

**AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 1999-1998**

AVON LOCAL SCHOOL DISTRICT

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building, 12th Floor  
615 Superior Avenue, N. W.  
Cleveland, Ohio 44113

Telephone (216) 787-3665  
(800) 626-2297  
Facsimile (216) 787-3361  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS**

Avon Local School District  
Lorain County  
36600 Detroit Road  
Avon, Ohio 44011

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Avon Local School District, Lorain County, Ohio, (the District) as of and for the years ended June 30, 1999 and June 30, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Avon Local School District, Lorain County, Ohio, as of June 30, 1999 and June 30, 1998, and the results of its operations and the cash flows of its proprietary fund type for the years then ended in conformity with generally accepted accounting principles.

As described in Note 4 to the accompanying financial statements for the fiscal year ended June 30, 1998, during fiscal year 1998 the District changed its accounting for investments.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



**JIM PETRO**  
Auditor of State

December 17, 1999

AVON LOCAL SCHOOL DISTRICT  
 COMBINED BALANCE SHEET -  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and other debits</u>				
Equity in pooled cash and equivalents	\$ 2,886,056	\$ 263,641	\$ 1,060,947	\$ 1,001,271
Receivables, net				
Taxes, current	6,262,525	-	1,554,747	395,613
Taxes, delinquent	75,012	-	15,529	5,514
Accounts and other	-	-	-	-
Due from other governments	-	-	-	-
Inventories and supplies	-	-	-	-
Restricted cash	102,066	-	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Amount available for debt service	-	-	-	-
Amount to be provided for debt	-	-	-	-
Amount to be provided for benefits	-	-	-	-
Amount to be provided for capital leases	-	-	-	-
<b>Total assets and other debits</b>	<b>\$ 9,325,659</b>	<b>\$ 263,641</b>	<b>\$ 2,631,223</b>	<b>\$ 1,402,398</b>

See accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		Enterprise	Trust and Agency	
\$ 103,743	\$ 15,030	\$ -	\$ -	\$ 5,330,688
-	-	-	-	8,212,885
-	-	-	-	96,055
595	-	-	-	595
6,777	-	-	-	6,777
8,601	-	-	-	8,601
-	-	-	-	102,066
247,015	-	21,754,624	-	22,001,639
(86,498)	-	-	-	(86,498)
-	-	-	1,337,965	1,337,965
-	-	-	11,312,035	11,312,035
-	-	-	921,871	921,871
-	-	-	63,464	63,464
\$ 280,233	\$ 15,030	\$ 21,754,624	\$ 13,635,335	\$ 49,308,143

AVON LOCAL SCHOOL DISTRICT  
 COMBINED BALANCE SHEET -  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Liabilities, fund equity and other credits</b>				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 143,091	\$ 31,870	\$ -	\$ 56,494
Accrued salaries and benefits	849,513	43,703	-	-
Due to other governments	146,060	2,076	-	-
Due to others	-	-	-	11,682
Deferred revenue	5,236,750	-	1,293,258	320,089
Notes payable	-	-	-	70,000
Bonds payable	-	-	-	-
Capital leases	-	-	-	-
Compensated absences	39,852	-	-	-
<b>Total liabilities</b>	<b>6,415,266</b>	<b>77,649</b>	<b>1,293,258</b>	<b>458,265</b>
<b>Fund equity and other credits</b>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings	-	-	-	-
Unreserved	-	-	-	-
Fund balances	-	-	-	-
Reserved for budget stabilization	101,838	-	-	-
Reserved for textbooks	228	-	-	-
Reserved for property taxes	1,100,787	-	277,018	81,038
Reserved for debt services	-	-	1,060,947	-
Reserved for encumbrances	137,573	105,791	-	508,437
Unreserved	1,569,967	80,201	-	354,658
<b>Total fund equity and other credits</b>	<b>2,910,393</b>	<b>185,992</b>	<b>1,337,965</b>	<b>944,133</b>
<b>Total liabilities, fund equity and other credits</b>	<b>\$ 9,325,659</b>	<b>\$ 263,641</b>	<b>\$ 2,631,223</b>	<b>\$ 1,402,398</b>

See accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		Enterprise	Trust and Agency	
\$ 732	\$ 68	\$ -	\$ -	\$ 232,255
17,597	-	-	-	910,813
18,972	-	-	81,313	248,421
-	14,912	-	-	26,594
3,280	-	-	-	6,853,377
-	-	-	-	70,000
-	-	-	12,650,000	12,650,000
-	-	-	63,464	63,464
20,650	-	-	840,558	901,060
61,231	14,980	-	13,635,335	21,955,984
-	-	21,754,624	-	21,754,624
132,997	-	-	-	132,997
86,005	-	-	-	86,005
-	-	-	-	101,838
-	-	-	-	228
-	-	-	-	1,458,843
-	-	-	-	1,060,947
-	-	-	-	751,801
-	50	-	-	2,004,876
219,002	50	21,754,624	-	27,352,159
\$ 280,233	\$ 15,030	\$ 21,754,624	\$ 13,635,335	\$ 49,308,143

AVON LOCAL SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Taxes	\$ 5,720,231	\$ -	\$ 1,316,474	\$ 431,806
Tuition and fees	48,276	-	-	-
Interest	232,227	3,866	-	97,084
Intergovernmental	2,470,034	418,264	146,982	79,601
Extracurricular	-	162,948	-	-
Miscellaneous	22,873	56,914	-	-
<b>Total revenues</b>	<b>8,493,641</b>	<b>641,992</b>	<b>1,463,456</b>	<b>608,491</b>
Expenditures				
Current				
Instruction				
Regular	3,662,609	32,690	-	22,815
Special	341,141	87,360	-	-
Vocational education	165,518	-	-	-
Other	47,139	-	-	-
Supporting services				
Pupil	289,162	96,527	-	-
Instructional	289,094	17,566	-	-
Board of education	44,703	-	-	-
Administration	854,722	8,040	-	-
Fiscal	287,905	-	19,855	18,258
Operation and maintenance	907,983	-	-	-
Pupil transportation	459,448	-	-	-
Central services	2,199	863	-	-
Non-instructional services				
Community services	-	222,402	-	-
Extracurricular				
Academic oriented	32,428	7,236	-	-
Occupation oriented	619	-	-	-
Sports oriented	254,831	101,449	-	-
Co-curricular	14,382	3,752	-	-
Capital projects	-	-	-	2,388,605
Debt service				
Principal	17,738	-	315,000	-
Interest	5,662	-	735,358	6,181
<b>Total expenditures</b>	<b>7,677,283</b>	<b>577,885</b>	<b>1,070,213</b>	<b>2,435,859</b>
Excess (deficiency) of revenues over expenditures	816,358	64,107	393,243	(1,827,368)
Other financing sources (uses)				
Operating transfers-in	-	40,000	55,150	156,389
Operating transfers-out	(105,150)	(46,389)	-	(150,000)
Capital lease	43,208	-	-	-
<b>Total other financing sources (uses)</b>	<b>(61,942)</b>	<b>(6,389)</b>	<b>55,150</b>	<b>6,389</b>
Excess (deficiency) of revenues over expenditures and other sources (uses)	754,416	57,718	448,393	(1,820,979)
Fund balances at beginning of year	2,155,977	128,274	889,572	2,765,112
Fund balances at end of year	\$ 2,910,393	\$ 185,992	\$ 1,337,965	\$ 944,133

See accompanying Notes to the General Purpose Financial Statements.



