



**AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



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

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**STATE OF OHIO**



**AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

We have audited the accompanying general-purpose financial statements of the Avon Local School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Avon Local School District, Lorain County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

February 4, 2002

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AVON LOCAL SCHOOL DISTRICT  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Project
<b>Assets and other debits</b>				
Equity in pooled cash and equivalents	\$ 3,411,256	\$ 207,770	\$ 1,984,049	\$ 7,648,265
Restricted cash	357,871	-	-	-
Receivables, net				
Taxes, current	6,733,834	-	1,820,222	272,117
Taxes, delinquent	69,104	-	18,214	2,504
Due from other governments	-	42,444	-	-
Due from other funds	240,000	-	-	-
Inventories and supplies	-	-	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Amount available for debt service	-	-	-	-
Amount to be provided for debt service	-	-	-	-
Amount to be provided for benefits	-	-	-	-
Amount to be provided for capital leases	-	-	-	-
<b>Total assets and other debits</b>	<b>\$ 10,812,065</b>	<b>\$ 250,214</b>	<b>\$ 3,822,485</b>	<b>\$ 7,922,886</b>
<b>Liabilities, fund equity and other credits</b>				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 57,430	\$ 12,592	\$ -	\$ 560,075
Accrued salaries and benefits	1,118,570	40,420	-	-
Accrued interest payable	362	-	-	-
Due to other governments	207,205	23,585	-	-
Due to other funds	-	-	-	240,000
Due to others	-	-	-	-
Deferred revenue	5,346,074	-	1,441,466	221,018
Notes payable	700,000	-	-	-
Bonds payable	-	-	-	-
Capital leases	-	-	-	-
Compensated absences	13,884	-	-	-
<b>Total liabilities</b>	<b>7,443,525</b>	<b>76,597</b>	<b>1,441,466</b>	<b>1,021,093</b>
<b>Fund equity and other credits</b>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings				
Unreserved	-	-	-	-
Fund balances				
Reserved for budget stabilization	357,871	-	-	-
Reserved for property taxes	1,456,864	-	396,970	53,603
Reserved for debt services	-	-	234,042	-
Reserved for encumbrances	394,989	58,870	-	6,792,267
Unreserved	1,158,816	114,747	1,750,007	55,923
<b>Total fund equity and other credits</b>	<b>3,368,540</b>	<b>173,617</b>	<b>2,381,019</b>	<b>6,901,793</b>
<b>Total liabilities, fund equity and other credits</b>	<b>\$ 10,812,065</b>	<b>\$ 250,214</b>	<b>\$ 3,822,485</b>	<b>\$ 7,922,886</b>

The accompanying notes are an integral part of these financial statements.



Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long- term Debt	
Enterprise	Trust and Agency			
\$ 124,785	\$ 25,055	\$ -	\$ -	\$ 13,401,180
-	-	-	-	357,871
-	-	-	-	8,826,173
-	-	-	-	89,822
-	-	-	-	42,444
-	-	-	-	240,000
6,163	-	-	-	6,163
253,185	-	24,839,178	-	25,092,363
(102,758)	-	-	-	(102,758)
-	-	-	2,381,019	2,381,019
-	-	-	17,293,981	17,293,981
-	-	-	1,121,285	1,121,285
-	-	-	26,681	26,681
<u>\$ 281,375</u>	<u>\$ 25,055</u>	<u>\$ 24,839,178</u>	<u>\$ 20,822,966</u>	<u>\$ 68,776,224</u>

\$ 48,389	\$ 2,163	\$ -	\$ -	\$ 680,649
13,152	-	-	-	1,172,142
-	-	-	-	362
23,289	-	-	76,972	331,051
-	-	-	-	240,000
-	22,842	-	-	22,842
2,364	-	-	-	7,010,922
-	-	-	-	700,000
-	-	-	19,675,000	19,675,000
-	-	-	26,681	26,681
17,292	-	-	1,044,313	1,075,489
<u>104,486</u>	<u>25,005</u>	<u>-</u>	<u>20,822,966</u>	<u>30,935,138</u>

