

PRELIMINARY OFFICIAL STATEMENT DATED JULY 9, 2014

Rating: Moody's: Aa2
See "RATING" herein

NEW ISSUE BOOK-ENTRY FORM ONLY

In the opinion of Bricker & Eckler LLP, Bond Counsel, under existing law, (i) assuming compliance with certain covenants, interest on the Series 2014A Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of the alternative minimum income tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), (ii) interest on the Series 2014B Bonds is not excluded from gross income for federal income tax purposes, and (iii) interest on, any transfer of and any profit made on the sale, exchange, transfer, or other disposition of the Series 2014A Bonds and the Series 2014B Bonds (collectively, the "Bonds") are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the net income base of the Ohio corporation franchise tax, and income taxes imposed by municipalities and other political subdivisions in Ohio. The School District has designated the Series 2014A Bonds as "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Code. Interest on the Series 2014A Bonds may be subject to certain federal income taxes imposed on certain corporations, and certain taxpayers may have certain other adverse federal income tax consequences as a result of owning the Series 2014A Bonds. See "TAX MATTERS" herein.

OFFICIAL STATEMENT

AVON LAKE CITY SCHOOL DISTRICT
Lorain County, Ohio

\$3,780,000*
Refunding Bonds, Series 2014A
(General Obligation - Unlimited Tax)
Voted November 3, 2009

\$28,805,484.15*
Refunding Bonds, Series 2014B (Federally Taxable)
(General Obligation - Unlimited Tax)
Voted May 4, 1999

Dated: Date of Delivery

Due: December 1, as shown on the inside cover

The Refunding Bonds, Series 2014A (the "Series 2014A Bonds") and the Refunding Bonds, Series 2014B (Federally Taxable) (the "Series 2014B Bonds" and together with the Series 2014A Bonds, the "Bonds") are voted general obligation debt of the Avon Lake City School District, Lorain County, Ohio (the "School District"), and the full faith, credit and revenue of the School District are irrevocably pledged for the prompt payment of the principal of and interest on the Bonds. (See "SECURITY AND SOURCE OF PAYMENT FOR THE SCHOOL DISTRICT'S GENERAL OBLIGATION DEBT" herein.) Terms used herein with initial capitalization where the rules of grammar would not otherwise so require and not defined have the meanings given to them under "DEFINITIONS" herein.

Interest on the Current Interest Bonds will be payable at the respective rates shown on the inside cover herein on June 1 and December 1 of each year, beginning December 1, 2014*, to the Bondholders of record as of the record dates described in the Bond Resolution (as defined herein). The Capital Appreciation Bonds will bear interest, compounded semiannually, from the date of their issuance, but such interest will be payable only at maturity.

Principal of the Bonds will be payable at the designated corporate trust office of The Huntington National Bank, Cleveland, Ohio, as registrar, paying agent and transfer agent for the Bonds.

The Bonds will be issuable as fully registered bonds without coupons in the denominations set forth herein. The Bonds will be issuable under a book-entry only method and registered in the name of The Depository Trust Company ("DTC") or its nominee. There will be no physical delivery of the Bonds to the ultimate purchasers. Stifel, Nicolaus & Company, Incorporated (the "Underwriter") has satisfied the requirements of DTC for the Bonds to be eligible for its book-entry services. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds maturing after December 1, 2022* are subject to optional redemption as described herein. See "THE BONDS – Redemption Provisions" herein.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale and to withdrawal or modification of the offer without notice. Certain legal matters relating to the issuance of the Bonds are subject to the approving opinion of Bricker & Eckler LLP, Bond Counsel, Columbus, Ohio. Certain legal matters will be passed upon for the Underwriter by its counsel, Roetzel & Andress, LPA, Cleveland, Ohio. (See "LEGAL MATTERS" and "TAX MATTERS" herein.)

This cover page contains certain information for general reference only. It is not a summary of the provisions of the Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

This Official Statement has been prepared by the School District in connection with the original offering for sale by it of the Bonds. It is expected that delivery of the Bonds in definitive form will be made through DTC on or about August 5, 2014*. The date of this Official Statement is July __, 2014, and the information herein speaks only as of that date.

STIFEL

* Preliminary, subject to change

AVON LAKE CITY SCHOOL DISTRICT

Lorain County, Ohio

\$3,780,000*

**Refunding Bonds, Series 2014A
(General Obligation - Unlimited Tax)**

\$28,805,484.15*

**Refunding Bonds, Series 2014B
(Federally Taxable)
(General Obligation - Unlimited Tax)**

\$3,780,000*

SERIES 2014A SERIAL BONDS

Year*	Principal Maturing*	Interest Rate	Price	CUSIP [†]
2014	\$ 25,000			
2027	150,000			
2028	860,000			
2029	885,000			
2030	910,000			
2031	950,000			

\$28,380,000*

SERIES 2014B SERIAL BONDS

Year*	Principal Maturing*	Interest Rate	Price	CUSIP [†]
2014	\$ 375,000			
2015	2,315,000			
2016	2,335,000			
2017	2,355,000			
2018	2,385,000			
2019	2,435,000			
2020	2,490,000			
2022	2,560,000			
2023	2,635,000			
2024	2,725,000			
2025	2,830,000			
2026	2,940,000			

\$425,484.15*

CAPITAL APPRECIATION BONDS

Year*	Original Principal Amount*	Maturity Amount ^{(1)*}	Stated Interest Rate	Original Principal Per \$5,000 Maturity Amount	Initial Offering Price to Public per \$5,000 Maturity Amount	Approx. Initial Offering Yield at Maturity	CUSIP [†]
2021	\$425,484.15						

⁽¹⁾ The maturity amount for a Capital Appreciation Bond equals the original principal amount of the Capital Appreciation Bond plus interest, compounded semiannually at the stated interest rate, to maturity.

* Preliminary, subject to change

AVON LAKE CITY SCHOOL DISTRICT

Lorain County, Ohio

\$3,780,000*

**Refunding Bonds, Series 2014A
(General Obligation - Unlimited Tax)**

\$28,805,484.15*

**Refunding Bonds, Series 2014B
(Federally Taxable)
(General Obligation - Unlimited Tax)**

BOARD OF EDUCATION

Charles M. Froehlich
President

James A. Stobe
Vice President

Dale W. Cracas
Member

Ronald D. Jantz, Jr.
Member

Pamela Ohradzansky
Member

DISTRICT ADMINISTRATION

Robert D. Scott
Superintendent

Autumn Streng
Treasurer

PROFESSIONAL SERVICES

Stifel, Nicolaus & Company, Incorporated
Underwriter

Bricker & Eckler LLP
Bond Counsel

Roetzel & Andress, LPA
Underwriters' Counsel

The Huntington National Bank
Paying Agent/Bond Registrar/Escrow Trustee

Causey Demgen & Moore P.C.
Escrow Verification Agent

* Preliminary, subject to change

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Refunding Bonds, Series 2014A and the Refunding Bonds, Series 2014B (Federally Taxable) (together, the “Bonds”) of the Avon Lake City School District, Lorain County, Ohio (the “School District”) identified on the Cover hereof. No person has been authorized by the School District to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been given or authorized by the School District. Statements contained in this Official Statement that involve estimates, forecasts, or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as representations of facts.

The information set forth herein has been obtained from the School District and other sources that are believed to be reliable for purposes of this Official Statement. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions or that they will be realized. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the School District since the date hereof.

Certain information in this official statement is attributed to the Ohio Municipal Advisory Council (“OMAC”). OMAC compiles information from official and other sources. OMAC believes the information it compiles is accurate and reliable, but OMAC does not independently confirm or verify the information and does not guarantee its accuracy. OMAC has not reviewed this Official Statement to confirm that the information attributed to it is information provided by OMAC or for any other purpose.

Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

UPON ISSUANCE, THE BONDS WILL NOT BE REGISTERED BY THE SCHOOL DISTRICT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAW OF ANY STATE, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. THE BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS ANY OTHER FEDERAL, STATE, MUNICIPAL OR OTHER GOVERNMENTAL ENTITY OR AGENCY, EXCEPT THE BOARD OF EDUCATION OF THE SCHOOL DISTRICT, PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED THE BONDS FOR SALE. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, AND THERE SHALL NOT BE ANY SALE OF, THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

INVESTMENT CONSIDERATIONS

General

The Bonds, like all obligations of state and local governments, are subject to changes in value due to changes in the condition of the market for taxable obligations or changes in the financial position of the School District.

It is possible under certain market conditions, or if the financial condition of the School District should change, that the market price of the Bonds could be adversely affected. With regard to the risk involved in a downward revision or withdrawal of the rating for the Bonds shown on the Cover hereof, see "RATING" herein.

With regard to the risk involved in a loss of the exclusion from gross income for purposes of federal income taxation of interest payable on the Bonds, see "TAX MATTERS" herein.

Prospective purchasers of the Bonds should consult their own tax advisors prior to any purchase of the Bonds as to the impact of the Internal Revenue Code of 1986, as amended (the "Code"), upon their acquisition, holding or disposition of the Bonds.

Investment Suitability and Market Volatility of Capital Appreciation Bonds

A primary test of the suitability of a tax-exempt obligation for an individual investor is a comparison of the yield the investor would have to earn on a taxable obligation to equal a tax-exempt yield in his or her income tax bracket. Individuals should consult with brokers or qualified financial or tax advisors to determine the taxable equivalent yield they could expect given their particular tax circumstances.

The Capital Appreciation Bonds may not be suitable for all investors. Investors should realize that capital appreciation bonds such as the School District's Capital Appreciation Bonds are subject to greater market volatility than traditional tax-exempt obligations that have semiannual interest payments. An investor who purchases a Capital Appreciation Bond and holds it until maturity receives an amount equal to the original principal amount plus the interest that has accrued over the life of the bond at the stated interest rate for such Capital Appreciation Bond. An investor who sells such a bond prior to maturity at a time when interest rates, generally, are higher than at the time that the bond was purchased, may realize a loss on the investment. Prospective purchasers of the Capital Appreciation Bonds who believe they may have to sell such bonds prior to maturity should consider the market risk associated with capital appreciation bonds. It is particularly important for the first-time buyer of capital appreciation tax-exempt bonds to review the suitability of the School District's Capital Appreciation Bonds with a broker or qualified financial or tax advisor.

Prepayments of Principal

The Bonds allow the School District to prepay certain maturities of the principal of the Current Interest Bonds without penalty. (See "THE BONDS – Redemption Provisions – Optional Redemption" herein.) If such Current Interest Bonds were to be prepaid before scheduled maturity, the investor would not receive the anticipated yield through the scheduled maturity date. In such a prepayment situation there is no guarantee that the investor could reinvest the proceeds and receive a comparable yield for the period remaining until the scheduled maturity of such Current Interest Bonds. The investor, therefore, may receive a lower total return for the period beginning on the date of purchase through the scheduled date of maturity than anticipated.

BOND ISSUE SUMMARY

The information contained in this Bond Issue Summary is qualified in its entirety by the entire Official Statement, which should be reviewed in its entirety by potential investors.