Fiduciary Fund Type			
Expendable Trust		Totals (Memorandum Only)	
\$	-	\$	7,468,511
	-		48,276
	-		333,177
	-		3,114,881
	-		162,948
	300		80,087
	300		11,207,880
	-		3,718,114
	-		428,501
	-		165,518
	-		47,139
	-		385,689
	-		306,660
	-		44,703
	-		862,762
	-		326,018
	-		907,983
	-		459,448
	-		3,062
	300		222,702
	-		39,664
	-		619
	-		356,280
	-		18,134
	-		2,388,605
	-		332,738
	-		747,201
	300		11,761,540
	-		(553,660)
	-		251,539
	-		(301,539)
	-		43,208
	-		(6,792)
	-		(560,452)
	50		5,938,985
\$	50	\$	5,378,533

AVON LOCAL SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 1999

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 4,751,074	\$ 5,755,085	\$ 1,004,011
Tuition and fees	34,517	48,276	13,759
Interest	70,000	232,227	162,227
Intergovernmental	2,021,021	2,470,034	449,013
Extracurricular	-	-	-
Miscellaneous	16,000	22,873	6,873
Total revenues	6,892,612	8,528,495	1,635,883
Expenditures			
Current			
Instruction			
Regular	3,655,891	3,646,087	9,804
Special	364,211	363,622	589
Vocational education	166,289	166,286	3
Other	52,663	42,347	10,316
Supporting services			
Pupil	301,313	293,998	7,315
Instructional	302,989	281,191	21,798
Board of education	208,520	46,577	161,943
Administration	852,618	833,898	18,720
Fiscal	304,779	296,995	7,784
Operation and maintenance	985,828	954,739	31,089
Pupil transportation	505,659	465,401	40,258
Central services	3,268	2,837	431
Non-instructional services			
Community services	-	-	-
Extracurricular			
Academic oriented	32,029	31,425	604
Occupation oriented	700	621	79
Sports oriented	256,231	249,624	6,607
Co-curricular	14,480	14,352	128
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	8,007,468	7,690,000	317,468
Excess (deficiency) of revenues over expenditures	(1,114,856)	838,495	1,953,351
Other financing sources (uses)			
Operating transfers-in	-	-	-
Operating transfers-out	(105,150)	(105,150)	-
Refund of prior year's expenditures	8,462	9,912	1,450
Total other financing sources (uses)	(96,688)	(95,238)	1,450
Excess (deficiency) of revenues over expenditures and other sources (uses)	(1,211,544)	743,257	1,954,801
Prior year encumbrances	112,781	112,781	-
Fund balances at beginning of year	1,862,845	1,862,845	-
Fund balances at end of year	\$ 764,082	\$ 2,718,883	\$ 1,954,801

See accompanying Notes to the General Purpose Financial Statements.

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 1,072,000	\$ 1,397,757	\$ 325,757
2,800	3,866	1,066	-	-	-
404,025	413,236	9,211	130,000	146,982	16,982
163,000	162,948	(52)	-	-	-
53,200	56,914	3,714	-	-	-
623,025	636,964	13,939	1,202,000	1,544,739	342,739
40,762	32,894	7,868	-	-	-
109,130	109,130	-	-	-	-
-	-	-	-	-	-
116,898	113,468	3,430	-	-	-
26,016	21,598	4,418	-	-	-
-	-	-	-	-	-
7,000	6,751	249	-	-	-
-	-	-	20,461	19,855	606
-	-	-	-	-	-
1,000	863	137	-	-	-
290,126	290,126	-	-	-	-
9,000	7,236	1,764	-	-	-
-	-	-	-	-	-
107,573	105,181	2,392	-	-	-
11,550	8,942	2,608	-	-	-
-	-	-	-	-	-
-	-	-	390,000	390,000	-
-	-	-	741,539	741,539	-
719,055	696,189	22,866	1,152,000	1,151,394	606
(96,030)	(59,225)	36,805	50,000	393,345	343,345
25,000	40,000	15,000	-	55,150	55,150
(58,000)	(46,389)	11,611	-	-	-
-	-	-	-	-	-
(33,000)	(6,389)	26,611	-	55,150	55,150
(129,030)	(65,614)	63,416	50,000	448,495	398,495
42,053	42,053	-	-	-	-
149,501	149,501	-	612,452	612,452	-
\$ 62,524	\$ 125,940	\$ 63,416	\$ 662,452	\$ 1,060,947	\$ 398,495

AVON LOCAL SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 1999

Capital Projects

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 283,000	\$ 353,808	\$ 70,808
Tuition and fees	-	-	-
Interest	78,500	97,084	18,584
Intergovernmental	74,000	79,601	5,601
Extracurricular	-	-	-
Miscellaneous	-	-	-
Total revenues	435,500	530,493	94,993
Expenditures			
Current			
Instruction			
Regular	38,865	22,815	16,050
Special	-	-	-
Vocational education	-	-	-
Other	-	-	-
Supporting services			
Pupil	-	-	-
Instructional	-	-	-
Board of education	-	-	-
Administration	-	-	-
Fiscal	6,576	6,576	-
Operation and maintenance	-	-	-
Pupil transportation	-	-	-
Central services	-	-	-
Non-instructional services			
Community services	-	-	-
Extracurricular			
Academic oriented	-	-	-
Occupation oriented	-	-	-
Sports oriented	-	-	-
Co-curricular	-	-	-
Capital outlay	3,419,442	3,307,837	111,605
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	3,464,883	3,337,228	127,655
Excess (deficiency) of revenues over expenditures	(3,029,383)	(2,806,735)	222,648
Other financing sources (uses)			
Operating transfers-in	122,000	156,389	34,389
Operating transfers-out	(150,000)	(150,000)	-
Refund of prior year's expenditures	-	-	-
Total other financing sources (uses)	(28,000)	6,389	34,389
Excess (deficiency) of revenues over expenditures and other sources (uses)	(3,057,383)	(2,800,346)	257,037
Prior year encumbrances	2,626,719	2,626,719	-
Fund balances at beginning of year	514,698	514,698	-
Fund balances at end of year	\$ 84,034	\$ 341,071	\$ 257,037

See accompanying Notes to the General Purpose Financial Statements.

Totals  
(Memorandum only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 6,106,074	\$ 7,506,650	\$ 1,400,576
34,517	48,276	13,759
151,300	333,177	181,877
2,629,046	3,109,853	480,807
163,000	162,948	(52)
69,200	79,787	10,587
<u>9,153,137</u>	<u>11,240,691</u>	<u>2,087,554</u>
3,735,518	3,701,796	33,722
473,341	472,752	589
166,289	166,286	3
52,663	42,347	10,316
418,211	407,466	10,745
329,005	302,789	26,216
208,520	46,577	161,943
859,618	840,649	18,969
331,816	323,426	8,390
985,828	954,739	31,089
505,659	465,401	40,258
4,268	3,700	568
290,126	290,126	-
41,029	38,661	2,368
700	621	79
363,804	354,805	8,999
26,030	23,294	2,736
3,419,442	3,307,837	111,605
390,000	390,000	-
741,539	741,539	-
<u>13,343,406</u>	<u>12,874,811</u>	<u>468,595</u>
(4,190,269)	(1,634,120)	2,556,149
147,000	251,539	104,539
(313,150)	(301,539)	11,611
8,462	9,912	1,450
<u>(157,688)</u>	<u>(40,088)</u>	<u>117,600</u>
(4,347,957)	(1,674,208)	2,673,749
2,781,553	2,781,553	-
3,139,496	3,139,496	-
<u>\$ 1,573,092</u>	<u>\$ 4,246,841</u>	<u>\$ 2,673,749</u>

AVON LOCAL SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1999

	Enterprise
Operating revenues	
Charges for services	\$ 343,105
Miscellaneous	44,864
	387,969
Total operating revenues	
Operating expenses	
Salaries and wages	113,842
Fringe benefits	45,901
Contractual services	620
Materials and supplies	272,550
Depreciation	5,150
	438,063
Total operating expenses	
Operating (loss)	(50,094)
Nonoperating revenues	
Intergovernmental	40,596
Interest	609
	41,205
Total nonoperating revenues	
(Loss) before operating transfers	(8,889)
Operating transfers	
Operating transfers-in	50,000
	50,000
Total operating transfers	
Net income	41,111
Add depreciation on fixed assets acquired with contributed capital	3,410
Retained earnings at beginning of year	41,484
Retained earnings at end of year	\$ 86,005

See accompanying Notes to the General Purpose Financial Statements.

