank account with individual fund balance integrity maintained through District records. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (STAROhio) or other short term investments. Following Ohio statutes, the Board of Education has specified the allocation of interest earnings to funds based on average monthly cash balances. Interest income credited to the General Fund during fiscal year 2011 amounted to \$ 42,559, which includes \$ 14,798 assigned from other School District Funds.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

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 investment could be sold for on June 30, 2011.

Investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents.

H. INVENTORY

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when used.

I. RESTRICTED ASSETS

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for certain expenditures.

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. CAPITAL ASSETS

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

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

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land improvements	5-30 years
Buildings	30-50 years
Building improvements	30-50 years
Furniture and equipment	7-20 years
Vehicles	10 years

K. INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/ payable". These amounts are eliminated in the statement of net assets.

L. COMPENSATED ABSENCES

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. There were no current unpaid compensated absences at year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

N. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The government-wide statement of net assets reports \$ 5,031,278 of restricted net assets, of which none is restricted by enabling legislation.

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

O. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned. The District has no nonspendable fund balances.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District has no committed fund balances.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. FUND BALANCE (continued)

Assigned

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

Unassigned

Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

P. INTERFUND TRANSACTIONS

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

Q. ESTIMATES

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 2 – DEFICIT FUND BALANCE

At June 30, 2011, the MIS Fund had a deficit fund balance of \$ 1,285, the Title 1 Fund has a deficit fund balance of \$ 10,418 and the Building Fund had a deficit fund balance of \$ 3,595,421. The General Fund is liable for deficits in the funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

A. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the District's financial statements.

GASB Statement No. 59 will update and improve existing standards regarding financial reporting and disclosure requirements by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards of certain financial instruments and external investment pools. The implementation of this statement did not result in any changes in the District's financial statements.

B. RESTATEMENT OF FUND BALANCE

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance at					
June 30, 2010	\$ 2,792,084	\$ 1,946,806	\$(3,599,058)	\$ 3,103,560	\$ 4,243,392
Change in Fund Structure	<u>101,212</u>	<u>-</u>	<u>-</u>	<u>(101,212)</u>	<u>-</u>
Adjusted Fund Balance at					
June 30, 2010	<u>\$ 2,893,296</u>	<u>\$ 1,946,806</u>	<u>\$(3,599,058)</u>	<u>\$ 3,002,348</u>	<u>\$ 4,243,392</u>

Budgetary basis fund balances were also restated as a result of reclassifications from the implementation of GASB Statement No. 54.

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Some funds are included in the general fund (GAAP basis), but have a separate legally adopted budget (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance General Fund	
	General
Budget basis	\$ 2,236,073
Adjustments, increase (decrease):	
Revenue accruals	1,225,404
Expenditure accruals	251,859
Encumbrances	645,433
Funds budgeted separately	18,859
GAAP basis, as reported	\$ 4,377,628

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 5 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total
Restricted for					
Debt service	\$ -	\$ 1,569,061	\$ -	\$ -	\$ 1,569,061
Capital projects	-	-	-	2,810,379	2,810,379
Food service	-	-	-	328,160	328,160
Other grants	-	-	-	16,501	16,501
Latchkey	-	-	-	85,520	85,520
Athletics	-	-	-	151,399	151,399
Auxiliary service	-	-	-	232,322	232,322
IDEA	-	-	-	7,875	7,875
Title V R	-	-	-	893	893
Total restricted for	<u>-</u>	<u>1,569,061</u>	<u>-</u>	<u>3,633,049</u>	<u>5,202,110</u>
Assigned for					
Other purposes	<u>580,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,521</u>
Unassigned (deficit)	<u>6,690,403</u>	<u>-</u>	<u>(3,595,421)</u>	<u>(11,703)</u>	<u>3,083,279</u>
Total fund balances	<u>\$ 7,270,924</u>	<u>\$ 1,569,061</u>	<u>\$ (3,595,421)</u>	<u>\$ 3,621,346</u>	<u>\$ 8,865,910</u>

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

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

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

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

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivision, or other units or agencies of this state or its political subdivision;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days in an amount not to exceed ten percent of the District's total average portfolio.

