

Avon Local School District
Lorain County, Ohio

Single Audit

July 1, 2007 through June 30, 2008
Fiscal Years Audited Under GAGAS: 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
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, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 4, 2009

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Avon Local School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
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 (the School District), Lorain County, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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 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 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 the School District, as of June 30, 2008, and the respective changes in financial position thereof, and the respective budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

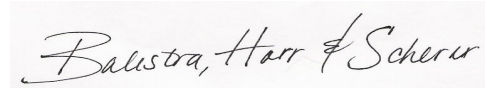
In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of federal awards expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Members of the Board
Avon Local School District
Independent Auditor's Report
Page 2

As described in Note 4 to the basic financial statements, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an amendment of GASB statements No. 25 and No. 27*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions*.



Balestra, Harr & Scherer, CPAs, Inc.
December 19, 2008

AVON LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2008
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, 2008. 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 2008 are as follows:

- Total assets decreased \$981,981 in governmental activities.
- Total revenues in governmental activities were \$ 32.2 million. General revenues accounted for \$ 29.8 million in revenue or 92.6 percent of all revenues for governmental activities. Program-specific revenues in the form of charges for services, sales, operating grants, interest and contributions accounted for \$ 2.4 million or 7.4 percent of total revenues.
- Total program expenses were \$ 32.1 million in governmental activities. Instructional expenses made up \$16.6 million or 52.8 percent of this total while support services accounted for 11.0 million or 34.2 percent.
- Total outstanding debt decreased by \$ 1,601,170 to a total of \$ 42,068,545.

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 2008 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, 2008
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 and Debt Service Fund.

Governmental Funds

Most 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, 2008
Unaudited

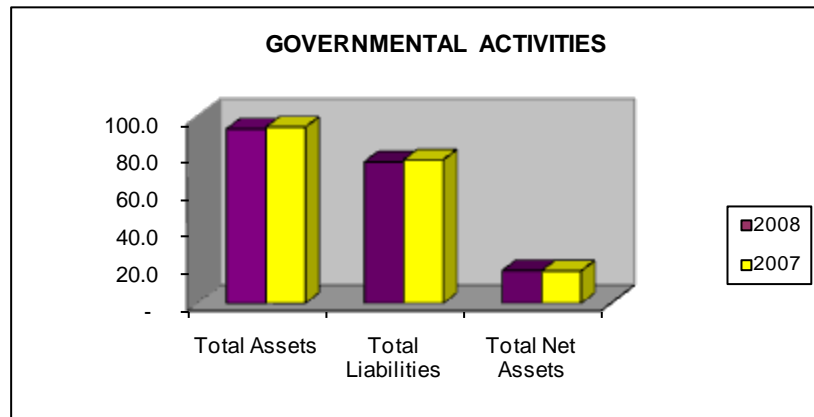
The School District as a Whole

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 2008 compared to 2007:

Table 1
Statement of Net Assets

	Governmental Activities	
	2008	2007
Assets		
Current assets	\$ 41,065,496	\$ 49,868,522
Capital assets, net	52,434,682	44,613,637
Total assets	93,500,178	94,482,159
Liabilities		
Other liabilities	30,589,065	30,132,820
Long-term liabilities	45,356,337	46,869,881
Total liabilities	75,945,402	77,002,701
Net assets		
Invested in capital assets, net of related debt	9,367,217	(102,721)
Restricted	4,460,298	13,573,169
Unrestricted (deficit)	3,727,261	4,009,010
Total net assets	\$ 17,554,776	\$ 17,479,458

At June 30, 2008, assets show cash of \$ 16.6 million, taxes receivable of \$ 24.3 million, capital assets of \$ 52.4 million and other assets of 0.2 million. Liabilities show accrued salaries of \$ 2.3 million, long term debt of \$ 45.4 million and 28.2 in other liabilities. Total net assets were valued at \$ 17.6 million at June 30, 2008.



AVON LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2008
Unaudited

Table 2, the Statement of Activities, shows the change in net assets for fiscal year 2008. A comparative analysis of government-wide data is presented.