AVON LOCAL SCHOOL DISTRICT

COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 1999

	<u>Enterprise</u>
Cash flows from operating activities:	
Operating (loss)	\$ (50,094)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation	5,150
Donated commodities, used	13,547
Changes in net assets (increase) decrease and liabilities increase (decrease)	
Receivables, accounts and other	(595)
Intergovernmental receivable	(2,782)
Inventories and supplies	(3,313)
Accounts and contracts payable	(26,891)
Accrued salaries and benefits	(1,332)
Intergovernmental payable	8,838
Deferred revenue	341
Compensated absences	284
Total adjustments	<u>(6,753)</u>
Net cash (used in) operating activities	<u>(56,847)</u>
Cash flows from non-capital financing activities:	
Intergovernmental revenue	27,049
Operating transfers-in	50,000
Net cash provided by non-capital financing activities	<u>77,049</u>
Cash flows from investing activities:	
Interest income	609
Net cash provided by investing activities	<u>609</u>
Net increase in cash and cash equivalents	20,811
Equity in pooled cash and equivalents, beginning of year	<u>82,932</u>
Equity in pooled cash and equivalents, end of year	<u>\$ 103,743</u>
Non-cash transactions:	
Fixed assets acquired with contributed capital	<u>\$ 136,407</u>

See accompanying Notes to the General Purpose Financial Statements.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Avon Local School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 1998 was 1,519. The District employs 98 certificated and 62 non-certificated employees.

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

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

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

Lake Erie Educational Computer Association - The Avon Local School District participates in the Lake Erie Educational Computer Association (LEECA). LEECA provides data services needed by the participating school districts. This is a jointly governed organization. The District's participation is disclosed in Note 17 to the financial statements.

Lake Erie Regional Council of Governments - The Lake Erie Regional Council of Governments (LERC) promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The District's participation is disclosed in Note 17 to the financial statements.



AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY (continued)

Lorain County Joint Vocational School District - The Lorain County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for vocational and special education needs of the students. This is a jointly governed organization. The District's participation is disclosed in Note 17 to the financial statements.

Ohio Schools Council of Governments - The Ohio Schools Council promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The District's participation is disclosed in Note 17 to the financial statements.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Governmental Fund Types

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Proprietary Fund Type

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

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

Enterprise Funds - used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Board of Education is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges;

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Fund Type (continued)

or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

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

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

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

Account Groups

The District maintains two account groups as described below:

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

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

B. DEPOSITS AND INVESTMENTS

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. DEPOSITS AND INVESTMENTS (continued)

During fiscal year 1999, the District invested funds in the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investments could be sold for on June 30, 1999.

C. RESTRICTED CASH

Restricted cash in the general fund represents cash and cash equivalents set aside to establish a budget stabilization reserve and a textbook reserve. These reserves are required by State statute and can be used only after receiving approval from the State. Fund balance reserves have also been established.

D. RECEIVABLES

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

E. INVENTORIES AND SUPPLIES

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

F. FIXED ASSETS AND DEPRECIATION

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

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

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. LONG-TERM LIABILITIES

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

H. UNPAID COMPENSATED ABSENCES

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

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

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

I. FUND EQUITY

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

J. TOTAL COLUMNS

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

K. REBATABLE ARBITRAGE

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

L. USE OF ESTIMATES

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY PROCESS

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

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

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed or are deficient of current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" do not include July 1, 1998 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

BUDGETARY PROCESS (continued)

Appropriations (continued)

authority at the fund, function and object level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

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

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

Encumbrances

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

Budgetary Reporting

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

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 JUNE 30, 1999

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

BUDGETARY PROCESS (continued)

Budgetary Reporting (continued)

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

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

Excess (deficiency) of revenues over  
 expenditures and other sources (uses) -  
 reconciliation of budget basis to GAAP basis

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Budget basis	\$ 743,257	\$ (65,614)	\$ 448,495	\$ (2,800,346)
Adjustments, increase (decrease)				
Revenue accruals	(1,558)	5,028	(81,283)	77,998
Expenditure accruals	12,717	118,304	81,181	1,023,613
GAAP basis, as reported	<u>\$ 754,416</u>	<u>\$ 57,718</u>	<u>\$ 448,393</u>	<u>\$ (1,698,735)</u>

NOTE 4 DEPOSITS AND INVESTMENTS

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



AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 4 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS

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

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

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

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

- 1.) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- 2.) Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3.) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to daily, and that the term of the agreement must not exceed thirty days;

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 4 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS - (continued)

- 4.) Bonds and other obligations of the State of Ohio;
- 5.) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6.) The State Treasurer's investment pool (STAR Ohio); and
- 7.) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

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

B. DEPOSITS

At year-end, the carrying amount of the Avon Local School District's deposits was \$ 2,000,651 and the bank balance was \$ 2,055,510 all of which was covered by federal depository insurance or collateral held by a qualified third party trustee in the name of the Avon Local School District.

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 JUNE 30, 1999

NOTE 4 DEPOSITS AND INVESTMENTS (continued)

C. INVESTMENTS

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

	Carrying value	Market value
Investment in State Treasurer's investment pool	\$ 3,432,103	\$ 3,432,103

NOTE 5 FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. GENERAL FIXED ASSETS ACCOUNT GROUP

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

	Balance July 1, 1998	Additions	Disposals	Balance June 30, 1999
Land	\$ 1,280,588	\$ 715,765	\$ -	\$ 1,996,353
Buildings and improvements	3,713,680	12,665,344	-	16,379,024
Construction in process	11,471,162	2,138,580	13,609,742	-
Furniture and equipment	1,867,937	740,548	-	2,608,485
Vehicles	750,862	19,900	-	770,762
	\$ 19,084,229	\$ 16,280,137	\$ 13,609,742	\$ 21,754,624

During the fiscal year ended June 30, 1999, construction in process was reclassified to various components of the general fixed assets account group.

B. PROPRIETARY FUND TYPE FIXED ASSETS

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

	Balance June 30, 1999
<u>Enterprise</u>	
Machinery and equipment	\$ 247,015
Less: accumulated depreciation	86,498
Net fixed assets	\$ 160,517

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 JUNE 30, 1999

NOTE 6 DEFERRED REVENUE

Deferred revenue at year-end, consisted of:

	Balance June 30, 1999
Property taxes receivable	\$ 6,850,097
Federal commodities, unused	3,280
	\$ 6,853,377

NOTE 7 GENERAL LONG-TERM DEBT

	Outstanding June 30, 1998	Additions	Deductions	Outstanding June 30, 1999
Due to other governments	\$ 70,076	\$ 81,313	\$ 70,076	\$ 81,313
Bonds payable	12,965,000	-	315,000	12,650,000
Capital leases	37,994	43,208	17,738	63,464
Compensated absences	789,007	71,461	19,910	840,558
	\$ 13,862,077	\$ 195,982	\$ 422,724	\$ 13,635,335

NOTE 8 NOTES PAYABLE

	Rate of Interest	Issue Date	Maturity Date	Balance June 30, 1999
<u>Capital Projects Fund</u>				
Tax anticipation note	5.75%	12-01-94	12-01-99	\$ 70,000

NOTE 9 BONDS PAYABLE

	Outstanding June 30, 1998	Additions	Deductions	Outstanding June 30, 1999
<u>General obligation bonds</u>				
School improvement, (1996) 4.8% through 2021	\$ 12,365,000	\$ -	\$ 290,000	\$ 12,075,000
Energy conservation, (1999) 5.2% through 2013	600,000	-	25,000	575,000
	\$ 12,965,000	\$ -	\$ 315,000	\$ 12,650,000

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 JUNE 30, 1999

NOTE 10 DEBT SERVICE REQUIREMENTS TO MATURITY

Debt service requirements, including principal and interest, to retire debt obligations outstanding at June 30, 1999, consisted of:

<u>Year ending June 30.</u>	<u>Bonds Payable</u>	<u>Notes Payable</u>	<u>Total</u>
2000	\$ 1,081,293	\$ 72,012	\$ 1,153,305
2001	1,103,438	-	1,103,438
2002	1,167,170	-	1,167,170
2003	1,196,055	-	1,196,055
2004	1,225,062	-	1,225,062
2004-08	4,914,005	-	4,914,005
2009-13	4,347,860	-	4,347,860
2014-18	4,919,800	-	4,919,800
2019-21	<u>2,260,500</u>	<u>-</u>	<u>2,260,500</u>
Total	<u>\$ 22,215,183</u>	<u>\$ 72,012</u>	<u>\$ 22,287,195</u>

Not reflected above are due to other governments of \$ 81,313, capital leases of \$ 63,464, and compensated absences of \$ 840,558.