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

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

At fiscal year end, the District had \$ 100 in cash on hand which is included on the balance sheet of the District as part of "Cash and Cash Equivalents".

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the District's deposits was \$ 448,151 and the bank balance was \$ 650,953. The bank balance was covered in full by federal depository insurance.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2011, the District had the following investments:

	Weighted Average Maturities Years	Fair Value
US agencies	* 1.716	\$ 4,546,522
Mutual fund	n/a	4,132,858
Money market fund	n/a	1,437,027
Investment in State Treasurer's Investment Pool	n/a	4,428,353
		\$ 14,544,760

D. INTEREST RATE RISK

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 6 – DEPOSITS AND INVESTMENTS (continued)

E. CREDIT RISK

The District follows the Ohio Revised Code that limits its investment choices. As of June 30, 2011, the District's investments in StarOhio and US Treasuries, which consisted of FNMA, FHLB, FFCB, and FHLMC, were rated AAAM and AAA by Standard & Poor's. Credit ratings are not available for the mutual fund or the money market fund.

F. CONCENTRATION OF CREDIT RISK

The District places no limit on the amount that may be invested in any one issuer. 40.3% of the District's investments were in Money Market Funds and StarOhio, 28.4% in mutual funds and 31.3% in U.S. Treasuries.

NOTE 7 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes for 2011 were levied after April 1, 2011, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes received in 2011 were levied after April 1, 2010, on the assessed values as of December 31, 2009, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Public utility real and tangible personal property taxes received in 2011 were levied after April 1, 2010, on the assessed values as of December 31, 2009, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Lorain County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011/2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the late settlement of tangible personal property taxes and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 7 - PROPERTY TAXES (continued)

The amount available as an advance at June 30, 2011, was \$ 2,422,427 in the General Fund, \$ 359,992 in the Debt Service Fund and \$ 72,639 in the Capital Projects Fund. The amount available as an advance at June 30, 2010 was \$ 994,264 in the General Fund, \$ 184,414 in the Debt Service Fund and \$ 38,120 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	%	Amount	%
Agricultural/Residential	\$ 567,702,900	75.26	\$ 577,927,270	74.12
Commercial / Industrial	176,406,480	23.38	191,542,460	24.56
Public Utilities	9,888,710	1.31	10,293,520	1.32
Tangible Personal Property	404,507	0.05	-	0.00
Total Assessed Value	<u>\$ 754,402,597</u>	<u>100.00</u>	<u>\$ 779,763,250</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 50.49</u>		<u>\$ 56.05</u>	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2011, consisted of property taxes and amounts due from other governments. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items due from other governments follows:

	<u>Amount</u>
Governmental activities	
Major funds	
General Fund	\$ 1,255,241
Debt Service Fund	45,193
Non-major fund	
Capital Projects Fund	40,276
	<u>\$ 1,340,710</u>

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
<b>Governmental Activities</b>				
Nondepreciable capital assets				
Land	\$ 3,548,206	\$ -	\$ -	\$ 3,548,206
Construction in progress	49,720	102,947	-	152,667
Total nondepreciable capital assets	<u>3,597,926</u>	<u>102,947</u>	<u>-</u>	<u>3,700,873</u>
Depreciable capital assets				
Land improvements	2,038,872	-	-	2,038,872
Buildings and improvements	58,456,883	-	-	58,456,883
Furniture and equipment	895,279	13,294	-	908,573
Vehicles	3,136,294	-	-	3,136,294
Total capital assets being depreciated	<u>64,527,328</u>	<u>13,294</u>	<u>-</u>	<u>64,540,622</u>
Less accumulated depreciation				
Land improvements	(276,118)	(101,944)	-	(378,062)
Buildings and improvements	(10,288,124)	(1,143,031)	-	(11,431,155)
Furniture and equipment	(553,288)	(51,434)	-	(604,722)
Vehicles	(2,115,075)	(275,771)	-	(2,390,846)
Total accumulated depreciation	<u>(13,232,605)</u>	<u>(1,572,180)</u>	<u>-</u>	<u>(14,804,785)</u>
Depreciable capital assets, net of accumulated depreciation	<u>51,294,723</u>	<u>(1,558,886)</u>	<u>-</u>	<u>49,735,837</u>
Governmental activities capital assets, net	<u>\$ 54,892,649</u>	<u>\$ (1,455,939)</u>	<u>\$ -</u>	<u>\$ 53,436,710</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 1,149,977
Supporting services	
Operation and maintenance of plant	8,532
Pupil transportation	293,472
Operation of noninstruction services	
Food service operation	20,580
Extracurricular activities	
Sports oriented	99,619
Total depreciation expense	<u>\$ 1,572,180</u>