Table 2
Change in Net Assets

	2008 Amount	% of Total	2007 Amount	% of Total
Revenues:				
General revenues				
Property taxes levied for:				
General purpose	\$ 17,440,228	54.19%	\$ 17,481,600	55.21%
Debt service	3,167,996	9.84%	2,864,315	9.05%
Capital improvements	646,908	2.01%	656,520	2.07%
Grants and entitlements not restricted to specific purposes	6,876,927	21.37%	6,415,728	20.26%
Investment earnings	1,018,055	3.16%	1,278,528	4.04%
Miscellaneous	662,652	2.06%	693,517	2.19%
Total general revenues	<u>29,812,766</u>	<u>92.64%</u>	<u>29,390,208</u>	<u>92.81%</u>
Total program revenues	<u>2,369,457</u>	<u>7.36%</u>	<u>2,275,761</u>	<u>7.19%</u>
Total revenue	<u>32,182,223</u>	<u>100.00%</u>	<u>31,665,969</u>	<u>100.00%</u>
Program expenses:				
Instruction				
Regular	13,132,552	40.90%	12,745,259	42.09%
Special	2,248,676	7.00%	1,949,347	6.44%
Vocational	134,013	0.42%	127,742	0.42%
Other instruction	1,122,266	3.50%	856,171	2.83%
Supporting services				
Pupil	1,102,733	3.43%	893,902	2.95%
Instructional staff	1,303,224	4.06%	1,262,425	4.17%
Board of education	295,319	0.92%	236,936	0.78%
Administration	2,113,697	6.58%	1,863,348	6.15%
Fiscal services	758,691	2.36%	1,157,434	3.82%
Business	34,851	0.11%	29,038	0.10%
Operation and maintenance	2,715,233	8.46%	2,273,054	7.51%
Pupil transportation	2,406,813	7.50%	1,751,145	5.78%
Central services	246,719	0.77%	250,352	0.83%
Operation of non-instructional services				
Food service operation	766,544	2.39%	790,521	2.61%
Latchkey operations	136,110	0.42%	115,524	0.38%
Community services	486,632	1.52%	522,692	1.73%
Extracurricular activities				
Academic and subject oriented	73,702	0.23%	59,566	0.20%
Sports oriented	839,849	2.62%	635,791	2.10%
Co-curricular	28,523	0.09%	46,976	0.16%
Interest	<u>2,160,758</u>	<u>6.73%</u>	<u>2,711,811</u>	<u>8.96%</u>
Total program expenses	<u>32,106,905</u>	<u>100.00%</u>	<u>30,279,034</u>	<u>100.00%</u>
Increase in net assets	75,318		1,386,935	
Net assets beginning of year	<u>17,479,458</u>		<u>16,092,523</u>	
Net assets end of year	<u>\$ 17,554,776</u>		<u>\$ 17,479,458</u>	

AVON LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Year Ended June 30, 2008
Unaudited

The vast majority of revenue supporting all Governmental Activities is general revenue. General revenue totaled \$ 29,795,546 or 92.6 percent of total revenue. The most significant portion of the general revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$ 2,369,457 or only 7.4 percent of total revenue.

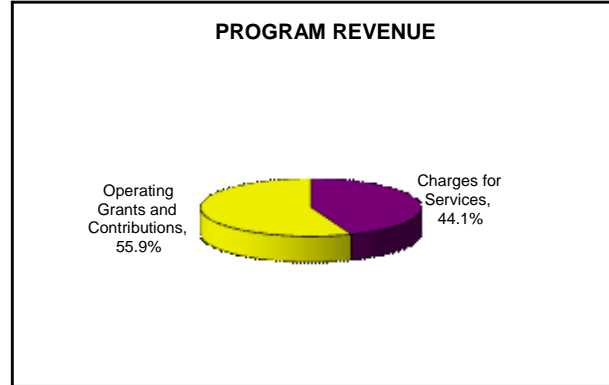
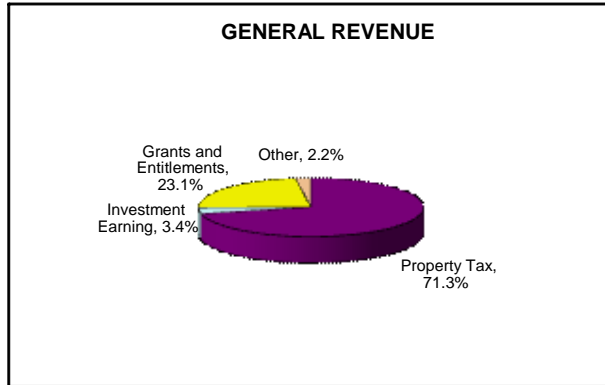


Table 3 shows the total cost of services for governmental activities and net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

Table 3
Net Cost of Services

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Governmental activities		
Instruction		
Regular	\$ 13,132,552	\$(12,732,005)
Special	2,248,676	(1,918,507)
Vocational	134,013	(134,013)
Other instruction	1,122,266	(1,122,266)
Supporting services		
Pupil	1,102,733	(962,733)
Instructional staff	1,303,224	(1,283,224)
Board of education	295,319	(295,319)
Administration	2,113,697	(2,071,251)
Fiscal services	741,471	(741,471)
Business	34,851	(34,851)
Operation and maintenance	2,715,233	(2,715,233)
Pupil transportation	2,406,813	(2,357,813)
Central services	246,719	(228,719)
Operation of non-instructional services		
Food service operation	766,544	8,700
Latchkey operations	136,110	27,638
Community services	486,632	(56,329)
Extracurricular activities		
Academic and subject oriented	73,702	(73,702)
Sports oriented	839,849	(839,849)
Co-curricular	28,523	(28,523)
Interest	2,160,758	(2,160,758)
Totals	<u>\$ 32,089,685</u>	<u>\$(29,720,228)</u>

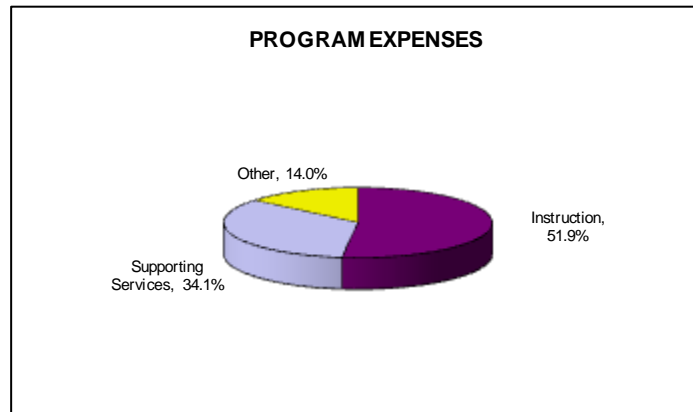
AVON LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2008
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As you can see the reliance upon local tax revenues for governmental activities is crucial. A significant percentage of our instructional and supporting 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 \$ 16.6 million or 51.9 percent of expenses. When combined with supporting services of \$ 11.0 million, these categories make up 86.0 percent of expenses.