-	-	24,839,178	-	24,839,178
126,387	-	-	-	126,387
50,502	-	-	-	50,502
-	-	-	-	357,871
-	-	-	-	1,907,437
-	-	-	-	234,042
-	-	-	-	7,246,126
-	50	-	-	3,079,543
<u>176,889</u>	<u>50</u>	<u>24,839,178</u>	<u>-</u>	<u>37,841,086</u>
<u>\$ 281,375</u>	<u>\$ 25,055</u>	<u>\$ 24,839,178</u>	<u>\$ 20,822,966</u>	<u>\$ 68,776,224</u>

AVON LOCAL SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Project
<b>Revenues</b>				
Taxes	\$ 6,944,930	\$ -	\$ 1,780,112	\$ 280,499
Tuition and fees	101,010	-	-	-
Interest	328,202	3,006	-	455,161
Intergovernmental	2,643,724	507,237	206,940	98,712
Extracurricular	-	189,782	-	-
Miscellaneous	28,544	22,650	-	-
<b>Total revenues</b>	<u>10,046,410</u>	<u>722,675</u>	<u>1,987,052</u>	<u>834,372</u>
<b>Expenditures</b>				
<b>Current</b>				
<b>Instructional</b>				
Regular	4,690,625	54,450	-	36,084
Special	606,489	113,126	-	-
Vocational education	147,146	-	-	-
Other	67,501	-	-	-
<b>Supporting services</b>				
Pupil	408,761	136,656	-	-
Instructional	294,400	28,582	-	500
Board of education	94,149	-	-	-
Administration	873,260	5,809	-	-
Fiscal	316,787	-	27,635	4,435
Operation and maintenanc	1,260,535	2,097	-	-
Pupil transportation	805,284	-	-	-
Central services	43,717	19,137	-	-
<b>Non-instructional services</b>				
Community services	-	242,352	-	-
<b>Extracurricular</b>				
Academic oriented	46,903	6,695	-	-
Occupation oriented	737	-	-	-
Sports oriented	318,867	80,401	-	-
Co-curricular	14,416	10,270	-	-
<b>Capital outlay</b>	-	-	-	1,731,791
<b>Debt Service</b>				
Principal	18,671	-	615,000	-
Interest	2,472	-	1,168,885	-
<b>Total expenditures</b>	<u>10,010,720</u>	<u>699,575</u>	<u>1,811,520</u>	<u>1,772,810</u>
<b>Excess (deficiency) of revenues</b>				
<b>over expenditures</b>	<u>35,690</u>	<u>23,100</u>	<u>175,532</u>	<u>(938,438)</u>
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	58,510	-
Operating transfers out	(119,510)	-	-	-
Premium on notes	11,113	-	-	-
<b>Total other financing sources (uses)</b>	<u>(108,397)</u>	<u>-</u>	<u>58,510</u>	<u>-</u>
<b>Excess (deficiency) of revenues over</b>				
<b>expenditures and other source (uses)</b>	<u>(72,707)</u>	<u>23,100</u>	<u>234,042</u>	<u>(938,438)</u>
<b>Fund balances, beginning of year</b>	<u>3,441,247</u>	<u>150,517</u>	<u>2,146,977</u>	<u>7,840,231</u>
<b>Fund balances, end of year</b>	<u>\$ 3,368,540</u>	<u>\$ 173,617</u>	<u>\$ 2,381,019</u>	<u>\$ 6,901,793</u>

The accompanying notes are an integral part of these financial statements.

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$ -	\$ 9,005,541
-	101,010
-	786,369
-	3,456,613
-	189,782
300	51,494
<u>300</u>	<u>13,590,809</u>
-	4,781,159
-	719,615
-	147,146
-	67,501
-	545,417
-	323,482
-	94,149
-	879,069
-	348,857
-	1,262,632
-	805,284
-	62,854
300	242,652
-	53,598
-	737
-	399,268
-	24,686
-	1,731,791
-	633,671
-	1,171,357
<u>300</u>	<u>14,294,925</u>
-	(704,116)
-	58,510
-	(119,510)
-	11,113
<u>-</u>	<u>(49,887)</u>
-	(754,003)
50	13,579,022
<u>\$ 50</u>	<u>\$ 12,825,019</u>