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 10 - 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. During fiscal year 2011, the District contracted with Indiana Insurance Company for property insurance. Professional liability is covered by the Schools of Ohio Risk Sharing Authority (SORSA) with a \$ 12,000,000 aggregate limit. Vehicles are covered by SORSA. Automobile liability has a \$ 1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

Performance bonds of \$ 20,000 are maintained for the Superintendent by Cincinnati Insurance Company and \$ 50,000 for the treasurer by Cincinnati Insurance Company. A blanket employee's bond with a single limit of \$ 10,000 and a dishonestly 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 district pays an enrollment fee to the GRP to cover the cost 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 GRP. Each participant pays its workers; compensation premium to the State based on the rate for 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 GRP.

A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selected criteria. The firm of CompManagement. 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 provided through the Medical Life and Insurance Company.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contributions for SERS for the years ended June 30, 2011, 2010, and 2009 were \$ 499,806, \$ 508,182, and \$ 493,493, respectively. The full amount has been contributed for 2010 and 2009. For 2011, \$ 353,271 (71%) has been contributed with the remainder being reflected as an intergovernmental payable.

B. STATE TEACHERS RETIREMENT SYSTEM OF OHIO (STRS OHIO)

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM OF OHIO (STRS OHIO) (continued)

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to the DB Plan for the fiscal years ended June 30, 2011, 2010, and 2009, were \$ 1,721,042, \$ 1,689,680, and \$ 1,580,750, respectively. The full amount has been contributed for 2010 and 2009. For 2011, \$ 1,396,722 (81%) has been contributed with the remainder being reported as a liability within the respective funds.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Postemployment Benefits

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$ 96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$ 45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76%. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$ 27,132, \$27,587, and \$ 26,437, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$ 51,052, \$ 16,697, and \$ 173,075, respectively; 71 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

B. STATE TEACHERS RETIREMENT SYSTEM OF OHIO (STRS OHIO)

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$ 132,387, \$ 129,975, and \$ 121,596, respectively; 81 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 13 – BONDS PAYABLE

Bonds payable at June 30, 2011 consisted of the following:

	<u>Outstanding June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2011</u>
General obligation bonds				
School Improvement, (1996) 4.80%, through 2020	\$ 1,740,000	\$ -	\$ -	\$ 1,740,000
School Improvement, (2000) 5.32%, through 2019	910,000	-	435,000	475,000
School Improvement, (2003) 2.00%, through 2029	4,145,000	-	710,000	3,435,000
School Improvement CABs and accretion of interest (2003) 4.43%, 4.53%, 4.63%, 4.73% (average effective) 2015, 2016, 2017, 2018 maturity	710,291	55,662	-	765,953
School Improvement Refunding (2004) 2.00% through 2020	4,900,000	-	475,000	4,425,000
School Improvement Refunding CABs and accretion of interest (2004) 4.70%, 4.78% (average effective) 2016, 2017 maturity	538,957	84,433	-	623,390
School Improvement, (2006) 4.00%, through 2034	11,975,000	-	1,170,000	10,805,000
School Improvement CABs and accretion of interest (2006) 12.54% (average effective) 2013, 2014, 2015 maturity	639,805	82,065	-	721,870
School Improvement Refunding (2007) 4.00% through 2029	11,810,000	-	150,000	11,660,000
School Improvement Refunding CABs and accretion of interest (2007) 17.43% (average effective) 2019, 2020 maturity	211,141	38,413	-	249,554
	<u>\$ 37,580,194</u>	<u>\$ 260,573</u>	<u>\$ 2,940,000</u>	<u>\$ 34,900,767</u>

The District defeased 1996 general obligation bonds in 2004, and in 2007 defeased 2000 and 2003 general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements. At June 30, 2011, \$ 17,945,000 of bonds outstanding are considered to be defeased.