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 \$ 1.1 million due mainly to the passage of a \$1.8 million Emergency Levy in the spring of 2006. Liabilities increased by \$ 1.8 million with fund balance reserves decreasing by \$ 0.09 million due to reserves for property taxes.

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 2008, the School District amended its General Fund budget several times. State Foundation revenues were more than originally estimated due to the per student increase in student population. Commercial property development along with the increased housing were added to the tax duplicate.

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, 2008
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of Fiscal Year 2008, the School District had \$52,434,682 invested in land, construction in process, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2008 balances compared to fiscal 2007:

Table 4
Capital Assets at June 30, 2008
Governmental Activities

	2008	2007
Land	\$ 2,738,195	\$ 2,738,195
Construction in progress	10,833,537	3,934,398
Land improvements	5,370,661	3,966,212
Buildings and improvements	32,116,416	32,750,495
Furniture and equipment	425,443	429,356
Vehicles	950,430	794,981
	\$ 52,434,682	\$ 44,613,637

All capital assets, except land, 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, 2008
Unaudited

Debt

At June 30, 2008, the Avon Local Schools had \$ 42.1 million in bonds and notes outstanding, a decrease of \$ 1,601,170 from fiscal year 2007. 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, 2008 the District had \$ 255,000 of Notes that were issued in 1999, with \$ 45,000 of the notes due within one year.

	2008	2007
Notes		
Energy Conservation (1999) 5.2% through 2013	\$ 255,000	\$ 300,000
Total Notes	255,000	300,000
 Bonds		
School improvement, (1996) 4.80% through 2020	1,740,000	1,740,000
School improvement, (2000) 5.32% through 2019	1,610,000	1,920,000
School improvement (2003) 2.00% through 2029	5,185,000	5,495,000
School improvement, capital appreciation bonds and accretion of interest (2003) 10.62 (average effective), 2015, 2016, 2017, 2018 maturity	606,289	557,735
School improvement refunding bonds (2004) 2.00% through 2020	5,695,000	6,045,000
School improvement refunding, capital appreciation bonds and accretion of interest (2004) 10.78 (average effective), 2016, 2017 maturity	383,320	323,279
School improvement (2006) 4.00% through 2034	13,845,000	14,385,000
School improvement, capital appreciation bonds and accretion of interest (2006) 12.54 (average effective), 2013, 2014, 2015 maturity	502,797	445,829
School improvement refunding bonds(2007) 4.00% through 2029	12,095,000	12,330,000
School improvement refunding capital appreciation bonds and accretion of interest (2007) 17.43 (average effective), 2019, 2020 maturity	151,139	127,872
Total Bonds	41,813,545	43,369,715
Total Debt	\$ 42,068,545	\$ 43,669,715

At June 30, 2008, the School District's overall legal debt margin was \$ 29,268,979 with an unvoted debt margin of \$ 45,908,062. 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, 2008
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 three fiscal years. 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 addition operational funds.

Externally, several significant legislative and judicial actions have occurred that will have a major impact on our School District. The Ohio Supreme Court has issued its fourth decision regarding school funding reform in Ohio. We believe that the ultimate resolution of funding reform is still some time away. 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.

AVON LOCAL SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 16,253,481
Accounts receivable	2,600
Accrued interest receivable	5,857
Due from other governments	1,615
Inventories and supplies	8,632
Taxes receivable	24,327,273
Deferred charges	149,382
Restricted cash	316,656
Capital assets	
Nondepreciable capital assets	13,571,732
Depreciable capital assets, net	<u>38,862,950</u>
Total assets	<u>93,500,178</u>
Liabilities	
Accounts and contracts payable	872,311
Retainage payable	316,656
Accrued salaries and benefits	2,317,926
Interest payable	232,935
Due to other governments	684,354
Unearned revenue	21,144,883
Note payable	5,020,000
Unamortized bond premium	1,023,174
Long term liabilities	
Due within one year	2,306,908
Due in more than one year	<u>42,026,255</u>
Total liabilities	<u>75,945,402</u>
Net assets	
Invested in capital assets, net of related debt	9,349,491
Restricted for:	
Debt service	2,850,644
Capital projects	1,609,090
Other purposes	5,564
Unrestricted	<u>3,739,987</u>
Total net assets	<u>\$ 17,554,776</u>

See the accompanying notes to the Basic Financial Statements.