AVON LOCAL SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - ALL GOVERNMENTAL FUND TYPES  
 JUNE 30, 2001

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 6,951,219	\$ 6,951,242	\$ 23
Tuition and fees	100,845	101,010	165
Interest	307,152	328,202	21,050
Intergovernmental	2,431,020	2,643,724	212,704
Extracurricular	-	-	-
Miscellaneous	27,251	28,544	1,293
Total revenues	<u>9,817,487</u>	<u>10,052,722</u>	<u>235,235</u>
Expenditures			
Current			
Instructional			
Regular	4,623,814	4,623,511	303
Special	624,044	607,099	16,945
Vocational education	160,255	160,255	-
Other	58,468	58,450	18
Supporting services			
Pupil	412,708	412,619	89
Instructional	298,178	298,169	9
Board of education	94,256	94,024	232
Administration	901,254	899,699	1,555
Fiscal	345,599	343,736	1,863
Operation and maintenance	1,366,982	1,362,972	4,010
Pupil transportation	1,078,165	1,078,078	87
Central services	41,784	41,784	-
Non-instructional services			
Community services	-	-	-
Extracurricular			
Academic oriented	45,199	45,199	-
Occupation oriented	655	655	-
Sports oriented	315,613	315,613	-
Co-curricular	13,539	13,539	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>10,380,513</u>	<u>10,355,402</u>	<u>25,111</u>
Excess (deficiency) of revenues over expenditures	<u>(563,026)</u>	<u>(302,680)</u>	<u>260,346</u>
Other financing sources			
Operating transfers-in	-	-	-
Operating transfers-out	(119,510)	(119,510)	-
Note proceeds	700,000	700,000	-
Premium and accrued interest on bonds	11,475	11,475	-
Advances in	240,000	240,000	-
Advances out	(240,000)	(240,000)	-
Refund of prior year expenditures	1,970	25,179	23,209
Refund of prior year receipts	-	-	-
Total other financing sources (uses)	<u>593,935</u>	<u>617,144</u>	<u>23,209</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	30,909	314,464	283,555
Fund balances, beginning of year	2,278,384	2,278,384	-
Prior year encumbrances	705,069	705,069	-
Fund balances, end of year	<u>\$ 3,014,362</u>	<u>\$ 3,297,917</u>	<u>\$ 283,555</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 1,772,512	\$ 1,795,875	\$ 23,363
-	-	-	-	-	-
2,886	3,006	120	-	-	-
475,286	478,187	2,901	197,228	206,940	9,712
187,000	189,782	2,782	-	-	-
22,000	22,650	650	-	-	-
<u>687,172</u>	<u>693,625</u>	<u>6,453</u>	<u>1,969,740</u>	<u>2,002,815</u>	<u>33,075</u>
56,119	56,112	7	-	-	-
109,075	109,075	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
137,465	136,761	704	-	-	-
31,497	30,297	1,200	-	-	-
-	-	-	-	-	-
5,000	4,818	182	-	-	-
-	-	-	27,650	27,635	15
2,097	2,097	-	-	-	-
-	-	-	-	-	-
25,272	25,247	25	-	-	-
292,798	295,605	(2,807)	-	-	-
7,281	7,281	-	-	-	-
-	-	-	-	-	-
89,117	87,791	1,326	-	-	-
11,708	10,871	837	-	-	-
-	-	-	-	-	-
-	-	-	615,000	615,000	-
-	-	-	1,218,408	1,180,749	37,659
<u>767,429</u>	<u>765,955</u>	<u>1,474</u>	<u>1,861,058</u>	<u>1,823,384</u>	<u>37,674</u>
<u>(80,257)</u>	<u>(72,330)</u>	<u>7,927</u>	<u>108,682</u>	<u>179,431</u>	<u>70,749</u>
-	-	-	58,510	58,510	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(10)	(10)	-	-	-	-
<u>(10)</u>	<u>(10)</u>	<u>-</u>	<u>58,510</u>	<u>58,510</u>	<u>-</u>
(80,267)	(72,340)	7,927	167,192	237,941	70,749
153,474	153,474	-	1,746,108	1,746,108	-
35,825	35,825	-	-	-	-
<u>\$ 109,032</u>	<u>\$ 116,959</u>	<u>\$ 7,927</u>	<u>\$ 1,913,300</u>	<u>\$ 1,984,049</u>	<u>\$ 70,749</u>