Issuer:	Avon Lake City School District, Lorain County, Ohio
Issue:	\$3,780,000* Refunding Bonds, Series 2014A (the “Series 2014A Bonds”) \$28,805,484.15* Refunding Bonds, Series 2014B (Federally Taxable) (the “Series 2014B Bonds” and together with the Series 2014B Bonds, the “Bonds”)
Dated Date:	Date of Delivery
Interest Payment Dates:	Interest on Current Interest Bonds will be paid each June 1 and December 1, beginning December 1, 2014*. Interest on Capital Appreciation Bonds will accrue and be compounded on each June 1 and December 1 and be payable at maturity.
Principal Payment Dates:	See Inside Front Cover.
Redemption:	Current Interest Bonds maturing after December 1, 2022* are subject to redemption at the option of the School District, either in whole, or in part, in such order of maturity as the School District shall determine, on any date on or after December 1, 2022*, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption. See “THE BONDS – Redemption Provisions – Optional Redemption” herein.
Purpose:	See “AUTHORIZATION AND PURPOSE” herein.
Security:	The Bonds will be voted general obligations of the School District and will contain a pledge of the full faith and credit of the School District for the payment of the principal of and interest on the Bonds when due.
Credit Rating:	The School District has applied for a rating of the Bonds from Moody’s Investors Service, Inc. (“Moody’s”), which has rated the Bonds Aa2. See “RATING” herein.
Tax Matters:	In the opinion of Bond Counsel, interest on the Series 2014A Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of the alternative minimum income tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the “Code”), (ii) interest on the Series 2014B Bonds is not excluded from gross income for federal income tax purposes, and (iii) interest on, any transfer of and any profit made on the sale, exchange, transfer, or other disposition of the Bonds are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the net income base of the Ohio corporation franchise tax, and income taxes imposed by municipalities and other political subdivisions in Ohio. Interest on the Series 2014A Bonds may be subject to certain federal income taxes imposed on certain corporations, and certain taxpayers may have certain other adverse federal income tax consequences as a result of owning the Series 2014A Bonds. See “TAX MATTERS” herein.
Bank Qualification:	The School District has designated the Series 2014A Bonds as “qualified tax exempt obligations” within the meaning of Section 265(b)(3) of the Code.

* Preliminary, subject to change

Legal Opinion:	Bricker & Eckler LLP, Columbus, Ohio
Underwriter:	Stifel, Nicolaus & Company, Incorporated, Cleveland, Ohio
Underwriter's Counsel:	Roetzel & Andress, LPA, Cleveland, Ohio
Bond Registrar, Paying Agent and Escrow Trustee:	The Huntington National Bank, Cleveland, Ohio
Escrow Verification Agent:	Causey Demgen & Moore P.C., Denver, Colorado
Book-Entry Only System:	The Bonds are being issued as fully registered Bonds in book-entry form only and book-entry interests therein will be available for purchase in amounts of \$5,000 and integral multiples thereof with respect to the Current Interest Bonds and maturity amounts of \$5,000 and integral multiples thereof with respect to the Capital Appreciation Bonds. Owners of book entry interests will not receive physical delivery of bond certificates. DTC or its nominee will receive all payments with respect to the Bonds from the Bond Registrar. DTC is required by its rules and procedures to remit such payments to its participants for subsequent disbursement to owners of the book-entry interests.
Delivery and Payment:	It is expected that delivery of the Bonds in definitive form will be made through DTC on or about August 5, 2014*. The Bonds will be released to the Underwriter against payment in federal funds.
School District Official:	Questions concerning the Official Statement should be directed to Autumn Streng, Treasurer, Avon Lake City School District, 175 Avon Beldon Road, Avon Lake, Ohio 44012. Telephone: (440) 933-5163; Fax (440) 933-6711.

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* Preliminary, subject to change.

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AVON LAKE CITY SCHOOL DISTRICT

Lorain County, Ohio

\$3,780,000*

**Refunding Bonds, Series 2014A
(General Obligation - Unlimited Tax)**

\$28,805,484.15*

**Refunding Bonds, Series 2014B
(Federally Taxable)
(General Obligation - Unlimited Tax)**

INTRODUCTORY STATEMENT

This Official Statement has been prepared by the Board of Education (the “Board”) of the School District in connection with the original issuance and sale by the School District of the Bonds identified on the Cover hereof.

All financial and other information presented herein has been provided by the School District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the School District. No representation is made that past experience, as might be shown by such financial and other information, will necessarily continue or be repeated in the future.

Certain statements contained in this Official Statement, including, without limitation, statements containing the words “believes,” “anticipates,” “expects” and words of similar import, involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the School District to be materially different from any future results, performance or achievements expressed or implied by such statements. Such factors include, among others, general economic conditions, demographic changes, and existing government regulations and changes in, or the failure to comply with, government regulations. Certain of these factors are discussed in more detail elsewhere in this Official Statement. Given these uncertainties, readers of this Official Statement and investors are cautioned not to place undue reliance on such forward-looking statements.

This Official Statement should be considered in its entirety and no subject discussed should be considered less important than any other subject by reason of its location in the text. Reference should be made to laws, reports or documents referred to for more complete information regarding their contents.

References herein to provisions of Ohio law, whether codified in the Ohio Revised Code or uncoded, the Ohio Constitution, or federal law, are references to such provisions as they presently exist. Provisions of the Ohio law and the Ohio Constitution and federal law may in the future, and from time to time, be amended, repealed or supplemented.

Additional information relating to the financial condition of the School District may be obtained by contacting the Treasurer, Autumn Streng, 175 Avon Beldon Road, Avon Lake, Ohio 44012, telephone: (440) 933-5163, and from the Ohio Department of Education’s website: www.ode.state.oh.us. The School District makes no representation as to the accuracy of the information appearing at such website.

* Preliminary, subject to change

DEFINITIONS

The following capitalized terms, as used in this Official Statement and the Appendices attached hereto, have the following meanings unless otherwise indicated:

“Annual Report” means any annual report provided by the School District referred to in this Official Statement and any appendix hereto.

“Bankruptcy Code” means Title 11 of the United States Code.

“Board” means the Board of Education of the School District.

“Bond Counsel” means Bricker & Eckler LLP, Columbus, Ohio.

“Bond Registrar” means The Huntington National Bank, Cleveland, Ohio.

“Capital Appreciation Bonds” means the Bonds on which interest will compound semiannually on June 1 and December 1 but will be payable only at maturity.

“City” means the City of Avon Lake, Ohio.

“Code” means the Internal Revenue Code of 1986, as amended.

“County” means Lorain County, Ohio.

“County Auditor” means the County Auditor of the County.

“County Treasurer” means the County Treasurer of the County.

“Cover” means the cover page and the inside cover of this Official Statement.

“Current Interest Bonds” means Bonds on which interest is payable each June 1 and December 1.

“Department” means the State Department of Education.

“MSA” means the Cleveland Metropolitan Statistical Area, as defined by the United States Office of Management and Budget, including Cuyahoga, Geauga, Lake, Lorain, and Medina Counties.

“OMAC” means the Ohio Municipal Advisory Council.

“Refunded Bonds” means, collectively, the Refunded Series 2005 Bonds and the Refunded Series 2010B Bonds.

“Refunded Series 2005 Bonds” means \$28,835,000 in aggregate principal amount of the Series 2005 Bonds, including the serial bonds maturing on December 1, 2015 through December 1, 2026, inclusive.

“Refunded Series 2010B Bonds” means \$3,780,000 in aggregate principal amount of the Series 2010B Bonds, including the serial bonds maturing on December 1, 2029 and December 1, 2031.

“Revised Code” means the Ohio Revised Code, as amended.

“School District” means the Avon Lake City School District, Lorain County, Ohio.

“State” or “Ohio” means the State of Ohio.

“State Auditor” means Auditor of the State.

“State Superintendent” means State Superintendent of Public Instruction.

“Series 2005 Bonds” means \$32,999,949.60 Refunding Bonds, Series 2005, dated June 23, 2005, of which \$30,600,000 in aggregate principal remains outstanding (prior to the refunding of the Refunded Series 2005 Bonds).

“Series 2010B Bonds” means \$3,780,000 Various Purpose Construction and Improvement Bonds, Series 2010B (Federal Taxable – Build America Bonds – Direct Payment) (General Obligation-Unlimited Tax), dated July 29, 2010, of which \$3,780,000 in aggregate principal remains outstanding (prior to the refunding of the Refunded Series 2010B Bonds).

“Tax Commissioner” means the Tax Commissioner of the State.

“Treasurer” means the Treasurer of the School District.

“Underwriter” means Stifel, Nicolaus & Company, Incorporated, Cleveland, Ohio.

THE BONDS

Authorization and Purpose

The Series 2014A Bonds are unlimited tax general obligation bonds issued for the purpose of currently refunding the Refunded Series 2010B Bonds. The Series 2014B Bonds are unlimited tax general obligation bonds issued for the purpose of advance refunding the Refunded Series 2005 Bonds. The Bonds are authorized by resolutions of the Board passed on June 10, 2014 (collectively, the “Bond Resolution”).

The electors of the School District approved the issuance of bonds in the amount of \$13,000,000 and \$5,500,000, respectively, at the election held on November 3, 2009, and the Series 2010B Bonds were issued pursuant to such voted authority for the following purposes: (i) constructing, improving, furnishing, and equipping school facilities, with related site improvements and appurtenances thereto; and (ii) constructing, improving, furnishing, and equipping a high school athletics stadium, with related site improvements and appurtenances thereto; constructing, furnishing, and equipping a transportation facility, with related site improvements and appurtenances thereto; and acquiring interests in land necessary in connection therewith.

The electors of the School District approved the issuance of bonds in the amount of \$41,800,000 at the election held on May 4, 1999, and the Series 2005 Bonds were issued pursuant to such voted authority for the purpose of advance refunding a portion of the School District’s \$41,799,976.55 School Building Construction Bonds, Series 1999, dated September 15, 1999 (the “Series 1999 Bonds”). The Series 1999 Bonds were issued for the purpose of acquiring real estate, renovating, expanding and improving existing facilities, providing computer technology, furnishings, equipment, appurtenances, and site improvements.

The Bonds are issued in conformity with Revised Code Chapter 133, and are, therefore, lawful investments for banks, savings and loan associations, credit union share guaranty corporations, trust companies, trustees, fiduciaries, insurance companies, including domestic for life and domestic not for life, trustees or other officers having charge of sinking and bond retirement or other funds of the State,

subdivisions and taxing districts, the Commissioners of the Sinking Fund of the State, the Administrator of Workers' Compensation, the State teachers, public employees, and school employees retirement systems, and the police and firemen's disability and pension fund, and are eligible as security for the repayment of the deposit of public moneys.

A portion of the proceeds of the sale of the Series 2014A Bonds will be deposited in an escrow fund (the "Series 2014A Escrow Fund") within the School District's Bond Retirement Fund and will be used to refund the Refunded Series 2010B Bonds, and a portion of the proceeds of the sale of the Series 2014B Bonds will be deposited in an escrow fund (the "Series 2014B Escrow Fund," and together with the Series 2014A Escrow Fund, the "Escrow Fund") within the School District's Bond Retirement Fund and will be used to advance refund the Refunded Series 2005 Bonds. The Escrow Fund will be held by The Huntington National Bank, Cleveland, Ohio, as escrow trustee (the "Escrow Trustee"). Monies in the Escrow Fund will be invested in direct obligations of the United States of America and applied, by the Escrow Trustee, to pay debt service on the Refunded Series 2010B Bonds and the Refunded Series 2005 Bonds, and to redeem the Refunded Series 2010B Bonds and the Refunded Series 2005 Bonds on their earliest optional redemption date.

Under Ohio law, the final maturity of the Series 2014A Bonds cannot be later than the final maturity of the Series 2010B Bonds (December 1, 2031), and the final maturity of the Series 2014B Bonds cannot be later than the final maturity of the Series 2005 Bonds (December 1, 2026).

Form and Terms

The Bonds will be issued in fully registered form and the Current Interest Bonds (as shown on the Cover hereof) will bear interest from their dated date until maturity or earlier redemption, at the rates per annum as set forth on the Cover hereof, payable on June 1 and December 1 of each year, and will mature on December 1 in the years as indicated on the Cover of this Official Statement. The Current Interest Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, provided that, so long as the Bonds shall be in book-entry form and held by a depository, each Bond will be of a single maturity, and will be numbered as determined by the Treasurer.