AVON LOCAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants, Interest and Contributions	Revenue and Changes in Net Assets
Governmental activities				
Instruction				
Regular	\$ 13,132,552	\$ 309,536	\$ 91,011	\$ (12,732,005)
Special	2,248,676	-	330,169	(1,918,507)
Vocational	134,013	-	-	(134,013)
Other instruction	1,122,266	-	-	(1,122,266)
Supporting services				
Pupil	1,102,733	-	140,000	(962,733)
Instructional staff	1,303,224	-	20,000	(1,283,224)
Board of education	295,319	-	-	(295,319)
Administration	2,113,697	-	42,446	(2,071,251)
Fiscal services	741,471	-	-	(741,471)
Business	34,851	-	-	(34,851)
Operation and maintenance	2,715,233	-	-	(2,715,233)
Pupil transportation	2,406,813	-	49,000	(2,357,813)
Central services	246,719	-	18,000	(228,719)
Operation of non-instructional services				
Food service operation	766,544	650,431	124,813	8,700
Latchkey operations	136,110	163,748	-	27,638
Community services	486,632	-	430,303	(56,329)
Extracurricular activities				
Academic and subject oriented	73,702	-	-	(73,702)
Sports oriented	839,849	-	-	(839,849)
Co-curricular	28,523	-	-	(28,523)
Interest	2,160,758	-	-	(2,160,758)
Totals	<u>\$ 32,089,685</u>	<u>\$ 1,123,715</u>	<u>\$ 1,245,742</u>	<u>\$ (29,720,228)</u>

General revenues

Property taxes levied for:

General purpose	17,440,228
Debt service	3,167,996
Capital improvements	646,908
Grants and entitlements not restricted to specific purposes	6,876,927
Investment earnings	1,000,835
Miscellaneous	662,652
Total general revenues	<u>29,795,546</u>

Change in net assets	75,318
Net assets, beginning of year	<u>17,479,458</u>
Net assets, end of year	<u>\$ 17,554,776</u>

See the accompanying notes to the Basic Financial Statements.

AVON LOCAL SCHOOL DISTRICT

BALANCE SHEET -
GOVERNMENTAL FUNDS

JUNE 30, 2008

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 6,038,635	\$ 2,331,752	\$ 5,822,396	\$ 2,060,698	\$ 16,253,481
Restricted cash	-	-	316,656	-	316,656
Receivables, net of allowance					
Taxes, current	19,576,455	3,478,894	-	721,788	23,777,137
Taxes, delinquent	456,082	77,840	-	16,214	550,136
Accounts and other	2,600	-	-	-	2,600
Accrued interest	5,857	-	-	-	5,857
Due from other governments	-	-	-	1,615	1,615
Interfund receivable	259,000	-	-	-	259,000
Inventories and supplies	-	-	-	8,632	8,632
Total assets and other debits	\$ 26,338,629	\$ 5,888,486	\$ 6,139,052	\$ 2,808,947	\$ 41,175,114
Liabilities and fund balances					
Liabilities					
Accounts and contracts payable	\$ 228,127	\$ -	\$ 572,923	\$ 71,261	\$ 872,311
Retainage payable	-	-	316,656	-	316,656
Accrued salaries and benefits	2,225,683	-	-	92,243	2,317,926
Interest payable	-	-	87,850	-	87,850
Due to other governments	667,630	-	87	16,637	684,354
Interfund payable	-	-	-	259,000	259,000
Notes payable	-	-	5,020,000	-	5,020,000
Compensated absences	101,908	-	-	-	101,908
Unearned revenue	17,921,309	3,115,682	-	658,028	21,695,019
Total liabilities	21,144,657	3,115,682	5,997,516	1,097,169	31,355,024
Fund balances					
Reserved for property taxes	2,111,228	441,052	-	79,974	2,632,254
Reserved for encumbrances	345,486	-	569,099	107,756	1,022,341
Unreserved, reported in					
General Fund	2,737,258	-	-	-	2,737,258
Special Revenue Funds	-	-	-	199,822	199,822
Debt Service Fund	-	2,331,752	-	-	2,331,752
Capital Projects Funds	-	-	(427,563)	1,324,226	896,663
Total fund balances	5,193,972	2,772,804	141,536	1,711,778	9,820,090
Total liabilities and fund balances	\$ 26,338,629	\$ 5,888,486	\$ 6,139,052	\$ 2,808,947	\$ 41,175,114

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, 2008

Total governmental funds balances	\$ 9,820,090
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.	52,434,682
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Property taxes	550,136
Deferred charges	149,382
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(2,162,710)
Bonds payable	(41,813,545)
Notes payable	(255,000)
Unamortized bond premium	(1,023,174)
Accrued interest payable	<u>(145,085)</u>
Net assets of governmental activities	<u>\$ 17,554,776</u>

See the accompanying notes to the Basic Financial Statements.