The original amount of bonds issued in 2003 was \$14,950,000. The general obligation bonds included serial and capital appreciation bonds. The present value (as of issue date) reported in the Statement of Net Assets at June 30, 2011 was \$ 4,200,953. The accreted interest of \$ 370,953 has been included in the Statement of Net Assets at June 30, 2011. This year the addition to these bonds was \$ 55,662 which represents the increase in the accretion of interest. The final amount of these bonds will be \$ 1,660,000 payable through December 2018.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 13 – BONDS PAYABLE (continued)

The original amount of bonds issued in 2004 was \$6,540,000. The general obligation bonds included serial and capital appreciation bonds. The present value (as of issue date) reported in the Statement of Net Assets at June 30, 2011 was \$ 5,048,390. The accreted interest of \$ 433,390 has been included in the Statement of Net Assets at June 30, 2011. This year the addition to these bonds was \$ 84,433 which represents the increase in the accretion of interest. The final amount of these bonds will be \$ 1,745,000 payable through December 2017.

The original amount of bonds issued in 2006 was \$14,779,974. The general obligation bonds included serial and capital appreciation bonds. The present value (as of issue date) reported in the Statement of Net Assets at June 30, 2011 was \$ 11,526,870. The accreted interest of \$ 326,896 has been included in the Statement of Net Assets at June 30, 2011. This year the addition to these bonds was \$ 82,065 which represents the increase in the accretion of interest. The final amount of these bonds will be \$ 1,080,000 payable through December 2015.

The original amount of bonds issued in 2007 was \$12,449,990. The general obligation bonds included serial and capital appreciation bonds. The present value (as of issue date) reported in the Statement of Net Assets at June 30, 2011 was \$ 11,909,554. The accreted interest of \$ 129,564 has been included in the Statement of Net Assets at June 30, 2011. This year the addition to these bonds was \$ 38,413 which represents the increase in the accretion of interest. The final amount of these bonds will be \$ 1,070,000 payable through December 2020.

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2011 were as follows:

	Outstanding June 30, 2010	Additions	Retired	Outstanding June 30, 2011	Amounts Due In One Year
Compensated absences	\$ 2,655,073	\$ 21,327	\$ 80,481	\$ 2,595,919	\$ 65,870
Note payable	160,000	-	50,000	110,000	55,000
School Improvement bonds	35,480,000	-	2,940,000	32,540,000	2,045,000
Capital appreciation bonds	1,099,964	-	-	1,099,964	-
Accretion on capital appreciation bonds	1,000,230	260,573	-	1,260,803	-
	<u>\$ 40,395,267</u>	<u>\$ 281,900</u>	<u>\$ 3,070,481</u>	<u>\$ 37,606,686</u>	<u>\$ 2,165,870</u>

The bonds payable and energy conservation note will be repaid from the Debt Service Fund and General Fund, respectively. The compensated absences will be repaid from the funds from which employees' salaries are paid.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

**NOTE 15 – DEBT SERVICE REQUIREMENTS**

Debt service requirements, including principal and interest, to retire notes and bonds payable at June 30, 2011, consisted of:

Year ending June 30,	Principal	Interest	Total
2012	2,100,000	1,383,172	3,483,172
2013	2,675,000	1,287,046	3,962,046
2014	2,747,960	1,175,775	3,923,735
2015	2,901,011	1,149,704	4,050,715
2016	1,296,003	1,191,818	2,487,821
2017-2021	7,324,991	7,499,415	14,824,406
2022-2026	5,020,000	3,972,671	8,992,671
2027-2031	6,740,000	1,363,600	8,103,600
2032-2035	2,944,999	272,135	3,217,134
	<u>\$ 33,749,964</u>	<u>\$ 19,295,336</u>	<u>\$ 53,045,300</u>