Interest on the Capital Appreciation Bonds will accrue from the date of delivery until maturity, at the stated interest rates per annum as set forth on the Cover hereof. Interest on the Capital Appreciation Bonds will compound semiannually on June 1 and December 1 (the "Interest Accretion Dates") but will be payable only at maturity. The Capital Appreciation Bonds will mature on December 1 in the years as indicated on the Cover of this Official Statement. The Capital Appreciation Bonds will be issued in the maturity amounts of \$5,000 or any integral multiple thereof.

Principal of the Bonds and accreted interest on the Capital Appreciation Bonds (as shown on the Cover hereof) will be payable at maturity, in lawful money of the United States of America, at the principal corporate trust office of The Huntington National Bank, Cleveland, Ohio, which has been designated by the Board as the bond registrar, paying agent, and transfer agent for the Bonds (the "Bond Registrar"). Interest on the Current Interest Bonds will be payable to the person whose name appears as the registered holder thereof on the registration records maintained by the Bond Registrar, on the respective Record Date (15th day next preceding an interest payment date) by check mailed to such registered holder at the address of such registered holder as it appears on the registration records. No deduction shall be made for exchange, collection, or service charges.

The table below sets forth the adjusted basis for federal income tax purposes of a Bondholder who purchases a Capital Appreciation Bond at the initial offering price for each maturity date and per \$5,000 maturity amount, from the date of delivery of the Capital Appreciation Bonds and on each June 1 and December 1 thereafter until maturity.

Interest Accretion Date	Compound Accreted Value

THIS TABLE IS NOT TO BE CONSTRUED AS A REPRESENTATION AS TO THE MARKET VALUE OF THE CAPITAL APPRECIATION BONDS AT ANY TIME IN THE FUTURE. For a discussion of the adjustments to the basis of a holder of a Capital Appreciation Bond resulting from the accretion of original issue discount for federal income tax purposes, see “TAX MATTERS – Original Issue Discount” herein.

Redemption Provisions

Optional Redemption

The Current Interest Bonds maturing after December 1, 2022* are subject to redemption at the option of the School District, either in whole, or in part, in such order of maturity as the School District shall determine, on any date on or after December 1, 2022*, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

Redemption Procedures

When partial redemption is authorized, the Current Interest Bonds or portions thereof will be selected by lot within a maturity in such manner as the Bond Registrar may determine, provided, however, that the portion of any such Current Interest Bond so selected will be in the amount of \$5,000 or any integral multiple thereof.

The notice of the call for redemption of Current Interest Bonds shall identify (i) by designation, letters, numbers or other distinguishing marks, such Current Interest Bonds or portions thereof to be redeemed, (ii) the redemption price to be paid, (iii) the date fixed for redemption, and (iv) the place or places where the amounts due upon redemption are payable. From and after the specified redemption date, interest on such Current Interest Bonds (or portions thereof) called for redemption shall cease to accrue. Such notice shall be sent by first class mail to each such registered holder at the address shown in the Bond registration records at least 30 days prior to the redemption date. Failure to receive such notice or any defect therein shall not affect the validity of the proceedings for the redemption of any such Current Interest Bond.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds will be applied as follows:

	Series 2014A Bonds	Series 2014B Bonds	Total
Sources			
Par value of the Bonds	\$3,780,000*	\$28,805,484.15*	\$*
Net original issue premium			
Total Sources	\$	\$	\$
Uses			
Refund the Refunded Series 2010B Bonds	\$	--	\$
Deposit to Escrow Fund to refund the Refunded Series 2005 Bonds	--	\$	
Costs of issuance*			
Total Uses	\$	\$	\$

* Preliminary, subject to change.

** Includes Underwriter's compensation, rating fees, legal fees, registrar and escrow fees, printing and distribution costs, and miscellaneous expenses.

SECURITY AND SOURCE OF PAYMENT FOR THE SCHOOL DISTRICT'S GENERAL OBLIGATION DEBT

The Bonds are voted general obligation debt of the School District, payable from the sources described, subject to Chapter 9 of the Bankruptcy Code and other laws affecting creditors' rights. The basic security for payment of the Bonds is the requirement that the School District levy ad valorem property taxes outside the ten-mill limitation (which limitation is further described in APPENDIX A under "SCHOOL DISTRICT DEBT AND DEBT LIMITATIONS"), which taxes are unlimited as to rate and amount, to the extent necessary to pay the anticipated debt service on the Bonds as the same becomes due, and to the extent that such debt service on the Bonds is not paid from other sources.

Such taxes can be expended only for the purpose of paying the anticipated debt service on the Bonds (together with costs of issuing the Bonds) and since such taxes are unlimited as to rate or amount, the rate of millage actually levied in each year while the Bonds are outstanding will be such as is determined to be necessary by the County Auditor to produce the amount necessary to pay debt service on the Bonds due in that year, giving due consideration to the School District's assessed valuation and previous tax collection experience.

The Bonds are also secured by a pledge of the full faith and credit of the School District. This pledge includes all of the funds of the School District, except those prohibited from use by the Ohio Constitution, State or federal law, or specifically limited to another use. (See "SCHOOL DISTRICT DEBT AND DEBT LIMITATIONS – Statutory Debt Limitations Generally" in APPENDIX A.)

In addition to the right of individual bondholders to sue upon their particular Bonds, State law authorizes the holders of not less than 10% in principal amount of the Bonds to bring mandamus or other actions to enforce all contractual or other rights of the bondholders, including the right to require the School District to levy, collect and apply the taxes to pay debt service on the Bonds, and in the case of any default in payment of debt service on the Bonds, to bring an action to require the School District to account as if it were the trustee of an express trust for the bondholders or to enjoin any acts that may be unlawful or in violation of bondholder rights.

School District Bankruptcy

An Ohio school district may file for bankruptcy under Chapter 9 of the Bankruptcy Code if it meets certain prerequisites under both federal and State law. Section 109(c) of the Bankruptcy Code sets forth the requirements for a State political subdivision to file for bankruptcy protection. In addition to requiring the school district to be insolvent¹, the school district must be specifically authorized, in its capacity as a school district or by name, to be a debtor under such chapter by State law, or by a governmental officer or organization empowered by State law to authorize such entity to be a debtor under such chapter.² With regard to State law, Revised Code Section 133.36 requires that a political subdivision which desires to file bankruptcy seek and obtain permission of the Tax Commissioner. Moreover, Revised Code Section 3313.483(E)(5) provides that a school district may not file for bankruptcy if it owes money to the State.

The foregoing federal and State laws also permit an Ohio county to initiate Chapter 9 proceedings which, because a county collects certain revenues on behalf of a school district (particularly ad valorem property taxes), may adversely affect the financial condition of such school district.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) has agreed, pursuant to the Bond Purchase Agreement with the School District dated May 20, 2014 (the “Purchase Agreement”), to purchase all, but not less than all, (i) of the Series 2014A Bonds at a purchase price of \$_____ (the “2014A Purchase Price”), which is equal to the par amount of the Series 2014A Bonds (\$_____), plus net original issue premium (\$_____), less Underwriter’s discount (\$_____), and less fees of the Underwriter’s counsel to be paid by the Underwriter from proceeds of the Series 2014A Bonds retained for that purpose (\$_____); and (ii) of the Series 2014B Bonds at a purchase price of \$_____ (the “2014B Purchase Price,” and, together with the 2014A Purchase Price, the “Purchase Price”), which is equal to the par amount of the Series 2014B Bonds (\$_____), plus net original issue premium (\$_____), less Underwriter’s discount (\$_____).

The Underwriter is purchasing the Bonds as originally issued for purpose of resale. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealer banks and dealers depositing the Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices lower than the public offering prices noted on the Cover. The initial offering prices of the Bonds may be changed, from time to time, by the Underwriter.

¹ 11 U.S.C. Section 101(32)(C) requires that in order to be “insolvent” a school district must not be paying its debts as they come due.

² See 11 U.S.C. Section 109(c)(2).

The Underwriter has agreed to retain \$_____ from the Purchase Price (\$_____ from the 2014A Purchase Price and \$_____ from the 2014B Purchase Price) to pay certain costs of issuance of the Bonds on behalf of the School District, including rating fees, registrar and escrow fees, printing and distribution costs, legal fees, and other miscellaneous expenses.

The obligation of the Underwriter to accept delivery of the Bonds is subject to the various conditions set forth in the Purchase Agreement. The Underwriter is obligated to purchase all of the Bonds if any of the Bonds are purchased.

RATING

As noted on the Cover, the School District has applied for a rating of the Bonds from Moody's Investors Service, Inc. ("Moody's"), which has rated the Bonds Aa2. No application for a rating has been made to any other rating agency.

The rating reflects only the views of Moody's. Any explanation of the significance of the rating may only be obtained from Moody's at Moody's Investors Service, Inc., 7 World Trade Center, New York, New York 10007, telephone (212) 553-0300.

The School District furnished to Moody's certain information and materials, some of which may not have been included in this Official Statement, relating to the Bonds and the School District. Generally, rating agencies base their ratings on such information and materials, as well as investigation, studies and assumptions by the rating agencies. Such ratings are not recommendations to buy, sell or hold the Bonds.

There can be no assurance that a rating, when assigned, will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency if, in the rating agency's judgment, circumstances so warrant. In addition, the School District currently expects to provide to Moody's (but assumes no obligation to furnish to the Underwriter or the holders of the Bonds) further information and materials that it or they may request. However, the School District does not obligate itself hereby to furnish such information and materials to Moody's, and the School District may issue unrated bonds and notes from time to time. Failure by the School District to furnish such information and materials, or the issuance of unrated bonds or notes, may result in the suspension or withdrawal of a rating agency's rating on the Bonds. Any lowering, suspension or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

The rating for the Bonds was issued on Moody's municipal rating scale. Moody's has announced plans to recalibrate all of its U.S. municipal ratings to a global scale rating comparable to other credits with a similar risk profile. Prospective purchasers of the Bonds should not view the recalibration of the rating as a rating upgrade, an improvement in the credit quality of the Bonds or the School District, or a change in Moody's credit opinion with respect to the Bonds or the School District. Rather, such recalibration is an adjustment of Moody's ratings to a different rating scale. For further details regarding the recalibration of Moody's U.S. municipal rating scale, please visit www.moodys.com/gsr (registration required).

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LITIGATION

Litigation Generally

To the knowledge of the appropriate officials of the School District, no litigation or administrative action or proceeding is pending or threatened restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, or the levy and collection of taxes to pay the debt service on the Bonds, or contesting or questioning the proceedings and authority under which the Bonds are to be authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds. A no-litigation certificate to such effect will be delivered to the Underwriter at the time of original delivery of the Bonds to the Underwriter.

In common with other political subdivisions, the School District from time to time receives notices of claims for money damages. In the opinion of School Board officials, any such claims outstanding, regardless of their merit, are not in excess of the School District's insurance coverage.

The School District is party to various legal proceedings seeking damages or injunctive relief and generally incidental to its operations. These proceedings are unrelated to the Bonds or the security therefor. The ultimate disposition of such proceedings is not presently determinable, but will not, in the opinion of School Board officials, have a material adverse effect on the Bonds or the security therefor.

School Funding Litigation

In 1997, the Ohio Supreme Court determined in the case of DeRolph v. State of Ohio that Ohio's elementary and secondary public school financing system violated the Ohio Constitution. Included in the DeRolph decision was a ruling that property taxes may be used as a part of a school funding solution, but could no longer be the primary means of financing schools. In 2003, the Ohio Supreme Court effectively prohibited further judicial review of the DeRolph case and the United States Supreme Court denied the plaintiffs' Petition for Writ of Certiorari, without opinion.