AVON LOCAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Debt Service Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 17,530,690	\$ 3,185,474	\$ -	\$ 650,163	\$ 21,366,327
Tuition and fees	620,566	-	-	-	620,566
Interest	436,830	7,954	521,052	-	965,836
Intergovernmental	6,390,189	392,317	-	1,340,163	8,122,669
Charges for services	-	-	-	650,431	650,431
Extracurricular	(2,726)	-	-	226,406	223,680
Miscellaneous	57,452	-	-	234,238	291,690
Total revenues	25,033,001	3,585,745	521,052	3,101,401	32,241,199
Expenditures					
Current					
Instruction					
Regular	11,591,129	-	25,133	90,012	11,706,274
Special	1,926,353	-	-	309,114	2,235,467
Vocational	130,641	-	-	-	130,641
Other instruction	1,105,804	-	-	16,462	1,122,266
Supporting services					
Pupil	857,867	-	-	240,692	1,098,559
Instructional staff	1,242,730	-	-	26,245	1,268,975
Board of education	295,319	-	-	-	295,319
Administration	1,978,452	-	-	42,754	2,021,206
Fiscal services	663,155	65,221	17,220	10,883	756,479
Business	31,851	-	-	3,000	34,851
Operation and maintenance	2,459,028	-	87	5,414	2,464,529
Pupil transportation	1,942,295	-	-	206,738	2,149,033
Central services	230,322	-	-	13,000	243,322
Operation of non-instructional services					
Food service operation	-	-	-	740,808	740,808
Community services	-	-	-	498,303	498,303
Enterprise operations	-	-	-	136,110	136,110
Extracurricular activities	611,100	-	-	123,526	734,626
Capital outlay	-	-	9,647,481	312,999	9,960,480
Debt service					
Principal	45,000	1,745,000	-	-	1,790,000
Interest	15,750	1,951,786	1,569	-	1,969,105
Total expenditures	25,126,796	3,762,007	9,691,490	2,776,060	41,356,353
Net change in fund balances	(93,795)	(176,262)	(9,170,438)	325,341	(9,115,154)
Fund balances, beginning of year	5,287,767	2,949,066	9,311,974	1,386,437	18,935,244
Fund balances, end of year	\$ 5,193,972	\$ 2,772,804	\$ 141,536	\$ 1,711,778	\$ 9,820,090

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, 2008

Net change in fund balances - total governmental funds \$ (9,115,154)

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

Governmental funds report capital outlays as expenditures.

How ever, in the statement of activities, the cost of those assets is allocated over their usefull lives and reported as depreciation expense. This is the amount by w hich capital outlay exceeded depreciation in the current period.

Capital asset additions	10,801,694	
Capital asset disposals	(1,045,702)	
Depreciation expense	<u>(1,934,947)</u>	
		7,821,045

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

Property taxes	<u>(111,195)</u>
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, w hile the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, how ever, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items w hen debt is first issued, w hereas these amounts are deferred and amortized in the treatment of long-term debt and related items.

1,650,566

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

Compensated absences	<u>(169,944)</u>
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Change in net assets of governmental activities \$ 75,318

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues and other financing sources	\$ 25,601,746	\$ 25,601,746	\$ 26,381,867	\$ 780,121
Expenditures and other financing uses	25,586,593	25,586,593	25,504,949	81,644
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	15,153	15,153	876,918	861,765
Fund balances, beginning of year	3,967,204	3,967,204	3,967,204	-
Prior year encumbrances	659,365	659,365	659,365	-
Fund balances, end of year	\$ 4,641,722	\$ 4,641,722	\$ 5,503,487	\$ 861,765

See the accompanying notes to the Basic Financial Statements.

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

JUNE 30, 2008

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 47,110
Total assets	<u>\$ 47,110</u>
Liabilities	
Due to others	\$ 13,779
Due to students	33,331
Total liabilities	<u>\$ 47,110</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, 2008

NOTE 1 - 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, 2007 was 3,135. The District employs 210 certificated and 202 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 10 and 20 to these financial statements.

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. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The following are the more significant of the District's accounting policies.

A. BASIS OF PRESENTATION

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

AVON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION (continued)

Government-wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient 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.

B. 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, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

Proprietary Fund

The proprietary fund focuses on the determination of the changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has no enterprise funds or internal service funds.

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 and principal's fund.

C. MEASUREMENT FOCUS

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets. The Statement of Activities 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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

AVON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING

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

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, 2008, but which were levied to finance fiscal year 2009 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.

AVON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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.

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.

F. 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 earned for the year ended June 30, 2008, totaled \$ 1,000,835.

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.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2008

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

G. 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.

AVON LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. 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.

I. 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

J. 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.

K. COMPENSATED ABSENCES

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

Sick leave benefits are accrued as a liability using the vesting method. The liability 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, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

M. 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 \$ 4,465,198 of restricted net assets, of which \$ 4,323,762 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.

N. FUND BALANCE RESERVES AND DESIGNATIONS

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

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

O. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of this fund. Revenues and expenses not meeting those definitions are reported as non-operating.

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, 2008

NOTE 3 – DEFICIT FUND BALANCE

At June 30, 2008, the MIS Fund had a deficit fund balance of \$ 1,559, Auxiliary Services Fund had a deficit fund balance of \$ 51,246 and the Title VI B Fund had a deficit fund balance of \$ 54,712. 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 4 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 50, "Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27" and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension." GASB 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. GASB 45 establishes standards for disclosure of information on postemployment benefits other than pension. This statement applies to all state and local governments.

NOTE 5 - 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).