NOTE 11 CAPITAL LEASES

The Avon Local School District is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Asset Account Group and the General Long-Term Debt Account Group, respectively. The assets under capital leases totaled \$ 99,601 at June 30, 1999. The leases are in effect through fiscal year 2004.

The following is a schedule of future minimum lease payments under the capital leases together with the net present value of the minimum lease payments as of June 30, 1999.

<u>Year Ending June 30.</u>	<u>Amount</u>
2000	\$ 22,246
2001	21,143
2002	17,054
2003	8,859
2004	<u>1,477</u>
Total minimum lease payment	70,779
Less: Amount representing interest	<u>(7,315)</u>
Net present value of minimum lease payments	<u>\$ 63,464</u>

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 12 OPERATING LEASES

The Avon Local School District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the District's account groups. During 1999, expenditures for operating leases totaled \$ 1,748.

NOTE 13 PROPERTY TAXES

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

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

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

The tax applied to real property collected in 1999 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$ 50.27 per \$ 1,000 of valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$ 31.62 per \$ 1,000 of assessed valuation for real property classified as residential/agricultural and \$ 35.98 per \$ 1,000 of assessed valuation for all other real property. The tax rate applied to tangible personal property for the current year ended June 30, 1999, was \$ 50.27 per \$ 1,000 of valuation.

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 JUNE 30, 1999

NOTE 13 PROPERTY TAXES (continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$ 1,458,843 and is recognized as revenue and a reservation of fund balance.

The property valuation consisted of:

Real Property - 1998	
Residential/Agricultural	\$ 189,544,780
Commercial/Industrial	29,275,840
Public Utilities	467,890
Mineral	3,000
Tangible Personal Property - 1999	
General	14,944,821
Public Utilities	<u>18,567,900</u>
Total valuation	<u>\$ 252,804,231</u>

NOTE 14 RISK MANAGEMENT

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

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

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

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 14 RISK MANAGEMENT (continued)

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

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

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

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

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

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



AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 15 PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ended June 30, 1999, 1998, and 1997 were \$ 186,020, \$ 162,238, and \$ 155,657, respectively. The full amount has been contributed for 1998 and 1997. For 1999, 46% has been contributed with the remainder being reported as a fund liability and within the general long-term debt account group.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions to STRS for the years ended June 30, 1999, 1998, and 1997 were \$ 584,163, \$ 512,174, and \$ 464,935, respectively. The full amount has been contributed for 1998 and 1997. For 1999, 83% has been contributed with the remainder being reported as a fund liability.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 16 POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 1998 (the latest information available) the allocation rate was 4.98%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1998, the minimum pay has been established as \$ 12,400. The surcharge rate, added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998 were \$ 111,900,575 and the target level was \$ 139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits was \$ 160.3 million at cost.

The number of participants currently receiving health care benefits is approximately 40,000. For 1998, the portion of the District's contributions that were used to fund postemployment benefits was \$ 72,345.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 16 POSTEMPLOYMENT BENEFITS (continued)

B. SCHOOL TEACHERS RETIREMENT SYSTEM (STRS) (continued)

The Board currently allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$ 2,156 million at June 30, 1998 (the latest information available). For the year ended June 30, 1998 (the latest information available), the net health care costs paid by STRS were \$ 219,224,000. There were 88,718 eligible benefit recipients.

NOTE 17 JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATION COMPUTER ASSOCIATION (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 1999 the District paid approximately \$ 145,700 to LEECA.

B. LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS (LERC)

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

The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 1999 the District paid approximately \$ 549,000 to LERC.

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 JUNE 30, 1999

NOTE 17 JOINTLY GOVERNED ORGANIZATIONS (continued)

C. Lorain County Joint Vocational School District

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

D. Ohio Schools Council of Governments

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

The Ohio Schools Council assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. Ohio Schools Council is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Ohio Schools Council located at 6376 Mill road, Broadview Heights, Ohio, 44147. During the year ended June 30, 1999, the District paid approximately \$ 136,200 to Ohio Schools Council.

NOTE 18 CONTRIBUTED CAPITAL

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

	<u>Amount</u>
Contributed capital, 6/30/98	\$ -
Acquisition of fixed assets	136,407
Reductions, depreciation	(3,410)
Contributed capital, 6/30/99	\$ 132,997

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 19 CONTRACTUAL COMMITMENTS

At June 30, 1999 the District had contractual commitments of approximately \$ 537,000 related to building construction and the renovation of the middle school.

NOTE 20 CONTINGENT LIABILITIES

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

NOTE 21 SCHOOL FUNDING DECISION

On March 24, 1998, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling to allow the State's legislature to design a plan to remedy perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$ 2,069,661 of school foundation support, \$ 1,860,413 of which was recorded in its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Sate legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The state has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, The Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Please in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 JUNE 30, 1999

NOTE 22 STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During fiscal year ended June 30, 1999, the reserve activity (cash basis) was as follows:

	<u>Reserves</u>			<u>Total</u>
	<u>Textbook</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>	
Balance, July 1, 1998	\$ -	\$ -	\$ 42,147	\$ 42,147
Required set-aside	118,813	118,813	59,691	297,317
Offset credits	(18,920)	(118,813)	-	(137,733)
Qualifying expenditures	<u>(99,665)</u>	<u>-</u>	<u>-</u>	<u>(99,665)</u>
Balance, June 30, 1999	<u>\$ 228</u>	<u>\$ -</u>	<u>\$ 101,838</u>	<u>\$ 102,066</u>

Offset credits for capital activity during the year were \$ 143,488, which exceeded the required set aside and the reserve balance.

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 JUNE 30, 1999

NOTE 23 SEGMENT INFORMATION - ENTERPRISE FUNDS

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

	<u>Food Services</u>	<u>Uniform Supplies</u>	<u>Latchkey Services</u>	<u>Total</u>
Operating revenues	\$ 257,246	\$ 85,859	\$ 44,864	\$ 387,969
Operating expenses				
Salaries and wages	83,847	-	29,995	113,842
Fringe benefits	30,465	-	15,436	45,901
Contractual services	288	-	332	620
Materials and supplies	202,995	65,815	3,740	272,550
Depreciation	<u>5,150</u>	<u>-</u>	<u>-</u>	<u>5,150</u>
Total operating expenses	<u>322,745</u>	<u>65,815</u>	<u>49,503</u>	<u>438,063</u>
Operating income (loss)	(65,499)	20,044	(4,639)	(50,094)
Nonoperating revenues	41,205	-	-	41,205
Operating transfers-in	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Net income (loss)	<u>\$ 25,706</u>	<u>\$ 20,044</u>	<u>\$ (4,639)</u>	<u>\$ 41,111</u>
Other information				
Net working capital	<u>\$ 20,076</u>	<u>\$ 54,864</u>	<u>\$ 4,195</u>	<u>\$ 79,135</u>
Current capital contributions	<u>\$ 136,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,407</u>
Total assets	<u>\$ 209,332</u>	<u>\$ 55,596</u>	<u>\$ 15,305</u>	<u>\$ 280,233</u>
Total equity	<u>\$ 159,943</u>	<u>\$ 54,864</u>	<u>\$ 4,195</u>	<u>\$ 219,002</u>

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 24 YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations.

The District has completed an inventory of computer systems and other equipment necessary to conducting the District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Payroll System software for its payroll and employee benefits and State's EMIS for its educational statistics reporting. The State is responsible for remediating these systems.

The Lake Erie Educational Computer Association State Software Development Team has indicated that:

The payroll processing software supported with OECN State Software is compliant with the Year 2000.

The accounting software supported with the OECN State Software is compliant with the Year 2000.

The education management information system software supported with the OECN State Software is compliant with the Year 2000.

The equipment inventory and vehicle inventory system software supported with the OECN State Software will be compliant with the Year 2000 beginning with the March 1999 release of SAAS V2.1.

The State of Ohio distributes a substantial sum of money to the District in the form of "foundation" and Federal and State grant payments. The State is responsible for remediating these systems.