Throughout its rulings the Ohio Supreme Court did not specifically address, and did not hold as invalid:

Voted securities issues (bonds and notes previously issued and bond issues that may be placed on the ballot in the future) and the debt service levy included within such voted authority.

Unvoted securities issues (bonds and notes previously issued and future bond and note issues), issued for the purpose of constructing permanent improvements or capital facilities, and the debt service levy included within such authority.

Voted levies (property taxes or income taxes). The decisions did not address the current authority of school districts to levy and collect operating levies, and the decisions do not prevent school districts from approving additional levies.

LEGAL MATTERS

Legal matters incident to the issuance of the Bonds and with regard to the excludability of the interest on the Bonds from gross income for federal income tax purposes (see "TAX MATTERS" herein) are subject to the approving opinion of Bricker & Eckler LLP, Bond Counsel to the School District. Certain legal matters will be passed upon for the Underwriter by its counsel, Roetzel & Andress, LPA, Cleveland, Ohio. A signed copy of the approving opinion of Bond Counsel will be delivered to the Underwriter at the time of original delivery. Assuming no change in applicable law prior to the date of

delivery of such opinion, the opinion will be substantially in the form attached hereto as APPENDIX D. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to the date thereof.

While Bond Counsel has participated in the preparation of portions of this Official Statement, it has not been engaged to confirm or verify, and expresses and will express no opinion as to the accuracy, completeness or fairness of any of the statements in this Official Statement, including its appendices (other than APPENDIX D), or in any other reports, financial information, offering or disclosure documents or other information pertaining to the School District or the Bonds that may be prepared or made available by the School District or others to the holders of the Bonds or others.

TAX MATTERS

Tax-Exempt Bonds

In the opinion of Bricker & Eckler LLP, Bond Counsel, under existing law, interest on the Series 2014A Bonds (the "Tax-Exempt Bonds") is excluded from gross income for federal income tax purposes under Section 103(a) of the Code, and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Further, the Tax-Exempt Bonds are not "private activity bonds" as defined in Section 141(a) of the Code.

Interest on the Tax-Exempt Bonds, the transfer thereof, and any profit made on their sale, exchange or other disposition, are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the net income base of the Ohio corporate franchise tax, and municipal, school district, and joint economic development district income taxes in Ohio.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications made by the Board and others, and the compliance with certain covenants of the School District, to be contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Tax-Exempt Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel has not and will not independently verify the accuracy of such certifications and representations.

The School District has designated the Tax-Exempt Bonds as "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80% of that portion of such financial institution's interest expense allocable to interest on the Tax-Exempt Bonds.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and remain excluded from gross income for federal income tax purposes some of which, including provisions for the rebate by the School District of certain investment earnings to the federal government, require future or continued compliance after issuance of the obligations in order for the interest to be and continue to be so excluded from the date of issuance. Noncompliance with these requirements could cause the interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes and thus to be subject to regular federal income tax retroactively to the date of their issuance. The School District has covenanted to take such actions that may be required of it for the interest on the Tax-Exempt Bonds to be and remain excluded from gross income for federal income tax purposes, and not to take any actions which would adversely affect that exclusion.

Under the Code, interest on the Tax-Exempt Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States of America, and a tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes can have certain adverse federal income tax consequences on items of income or deductions for certain taxpayers, including among them financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, and those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other items of income and expenses of the holders of the Tax-Exempt Bonds. Bond Counsel will express no opinion and make no representation regarding such consequences.

From time to time, legislative proposals are pending in the United States Congress that would, if enacted, alter or amend one or more of the federal tax matters referred to above in certain respects or would adversely affect the market value of the Tax-Exempt Bonds. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Tax-Exempt Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Tax-Exempt Bonds will not have an adverse effect on the tax status of interest or other income on the Tax-Exempt Bonds or the market value or marketability of the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, as to all of which Bond Counsel expresses no opinion.

Taxable Bonds

General

In the opinion of Bricker & Eckler LLP, Bond Counsel, under existing law, interest on the Series 2014B Bonds (the "Taxable Bonds") is **not** excluded from gross income for federal income tax purposes. Interest and any profit made on their sale, exchange, transfer or other disposition are exempt from the Ohio personal income tax, the net income base of the Ohio corporate franchise tax, and income taxes imposed by municipalities and other political subdivisions in Ohio. Interest on the Taxable Bonds, as is the case with most other forms of interest on debt obligations, is not subject to the Ohio commercial activity tax. An opinion to those effects will be included in the legal opinion. Bond Counsel will express no opinion as to any other tax consequences regarding the Taxable Bonds. OWNERS OF THE TAXABLE BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE AND LOCAL, AND FOREIGN TAX CONSEQUENCES OF THEIR ACQUISITION, OWNERSHIP AND DISPOSITION OF THE TAXABLE BONDS. The owners of the Taxable Bonds are not entitled to a tax credit as a result of ownership of the Taxable Bonds. The legal defeasance of the Taxable Bonds (if undertaken by the School District) may result in a deemed sale or exchange of the Taxable Bonds under certain circumstances; owners of the Taxable Bonds should consult their tax advisors as to the federal income tax consequences of such an event.

Backup Withholding

General information reporting requirements will apply to payments of principal and interest made on a Taxable Bond and the proceeds of the sale of a Taxable Bond to non-corporate holders of the Taxable Bonds, and "backup withholding" at a rate of 28% will apply to such payments if the owner fails to provide an accurate taxpayer identification number in the manner required or fails to report all interest required to be shown on its federal income tax returns. A beneficial owner of a Taxable Bond that is a

United States owner can obtain complete exemption from backup withholding by providing a properly completed IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

Nonresident Owners

Under the Code, interest on any Taxable Bond whose beneficial owner is a nonresident alien, foreign corporation or other non-United States person (Nonresident) is generally not subject to United States income tax or withholding tax (including backup withholding) if the Nonresident provides the payor of interest on the Taxable Bonds with an appropriate statement as to its status as a Nonresident. This statement can be made on IRS Form W-8BEN or a successor form. If, however, the Nonresident conducts a trade or business in the United States and the interest on the Taxable Bonds held by the Nonresident is effectively connected with such trade or business, that interest will be subject to United States income tax but will generally not be subject to United States withholding tax (including backup withholding).

Circular 230

THE FOREGOING DISCUSSION OF TAX MATTERS WITH RESPECT TO THE TAXABLE BONDS WAS NOT INTENDED OR WRITTEN BY BOND COUNSEL TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON AN OWNER OF THE TAXABLE BONDS. THE FOREGOING DISCUSSION OF TAX MATTERS FOR THE TAXABLE BONDS WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TAXABLE BONDS. EACH PROSPECTIVE OWNER OF THE TAXABLE BONDS SHOULD SEEK ADVICE BASED ON THE PROSPECTIVE OWNER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Original Issue Discount

Certain of the Bonds may be sold to the public at a price of less than 100% of their face amount (the "Discount Bonds"). The following information, which has not been included in the opinion of Bond Counsel, may be helpful to prospective purchasers of the Discount Bonds.

Under present federal income tax law, original issue discount (i.e., the difference between the issue price, as hereinafter defined, of a Discount Bond and the stated redemption price at maturity of such Discount Bond), is treated as accruing ("accreted") over the term of such Discount Bond. The issue price is the price at which a substantial amount of the Discount Bonds is sold to the public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers). In general, the amount of original issue discount which is to be accreted in each "accretion period" will equal (i) the issue price of that Discount Bond, increased by the amount of original issue discount which has been accreted in all prior accretion periods, multiplied by (ii) the initial offering yield of that Discount Bond reflected on the inside cover page of this Official Statement (determined on the basis of compounding at the close of each accretion period and properly adjusted for the length of the accretion period), minus, with respect to the Current Interest Bonds, interest actually paid during such accretion period. For these purposes, "accretion period" means a six-month period (or shorter period from the date the Discount Bond was issued) which ends on a day in the calendar year corresponding to the maturity date of that Discount Bond or the date six months before such maturity date. The amount of original issue discount so accreted in a particular accretion period will be considered to accrete ratably on each day of the accretion period.

With respect to any Tax-Exempt Bonds that are Discount Bonds ("Tax-Exempt Discount Bonds"), such accreted amount is used for purposes of determining the adjusted basis for federal income tax purposes of the holder of such Tax-Exempt Discount Bond but is not included in such holder's gross income for federal income tax purposes. Consequently, a purchaser who buys a Tax-Exempt Discount Bond in the initial offering at the issue price and holds such Tax-Exempt Discount Bond to its maturity would not realize any gain or loss for federal income tax purposes upon payment of the stated redemption price of that Tax-Exempt Discount Bond at maturity.

With respect to any Taxable Bonds that are Discount Bonds ("Taxable Discount Bonds"), such accreted amount constitutes interest income to the holder of such Taxable Discount Bonds and is included in gross income of the holder and added to such holder's adjusted basis for federal income tax purposes.

Amortizable Bond Premium

Certain of the Bonds may be sold at issue prices greater than the principal amount payable at maturity or earlier call date (the "Premium Bonds"). The following information, which has not been included in the opinion of Bond Counsel, may be helpful to prospective purchasers of the Premium Bonds.

Premium Bonds will be considered to be issuable with amortizable bond premium (the "Bond Premium"). A taxpayer who acquires a Premium Bond in the initial public offering will be required to adjust his or her basis in the Premium Bond downward as a result of the amortization of the Bond Premium, pursuant to Section 1016(a)(5) of the Code. The amount of amortizable Bond Premium will be computed on the basis of the taxpayer's yield to maturity with compounding at the end of each accrual period. Rules for determining (i) the amount of amortizable Bond Premium and (ii) the amount amortizable in a particular year are set forth at Section 171(b) of the Code.

With respect to any Tax-Exempt Bonds that are Premium Bonds ("Tax-Exempt Premium Bonds"), no income tax deduction for the amount of amortizable Bond Premium will be allowed to a holder pursuant in Section 171(a)(2) of the Code, but such holder may reduce their basis in the Tax-Exempt Bonds by the amount of such amortizable Bond Premium. The amortization of Bond Premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining other tax consequences of owning the Tax-Exempt Premium Bonds. A purchaser of a Tax-Exempt Premium Bond at its issue price in the initial public offering who holds that Premium Bond to maturity will realize no gain or loss upon the retirement of such Premium Bond.

With respect to the Taxable Bonds that are Premium Bonds ("Taxable Premium Bonds"), a holder of a Taxable Premium Bond may use the amortizable Bond Premium as an offset to any interest payment received in respect to such Taxable Premium Bond, however, any portion of such amortizable Bond Premium in excess of such interest is not deductible from gross income as an itemized deduction. Special rules governing the treatment of Bond Premium, which are applicable to dealers in tax-exempt securities, are found at Section 75 of the Code.

PROSPECTIVE PURCHASERS OF THE DISCOUNT OR PREMIUM BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, SALE, TRANSFER, REDEMPTION, PAYMENT, OR OTHER DISPOSITION OF THE DISCOUNT OR PREMIUM BONDS, INCLUDING, WITHOUT LIMITATION, MODIFICATIONS TO THE METHOD FOR ACCRETING ORIGINAL ISSUE DISCOUNT OR AMORTIZING PREMIUM FOR CERTAIN SUBSEQUENT PURCHASERS, AND INCLUDING THE EFFECT OF ANY APPLICABLE STATE OR LOCAL INCOME TAX LAWS.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

Upon delivery of the Bonds, Causey Demgen & Moore P.C., certified public accountants (the "Verification Agent") will deliver reports on the arithmetical accuracy of certain computations contained in schedules provided to them by the Underwriter on behalf of the School District relating to (a) computation of forecasted receipts of principal and interest on the securities held in the Escrow Fund to refund the Refunded Series 2005 Bonds and (b) computation of the yields on the Series 2014B Bonds and the securities held in the Escrow Fund to refund the Refunded Series 2005 Bonds.