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	\$ 876,918
Adjustments, increase (decrease)	
Revenue accruals	(1,348,866)
Expenditure accruals	378,153
GAAP basis, as reported	\$ (93,795)

AVON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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, 2008

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 "Equity in Pooled Cash".

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 \$ 8,576,197 and the bank balance was \$ 8,721,335. Of the bank balance, \$ 200,000 was covered by federal depository insurance and \$ 8,521,335 was uninsured. Of the remaining balance, \$ 8,521,335 was collateralized with securities held by the pledging institution's trust department not in the District's name.

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, 2008, the District had the following investments:

	Weighted Average Maturities Years	Fair Value
Money market fund	n/a	\$ 6,632,828
Investment in State Treasurer's Investment Pool	n/a	1,408,122
		\$ 8,040,950

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, 2008

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, 2008, the District's investments in StarOhio were rated AAAM by Standard & Poor's.

F. CONCENTRATION OF CREDIT RISK

The District places no limit on the amount that may be invested in any one issuer. 100% of the District's investments were in Money Market Funds and StarOhio.

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 2008 represent the collection of calendar year 2007 taxes. Real property taxes for 2008 were levied after April 1, 2008, on the assessed values as of January 1, 2007, 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 2008 were levied after April 1, 2007, on the assessed values as of December 31, 2006, 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.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes for 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30 with the remainder payable by September 20.

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, 2008, are available to finance fiscal year 2008/2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2007 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 was recognized as revenue.

The amount available as an advance at June 30, 2008, was \$ 2,111,228 in the General Fund, \$ 441,052 in the Debt Service Fund and \$ 79,974 in the Capital Projects Fund.

AVON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 7 - PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	%	Amount	%
Agricultural/Residential	\$ 534,209,880	72.63	\$ 560,820,750	74.41
Commercial / Industrial	167,992,780	22.84	173,342,630	23.00
Public Utilities	11,390	0.00	8,051,870	1.07
Tangible Personal Property	33,420,620	4.53	11,458,960	1.52
Total Assessed Value	<u>\$ 735,634,670</u>	<u>100.00</u>	<u>\$ 753,674,210</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	<u>51.95</u>		<u>50.49</u>	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2008, 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:

	Amount
Non-major funds	
Food service	<u>\$ 1,615</u>

AVON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

	Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2008</u>
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 2,738,195	\$ -	\$ -	\$ 2,738,195
Construction in progress	3,934,398	7,944,841	1,045,702	10,833,537
Total nondepreciable capital assets	<u>6,672,593</u>	<u>7,944,841</u>	<u>1,045,702</u>	<u>13,571,732</u>
Depreciable capital assets				
Land improvements	5,386,979	1,722,727	-	7,109,706
Buildings and improvements	41,866,576	588,649	-	42,455,225
Furniture and equipment	1,271,507	166,282	-	1,437,789
Vehicles	2,012,449	379,195	59,548	2,332,096
Total capital assets being depreciated	<u>50,537,511</u>	<u>2,856,853</u>	<u>59,548</u>	<u>53,334,816</u>
Less accumulated depreciation				
Land improvements	(1,420,767)	(318,278)	-	(1,739,045)
Buildings and improvements	(9,116,081)	(1,222,728)	-	(10,338,809)
Furniture and equipment	(842,151)	(170,195)	-	(1,012,346)
Vehicles	(1,217,468)	(223,746)	(59,548)	(1,381,666)
Total accumulated depreciation	<u>(12,596,467)</u>	<u>(1,934,947)</u>	<u>(59,548)</u>	<u>(14,471,866)</u>
Depreciable capital assets, net of accumulated depreciation	<u>37,941,044</u>	<u>921,906</u>	<u>-</u>	<u>38,862,950</u>
Governmental activities capital assets, net	<u>\$ 44,613,637</u>	<u>\$ 8,866,747</u>	<u>\$ 1,045,702</u>	<u>\$ 52,434,682</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 1,371,700
Supporting services	
Instructional staff	20,958
Administration	38,507
Operation and maintenance of plant	25,459
Pupil transportation	246,061
Central services	1,265
Operation of noninstruction services	
Food service operation	27,099
Extracurricular activities	
Sports oriented	203,898
Total depreciation expense	<u>\$ 1,934,947</u>

AVON LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 10 – INTERFUND ACTIVITIES

A. INTERFUND RECEIVABLES AND PAYABLES

On the fund financial statements at June 30, 2008, interfund balances consisted of the following:

Fund	Receivable	Payable
General	\$ 259,000	\$ -
Other Governmental Funds		
Miscellaneous Trust	-	14,000
Auxiliary Services	-	45,000
Capital Projects	-	200,000
Total	<u>\$ 259,000</u>	<u>\$ 259,000</u>

These amounts are represented as “Interfund Receivable/Payable” on the balance sheet. The loans were made to support projects in the Capital Projects Funds.

NOTE 11 - 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 2007, the District contracted with Indiana Insurance Company for property insurance. Professional liability is covered by the Nationwide Insurance Company with a \$ 5,000,000 aggregate limit. Vehicles are covered by Nationwide Insurance Company. Automobile liability has a \$ 2,000,000 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 maintain for the Superintendent by Liberty Bonds Services and \$ 50,000 for the treasurer by Ohio Farmers 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 pay 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 than 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 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 provided through the Medical Life and Insurance Company.