Lorain County collects property taxes for distribution to the District. Lorain County is responsible for remediating its tax collection system.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management cannot assure that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.



AVON LOCAL SCHOOL DISTRICT  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1998

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and other debits</u>				
Equity in pooled cash and equivalents	\$ 1,932,621	\$ 191,555	\$ 612,452	\$ 3,236,686
Receivables				
Taxes, current	5,774,877	-	1,303,180	434,654
Taxes, delinquent	26,386	-	6,348	1,901
Due from other governments	-	9,350	-	-
Inventories and supplies	-	-	-	-
Restricted cash	43,005	-	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Amount available for debt service	-	-	-	-
Amount to be provided for debt service	-	-	-	-
Amount to be provided for benefits	-	-	-	-
Amount to be provided for capital leases	-	-	-	-
<b>Total assets and other debits</b>	<b>\$ 7,776,889</b>	<b>\$ 200,905</b>	<b>\$ 1,921,980</b>	<b>\$ 3,673,241</b>

See accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		Enterprise	Trust and Agency	
\$ 82,932	\$ 13,041	\$ -	\$ -	\$ 6,069,287
-	-	-	-	7,512,711
-	-	-	-	34,635
3,995	-	-	-	13,345
5,288	-	-	-	5,288
-	-	-	-	43,005
110,608	-	19,084,229	-	19,194,837
(81,348)	-	-	-	(81,348)
-	-	-	889,572	889,572
-	-	-	12,075,428	12,075,428
-	-	-	859,083	859,083
-	-	-	37,924	37,924
<u>\$ 121,475</u>	<u>\$ 13,041</u>	<u>\$ 19,084,229</u>	<u>\$ 13,862,007</u>	<u>\$ 46,653,767</u>

AVON LOCAL SCHOOL DISTRICT  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1998

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Liabilities, fund equity and other credits</b>				
<b>Liabilities</b>				
Accounts and contracts payable	\$ 83,513	\$ 19,343	\$ -	\$ 410,795
Accrued salaries, wages, and benefits	742,697	36,094	-	-
Due to other governments	125,691	2,816	-	-
Due to others	-	-	-	-
Deferred revenue	4,665,622	14,378	1,032,408	352,334
Notes payable	-	-	-	145,000
Bonds payable	-	-	-	-
Capital leases	-	-	-	-
Compensated absences	3,389	-	-	-
<b>Total liabilities</b>	<b>5,620,912</b>	<b>72,631</b>	<b>1,032,408</b>	<b>908,129</b>
<b>Fund equity and other credits</b>				
Investment in general fixed assets	-	-	-	-
Retained earnings	-	-	-	-
Unreserved	-	-	-	-
Fund balances	-	-	-	-
Reserved for budget stabilization	43,005	-	-	-
Reserved for property taxes	1,135,641	-	277,120	84,221
Reserved for debt services	-	-	612,452	-
Reserved for encumbrances	76,757	24,197	-	2,188,949
Unreserved	900,574	104,077	-	491,942
<b>Total fund equity and other credits</b>	<b>2,155,977</b>	<b>128,274</b>	<b>889,572</b>	<b>2,765,112</b>
<b>Total liabilities, fund equity and other credits</b>	<b>\$ 7,776,889</b>	<b>\$ 200,905</b>	<b>\$ 1,921,980</b>	<b>\$ 3,673,241</b>

See accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		Enterprise	Trust and Agency	
\$ 27,623	\$ 245	\$ -	\$ -	\$ 541,519
18,929	-	-	-	797,720
10,134	-	-	70,076	208,717
-	12,746	-	-	12,746
2,939	-	-	-	6,067,681
-	-	-	-	145,000
-	-	-	12,965,000	12,965,000
-	-	-	37,924	37,924
20,366	-	-	789,007	812,762
79,991	12,991	-	13,862,007	21,589,069
-	-	19,084,229	-	19,084,229
41,484	-	-	-	41,484
-	-	-	-	43,005
-	-	-	-	1,496,982
-	-	-	-	612,452
-	-	-	-	2,289,903
-	50	-	-	1,496,643
41,484	50	19,084,229	-	25,064,698
\$ 121,475	\$ 13,041	\$ 19,084,229	\$ 13,862,007	\$ 46,653,767

AVON LOCAL SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 1998

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Taxes	\$ 5,844,897	\$ -	\$ 1,279,206	\$ 470,950
Tuition and fees	40,934	-	-	-
Interest	184,121	3,850	-	315,633
Intergovernmental	2,122,346	393,324	141,572	67,700
Extracurricular	-	142,619	-	-
Miscellaneous	67,445	123,570	-	-
<b>Total revenues</b>	<b>8,259,743</b>	<b>663,363</b>	<b>1,420,778</b>	<b>854,283</b>
Expenditures				
Current				
Instruction				
Regular	3,228,953	2,098	-	115,848
Special	395,937	86,355	-	-
Vocational education	162,783	-	-	-
Other	40,529	-	-	-
Supporting services				
Pupil	278,887	91,842	-	-
Instructional	213,251	21,857	-	-
Board of education	23,402	-	-	-
Administration	648,930	15,500	-	-
Fiscal	277,292	-	16,647	24,110
Operation and maintenance	605,714	-	-	-
Pupil transportation	445,698	-	-	-
Non-instructional services				
Community services	102	272,113	-	-
Extracurricular				
Academic oriented	29,833	2,153	-	-
Occupation oriented	604	-	-	-
Sports oriented	204,311	93,872	-	-
Co-curricular	16,035	12,915	-	-
Capital outlay	-	-	-	8,575,892
Debt service				
Principal	9,954	-	225,000	-
Interest	6,752	-	715,846	10,494
<b>Total expenditures</b>	<b>6,588,967</b>	<b>598,705</b>	<b>957,493</b>	<b>8,726,344</b>
Excess (deficiency) of revenues over expenditures	1,670,776	64,658	463,285	(7,872,061)
Other financing sources (uses)				
Operating transfers-in	-	-	-	519,000
Operating transfers-out	(50,000)	(369,000)	-	(150,000)
Bond proceeds	-	-	-	600,000
Premium and accrued interest on bonds	-	-	-	18,808
Sale of assets	-	-	-	300
<b>Total other financing sources (uses)</b>	<b>(50,000)</b>	<b>(369,000)</b>	<b>-</b>	<b>988,108</b>
Excess (deficiency) of revenues over expenditures and other sources (uses)	1,620,776	(304,342)	463,285	(6,883,953)
Fund balances, July 1, 1997	535,201	432,616	426,287	9,649,065
Fund balances, June 30, 1998	\$ 2,155,977	\$ 128,274	\$ 889,572	\$ 2,765,112

See accompanying Notes to the General Purpose Financial Statements.

Fiduciary Fund Type			
Expendable Trust	Totals (Memorandum Only)		
\$ -	\$ 7,595,053		
-	40,934		
-	503,604		
-	2,724,942		
-	142,619		
-	191,015		
-	11,198,167		
-	3,346,899		
-	482,292		
-	162,783		
-	40,529		
-	370,729		
-	235,108		
-	23,402		
-	664,430		
-	318,049		
-	605,714		
-	445,698		
300	272,515		
-	31,986		
-	604		
-	298,183		
-	28,950		
-	8,575,892		
-	234,954		
-	733,092		
300	16,871,809		
(300)	(5,673,642)		
-	519,000		
-	(569,000)		
-	600,000		
-	18,808		
-	300		
-	569,108		
(300)	(5,104,534)		
350	11,043,519		
\$ 50	\$ 5,938,985		

AVON LOCAL SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) -  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1998