Such computations will be based solely on assumptions and information supplied by the Underwriter on behalf of the School District, and the Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which such computations are based. Accordingly, the Verification Agent has not expressed an opinion on the data used, the reasonableness of the assumptions, or the ability to achieve the forecasted outcome.

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning the Depository Trust Company, New York, New York ("DTC") and DTC's book-entry only system has been obtained from DTC and the School District takes no responsibility for the completeness or accuracy thereof. The School District cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (each as hereinafter defined) (a) payments of interest, principal, or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the

DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bonds. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail

information from the School District or the Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Bond Registrar, or the School District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School District or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Revision of Book-Entry Only System - Replacement Bonds

The Bond Resolution provides for issuance of fully registered Bonds (the "Replacement Bonds") directly to owners other than DTC or its nominee only if DTC determines not to continue to act as security depository of the Bonds. In such event, the School District may in its discretion establish a securities depository/book entry relationship with another qualified securities depository. If the School District does not or is unable to do so, and after appropriate notice to DTC, the School District's Bond Registrar will authenticate and deliver fully registered Replacement Bonds, in the denominations of \$5,000 or any multiple thereof, to or at the direction of and, if the event is not the result of School District action or inaction, at the expense (including printing costs) of, any persons requesting such issuance. Replacement Bonds may be transferred, registered and assigned only in the registration books of the School District's Bond Registrar.

TRANSCRIPT AND CLOSING DOCUMENTS

A complete transcript of proceedings for the Bonds, including an appropriate no-litigation certificate (described above under "LITIGATION"), will be delivered by the School District when the Bonds are delivered by the School District to the Underwriter. The School District will at that time also provide to the Underwriter a certificate of the Treasurer, in the form attached hereto as APPENDIX E, addressed to the Underwriter relating to the accuracy and completeness of this Official Statement.

CONTINUING DISCLOSURE

The School District has agreed for the benefit of the holders and beneficial owners of the Bonds to provide annual financial and operating information in its Annual Report, not later than December 1 of each year, and to provide notices of certain events, if material. Concurrently with the delivery of the Bonds, the School District will deliver a certificate of the Treasurer of the School District (the "Disclosure Certificate"), in the form attached hereto as APPENDIX F, describing the nature of the information to be provided, the persons and entities to whom such information will be provided and the times at which such information will be provided. The School District's failure to comply with any undertaking contained in the Disclosure Certificate will not constitute an event of default under the Bonds. Prior to January 5, 2010, the School District failed to timely file its annual financial and operating information as required by its continuing disclosure undertakings in connection with the School District's outstanding bonds and notes. The School District is currently in compliance with its continuing disclosure requirements, and the School District intends to be in compliance with all of its continuing disclosure requirements going forward.

The Disclosure Certificate is being executed by the School District to assist the Underwriter in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission. Specifically, the School District agrees to provide the Annual Report to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, if required, and to provide notice of the enumerated events to the MSRB in an electronic format, if required.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the School District from official and other sources and is believed by the School District to be reliable, but information other than that obtained from official records of the School District has not been independently confirmed or verified by the School District and its accuracy is not guaranteed.

Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as or as part of a contract with the original purchasers or holders of the Bonds.

This Official Statement has been duly prepared and delivered by the School District, and executed for and on behalf of the School District by the Board President and Treasurer.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO

By: _____
President, Board of Education

By: _____
Treasurer, Board of Education

APPENDIX A

THE AVON LAKE CITY SCHOOL DISTRICT

GENERAL INFORMATION

Introduction

The School District serves the suburban community of the City of Avon Lake, Ohio (the “City”) and is located in north central Ohio, approximately 25 miles west of the City of Cleveland. The boundaries of the City and the School District are coterminous. The School District is one of fifteen school districts in Lorain County (the “County”).

The School District is an independent political subdivision of the State and operates subject to the provisions of the Ohio Constitution and various sections of the Revised Code. Under such laws, there is no authority for the School District to have a charter or adopt local laws. The School District is not a part of, nor under the control of, the City, the County, or any other political subdivision. The territory of the School District is larger than the territory of the City.

According to information supplied by OMAC, the School District contains portions of the assessed valuation of other subdivisions, as shown below:

Overlapping Subdivisions Avon Lake City School District

Subdivision	Subdivision's Assessed Valuation Within the School District	School District's Assessed Valuation Within the Subdivision
<u>County</u>		
Lorain County	12.55%	100.00%
<u>Other Subdivisions</u>		
City of Avon Lake	100.00%	100.00%
Lorain County Joint Vocation School District	14.16	100.00
Avon Lake Library District	100.00	100.00
Lorain County Community College	12.55	100.00
Lorain County Metro Park District	12.55	100.00
Lorain County Regional Airport Authority	12.55	100.00
Lorain County Port Authority	12.55	100.00

Source: Ohio Municipal Advisory Council

According to the U.S. Bureau of the Census, the estimated population of the School District in 2012 was 22,515.

Map of Geographic Area



Board of Education

The legislative power of the School District is vested in the Board of Education (the “Board”), consisting of five members elected at large for staggered four-year terms. Regular Board meetings of the Board are held on the second Tuesday of each month. At the first meeting of each year, the Board elects a president and a vice president from its membership, each to serve a one-year term. The Board employs a Superintendent who serves as the executive officer for the Board and a Treasurer who serves as the chief fiscal officer for the Board.

School District Officials Avon Lake City School District

Official	Office	Expiration of Current Term	Beginning of Tenure
Charles M. Froehlich	President	December 31, 2017	September 2002
James A. Stobe	Vice President	December 31, 2015	January 2012
Dale W. Cracas	Member	December 31, 2017	January 2006
Ronald D. Jantz, Jr.	Member	December 31, 2015	May 2007
Pamela Ohradzansky	Member	December 31, 2015	June 2005
Robert D. Scott	Superintendent	Contract	February 2005
Autumn Streng	Treasurer	Contract	March 2012

Source: Avon Lake City School District

School District Employees

The School District currently has 261 certificated employees and 185 classified employees. In fiscal year 2013, salaries accounted for 60% of the School District’s operating expenditures, while fringe benefits accounted for 23% of the School District’s operating expenditures.

Certified Staff

The teaching or certified staff is represented by the Avon Lake Education Association (ALEA) which is affiliated with the Ohio Education Association (OEA) and the National Education Association (NEA). In 2009, the Board and the ALEA signed a three-year agreement ending in 2012. The 2009 agreement has been extended twice and is effective through June 30, 2015. Both base salary and step increases are frozen for the 2015 fiscal year; however, the agreement includes a 0.5% retirement pickup. The Board pays 85% of health insurance premiums. In lieu of making severance payments directly to the teachers, such payments are paid into a 403(b) plan. Each teacher meeting the qualifications of the retirement incentive will receive a \$25,000 retirement incentive paid in three substantially equal payments into a Health Reimbursement Account.

Classified Staff

Classified staff includes secretarial, clerical, custodial and cafeteria workers, as well as bus drivers and other non-teaching, non-administrative personnel, including aides.

The classified staff is represented by the Ohio Association of Public School Employees (OAPSE). The Board has bargained with OAPSE since 1984. The current agreement granted the classified staff a 2.5% salary increase in 2010 and a one-time bonus of \$200 and \$400 for part-time and full-time employees, respectively. The current agreement, originally set to expire June 30, 2011, has been extended

twice and is in effect through June 30, 2015. The Board and OAPSE agreed to freeze base salary effective July 1, 2011 through June 30, 2015. Under the agreement, an employee's share of health insurance premium remained at 9% through June 30, 2012. The employee's share of premium was increased to 12% during the 2012-2013 school year and has increased to 15% for the remaining duration of the agreement.

Pension Obligations

Present and retired employees of the School District are covered under two statewide public retirement (including disability retirement) systems. The State Teachers Retirement System (the "STRS") is applicable to all teachers, principals, supervisors and administrators employed by the School District who are required to hold a certificate issued by the Department pursuant to the Revised Code. Other eligible employees are covered by the School Employees Retirement System (the "SERS"). Pursuant to federal law, all School District employees hired after March 31, 1986 are required to participate in the federal Medicare program which currently requires employee and employer contributions each equal to 1.45% of the employee's wages subject to the Federal Insurance Contribution Act (FICA) wage limit. Otherwise, School District employees are not presently covered under the Federal Social Security Act.

STRS and SERS are not presently subject to the funding and vesting requirements of the Federal Employee Retirement Income Security Act of 1974.

Both STRS and SERS were created by and operate pursuant to Ohio law. The State legislature could determine to amend the format of either system and could revise rates or methods of contribution to be made by the School District into the pension funds and revise benefits or benefits levels.

School District Facilities

The School District presently operates the following schools:

Current School District Facilities Avon Lake City School District

Name of Building	Group/ Grades Housed	Enrollment 2013-2014	Capacity	Number of Teachers (FTE)	Pupil/ Teacher Ratio	Year Building Completed	Dates of Additions/Renovations
Eastview Elementary	K-4	448	780	25	18:1	1950	1955, 2001
Erievue Elementary	K-4	288	660	23	13:1	1950	1953, 2001
Redwood Elementary	Pre-K-4	462	960	24	19:1	1961	2002
Westview Elementary	K-4	226	660	21	11:1	1956	2002
Troy Intermediate	5-6	615	1,200	36	17:1	1970	1995, 2001
Learwood Middle	7-8	573	1,350	40	14:1	1959	2002
Avon Lake High	9-12	1,171	2,250	60	20:1	1926	1953, 1963, 1975, 2003
Total		<u>3,783</u>	<u>7,860</u>	<u>229</u>	<u>17:1</u>		

Source: Avon Lake City School District

Enrollment

The daily average enrollments for past school years, together with projected enrollments for future school years, are shown below.

Enrollment by School Year Avon Lake City School District

Grade	2010-11	2011-12	2012-13	2013-14	2014-15*	2015-16*	2016-17*	2017-18*
Pre-K	72	74	82	84	84	84	84	84
K	253	222	250	243	243	243	243	243
1	297	272	239	264	264	264	264	264
2	261	295	280	248	248	248	248	248
3	317	282	300	278	278	278	278	278
4	270	308	286	307	307	307	307	307
5	294	285	312	289	289	289	289	289
6	295	301	286	325	325	325	325	325
7	288	300	302	280	280	280	280	280
8	294	287	307	294	294	294	294	294
9	290	292	284	312	312	312	312	312
10	328	293	292	277	277	277	277	277
11	311	314	291	286	286	286	286	286
12	259	310	310	296	296	296	296	296
Totals	3,829	3,835	3,821	3,783	3,783	3,783	3,783	3,783

* Projected. The School District is considering conducting an enrollment survey in the Spring of 2015.

Source: Avon Lake City School District

Community School

The School District does not serve as a sponsor for a community school established under Revised Code Chapter 3314.

Open Enrollment

The School District does not have open enrollment.

Dual Enrollment Programs and Credit Flexibility

The School District is required by State law to offer students the opportunity to participate in a dual enrollment program. The School District adopted its credit flexibility policy in 2010. The School District currently offers 11 post-secondary course options on campus and 16 Advanced Placement courses. The School District also has a post-secondary program by agreement with the Lorain County Community College.