AVON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 12 - 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for SERS for the years ended June 30, 2008, 2007, and 2006 were \$ 460,753, \$ 426,000 and \$ 395,000, respectively. The full amount has been contributed for 2007 and 2006. For 2008, \$ 212,179 (46%) 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.

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, 2008

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy - For the fiscal year ended June 30, 2008, 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. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. 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, 2008, 2007, and 2006, were \$1,478,102, \$ 1,485,500, and \$ 1,348,100, respectively. The full amount has been contributed for 2007 and 2006. For 2008, \$ 1,225,106 (83%) 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, 2008, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$68,959.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$137,568, \$101,016, and \$93,669 respectively; 46 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

AVON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

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

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$21,721, \$20,690, and \$16,364 respectively; 46 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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 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 2008, 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, 2008, 2007, and 2006 were \$113,700, \$106,110, and \$96,293 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 14 – NOTES PAYABLE

Notes payable at June 30, 2008 consisted of the following:

	<u>Outstanding June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2008</u>
Energy conservation (1999) 5.20% through 2013	\$ 300,000	\$ -	\$ 45,000	\$ 255,000
Bond Anticipation Notes 4.125%, 1-11-08	5,020,000	-	5,020,000	-
Bond Anticipation Notes 3.50%, 1-8-09	-	5,020,000	-	5,020,000
	<u>\$ 5,320,000</u>	<u>\$ 5,020,000</u>	<u>\$ 5,065,000</u>	<u>\$ 5,275,000</u>

AVON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 15 – BONDS PAYABLE

Bonds payable at June 30, 2008 consisted of the following:

	<u>Outstanding June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2008</u>
General obligation bonds				
School Improvement, (1996) 4.80%, through 2020	\$ 1,740,000	\$ -	\$ -	\$ 1,740,000
School Improvement, (2000) 5.32%, through 2019	1,920,000	-	310,000	1,610,000
School Improvement, (2003) 2.00%, through 2029	5,495,000	-	310,000	5,185,000
School Improvement CABs and accretion of interest (2003) 4.43%, 4.53%, 4.63%, 4.73% (average effective) 2015, 2016, 2017, 2018 maturity	557,735	48,554	-	606,289
School improvement refunding (2004) 2.00% through 2020	6,045,000	-	350,000	5,695,000
School improvement refunding CABs and accretion of interest (2004) 4.70%, 4.78% (average effective) 2016, 2017 maturity	323,279	60,041	-	383,320
School Improvement, (2006) 4.00%, through 2034	14,385,000	-	540,000	13,845,000
School Improvement CABs and accretion of interest (2006) 12.54% (average effective) 2013, 2014, 2015 maturity	445,829	56,968	-	502,797
School improvement refunding (2007) 4.00% through 2029	12,330,000	-	235,000	12,095,000
School improvement refunding CABs and accretion of interest (2007) 17.43% (average effective) 2019, 2020 maturity	127,872	23,267	-	151,139
	<u>\$ 43,369,715</u>	<u>\$ 188,830</u>	<u>\$ 1,745,000</u>	<u>\$ 41,813,545</u>

AVON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 15 – BONDS PAYABLE (continued)

At June 30, 2008, outstanding general obligation bonds (including prior year's refunding) of \$18,845,000 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, 2008 was \$ 5,791,289. The accreted interest of \$ 211,289 has been included in the Statement of Net Assets at June 30, 2008. This year the addition of these bonds was \$ 48,554 which represents the increase in the accretion of interest. The final amount of these bonds will be \$ 1,660,000 payable through December 2018.

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, 2008 was \$ 6,078,320. The accreted interest of \$ 193,320 has been included in the Statement of Net Assets at June 30, 2008. This year the addition of these bonds was \$ 60,041 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, 2008 was \$ 14,347,797. The accreted interest of \$ 107,823 has been included in the Statement of Net Assets at June 30, 2008. This year the addition of these bonds was \$ 56,968 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, 2008 was \$ 12,246,139. The accreted interest of \$ 31,149 has been included in the Statement of Net Assets at June 30, 2008. This year the addition of these bonds was \$ 23,267 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 16 - LONG-TERM OBLIGATIONS

Changes in the District's long-term obligations during fiscal year 2008 were as follows:

	Outstanding June 30, 2007	Additions	Retired	Outstanding June 30, 2008	Amounts Due In One Year
Compensated absences	\$ 2,124,773	\$ 385,663	\$ 245,818	\$ 2,264,618	\$ 101,908
Notes payable	300,000	-	45,000	255,000	45,000
School Improvement bonds	41,915,000	-	1,745,000	40,170,000	2,160,000
Capital appreciation bonds	1,099,964	-	-	1,099,964	-
Accretion on capital appreciation bonds	354,751	188,830	-	543,581	-
	<u>\$ 45,794,488</u>	<u>\$ 574,493</u>	<u>\$ 2,035,818</u>	<u>\$ 44,333,163</u>	<u>\$ 2,306,908</u>

The bonds payable, energy conservation note and bond anticipation note will be repaid from the Debt Service Fund. The capital lease will be repaid from the General Fund. 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, 2008