AVON LOCAL SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – ALL GOVERNMENTAL FUND TYPES  
 JUNE 30, 2001

	Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 285,365	\$ 286,075	\$ 710
Tuition and fees	-	-	-
Interest	430,361	455,161	24,800
Intergovernmental	88,612	98,712	10,100
Extracurricular	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>804,338</u>	<u>839,948</u>	<u>35,610</u>
Expenditures			
Current			
Instructional			
Regular	46,583	39,484	7,099
Special	-	-	-
Vocational education	-	-	-
Other	-	-	-
Supporting services			
Pupil	-	-	-
Instructional	500	500	-
Board of education	-	-	-
Administration	-	-	-
Fiscal	4,435	4,435	-
Operation and maintenance	-	-	-
Pupil transportation	-	-	-
Central services	-	-	-
Non-instructional services			
Community services	-	-	-
Extracurricular			
Academic oriented	-	-	-
Occupation oriented	-	-	-
Sports oriented	-	-	-
Co-curricular	-	-	-
Capital outlay	8,682,348	8,679,868	2,480
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>8,733,866</u>	<u>8,724,287</u>	<u>9,579</u>
Excess (deficiency) of revenues over expenditures	<u>(7,929,528)</u>	<u>(7,884,339)</u>	<u>45,189</u>
Other financing sources			
Operating transfers-in	-	-	-
Operating transfers-out	-	-	-
Note proceeds	19,554	-	(19,554)
Premium and accrued interest on bonds	-	-	-
Advances in	240,000	240,000	-
Advances out	(240,017)	(240,000)	17
Refund of prior year expenditures	52,507	52,507	-
Refund of prior year receipts	-	-	-
Total other financing sources (uses)	<u>72,044</u>	<u>52,507</u>	<u>(19,537)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(7,857,484)</u>	<u>(7,831,832)</u>	<u>25,652</u>
Fund balances, beginning of year	7,668,953	7,668,953	-
Prior year encumbrances	458,800	458,800	-
Fund balances, end of year	<u>\$ 270,269</u>	<u>\$ 295,921</u>	<u>\$ 25,652</u>

The accompanying notes are an integral part of these financial statements.

Totals  
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 9,009,096	\$ 9,033,192	\$ 24,096
100,845	101,010	165
740,399	786,369	45,970
3,192,146	3,427,563	235,417
187,000	189,782	2,782
49,251	51,194	1,943
<u>13,278,737</u>	<u>13,589,110</u>	<u>310,373</u>
4,726,516	4,719,107	7,409
733,119	716,174	16,945
160,255	160,255	-
58,468	58,450	18
550,173	549,380	793
330,175	328,966	1,209
94,256	94,024	232
906,254	904,517	1,737
377,684	375,806	1,878
1,369,079	1,365,069	4,010
1,078,165	1,078,078	87
67,056	67,031	25
292,798	295,605	(2,807)
52,480	52,480	-
655	655	-
404,730	403,404	1,326
25,247	24,410	837
8,682,348	8,679,868	2,480
615,000	615,000	-
1,218,408	1,180,749	37,659
<u>21,742,866</u>	<u>21,669,028</u>	<u>73,838</u>
<u>(8,464,129)</u>	<u>(8,079,918)</u>	<u>384,211</u>
58,510	58,510	-
(119,510)	(119,510)	-
719,554	700,000	(19,554)
11,475	11,475	-
480,000	480,000	-
(480,017)	(480,000)	17
54,477	77,686	23,209
(10)	(10)	-
<u>724,479</u>	<u>728,151</u>	<u>3,672</u>
(7,739,650)	(7,351,767)	387,883
11,846,919	11,846,919	-
1,199,694	1,199,694	-
<u>\$ 5,306,963</u>	<u>\$ 5,694,846</u>	<u>\$ 387,883</u>