Educational Program

The School District serves approximately 3,800 students in grades K-12 with the support of over 250 teachers. It operates four elementary schools (grades K-4), one intermediate school (grades 5-6), one middle school (grades 7-8) and one high school (grades 9-12).

The mission of the School District is to challenge all students and develop their individual goals through community partnerships, resources, and technologies which will produce responsible and compassionate citizens. The School District offers a dynamic learning environment based on individual students needs for the 21st century. The School District is invested in innovative technology based on sound instructional practices by well trained, highly qualified teachers.

The School District's curriculum includes a wide range of electives and comprehensive courses of study in college preparatory, liberal arts and vocational programs. Test scores indicate that the School District's students generally achieve higher than State and national averages. Avon Lake High School offers 17 Advanced Placement (AP) classes with a total enrollment of over 260 students in such classes, and also offers 10 college credit courses through Lorain County Community College with a total enrollment of over 240 students per semester. Avon Lake High School has been ranked nationally by US News & World Report since 2007. Their 2014 ranking is the 21st best High School in Ohio and the 482nd best high school in the nation.

A full range of extra-curricular programs and activities are available beginning in the elementary grades. There are over 45 different extra-curricular offerings for boys and girls including safety patrol, basketball, football, volleyball, pep club, Future Business Leaders of America, and National Honor Society. Service to the community and being a good citizen are an important part of educating the whole student. 2014 Avon Lake Graduates accumulated in excess of 2000 hours of community service during the 2013-14 school year.

The Avon Lake Educational Foundation was established in 1987 by the Board to provide funds for expanded educational activities and projects not provided for by the School District's general funds. The Avon Lake Schools Endowment Fund currently has a value of \$222,300.04 and the Avon Lake Schools Fine Arts Endowment Fund currently has a value of \$67,735.01.

Community involvement in the School District is evidenced by citizen membership on various School District committees that include, among others, Buildings and Grounds, Transportation, and Curriculum Advisement. The Board of Education (the "Board") of the School District and City officials meet regularly to discuss matters of mutual interest. Board members are also appointed by the City to serve on the City's Recreation Board, Community Improvement Corporation, and West End redevelopment committee.

The Board has established a formal community information program which distributes a quarterly newsletter to residents, operates a School District cable television channel, and conducts an annual community survey. The school system also sponsors GradeBookWizard and PowerTeacher as a 24/7 communication system with parents and students. The Superintendent also writes a monthly article for the local newspaper and belongs to *The Alliance for Quality Schools* in order to communicate with the elected officials in Columbus.

State Performance Standards

In August 2013, the Department began the process of phasing in a new model of local report card (the “Local Report Card”) evaluations for Ohio school districts. Beginning in August 2015, school districts and individual schools will receive grades on measurements such as the four-year graduation rate. The grades for these measurements will be combined into six broad categories, referred to as “components,” that will also receive a grade. The component grades will eventually be combined into an overall grade for each school district or individual school.

The Local Report Cards for Ohio school districts released in August 2013 contain nine measurements that receive grades. However, the Department will not release component or overall grades until August 2015 in order to give school districts time to adjust to the new evaluation system and focus their efforts on being successful in all of the areas that are being measured.

The following table summarizes the School District’s letter grade results on its most recent Local Report Card for the 2012-2013 school year.

Local Report Card Summary, 2012-2013 Avon Lake City School District

<u>Achievement</u>	
Performance Index	A
Number of State Indicators Met	A
<u>Progress</u>	
Overall Value-Added	B
Gifted Value-Added	D
Disabled Value-Added	C
Lowest 20% Value-Added	C
<u>Gap Closing</u>	
Annual Measurement Objectives	B
<u>Graduation Rate</u>	
4-Year Graduation Rate	A
5-Year Graduation Rate	A

Source: Ohio Department of Education

The six components that will be on the new Local Report Card are:¹

1. **Achievement** – This component measures absolute academic achievement compared to national standards of success, and this component is comprised of a performance index (the “Performance Index”) and a series of 24 State tests (the “Indicators”). The Performance Index measures the test results of every student. There are six levels on the Performance Index, and school districts receive points for every student in each of these levels.

¹ This discussion of the new Local Report Card standards is provided for the convenience of the reader and only summarizes the process by which the Department reaches its designation for school districts. For more information about State performance standards, including more detail about the School District’s performance, please see the Department’s website relating to State and Local Report Card reporting at <http://education.ohio.gov/Topics/Data/Accountability-Resources>.

The Indicators are based on a series of 24 State tests that measure the level of achievement for each student in certain grades and subjects. The State previously required that at least 75% of students score “proficient” or better to get credit for the corresponding indicator. Starting with the 2013-14 school year, the State will require that a school district or school have 80% of their students reach “proficient” or better in order to meet an indicator

For this component of the Local Report Card, the two A-F letter grades are determined by (1) the percentage of points that they receive out of a total possible 120 points on the Performance Index, and (2) the number of Indicators met out of the 24 total Indicators.

Score	Letter Grade
90% – 100%	A
80% – 89.9%	B
70% – 79.9%	C
50% – 69.9%	D
Below 50%	F

For the 2012-2013 school year, the School District received an “A” grade on the Performance Index by scoring 108.9 points out of 120 points (90.8%), and the School District received an “A” grade on the Indicators by meeting 24 of 24 (100%) of the Indicators. The table below shows the School District’s results for each Indicator with bolded Indicators indicating results above the State Standard.

2012-2013 State Performance Indicators
Avon Lake City School District

Performance Indicator	State Standard	School District	Performance Indicator	State Standard	School District
3rd Grade Achievement			8th Grade Achievement		
1. Mathematics	75%	95.9%	12. Mathematics	75%	93.0%
2. Reading	75	95.9	13. Reading	75	94.6
4th Grade Achievement			14. Science	75	89.6
3. Mathematics	75%	93.5%	Ohio Graduation Test (10th Grade)		
4. Reading	75	97.1	15. Mathematics	75%	97.9%
5th Grade Achievement			16. Reading	75	97.9
5. Mathematics	75%	93.8%	17. Science	75	95.8
6. Reading	75	94.4	18. Social Studies	75	96.2
7. Science	75	92.1	19. Writing	75	97.6
6th Grade Achievement			Ohio Graduation Test (11th Grade)		
8. Mathematics	75%	95.4%	20. Mathematics	85%	98.7%
9. Reading	75	96.6	21. Reading	85	98.7
7th Grade Achievement			22. Science	85	97.6
10. Mathematics	75%	90.5%	23. Social Studies	85	99.7
11. Reading	75	95.6	24. Writing	85	98.7

Source: Ohio Department of Education

2. **Progress** – This component measures the average annual improvement for each student (i.e., whether a student gained more or less a year of knowledge and skills each year). This component is commonly referred to as the “value-added” grade.

For this component of the Local Report Card, the A-F grade is determined by the same “value-added” index that the State adopted in 2007. The ranges set forth in the table below show years of growth in one school year’s time.

Score	Letter Grade
+2 and higher	A
Greater or equal to +1 but less than +2	B
Greater or equal to -1 but less than +1	C
Greater or equal to -2 but less than -1	D
Less than -2	F

For the 2012-2013 school year, the School District’s overall value-added grade was a “B,” its gifted students value-added grade was a “D,” its students in the lowest 20% in achievement value-added grade was a “C,” and its students with disabilities value-added grade was a “C.”

3. **Gap Closing** – This component, referred to as Annual Measurement Objectives (“AMO”), measures how well a school district or individual school is doing in narrowing gaps in reading, math and graduation rate among students according to socioeconomic, racial, ethnic or disability status. A school district or school cannot get an “A” on this measure if one of its groups is not reaching the goal set for all students. This component will review 10 student groups in reading, math and graduation rate and assign a grade for efforts to close achievement gaps in all groups. The 10 student groups, which are the same groups measured by the Adequate Yearly Progress model, are:

- All students;
- American Indian/Alaskan Native;
- Asian/Pacific Islander;
- Black, non-Hispanic;
- Hispanic;
- Multiracial;
- White, non-Hispanic;
- Economically disadvantaged;
- Students with disabilities; and
- Limited English proficiency.

The ranges for the AMO grades are:

Score	Letter Grade
90% – 100%	A
80% – 89.9%	B
70% – 79.9%	C
60% – 69.9%	D
Below 60%	F

For the 2012-2013 school year, the School District’s AMO grade was a “B” (83.3%).

4. **Graduation Rate** – This component measures the percentage of students who entered the 9th grade and graduated in four and five years.

The ranges for the graduation rate measures are different as set forth below:

Four-Year Graduation Rate

Score	Letter Grade
93% – 100%	A
89% – 92.9%	B
84% – 88.9%	C
79% – 83.9%	D
Less than 79%	F

For the 2012-2013 school year, the School District's four-year graduation rate was 95.6%, which resulted in an "A" grade.

Five-Year Graduation Rate

Score	Letter Grade
95% – 100%	A
90% – 94.9%	B
85% – 89.9%	C
80% – 84.9%	D
Less than 80%	F

For the 2012-2013 school year, the School District's five-year graduation rate was 95.5%, which resulted in an "A" grade.

5. **K-3 Literacy** – This component measures the improvement in reading for students in kindergarten through grade three. This component aims to ensure that all students are reading at grade level by the end of third grade.

Any school district or school that has less than five percent of their kindergartners reading below grade level will not receive a letter grade for this measure or component. The minimum range of a "C" grade will be the statewide average value for this measure. This measure and component will not appear on the Local Report Card until the Local Report Card released in August 2014.

6. **Prepared for Success** – This component measures whether students who graduate are prepared for college or a career without needing to take remedial classes. This component contains six measures that do not receive a grade; they are only reported on the school district's or school's Local Report Card. The component grade is based on the percentage of a school district's or school's graduating class that demonstrates college and career readiness. Any student included in any of the six ungraded measures, such as a student who earns an honors diploma, is considered to have demonstrated college and career readiness.

National Standardized Test Scores

The following table sets forth ACT results for the 228 seniors who took the test and graduated from the School District in 2013.

ACT Scores for Seniors Graduating in 2013 Avon Lake City School District

	School District	State of Ohio	United States
ACT Score Composite	25.0	21.8	20.9
English	24.6	21.2	20.2
Mathematics	25.1	21.5	20.9
Reading	25.1	22.2	21.1
Science	24.6	21.8	20.7
Percent of students tested ready for college level courses			
English Composition	89%	71%	64%
Algebra	76	49	44
Social Science	70	51	44
Biology	69	44	36
All 4 classes	56	31	26

Sources: ACT and Avon Lake City School District

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Comparative Position of the School District

The following tables compare the School District with its similar district cohort (as defined by the Department) and the State average in the areas of sources of revenue, expenditures by category, and teacher statistics.

Sources of Revenue, 2012-2013

Avon Lake City School District

	School District	Similar Districts	State of Ohio
State Revenue	20.62%	26.25%	42.03%
Local Revenue	67.17	62.81	42.25
Other Non-Tax Revenue	7.49	7.13	7.44
Federal Revenue	4.71	3.81	8.28

Source: Ohio Department of Education

Expenditures by Category, 2012-2013

Avon Lake City School District
(Dollars per Pupil)

	School District	Similar Districts	State of Ohio
Administration	\$1,255	\$1,161	\$1,363
Building Operations	2,118	1,866	2,004
Instruction	6,648	6,220	6,130
Pupil Support	1,148	579	594
Staff Support	305	254	355
Total Spending Per Pupil*	\$11,474	\$10,081	\$10,446

* Totals may not sum due to rounding.