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 5,081,986	\$ 5,081,986	\$ -
Tuition and fees	40,934	40,934	-
Interest	163,950	184,202	20,252
Intergovernmental	2,122,346	2,122,346	-
Extracurricular	-	-	-
Miscellaneous	24,440	24,440	-
<b>Total revenues</b>	<b>7,433,656</b>	<b>7,453,908</b>	<b>20,252</b>
Expenditures			
Current			
Instruction			
Regular	3,248,713	3,248,044	669
Special	393,826	386,326	7,500
Vocational education	159,354	159,354	-
Other	40,931	40,931	-
Supporting services			
Pupil	271,778	271,778	-
Instructional	213,270	213,255	15
Board of education	21,359	21,250	109
Administration	668,625	662,354	6,271
Fiscal	291,243	290,986	257
Operation and maintenance	597,899	597,811	88
Pupil transportation	455,803	456,491	(688)
Non-instructional services			
Community services	-	-	-
Extracurricular			
Academic oriented	28,374	28,374	-
Occupation oriented	596	596	-
Sports oriented	204,249	204,249	-
Co-curricular	15,745	15,745	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<b>Total expenditures</b>	<b>6,611,765</b>	<b>6,597,544</b>	<b>14,221</b>
Excess (deficiency) of revenues over expenditures	821,891	856,364	34,473
Other financing sources (uses)			
Operating transfers-in	-	-	-
Operating transfers-out	(50,000)	(50,000)	-
Proceeds from bonds	-	-	-
Refund of prior year's expenditures	43,005	43,005	-
Sale of assets	-	-	-
Refund of prior year's receipts	-	-	-
<b>Total other financing sources (uses)</b>	<b>(6,995)</b>	<b>(6,995)</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures and other sources (uses)	814,896	849,369	34,473
Prior year encumbrances	137,818	137,818	-
Fund balances, July 1, 1997	875,658	875,658	-
<b>Fund balances, June 30, 1998</b>	<b>\$ 1,828,372</b>	<b>\$ 1,862,845</b>	<b>\$ 34,473</b>

See accompanying Notes to the General Purpose Financial Statements.

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 1,176,176	\$ 1,176,176	\$ -
3,706	3,850	144	-	-	-
398,155	398,155	-	141,572	141,572	-
142,619	142,619	-	-	-	-
123,570	123,570	-	-	-	-
668,050	668,194	144	1,317,748	1,317,748	-
2,824	2,824	-	-	-	-
84,730	84,730	-	-	-	-
-	-	-	-	-	-
97,753	97,934	(181)	-	-	-
26,331	26,331	-	-	-	-
-	-	-	-	-	-
15,381	15,381	-	16,647	16,647	-
-	-	-	-	-	-
-	-	-	-	-	-
294,070	293,071	999	-	-	-
2,153	2,153	-	-	-	-
-	-	-	-	-	-
99,724	99,724	-	-	-	-
12,965	12,965	-	-	-	-
-	-	-	-	-	-
-	-	-	300,000	300,000	-
-	-	-	726,340	726,340	-
635,931	635,113	818	1,042,987	1,042,987	-
32,119	33,081	962	274,761	274,761	-
-	-	-	-	-	-
(369,000)	(369,000)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(3,810)	(3,810)	-	-	-	-
(372,810)	(372,810)	-	-	-	-
(340,691)	(339,729)	962	274,761	274,761	-
139,834	139,834	-	-	-	-
349,396	349,396	-	337,691	337,691	-
\$ 148,539	\$ 149,501	\$ 962	\$ 612,452	\$ 612,452	\$ -



AVON LOCAL SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS) -  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1998

	Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 333,470	\$ 333,470	\$ -
Tuition and fees	-	-	-
Interest	315,000	315,633	633
Intergovernmental	67,700	67,700	-
Extracurricular	-	-	-
Miscellaneous	-	-	-
<b>Total revenues</b>	<b>716,170</b>	<b>716,803</b>	<b>633</b>
Expenditures			
Current			
Instruction			
Regular	116,048	116,048	-
Special	-	-	-
Vocational education	-	-	-
Other	-	-	-
Supporting services			
Pupil	-	-	-
Instructional	-	-	-
Board of education	-	-	-
Administration	-	-	-
Fiscal	24,261	24,110	151
Operation and maintenance	-	-	-
Pupil transportation	-	-	-
Non-instructional services			
Community services	-	-	-
Extracurricular			
Academic oriented	-	-	-
Occupation oriented	-	-	-
Sports oriented	-	-	-
Co-curricular	-	-	-
Capital outlay	11,446,902	11,530,584	(83,682)
Debt service			
Principal	-	-	-
Interest	-	-	-
<b>Total expenditures</b>	<b>11,587,211</b>	<b>11,670,742</b>	<b>(83,531)</b>
Excess (deficiency) of revenues over expenditures	(10,871,041)	(10,953,939)	(82,898)
Other financing sources (uses)			
Operating transfers-in	519,000	519,000	-
Operating transfers-out	(150,000)	(150,000)	-
Proceeds from bonds	618,808	618,808	-
Refund of prior year's expenditures	-	-	-
Sale of assets	300	300	-
Refund of prior year's receipts	-	-	-
<b>Total other financing sources (uses)</b>	<b>988,108</b>	<b>988,108</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(9,882,933)	(9,965,831)	(82,898)
Prior year encumbrances	9,247,258	9,247,258	-
Fund balances, July 1, 1997	1,233,271	1,233,271	-
<b>Fund balances, June 30, 1998</b>	<b>\$ 597,596</b>	<b>\$ 514,698</b>	<b>\$ (82,898)</b>

See accompanying Notes to the General Purpose Financial Statements.

Totals  
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 6,591,632	\$ 6,591,632	\$ -
40,934	40,934	-
482,656	503,685	21,029
2,729,773	2,729,773	-
142,619	142,619	-
148,010	148,010	-
<u>10,135,624</u>	<u>10,156,653</u>	<u>21,029</u>
3,367,585	3,366,916	669
478,556	471,056	7,500
159,354	159,354	-
40,931	40,931	-
369,531	369,712	(181)
239,601	239,586	15
21,359	21,250	109
684,006	677,735	6,271
332,151	331,743	408
597,899	597,811	88
455,803	456,491	(688)
294,070	293,071	999
30,527	30,527	-
596	596	-
303,973	303,973	-
28,710	28,710	-
11,446,902	11,530,584	(83,682)
300,000	300,000	-
726,340	726,340	-
<u>19,877,894</u>	<u>19,946,386</u>	<u>(68,492)</u>
<u>(9,742,270)</u>	<u>(9,789,733)</u>	<u>(47,463)</u>
519,000	519,000	-
(569,000)	(569,000)	-
618,808	618,808	-
43,005	43,005	-
300	300	-
(3,810)	(3,810)	-
<u>608,303</u>	<u>608,303</u>	<u>-</u>
<u>(9,133,967)</u>	<u>(9,181,430)</u>	<u>(47,463)</u>
9,524,910	9,524,910	-
2,796,016	2,796,016	-
<u>\$ 3,186,959</u>	<u>\$ 3,139,496</u>	<u>\$ (47,463)</u>

AVON LOCAL SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
 ALL PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1998

	Enterprise
Operating revenues	
Tuition and fees	\$ 71,772
Miscellaneous	41,566
Charges for services	240,980
	354,318
Total operating revenues	
Operating expenses	
Salaries and wages	110,589
Fringe benefits	41,602
Contractual services	1,458
Materials and supplies	276,194
Depreciation	1,740
	431,583
Total operating expenses	
Operating (loss)	(77,265)
Nonoperating revenues	
Intergovernmental	38,560
Operating transfers-in	50,000
	88,560
Total nonoperating revenues	
Net income	11,295
Retained earnings, July 1, 1997	30,189
Retained earnings, June 30, 1998	\$ 41,484

See accompanying Notes to the General Purpose Financial Statements.

AVON LOCAL SCHOOL DISTRICT  
 COMBINED STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED JUNE 30, 1998

	Enterprise
Cash flows from operating activities:	
Operating (loss)	\$ (77,265)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation	1,740
Donated commodities, used	10,933
Changes in net assets (increase) decrease and liabilities increase (decrease)	
Receivables, accounts and other	2,630
Intergovernmental receivable	(9)
Inventories and supplies	(749)
Accounts and contracts payable	27,296
Accrued wages and benefits	(420)
Intergovernmental payable	(10,882)
Deferred revenue	101
Compensated absences	873
Total adjustments	31,513
Net cash (used in) operating activities	(45,752)
Cash flows from non-capital financing activities:	
Intergovernmental revenue	27,627
Operating transfers-in	50,000
Net cash provided by non-capital financing activities	77,627
Net increase in cash and cash equivalents	31,875
Equity in pooled cash and equivalents, July 1, 1997	51,057
Equity in pooled cash and equivalents, June 30, 1998	\$ 82,932

See accompanying Notes to the General Purpose Financial Statements.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1998

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Avon Local School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 1997 was 1,382. The District employs 86 certificated and 61 non-certificated employees.