AVON LOCAL SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN RETAINED EARNINGS – PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED JUNE 30, 2001

	Enterprise
Operating revenues	
Charges for services	\$ 461,024
Miscellaneous	37,574
Total operating revenues	498,598
Operating expenses	
Salaries and wages	84,761
Fringe benefits	33,821
Contractual services	615
Materials and supplies	492,944
Depreciation	8,940
Total operating expenses	621,081
Operating loss	(122,483)
Nonoperating revenues	
Interest	831
Intergovernmental	40,022
Total nonoperating revenues	40,853
Loss before operating transfers	(81,630)
Operating transfers in	61,000
Net loss	(20,630)
Add depreciation on fixed assets acquired by contributed capital	7,200
Retained earnings, beginning year	63,932
Retained earnings, end of year	\$ 50,502

The accompanying notes are an integral part of these financial statements.



AVON LOCAL SCHOOL DISTRICT  
 COMBINED STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED JUNE 30, 2001

	Enterprise
Cash flows from operating activities:	
Operating (loss)	\$ (122,483)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation	8,940
Donated commodities	12,915
Changes in net assets (increase) decrease and liabilities increase (decrease):	
Inventories and supplies	756
Accounts and contracts payable	47,921
Accrued salaries and benefits	(3,244)
Due to other governments	5,122
Deferred revenue	1,059
Compensated absences	(4,704)
Total adjustments	68,765
Net cash (used in) operating activities	(53,718)
Cash flows from non-capital financing activities:	
Intergovernmental revenue	27,107
Operating transfers-in	61,000
Net cash provided by non-capital financing activities	88,107
Cash flows provided by investing activities:	
Interest income	831
Net cash provided by investing activities	831
Net increase in cash and cash equivalents	35,220
Equity in pooled cash and equivalents, beginning of year	89,565
Equity in pooled cash and equivalents, end of year	\$ 124,785

The accompanying notes are an integral part of these financial statements.

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AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Avon Local School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on or as of, October 1, 2000 was 1,748. The District employs 122 certificated and 70 non-certificated employees.

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' governing board and 1) the District is able to significantly influence the programs or services performed or provided by the organization; or 2) the District is legally entitled to or can otherwise access the organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes.

The following entities, which perform activities within the District's boundaries for the benefit of its residents, are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District. The District has no component units.

Lake Erie Educational Computer Association - The Avon Local School District participates in the Lake Erie Educational Computer Association (LEECA). LEECA provides data services needed by the participating school districts. This is a jointly governed organization. The District's participation is disclosed in Note 15 to the financial statements.

Lake Erie Regional Council of Governments - The Lake Erie Regional Council of Governments (LERC) promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The District's participation is disclosed in Note 15 to the financial statements.

Lorain County Joint Vocational School District - The Lorain County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for vocational and special education needs of the students. This is a jointly governed organization. The District's participation is disclosed in Note 15 to the financial statements.

Ohio Schools Council of Governments - The Ohio Schools Council promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The District's participation is disclosed in Note 15 to the financial statements.

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. For fiscal year 2001, the District has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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

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

Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be sixty days. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available, except for what is on hand with the county treasurer on the last day of the fiscal year which is recognized in the current period. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 11). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized..

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

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

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Proprietary Fund Type

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

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

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

Fiduciary Fund Types

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

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

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

Account Groups

The District maintains two account groups as described below:

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

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. DEPOSITS AND INVESTMENTS

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

During fiscal year 2001, the District invested funds in the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investments could be sold for on June 30, 2001.

C. RESTRICTED CASH

Restricted cash in the general fund represents cash and cash equivalents set aside to establish a budget stabilization reserve. A Fund balance reserve has also been established.

D. RECEIVABLES

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

E. INVENTORIES AND SUPPLIES

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

F. FIXED ASSETS AND DEPRECIATION

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

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

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. LONG-TERM LIABILITIES

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

H. COMPENSATED ABSENCES

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees is accrued as employees earn the rights to the benefits.