NOTE 17 – DEBT SERVICE REQUIREMENTS

Debt service requirements, including principal and interest, to retire notes and bonds payable at June 30, 2008, consisted of:

Year ending June 30,	Principal	Interest	Total
2009	\$ 2,205,000	\$ 1,688,952	\$ 3,893,952
2010	2,580,000	1,601,091	4,181,091
2011	2,990,000	1,490,608	4,480,608
2012	2,100,000	1,385,797	3,485,797
2013	2,675,000	1,289,933	3,964,933
2014-2018	9,024,974	7,589,667	16,614,641
2019-2023	7,144,990	4,649,990	11,794,980
2024-2028	5,830,000	3,495,271	9,325,271
2029-2033	5,440,000	823,216	6,263,216
2034-2035	1,535,000	69,862	1,604,862
	<u>\$ 41,524,964</u>	<u>\$ 24,084,387</u>	<u>\$65,609,351</u>

NOTE 18 – 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 2008, expenditures for operating leases totaled \$ 57,163.

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, 2008.

Year ending June 30,	Amount
2009	<u>\$ 4,764</u>

NOTE 19 – CONTRACTUAL COMMITMENTS

At June 30, 2008 the District had contractual commitments for building construction and renovation projects as follows:

	Contracted Amount	Expended	Remaining Liability
Avon East Elementary	\$ 461,258	\$ 187,201	\$ 274,057
Avon Village School	139,125	8,500	130,625
Avon High School	10,897,556	10,625,086	272,470
Site improvement project	840,676	12,750	827,926
	<u>\$ 12,338,615</u>	<u>\$ 10,833,537</u>	<u>\$ 1,505,078</u>

AVON LOCAL SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 20 - 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 2008.

	Textbook	Capital Maintenance
Balance, July 1, 2007	\$ (1,105,011)	\$ -
Required set aside	469,490	469,490
Qualifying expenditures	(857,597)	(469,490)
Balance, June 30, 2008	\$ (1,493,118)	\$ -

Expenditures and offset credits for textbooks and capital maintenance during the year were \$ 857,597 and \$ 469,490, respectively. Textbook expenditures have exceeded statutory requirements by \$ 1,493,118 which may be used to offset future years' set aside requirements.

NOTE 21 - 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, 2008, the District paid \$ 154,610 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.

AVON LOCAL SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS (continued)

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 2008 the District paid \$ 769 to the Council.

The District participates in the Council's electric purchase program which was implemented during fiscal year 2000. The program allows school districts to purchase electricity at reduced rates for a period of eight years through Energy Acquisition Corporation (Corporation), a non-profit corporation with a self-appointing board of trustees. The Corporation issued \$ 119,140,000 of notes to prepurchase eight years of electricity from Cleveland Electric Illuminating (CEI). The participating school districts are not obligated in any manner for this debt. If a participating school district terminates their agreement during the eight year period, they are required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corporation.

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

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

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 22 - 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, 2008.

Avon Local School District
Lorain County
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Lunch	LLP4	10.555	\$ 147,621	\$ -	\$ 147,621	\$ -
National School Breakfast	N/A	10.553	13,726	-	13,726	-
Total Nutrition Cluster			161,347	-	161,347	-
Government Commodities Program	N/A	10.550	-	35,830	-	35,830
Total Passed through Ohio Department of Education			161,347	35,830	161,347	35,830
Total United States Department of Agriculture			161,347	35,830	161,347	35,830
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
Special Education Grants to States	6BSF	84.027	606,169	-	590,609	-
Safe & Drug Free Schools and Communities - State Grants	DRS1	84.186	5,498	-	5,798	-
School Grants for Innovative Programs	C2S1	84.298	8,028	-	8,043	-
Improving Teacher Quality - State Grants	TRS1	84.367	42,023	-	41,713	-
Total Passed through Ohio Department of Education			661,718	-	646,163	-
Total United States Department of Education			661,718	-	646,163	-
Total Federal Financial Assistance			\$ 823,065	\$ 35,830	\$ 807,510	\$ 35,830

NA - Not Available

See accompanying notes to the Schedule of Federal Awards Expenditures

Avon Local School District
Notes to Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2008

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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, 2008, the District had no significant food commodities in inventory.

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Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

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 (the School District) as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 19, 2008 in which we noted that the School District implemented GASB Statements No. 50 and No. 45. 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 School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial misstatement.

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

Members of the Board

Avon Local School District

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's basic 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain non-compliance and other matter that was reported to the School District in a separate report dated December 19, 2008.

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



Balestra, Harr & Scherer, CPAs, Inc.

December 19, 2008

BALESTRA, HARR & SCHERER, CPAs, INC.

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

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

Compliance

We have audited the compliance of the Avon Local School District (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 are applicable to its major federal program for the year ended June 30, 2008. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

Members of the Board
Avon Local School District

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

Page 2

Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School District's internal control.

Our consideration of the 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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

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



Balestra, Harr & Scherer, CPAs, Inc.

December 19, 2008

AVON LOCAL SCHOOL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 conditions 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 section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education – Grants to States, CFDA# 84.027
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

AVON LOCAL SCHOOL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(CONTINUED)

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

Finding Number	None
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



Mary Taylor, CPA
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
JULY 14, 2009