Source: Ohio Department of Education

Teacher Statistics, 2012-2013

Avon Lake City School District

	School District	Similar Districts	State of Ohio
Teachers' Salaries			
Average teacher salary	\$64,756	\$63,482	\$57,966
Teaching experience			
0-4 years	11.72%	20.12%	22.06%
4-10 years	19.67	19.98	18.90
10 + years	68.62	59.90	59.03

Source: Ohio Department of Education

ECONOMY AND EMPLOYMENT

Economic Development

The City of Avon Lake (the “City”), which is coterminous with the School District, was originally a farming community and resort area. However in 1926, after the Cleveland Electric Illuminating Company (now NRG) built a power plant in the City, farming gave way to a significant amount of industrial growth.

Residents of the School District have immediate access to three highways and Interstate 90, enabling them to reach the Greater Cleveland Area easily. Conrail and Amtrak serve the School District, and the Port of Lorain provides great lakes shipping. Commercial air service is available at Cleveland Hopkins International Airport, and the Lorain County Airport serves private and executive aircraft.

The School District is located 18 miles west of the City of Cleveland, and offers a blend of industrial, commercial and residential development. In addition to NRG, the City’s industrial tax base includes an assembly plant for the Ford Motor Company (“Ford”), which began operations in 1974. Ford currently employs over 1,600 workers at this plant, with approximately 85% of the plant located in the School District and the balance located in the City of Sheffield Lake and the Village of Sheffield. 2014 will be the last year the Avon Lake Ford plant will produce the E Series commercial van. Ford is investing \$168 million to retool the plant to build F-650 and F-750 medium duty trucks.

While Ford is a large employer and taxpayer for Avon Lake City and City Schools, in recent years the School District has enjoyed a more diversified tax base. New manufacturing and construction is currently focused in the region known as the Pin Oak Parkway, which is located in an area with direct access to State Route 83 and is in close proximity to Interstate 90 and the Ohio Turnpike. The Parkway has approximately 300 acres zoned for high technology and non-polluting light industrial uses. City officials estimate that more than 40% of the City’s industrial area is available for development.

Several Fortune 500 and 1000 companies have a significant presence in the City, including (i) Lubrizol Advanced Materials, Inc., which is a provider of specialty chemicals for the transportation, industrial, and consumer markets; (ii) Watteredge, Inc., the world leader in the design and manufacture of electric arc furnace secondary power connectors, resistance welding cables, high current DC switches, and other industrial, high-performance devices and accessories; (iii) PolyOne Corporation, manufacturer in the chemicals industry, is headquartered in the City; and (iv) Thogus, is a fast growing manufacturer of premium custom injection molding solutions.

The School District’s industrial base is complemented by a strong commercial and retail base. Shopping areas in the School District include the Avon Lake Towne Center, Learwood Square, the Drug Mart Plaza, and the North Avon Lake Business area. The West Side Development Task Force has been meeting for the last year on the development of Olde Downtown Avon Lake situated on the Lake Erie.

The power plant currently owned by NRG was slated to be closed in April of 2015 due to EPA regulations on mercury emissions reduction. The plant is now scheduled to remain open as a “peaker plant” fired by natural gas. NRG is investing \$100 million for a natural gas pipeline and plant renovations. The plant is scheduled to start using natural gas in 2016. The City of Avon Lake and the Avon Lake City School District are currently working with NRG on the natural gas pipeline, plant renovations and the revenue that will be generated through public utility personal property (PUPP) taxes and commercial property taxes.

Several major corporations have received major tax abatements in recent years, which have boosted the local economy and the School District’s tax base for the long term. See “ECONOMY AND EMPLOYMENT – Tax Abatements” in this APPENDIX A.

Labor Force Statistics

Unemployment and labor force statistics specific to the School District are not available. The County and the MSA information presented in this section is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that the School District is representative of the County or the MSA, or vice versa. The following statistics are not seasonally adjusted.

Area Unemployment Rates (annual percentages)					Labor Force (in thousands)	
Year	Lorain County	Cleveland MSA	State of Ohio	United States	Year	Lorain County
2004	5.9%	5.9%	6.1%	5.5%	2004	152.3
2005	5.8	5.7	5.9	5.1	2005	153.7
2006	5.9	5.5	5.4	4.6	2006	158.2
2007	6.3	6.1	5.6	4.6	2007	160.6
2008	7.2	6.8	6.6	5.8	2008	161.6
2009	9.9	8.9	10.2	9.3	2009	159.5
2010	9.4	8.9	10.0	9.6	2010	155.9
2011	8.3	7.9	8.7	8.9	2011	155.2
2012	8.1	7.4	7.4	8.1	2012	155.4
2013	8.1	7.5	7.4	7.4	2013	155.4
2014*	8.1	7.6	6.5	6.7	2014*	153.7

* Preliminary average through April 2014.

Source: Ohio Department of Job and Family Services,
Bureau of Labor Market Information

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Largest Employers

The following table lists the 10 largest employers in the School District.

Largest Employers Avon Lake City School District

Rank	Firm	Number of Employees ^{1,2}	Industry
1.	Ford Motor Company	2,147	Automobile Assembly
2.	Avon Lake City School District	802	Education
3.	PolyOne Corporation	647	Thermoplastics Distributor
4.	City of Avon Lake	379	Government
5.	Lubrizol Advanced Materials, Inc.	216	Chemical Manufacturer
6.	Grace Management Services, Inc.	190	Retirement Village
7.	Riser Food Company	189	Grocery Store
8.	Thogus Products Co.	161	Chemical Manufacturer
9.	Genon Energy Services, LLC	150	Electric Power Plant
10.	Western/Scott Fetzer Co.	128	Gas Control Technology

Source: The City of Avon Lake in cooperation with the Regional Income Tax Agency and the School District's records.

(1) Number of employees is based on forms W-2 filed with the Regional Income Tax Agency and include seasonal and part-time employees.

(2) Data to compute the percentage of total employment that each listed employer represents is not available.

SCHOOL DISTRICT PROPERTY TAX BASE

Ad Valorem Taxes and Assessed Valuation

Overview

For property taxation purposes, assessment of real property is performed on a calendar year basis by the elected County Auditor subject to supervision by the Tax Commissioner, and assessment of public utility tangible personal property is performed by the Tax Commissioner. Property taxes are billed and collected by the County Treasurer.

Taxes collected from real property in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. Public utility 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 that second year preceding the tax collection year. Beginning with the 2009 tax year, general business tangible personal property is no longer subject to tax.

Real Property

The "assessed valuation" of real property is fixed at 35% of true value and is determined pursuant to rules of the Tax Commissioner, except that real property devoted exclusively to agricultural use is assessed at not more than 35% of its current agricultural use value. Beginning in 2008, certain elderly or disabled resident homeowners may receive a flat \$25,000 property tax exemption on the market value of their homestead.

Ohio law requires the County Auditor, subject to supervision by the Tax Commissioner, to adjust the true value of taxable real property every six years to reflect current fair market values. This “sexennial reappraisal” is done by individual appraisal of properties. In the third year following a sexennial reappraisal, the County Auditor, again subject to supervision by the Tax Commissioner, performs a “triennial update” to adjust the value of taxable real property to reflect true values. The triennial update is done without individual appraisal of properties, but with reference to a sales-assessment ratio over the three-year period.

Personal Property

In 2005, the State accelerated its phase-out of the tangible personal property tax. Since 2008, general business tangible personal property has not been subject to tax.

Public utility tangible personal property – including tangible personal property of electric utilities not used for transmission and distribution and all tangible personal property of gas utilities – was not included in the phase-out created by the State. All public utility tangible personal property is assessed at varying percentages of its true value depending on the type of property and the type of utility.

The State currently reimburses School Districts for tax losses resulting from the phase-out of the tangible personal property tax. However, recent legislation will reduce and eliminate the amount of such payments. (See “SCHOOL DISTRICT PROPERTY TAX BASE – Property Tax Calculations.”)

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Tax Abatements and Economic Development Incentives

Tax abatements are temporary property tax exemptions designed to stimulate economic growth or promote other activities deemed by the State to be in the public interest. Under Ohio law, tax abatements may be granted for urban renewal projects, community redevelopment corporations, community reinvestment areas, property acquired by municipal corporations engaged in urban redevelopment, enterprise zones, railroad property, and for any improvements declared to serve a “public purpose” in municipalities, townships, and counties.

Because the burden of tax abatements falls disproportionately on school districts due to their reliance on property taxes, the State has created safeguards that allow school districts to protect their interests. First, school district representatives sit on tax incentive review councils to monitor compliance with tax abatement agreements and make recommendations on abatements to the governmental entity involved. Second, a school district must be given advance notice of a planned abatement, and be allowed to comment on the abatement prior to its granting. Under certain circumstances, a board of education may “veto” a proposed tax abatement and/or negotiate an annual compensation payment. Finally, municipalities with an income tax in place must negotiate a compensation agreement with a school district if a tax abatement is expected to generate a significant amount of increased payroll to the area.

The table below summarizes the tax abated real property within the School District:

Summary of Real Property Tax Abatements Avon Lake City School District

Abatement	Tax Year Beginning	End After Tax Year	Abatement Percentage	Assessed Valuation of Properties
CRA #1	2006	2020	50-100%	\$ 1,550,126
CRA #2	2007	2021	75%	3,131,525
CRA #3	2007	2021	75%	1,680,627
CRA #4	2006	2019	25-100%	3,583,682
CRA #5	2008	2017	50%	38,171
CRA #6	2007	2022	75-100%	4,576,044
Other	2006	2015	75%	20,860
Total				\$14,581,035

Source: Lorain County Auditor

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Assessed Valuation

The following table classifies the School District's assessed valuation of taxable property according to use:

Assessed Valuation Avon Lake City School District (2014 Collection Year)

Property Classification	Amount	Percent of Total Assessed Valuation
<i>Real Estate</i> ¹		
Residential/Agricultural	\$647,831,640	83.33%
Commercial/Industrial/Mineral	90,956,020	11.70
Public Utility Real	<u>467,010</u>	<u>0.06</u>
Total Real Estate	\$739,254,670	95.08%
<i>Personal Property</i> ²		
Public Utility Personal	\$38,214,330	4.92%
Total Assessed Valuation	\$777,469,000	100.00%

Source: Lorain County Auditor

Historic Growth in Assessed Valuation Avon Lake City School District

Tax Collection Year	Assessed Valuation	Percent Increase Over Prior Year
2007 ³	\$847,954,022	8.55%
2008	860,876,802	1.52
2009	862,936,929	0.24
2010 ⁴	817,590,679	(5.25)
2011	825,938,460	1.02
2012	829,553,680	0.44
2013 ³	785,299,050	(5.33)
2014	777,469,000	(1.00)

Source: Lorain County Auditor

¹ Real property taxes collected in a calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. Real property is assessed at 35% of market value and reappraised every six years, with triennial updates every three years.

² Tangible personal property taxes collected in a calendar year are levied in the same calendar year, on assessed values during and at the close of the most recent fiscal year of the taxpayer (ending on or before March 30 of said calendar year) at tax rates determined in the preceding year.

³ Year of sexennial reappraisal.

⁴ Year of triennial update.

Largest Taxpayers

The following tables list the largest real estate and public utility taxpayers in the School District. Percentages of total assessed valuation are based on a total assessed valuation of \$777,469,000 for the 2014 Collection year.