Compensated absences that relate to future services or that are contingent on specific events that is outside the control of the District and its employees are accounted for in the period in which such services are rendered or such events take place.

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

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

I. FUND EQUITY

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

J. TOTAL COLUMNS

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

K. REBATABLE ARBITRAGE

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

L. USE OF ESTIMATES

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY PROCESS

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

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

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed or are deficient of current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" do not include July 1, 2000 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

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

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



AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Appropriations (continued)

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

Encumbrances

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

Budgetary Reporting

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

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

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

	<u>Excess (deficiency) of revenues over expenditures and other sources (uses) - reconciliation of budget basis to GAAP basis</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ 314,464	\$ (72,340)	\$ 237,941	\$ (7,831,832)
Adjustments, increase (decrease)				
Revenue accruals	(706,674)	29,060	(15,763)	(5,576)
Expenditure accruals	319,503	66,380	11,864	6,898,970
GAAP basis, as reported	<u>\$ (72,707)</u>	<u>\$ 23,100</u>	<u>\$ 234,042</u>	<u>\$ (938,438)</u>

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 4 DEPOSITS AND INVESTMENTS

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

A. LEGAL REQUIREMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts. Interim monies may be invested in the following obligations provided they matured or were redeemable within two years from the date of purchase:

- 1.) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- 2.) Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3.) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to daily, and that the term of the agreement must not exceed thirty days;
- 4.) Bonds and other obligations of the State of Ohio;
- 5.) No-load money market mutual funds consisting exclusively of obligations described in division 1) or 2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6.) The State Treasurer's investment pool (STAR Ohio); and
- 7.) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 JUNE 30, 2001

NOTE 4 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

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

B. DEPOSITS

At year-end, the carrying amount of the Avon Local School District's deposits was \$973,557 and the bank balance was \$1,037,574 all of which was covered by federal depository insurance or collateral held by a qualified third party trustee in the name of the Avon Local School District.

C. INVESTMENTS

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

	Carrying Value	Market Value
Investment in State Treasurer's investment Pool	\$ 12,785,494	\$ 12,785,494

NOTE 5 FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. GENERAL FIXED ASSETS ACCOUNT GROUP

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

	Balance July 1, 2000	Additions	Disposals	Balance June 30, 2001
Land	\$ 2,690,786	\$ -	\$ -	\$ 2,690,786
Buildings and improvements	17,171,177	529,696	-	17,700,873
Construction in process	-	402,720	-	402,720
Furniture and equipment	2,790,564	189,219	-	2,979,783
Vehicles	832,522	232,494	-	1,065,016
	\$ 23,485,049	\$ 1,354,129	\$ -	\$ 24,839,178

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 5 FIXED ASSETS AND ACCUMULATED DEPRECIATION (continued)

B. PROPRIETARY FUND TYPE FISED ASSETS

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

	Balance June 30, 2001
<u>Enterprise</u>	
Machinery and equipment	\$ 253,185
Less accumulated depreciation	102,758
Net fixed assets	\$ 150,427

NOTE 6 DEFERRED REVENUE

Deferred revenue at year-end, consisted of:

	Balance June 30, 2001
Property taxes	\$ 7,008,558
Federal commodities, unused	2,364
	\$ 7,010,922

NOTE 7 GENERAL LONG-TERM DEBT

	Outstanding June 30, 2000	Additions	Deductions	Outstanding June 30, 2001
Due to other governments	\$ 89,837	\$ 76,972	\$ 89,837	\$ 76,972
Bonds payable	20,290,000	-	615,000	19,675,000
Capital leases	45,352	-	18,671	26,681
Compensated absences	897,337	146,976	-	1,044,313
	\$ 21,322,526	\$ 223,948	\$ 723,508	\$ 20,822,966

NOTE 8 BONDS PAYABLE AND NOTES PAYABLE

Bonds Payable

	Outstanding June 30, 2000	Additions	Deductions	Outstanding June 30, 2001
General obligation bonds				
School improvement, (1996) 4.8% through 2021	\$ 11,745,000	\$ -	\$ 370,000	\$ 11,375,000
Energy conservation, (1999) 5.2% through 2013	545,000	-	30,000	515,000
School improvement, (2000) 5.32% through 2019	8,000,000	-	215,000	7,785,000
	\$ 20,290,000	\$ -	\$ 615,000	\$ 19,675,000