**NOTE 16 – NOTE PAYABLE**

Note payable at June 30, 2011 consisted of the following:

	Outstanding June 30, 2010	Additions	Deductions	Outstanding June 30, 2011
School Improvement Note, Series 2009-2 1.00%, 12-15-10	\$ 5,020,000	\$ -	\$ 5,020,000	\$ -
School Improvement Note, Series 2010 1.13%, 12-14-11	-	5,020,000	-	5,020,000
	<u>\$ 5,020,000</u>	<u>\$ 5,020,000</u>	<u>\$ 5,020,000</u>	<u>\$ 5,020,000</u>

**NOTE 17 – OPERATING LEASES**

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. During 2011, expenditures for operating leases totaled \$ 88,620.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2011.

Year ending June 30,	Amount
2012	<u>\$ 7,385</u>

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2011

NOTE 18 – CONTRACTUAL COMMITMENTS

At June 30, 2011 the District had contractual commitments for building construction and renovation projects as follows:

	Contracted Amount	Expended	Remaining Liability
District renovations	\$ 537,547	\$ 135,496	\$ 402,051

NOTE 19 - SET-ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2011.

	Textbook	Capital Maintenance
Balance, July 1, 2010	\$ (1,865,148)	\$ -
Required set aside	572,684	572,684
Current year offset	-	(875,391)
Qualifying expenditures	(467,816)	(296,864)
Total	\$ (1,760,280)	\$ (599,571)
Balance carried forward	\$ (1,760,280)	\$ -

Expenditures and offset credits for textbooks and capital maintenance during the year were \$ 467,816 and \$ 1,172,255, respectively. Textbook expenditures have exceeded statutory requirements by \$ 1,760,280 which may be used to offset future years' set-aside requirements. The capital maintenance expenditures exceeded statutory requirement for fiscal year 2011 however, the excess amount cannot be used to offset future years' set-aside requirements.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed to provide data processing services for accounting, administrative and instructional functions of member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software packages 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, 2011, the District paid \$ 82,082 to LEECA.

B. 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 provided for the vocational and special education needs of the students. Its Board of Education consists of representatives from the board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel, and accounting and financing related activities. Avon Local School District may attend the vocational school. Each school district's control is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Lorain County Joint Vocational School District located at 15181 State Route 58, Oberlin, Ohio 44074.

C. OHIO SCHOOLS COUNCIL

The Ohio Schools Council (Council) is a jointly governed organization among eighty-three school districts. The Council was formed to offer supplies and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee for the services provided. The Council's Board consists of seven superintendents of the participating districts whose term rotates every fiscal year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2011 the District paid \$ 934 to the Council for LEEMC fees and an additional \$ 118,248 for participation in the prepaid natural gas program.

The District participates in the Council's electric purchase program which was implemented during fiscal year 2011. The program allows school districts to purchase electricity at reduced rates for a period of 22 months through Duke Energy Retail Sales, LLC (Duke). Duke has agreed to provide a fixed electricity generation price of 5.30 cents per kWh for all of the District's facilities.

The District participates in the Council's prepaid natural gas program which was implemented during fiscal year 2011. 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 June these estimated payments are compared to their actual usage and any necessary adjustments are made.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS (continued)

C. OHIO SCHOOLS COUNCIL

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 also participates in the Council's group life insurance and school bus acquisition programs. Financial information can be obtained by contacting the Executive Secretary at the Ohio Schools Council at 6133 Rockside Road, Independence, Ohio 44131.

NOTE 21 - CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

NOTE 22 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 22, 2011, the date that the financial statements were available to be issued.

In August 2011, the District entered into a lease agreement for office equipment. The lease commitment is for \$ 158,150 at 3.47% for 36 months. The monthly payment will be \$ 4,175.