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

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

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

Lake Erie Educational Computer Association - The Avon Local School District participates in the Lake Erie Educational Computer Association (LEECA). LEECA provides data services needed by the participating school districts. This is a jointly governed organization. The District's participation is disclosed in Note 18 to the financial statements.

Lake Erie Regional Council of Governments - The Lake Erie Regional Council of Governments (LERC) promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The District's participation is disclosed in Note 18 to the financial statements.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1998

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY (continued)

Lorain County Joint Vocational School District - The Lorain County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for vocational and special education needs of the students. This is a jointly governed organization. The District's participation is disclosed in Note 18 to the financial statements.

Ohio Schools Council of Governments - The Ohio Schools Council promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The District's participation is disclosed in Note 18 to the financial statements.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Governmental Fund Types

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1998

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

Proprietary Fund Types

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

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

Enterprise Funds - used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Board of Education is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges;

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1998

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Fund Types (continued)

or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

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

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

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

Account Groups

The District maintains two account groups as described below:

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

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

B. DEPOSITS AND INVESTMENTS

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



AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1998

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. DEPOSITS AND INVESTMENTS (continued)

During fiscal year 1998, the District invested funds in the State Treasury Assets Reserve (STAR Ohio). STAR Ohio is an investment pool managed by the state Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of The Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1998.

C. RESTRICTED CASH

Restricted cash in the general fund represents cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State. During fiscal year 1998, the District received a \$ 43,005 refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve. This refund is included in miscellaneous revenue in the accompanying financial statements. A fund balance reserve has also been established.

D. RECEIVABLES

Taxes receivable are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible. Other receivables are recorded at their gross value.

E. INVENTORIES AND SUPPLIES

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

F. FIXED ASSETS AND DEPRECIATION

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

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method

based on estimated life of assets. Useful lives of the depreciable assets consisting of machinery and equipment is 20 years.

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

G. LONG-TERM LIABILITIES

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1998

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. UNPAID COMPENSATED ABSENCES

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

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

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

I. FUND EQUITY

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

J. TOTAL COLUMNS

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

K. REBATABLE ARBITRAGE

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

L. USE OF ESTIMATES

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1998

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY PROCESS

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

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

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed or are deficient of current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" do not include July 1, 1997 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1998

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Appropriations (continued)

authority at the fund, function and object level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

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

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

Encumbrances

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

Budgetary Reporting

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

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NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Budgetary Reporting (continued)

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

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

Excess (deficiency) of revenues over  
 expenditures and other sources (uses) -  
 reconciliation of budget basis to GAAP basis

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>
Budget basis	\$ 849,369	\$ (339,729)	\$ 274,761	\$ (9,870,562)
Adjustments, increase (decrease)				
Revenue accruals	762,830	(4,831)	103,030	137,480
Expenditure accruals	<u>8,577</u>	<u>40,218</u>	<u>85,494</u>	<u>2,726,885</u>
GAAP basis, as reported (deficit)	<u>\$ 1,620,776</u>	<u>\$ (304,342)</u>	<u>\$ 463,285</u>	<u>\$ 7,006,197</u>

B. FUND EQUITY DEFICITS

Not apparent in the general purpose financial statements are fund equity deficits of \$ 2,170 in the Food Service Fund, \$ 14,600 in the Title VIB Fund, \$ 6,611 in the Title I Fund, \$ 636 in the Drug Free Schools Fund, and \$ 5,666 in the Latchkey Fund. These deficit fund balances at year-end result from reflecting expenditures in accordance with the modified accrual and accrual bases which are substantially larger than the amounts recognized on the budget basis. The District, in accordance with its budget basis, will appropriate such expenditures from resources of the subsequent year.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 4 CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 1998, the District has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement establishes accounting and reporting guidelines for government investment pools. The adoption of this statement required no change in the carrying amount of the District's investments at June 30, 1997.

NOTE 5 DEPOSITS AND INVESTMENTS

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

A. LEGAL REQUIREMENTS

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

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

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

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

- 1.) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

AVON LOCAL SCHOOL DISTRICT  
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NOTE 5 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS - (continued)

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

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

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



AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 5 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS - (continued)

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

B. DEPOSITS

At year-end, the carrying amount of the Avon Local School District's deposits was \$ 945,067 and the bank balance was \$ 982,645 all of which was covered by federal depository insurance or collateral held by a qualified third party trustee in the name of the Avon Local School District.

C. INVESTMENTS

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

	<u>Carrying value</u>	<u>Market value</u>
Investment in State Treasurer's investment pool	<u>\$ 5,167,225</u>	<u>\$ 5,167,225</u>

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 6 FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. GENERAL FIXED ASSETS ACCOUNT GROUP

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

	<u>Balance</u> <u>July 1, 1997</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 1998</u>
Land	\$ 1,266,174	\$ 14,414	\$ -	\$ 1,280,588
Buildings and improvements	3,561,951	151,729	-	3,713,680
Construction in process	3,131,749	8,339,413	-	11,471,162
Furniture, fixtures, and equipment	1,653,948	213,989	-	1,867,937
Vehicles	<u>662,500</u>	<u>88,362</u>	<u>-</u>	<u>750,862</u>
	<u>\$ 10,276,322</u>	<u>\$ 8,807,907</u>	<u>\$ -</u>	<u>\$ 19,084,229</u>

B. PROPRIETARY FUND TYPE FIXED ASSETS

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

<u>Enterprise</u>	<u>Balance</u> <u>June 30, 1998</u>
Machinery and equipment	\$ 110,608
Less: accumulated depreciation	<u>81,348</u>
Net fixed assets	<u>\$ 29,260</u>

NOTE 7 DEFERRED REVENUE

Deferred revenue at year-end, consisted of:

Property taxes receivable	\$ 6,050,364
Federal commodities, unused	2,939
Federal funds received, unexpended	<u>14,378</u>
	<u>\$ 6,067,681</u>

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 8 GENERAL LONG-TERM DEBT

	Outstanding June 30, 1997	Additions	Deductions	Outstanding June 30, 1998
Due to other governments	\$ 59,775	\$ 70,076	\$ 59,775	\$ 70,076
Bonds payable	12,590,000	600,000	225,000	12,965,000
Capital leases	47,878	-	9,954	37,924
Compensated absences	719,893	69,114	-	789,007
	<u>\$ 13,417,546</u>	<u>\$ 739,190</u>	<u>\$ 294,729</u>	<u>\$ 13,862,007</u>

NOTE 9 NOTES PAYABLE

	Rate of Interest	Issue Date	Maturity Date	Balance June 30, 1998
<u>Capital Projects Fund</u>				
Tax anticipation note	5.75%	12-01-94	12-01-99	\$ 145,000

NOTE 10 BONDS PAYABLE

	Outstanding June 30, 1997	Additions	Deductions	Outstanding June 30, 1998
<u>General obligation bonds</u>				
School improvement, (1996) 4.8% through 2021	\$ 12,590,000	-	\$ 225,000	\$ 12,365,000
Energy conservation, (1998) 5.2% through 2013	-	600,000	-	\$ 600,000
	<u>\$ 12,590,000</u>	<u>\$ 600,000</u>	<u>\$ 225,000</u>	<u>\$ 12,965,000</u>

NOTE 11 DEBT SERVICE REQUIREMENTS TO MATURITY

Debt service requirements, including principal and interest, to retire long-term obligations outstanding at June 30, 1998, consisted of:

Year ending June 30,	Bonds Payable	Notes Payable	Total
1999	\$ 1,051,408	\$ 81,181	\$ 1,132,589
2000	1,081,293	72,012	1,153,305
2001	1,103,438	-	1,103,438
2002	1,167,170	-	1,167,170
2003	1,196,055	-	1,196,055
2004-08	5,344,999	-	5,344,999
2009-13	4,250,628	-	4,250,628
2014-18	4,761,450	-	4,761,450
2019-21	3,310,150	-	3,310,150
Total	<u>\$ 23,266,591</u>	<u>\$ 153,193</u>	<u>\$ 23,419,784</u>

Not reflected above are due to other governments of \$ 70,076, capital leases of \$ 37,924, and compensated absences of \$ 789,007.