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 8 BONDS PAYABLE AND NOTES PAYABLE (continued)

Notes Payable

	Outstanding June 30, 2000	Additions	Deductions	Outstanding June 30, 2001
Tax anticipation note (2001) 4.70%, through 2005	\$ -	\$ 400,000	\$ -	\$ 400,000
Tax anticipation note (2001) 4.55%, through 2004	-	300,000	-	300,000
	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ 700,000</u>

NOTE 9 DEBT SERVICE REQUIREMENTS TO MATURITY

Debt service requirements, including principal and interest, to retire debt obligations outstanding at June 30, 2001, consisted of:

Year ending June 30,	Bonds Payable	Notes Payable	Total
2002	\$ 1,898,185	\$ 43,401	\$ 1,941,586
2003	1,917,474	227,925	2,145,399
2004	1,955,787	218,625	2,174,412
2005	2,067,149	209,275	2,276,424
2006	2,091,483	102,300	2,193,783
2007 - 2011	7,091,591	-	7,091,591
2012 - 2016	7,918,133	-	7,918,133
2017 - 2021	7,245,289	-	7,245,289
	<u>\$ 32,185,091</u>	<u>\$ 801,526</u>	<u>\$ 32,986,617</u>

Not reflected above are due to other governments of \$76,972, capital leases of \$26,681, and compensated absences of \$1,044,313.

NOTE 10 CAPITAL LEASES

The Avon Local School District is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Asset Account Group and the General Long-Term Debt Account Group, respectively. The assets under capital leases totaled \$84,480 at June 30, 2001. The leases are in effect through fiscal year 2004.

The following is a schedule of future minimum lease payments under the capital leases together with the net present value of the minimum lease payments as of June 30, 2001.

	Year ending June 30,	Amount
	2002	\$ 17,054
	2003	8,859
	2004	1,477
Total minimum lease payments		27,390
Less amount representing interest		(709)
Net present value of minimum lease payments		<u>\$ 26,681</u>

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 JUNE 30, 2001

NOTE 11 PROPERTY TAXES

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

Taxes collected from tangible personal property, other than public utility, in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business, except for public utilities, is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20. Single-county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

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

The tax applied to real property collected in 2001 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$48.58 per \$1,000 of valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$30.32 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$30.79 per \$1,000 of assessed valuation for all other real property. The tax rate applied to tangible personal property for the current year ended June 30, 2001, was \$48.58 per \$1,000 of valuation.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001 was \$1,907,437 and is recognized as revenue and a reservation of fund balance.

The property valuation consisted of:

Real Property - 2000	
Residential / Agricultural	\$ 246,146,260
Commercial / Industrial	50,858,430
Public Utilities	9,230
Mineral	3,630
Tangible Personal Property - 2001	
General	16,337,140
Public Utilities	15,157,750
	\$ 328,512,440

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 12 RISK MANAGEMENT

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

Vehicles are covered by the Nationwide Mutual Insurance Company. Automobile liability has a \$2,000,000 combined single limit liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

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

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

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

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

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

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 13 PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The Avon Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions to SERS for the years ended June 30, 2001, 2000, and 1999 were \$201,100, \$213,600, and \$186,020, respectively. The full amount has been contributed for 2000 and 1999. For 2001, 49% has been contributed with the remainder being reported as a fund liability and within the general long-term debt account group.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The Avon Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions to STRS for the years ended June 30, 2001, 2000, and 1999 were \$728,800, \$655,000, and \$584,100, respectively. The full amount has been contributed for 2000 and 1999. For 2001, 83% has been contributed with the remainder being reported as a fund liability.

NOTE 14 POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2000 (the latest information available) the allocation rate was 8.45%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400. The surcharge rate, added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.



AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 14 POSTEMPLOYMENT BENEFITS (continued)

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

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$252.3 million at cost.