*Avon Local School District*  
Lorain County

Schedule of Federal Awards Receipts and Expenditures  
For the Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 18,753	\$ -	\$ 18,753	\$ -
National School Lunch Program	3L60	10.555	186,164	61,618	186,164	61,618
Total Nutrition Cluster			204,917	61,618	204,917	61,618
<b>Total United States Department of Agriculture</b>			204,917	61,618	204,917	61,618
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education:</i>						
<i>Title I, Part A Cluster</i>						
Title I Grants to Local Education Agencies	3M00	84.010	120,619	-	118,196	-
Title I Grants to Local Education Agencies ARRA	3DK0	84.389	31,376	-	39,570	-
Total Title I, Part A Cluster			151,995	-	157,766	-
<i>Special Education Cluster (IDEA)</i>						
Special Education Grants to States	3M20	84.027	576,340	-	602,717	-
Special Education Grants to States ARRA	3DJ0	84.391	336,405	-	367,248	-
Total Special Education Cluster (IDEA)			912,745	-	969,965	-
<i>Education Technology State Grants Cluster</i>						
Education Technology State Grants	3S20	84.318	402	-	522	-
Total Education Technology State Grants Cluster			402	-	522	-
<i>State Fiscal Stabilization Fund Cluster</i>						
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	GRF	84.394	291,818	-	291,818	-
Total State Fiscal Stabilization Fund Cluster			291,818	-	291,818	-
<i>Improving Teacher Quality - State Grants</i>						
Improving Teacher Quality - State Grants	3Y60	84.367	49,565	-	48,737	-
English Language Acquisition Grants	3Y70	84.365	10,340	-	10,190	-
Total Passed Through Ohio Department of Education			59,905	-	58,927	-
<b>Total United States Department of Education</b>			1,416,865	-	1,478,998	-
<b>Total Federal Financial Assistance</b>			<u>\$ 1,621,782</u>	<u>\$ 61,618</u>	<u>\$ 1,683,915</u>	<u>\$ 61,618</u>

See Notes to the Schedule of Federal Awards Receipts and Expenditures.

**AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards receipts and expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DISTRIBUTIONS**

Non monetary assistance is reported in the schedule at the entitlement value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2011, the District had no significant food commodities in inventory.



## Balestra, Harr & Scherer, CPAs, Inc.

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### Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of the Board of Education  
Avon Local School District  
35573 Detroit Road  
Avon, Ohio 44011

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Avon Local School District, Lorain County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 14, 2011 wherein we noted that the District implemented GASB Statements No. 54 and No. 59. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

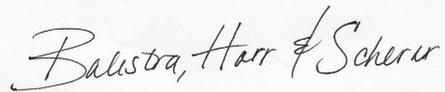
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, pass-through entities, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
October 14, 2011



# Balestra, Harr & Scherer, CPAs, Inc.

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## Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Members of the Board of Education  
Avon Local School District  
35573 Detroit Road  
Avon, Ohio 44011

### Compliance

We have audited the compliance of Avon Local School District, Lorain County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Avon Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Avon Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Members of the Board of Education  
Avon Local School District  
Report on Compliance with Requirements Applicable to each Major Federal Program and on  
Internal Control Over Compliance Required by OMB Circular A-133  
Page 2

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Balestra, Harr & Scherer, CPAs, Inc.  
October 14, 2011

**Avon Local School District  
Lorain County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2011**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education Grants to States; CFDA# 84.027 Special Education Grants to States – ARRA; CFDA# 84.391
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**Avon Local School District  
Lorain County, Ohio**

**Schedule of Findings  
*OMB Circular A-133 Section §.505*  
June 30, 2011**

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

**None noted**

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

**None noted**



# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report on Applying Agreed Upon Procedures

Members of the Board of Education  
Avon Local School District  
Lorain County  
35573 Detroit Road  
Avon, Ohio 44011

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Avon Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on July 20, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Balestra, Harr & Scherer, CPAs, Inc.

October 14, 2011

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# Dave Yost • Auditor of State

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  
DECEMBER 22, 2011