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 JUNE 30, 1998

NOTE 12 CAPITAL LEASES

The Avon Local School District is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Asset Account Group and the General Long-Term Debt Account Group, respectively. The assets under capital leases totaled \$ 56,393 at June 30, 1998. The leases are in effect through fiscal year 2002.

The following is a schedule of future minimum lease payments under the capital leases together with the net present value of the minimum lease payments as of June 30, 1998.

Year Ending June 30.	Amount
1999	\$ 16,017
2000	13,387
2001	12,284
2002	8,195
Total minimum lease payment	49,883
Less: Amount representing interest	(11,959)
Net present value of minimum lease payments	\$ 37,924

NOTE 13 OPERATING LEASES

The Avon Local School District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the District's account groups. During 1998, expenditures for operating leases totaled \$ 3,865.

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, 1998.

Year ending June 30.	Amount
1999	\$ 1,748

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 14 PROPERTY TAXES

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

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

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

The tax applied to real property collected in 1998 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$ 50.60 per \$ 1,000 of valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$ 32.02 per \$ 1,000 of assessed valuation for real property classified as residential/agricultural and \$ 32.70 per \$ 1,000 of assessed valuation for all other real property. The tax rate applied to tangible personal property for the current year ended June 30, 1998, was \$ 50.60 per \$ 1,000 of valuation.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 1998. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1998 was \$ 1,496,982 and is recognized as revenue and a reservation of fund balance.

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 14 PROPERTY TAXES (continued) ..

The property valuation consisted of:

Real Property - 1997	
Residential/Agricultural	\$ 165,816,340
Commercial/Industrial	33,008,480
Public Utilities	467,940
Mineral	840
Tangible Personal Property - 1998	
General	15,240,470
Public Utilities	<u>18,503,330</u>
Total valuation	<u>\$ 233,037,400</u>

NOTE 15 RISK MANAGEMENT

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

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

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

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

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 15 RISK MANAGEMENT (continued)

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

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

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

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

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

NOTE 16 PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1998

NOTE 16 PENSION PLANS (continued)

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's contributions to SERS for the years ended June 30, 1998, 1997, and 1996 were \$ 162,283, \$ 155,657, and \$ 146,159, respectively. The full amount has been contributed for 1997 and 1996. For 1998, 50% has been contributed with the remainder being reported as a fund liability and within the general long-term debt account group.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions to STRS for the years ended June 30, 1998, 1997, and 1996 were \$ 512,174, \$ 464,935, and \$ 451,440, respectively. The full amount has been contributed for 1997 and 1996. For 1998, 83% has been contributed with the remainder being reported as a fund liability.

NOTE 17 POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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



AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1998

NOTE 17 POSTEMPLOYMENT BENEFITS (continued)

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

After the allocation for basic benefits, the remainder of the employer's contribution is allocated to providing health care benefits. At June 30, 1997 (the latest information available) the allocation rate was 4.21%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1997, the minimum pay has been established as \$ 12,400. The surcharge rate, added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1997 were \$ 97,429,197 and the target level was \$ 121.8 million. At June 30, 1997 (the latest information available), the Retirement System's net assets available for payment of health care benefits was \$ 146.4 million at cost.

The number of participants currently receiving health care benefits is approximately 48,200. For 1997, the portion of the District's contributions that were used to fund postemployment benefits was \$ 75,980.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

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

The Board currently allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$ 1,860 million at June 30, 1997 (the latest information available). For the year ended June 30, 1997 (the latest information available), the net health care costs paid by STRS were \$ 192,077,000. There were 88,718 eligible benefit recipients.

AVON LOCAL SCHOOL DISTRICT  
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JUNE 30, 1998

NOTE 18 JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATION COMPUTER ASSOCIATION (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 1997 the District paid approximately \$ 119,395 to LEECA.

B. LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS (LERC)

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

The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 1998 the District paid approximately \$ 601,834 to LERC.

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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NOTE 18 JOINTLY GOVERNED ORGANIZATIONS (continued)

C. Lorain County Joint Vocational School District

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

D. Ohio Schools Council of Governments

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

The Ohio Schools Council assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. Ohio Schools Council is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Ohio Schools Council located at 6376 Mill Road, Broadview Heights, Ohio, 44147. During the year ended June 30, 1998, the District paid approximately \$ 44,600 to Ohio Schools Council.

NOTE 19 CONTRACTUAL COMMITMENTS

At June 30, 1998 the District had contractual commitments of approximately \$ 2,416,000 related to building construction.

NOTE 20 CONTINGENT LIABILITIES

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

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1998

NOTE 21 SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling to allow the State's legislature to design a plan to remedy perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1998, the District received \$ 1,630,483 of school foundation support all of which was recorded in its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the court. The Court of Common Pleas has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decisions made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

AVON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 JUNE 30, 1998

NOTE 22 SEGMENT INFORMATION - ENTERPRISE FUNDS

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

	<u>Food Services</u>	<u>Uniform Supplies</u>	<u>Latchkey Services</u>	<u>Total</u>
Operating revenues	\$ 240,980	\$ 71,772	\$ 41,566	\$ 354,318
Operating expenses				
Salaries and wages	92,200	-	18,389	110,589
Fringe benefits	36,873	-	4,729	41,602
Contractual services	974	-	484	1,458
Materials and supplies	221,161	51,569	3,464	276,194
Depreciation	1,740	-	-	1,740
Total operating expenses	<u>352,948</u>	<u>51,569</u>	<u>27,066</u>	<u>431,583</u>
Operating income (loss)	(111,968)	20,203	14,500	(77,265)
Nonoperating revenues	<u>88,560</u>	<u>-</u>	<u>-</u>	<u>88,560</u>
Net income (loss)	<u>\$ (23,408)</u>	<u>\$ 20,203</u>	<u>\$ 14,500</u>	<u>\$ 11,295</u>
Other information				
Net working capital	<u>\$ (31,430)</u>	<u>\$ 34,820</u>	<u>\$ 8,834</u>	<u>\$ 12,224</u>
Total assets	<u>\$ 77,370</u>	<u>\$ 35,271</u>	<u>\$ 8,834</u>	<u>\$ 121,475</u>
Total equity	<u>\$ (2,170)</u>	<u>\$ 34,820</u>	<u>\$ 8,834</u>	<u>\$ 41,484</u>

AVON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1998

NOTE 23 YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the Avon Local School District's operations as early as fiscal 1999.

The District has completed an inventory of computer systems and other equipment necessary to conduct District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Management and Information Systems (EMIS)). The District has four buildings with power systems which have extensive efficiency utilization measures within the systems.

Lorain County collects property taxes for distribution to the District. Lorain County is responsible for remediating its tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and nonfinancial information about the District through EMIS. The State is responsible for remediating these systems.

Remediation of the power systems is the responsibility of an outside vendor. Validation and testing of portions of these systems has been completed.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building, 12th Floor  
615 Superior Avenue, N. W.  
Cleveland, Ohio 44113

Telephone (216) 787-3665  
(800) 626-2297

Facsimile (216) 787-3361  
www.auditor.state.oh.us

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

Avon Local School District  
Lorain County  
36600 Detroit Road  
Avon, Ohio 44011

To The Board of Education:

We have audited the financial statements of the Avon Local School District, Lorain County, Ohio, (the District) as of and for the years ended June 30, 1999 and June 30, 1998, and have issued our report thereon dated December 17, 1999 in which we noted that during fiscal year 1998, the District changed its accounting for investments. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 17, 1999.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is written in a cursive style with a large, sweeping initial "J".

**JIM PETRO**  
Auditor of State

December 17, 1999





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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AVON LOCAL SCHOOL DISTRICT  
LORAIN COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*

Date: **JAN 11 2000**