The number of participants currently receiving health care benefits is approximately 50,000. For 2000, the portion of the District's contributions that were used to fund postemployment benefits was \$151,894.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

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

The Board currently allocates employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$3,419 million at June 30, 2000 (the latest information available). For the year ended there were 99,011 eligible benefit recipients.

NOTE 15 JOINTLY GOVERNED ORGANIZATIONS

A. Lake Erie Educational Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2001 the District paid approximately \$177,500 to LEECA.

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 JUNE 30, 2001

NOTE 15 JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Lake Erie Regional Council of Governments (LERC)

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

The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2001 the District paid approximately \$513,200 to LERC.

C. Lorain County Joint Vocational School District

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

D. Ohio Schools Council of Governments

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

The Ohio Schools Council assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. Ohio Schools Council is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Executive Secretary at the Ohio Schools Council located at 155 Center Road, Bedford, Ohio 44146. During the year ended June 30, 2001, the District paid approximately \$326,770 to Ohio Schools Council.

NOTE 16 CONTRIBUTED CAPITAL

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

	Amount
Contributed capital, 6/30/00	\$ 133,587
Reductions, depreciation	(7,200)
Contributed capital, 6/30/01	\$ 126,387

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 17 CONTRACTUAL COMMITMENTS

At June 30, 2001 the District had contractual commitments as follows:

Construction contracts	\$ 7,272,982
Furnishings	90,113
	<u>\$ 7,363,095</u>

NOTE 18 CONTINGENT LIABILITIES

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

NOTE 19 SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 4, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 20 SEGMENT INFORMATION - ENTERPRISE FUNDS

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

	Food Service	Uniform School Supplies	Latchkey Services	Total
Operating revenues	\$ 346,668	\$ 114,356	\$ 37,574	\$ 498,598
Operating expenses				
Salaries and wages	57,432	-	27,329	84,761
Fringe benefits	33,168	-	653	33,821
Contractual services	-	-	615	615
Materials and supplies	375,942	114,633	2,369	492,944
Depreciation	8,940	-	-	8,940
Total operating expenses	<u>475,482</u>	<u>114,633</u>	<u>30,966</u>	<u>621,081</u>
Operating income (loss)	(128,814)	(277)	6,608	(122,483)
Nonoperating revenues	40,853	-	-	40,853
Operating transfers-in	<u>61,000</u>	<u>-</u>	<u>-</u>	<u>61,000</u>
Net income (loss)	<u>\$ (26,961)</u>	<u>\$ (277)</u>	<u>\$ 6,608</u>	<u>\$ (20,630)</u>
Other information				
Net working capital	<u>\$ (32,152)</u>	<u>\$ 64,242</u>	<u>\$ 11,664</u>	<u>\$ 43,754</u>
Total assets	<u>\$ 198,436</u>	<u>\$ 64,725</u>	<u>\$ 18,214</u>	<u>\$ 281,375</u>
Total equity	<u>\$ 100,983</u>	<u>\$ 64,242</u>	<u>\$ 11,664</u>	<u>\$ 176,889</u>

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 JUNE 30, 2001

NOTE 21 STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During fiscal year ended June 30, 2001, the reserve activity (cash basis) was as follows:

	Textbook	Capital Maintenance	Budget Stabilization
Balance, July 1, 2000	\$ (11,335)	\$ -	\$ 330,334
Required set aside	214,722	214,722	27,537
Offset credits	-	-	-
Qualifying expenditures	(219,073)	(219,269)	-
Balance June 30, 2001	<u>\$ (15,686)</u>	<u>\$ (4,547)</u>	<u>\$ 357,871</u>

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

NOTE 22 INTERFUND TRANSACTIONS

Interfund balances at June 30, 2001, consist of the following fund receivable and payable:

Fund	Receivable	Payable
General	\$ 240,000	\$ -
Capital Projects	-	240,000
Total	<u>\$ 240,000</u>	<u>\$ 240,000</u>

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**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

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

We have audited the financial statements of the Avon Local School District, Lorain County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated February 4, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 4, 2002.

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

**Jim Petro**  
Auditor of State

February 4, 2002





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**AVON LOCAL SCHOOL DISTRICT**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 14, 2002**