Largest Taxpayers Avon Lake City School District (2014 Collection Year)

Real Estate Taxpayers

Name	Type of Business	Assessed Valuation	Percent of School District's Total Assessed Valuation
Ford Motor Company	Automobile Assembly	\$4,739,550	0.61%
181 Somerset Realty I LLC	Real Estate	4,356,650	0.56
PolyOne Corporation	Distribution	4,163,470	0.54
Health Care REIT Inc.	Real Estate	3,756,040	0.48
Legacy Pointe LTD	Real Estate	2,897,770	0.37
Kopf Properties II LTD	Real Estate	2,156,510	0.28
Learwood Square Company LLC	Real Estate	2,103,260	0.27
Towne Independent Living LLC	Real Estate	1,892,090	0.24
Landings Shops & Offices LTD	Real Estate	1,563,560	0.20

Public Utility Taxpayers

Name	Type of Business	Assessed Valuation	Percent of School District's Total Assessed Valuation
Orion Power Midwest LP	Electric Utility	\$18,858,560	2.43%
Genon Power Midwest LP	Electric Utility	16,372,880	2.11
Cleveland Electric Illumination Co	Electric Utility	12,218,680	1.57
American Transmission Systems Inc.	Electric Utility	7,441,190	0.96
Columbia Gas of Ohio Inc.	Gas Utility	2,232,280	0.29

Source: Lorain County Auditor

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History of Voted Taxes

The table below provides the 20-year history of voted taxes in the School District. Issues listed in **bold** were passed by the voters.

History of Voted Taxes Avon Lake City School District

Election Date	Levy or Bond Issue Description	Number of Votes For	Number of Votes Against
05/03/1994	\$2,000,000 Bond Issue (School Facilities Renovation)	2,196	1,711
03/19/1996	1.80 Mill Operating Levy – New	1,787	2,875
08/06/1996	1.50 Mill Permanent Improvement Levy – Renewal	1,809	1,231
08/06/1996	0.980 Mill Operating Levy – Renewal	1,705	1,326
11/05/1996	3.90 Mill Operating Levy – New	4,472	4,016
11/03/1998	\$48,000,000 Bond Issue (School Facilities Construction)	3,406	3,755
05/04/1999	\$41,800,000 Bond Issue (School Facilities Construction)	2,658	2,319
11/07/2000	1.50 Permanent Improvement Levy – Renewal	5,376	3,883
05/08/2001	3.40 Mill Operating Levy – New	2,840	3,192
05/08/2001	1.80 Mill Operating Levy (Library) – Renewal	3,641	2,310
11/06/2001	5.07 Mill Operating Levy (Emergency) – New	3,523	3,035
05/06/2003	4.86 Mill Operating Levy (Emergency) – New	2,150	989
05/03/2005	7.92 Mill Operating Levy (Emergency) – New	2,139	3,891
11/08/2005	6.08 Mill Operating Levy (Emergency) – New	3,459	4,219
05/02/2006	5.80 Mill Operating Levy (Emergency) – New	4,868	2,817
05/02/2006	1.80 Mill Operating Levy (Library) – Renewal	5,661	1,994
11/07/2006	1.50 Permanent Improvement Levy – Renewal	6,226	3,436
11/04/2008	3.86 Mill Operating Levy (Emergency) – Renewal	8,498	4,208
11/03/2009	\$13,000,000 Bond Issue (School Facilities Construction)	4,813	3,261
11/03/2009	\$5,500,000 Bond Issue (School Facilities Construction)	4,132	3,943
05/03/2011	5.45 Mill Operating Levy (Emergency) – Renewal	2,252	1,051
05/03/2011	1.50 Permanent Improvement Levy – Renewal	2,331	978
11/06/2012	9.04 Mill Operating Levy (Emergency) – New	6,156	6,831
05/07/2013	8.28 Mill Operating Levy (Emergency) – New	3,221	2,937

Source: Ohio Municipal Advisory Council

The School District's 1.50 Mill Permanent Improvement Levy and its 3.86 Mill Emergency Operating Levy are set to expire December 31, 2015 and December 31, 2018, respectively. However, School District has not yet determined when the renewal levies will be placed on the ballot.

Property Tax Rates and Collections

The following are the rates (in mills per \$1.00 of assessed valuation) at which the School District levied ad valorem taxes for the general categories of purposes in recent years (without the reduction factor discussed below).

School District Tax Rates Avon Lake City School District

Collection Year	Operating*	Debt Retirement	Permanent Improvement	Total
2007	58.71	4.16	1.50	64.37
2008	58.57	3.95	1.50	64.02
2009	58.50	3.89	1.50	63.89
2010	59.06	5.47	1.50	66.03
2011	58.96	5.43	1.50	65.89
2012	58.93	5.14	1.50	65.57
2013	59.43	6.30	1.50	67.23
2014	68.15	5.45	1.50	75.10

* Includes inside and outside (voted) millage.
Source: Ohio Department of Taxation

The total School District operating millage of 68.15 mills for collection year 2014 includes voted operating levies of 63.95 mills, of which (i) 45.06 mills were approved by the School District electorate for a continuing period of time and which do not require a renewal vote, and (ii) 18.89 mills were approved by the School District electorate for a fixed period of time and will expire in the next five years unless renewed. The balance of 4.20 mills constitutes the School District's mandated share of the ten mills authorized to be levied without a vote of the electors of the School District (See "SCHOOL DISTRICT DEBT AND DEBT LIMITATIONS – Statutory Debt Limitations Generally – Indirect Debt Limitation" herein.)

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The following table identifies the historical tax collections for the School District:

Property Tax Collections
Avon Lake City School District

Collection Year	Assessed Valuation	Taxes Levied	Taxes Collected (including delinquent taxes)	Collection Rate
2007	\$847,954,022	\$33,809,716	\$36,143,927	106.90%
2008	860,876,802	33,151,604	33,127,719	99.93
2009	862,936,929	32,564,062	32,607,300	100.13
2010	817,961,150	34,112,060	32,379,774	94.92
2011	825,938,460	31,052,258	32,708,564	105.33
2012	829,553,680	35,151,187	32,668,118	92.94
2013	785,299,050	35,554,953	33,587,545	94.47
2014	777,469,000	N/A	N/A	N/A

Source: Lorain County Auditor

Property Tax Rate Calculations

State law has a “reduction factor” mechanism that is intended to negate increases in taxes resulting from increases in the true value of real property due solely to inflation. Legislation implementing a 1980 constitutional amendment classifies real property as either (1) residential and agricultural or (2) all other real property, and provides for tax reduction factors to be separately computed for and applied to each class.

Statutory procedures limit the amount realized by each taxing subdivision from real property taxation, by the application of a tax reduction factor, to the amount realized from those taxes in the preceding year plus: (i) the proceeds of any new taxes (other than renewals) approved by the electors, calculated to produce an amount equal to the amount that would have been realized if those taxes had been levied in the preceding year, and (ii) amounts realized from new and existing taxes on the assessed valuation of real property added to the tax duplicate since the preceding year. Such limitations are expressly inapplicable to amounts realized from taxes levied at a rate required to produce a specified amount, such as for debt service charges or emergency school levies, and from taxes levied inside the ten-mill limitation or any applicable municipal charter tax rate limitation. Further, such limitations will not reduce operating millage for school districts below 20 mills or for joint vocational school districts below 2 mills.

A reduction factor is computed for each separate levy that is subject to the limitation. A resulting "effective tax rate" reflects the aggregate of those reductions and is the rate at which real property taxes are, in fact, collected. Real property tax amounts from property devoted to residential and agricultural purposes are, in certain cases, further reduced by an additional 10% (12-1/2% in the case of certain owner-occupied residential property) or a flat, \$25,000 reduction in taxable value applicable to certain elderly or disabled resident homeowners, when billed to the taxpayer. These reductions are reimbursed to the taxing subdivisions by the State. A phase out of these reductions began in 2013. The 10% reduction for residential and agricultural properties and 2-1/2% additional reduction for owner-occupied residential property do not apply to new levies and replacement levies approved by voters after the August 6, 2013 election. Additionally, starting in the 2014 tax year, the \$25,000 reduction in taxable value for certain elderly homeowners and homeowners with disabilities is being grandfathered out, with new reductions limited to property owners with total income less than or equal to \$30,000. This figure is adjusted for inflation annually by the Tax Commissioner.

Ad Valorem Tax Levies

The following table presents certain information concerning the School District's ad valorem tax levies:

Ad Valorem Tax Levies Avon Lake City School District Current Millage Rates (2014 Collection Year)

Year Voted	Authorized Mills	Rate Levied for Current Collection Year ¹	
		Residential/Agricultural	Commercial/Industrial
1976 ²	24.30	6.726556	11.383748
1978	6.27	2.064510	3.709859
1992	10.59	6.407607	9.106490
1996	3.90	2.770966	3.353665
2009	4.34	4.340000	4.340000
2011	5.93	5.930000	5.930000
2013	8.62	8.620000	8.620000
Total Voted Operating Millage	63.95	36.859639	46.443762
Inside (Unvoted) Millage	4.20	4.200000	4.200000
Voted Bond Retirement Millage	5.45	5.450000	5.450000
Permanent Improvement Millage	1.50	0.670347	1.262886
Total Rate	75.10	47.179986	57.356648

¹ This is the "effective rate." The effective tax rates may be less than the authorized rates listed in the first column. See "FINANCES OF THE SCHOOL DISTRICT – Property Tax Rate Calculations."

² Ohio Department of Taxation does not report the years in which operating levies approved prior to 1976 were voted, thus operating levies approved prior to 1976 are aggregated in this line.

Source: Ohio Department of Taxation

Repeal of Property Tax Levies

Each operating tax levy approved for a continuing period is subject to decrease through a statutory referendum procedure requiring (1) a petition signed by qualified electors of the School District equal in number to those who voted in the last governor's race (to be filed at least 90 days before the general election in any year) stating the amount of the proposed decrease and (2) the approval of the decrease by a majority vote at the general election with the decrease to commence at the expiration of the then current tax levy year. No petition has been filed with respect to any existing current expense tax levy of the School District.

If such a petition is filed and subsequently approved by the electors of the School District, under Revised Code Section 5705.261, the Board must continue to levy and collect such amount as will be sufficient to pay the principal of and interest on any notes in anticipation of an increased rate of levy approved for a continuing period of time.

Total Property Tax Burden

The following table displays the total effective tax rates levied on property located in the School District. In addition to the 75.10 mills levied by the School District, properties in the School District are subject to taxes levied by other overlapping political subdivisions.

Ad Valorem Tax Levies
Avon Lake City School District
(mills per \$1.00 of assessed valuation; 2014 Collection Year)

Location of Property to be Taxed	Taxing Authority						Effective Rates	
	School District	County	JVSD	City	Library	Total	Residential & Agricultural	All Other
City of Avon Lake	75.10	14.482	2.45	8.13	2.80	102.962	74.147317	83.849672

Source: Ohio Department of Taxation

State Reimbursement of Property Tax Revenues

Rollback and Homestead Exemption Reimbursement

The State reimburses taxing districts, including school districts, for decreased tax revenues due to (a) the 10% reduction or “rollback” in certain non-commercial property taxes, (b) the 2-1/2% reduction applicable to certain owner-occupied housing, and (c) the flat, \$25,000 reduction in taxable value applicable to certain elderly or disabled homeowners. Such reimbursements are subject to repeal or revision by the State. See "SCHOOL DISTRICT PROPERTY TAX BASE – Property Tax Calculations" for a discussion of reimbursement by the State for these reductions.

Public Utility Property and Tangible Personal Property Tax Loss Reimbursement

In tax year 2001, changes took effect which reduced the assessment percentages applicable to electric generation and natural gas tangible personal property, thereby reducing the amount of tangible public utility property tax revenue collected by taxing districts. In order to replace the taxes no longer received due to the lower assessment percentages, State consumption taxes on electricity and natural gas were enacted in 1999 and 2000, respectively.

Beginning in 2006, the State began to phase out the tax on tangible personal property used in business. The State also reimburses certain taxing districts for the loss of tax revenues due to the phase-out of the tax on general business tangible personal property, and on the tangible personal property belonging to telephone, telegraph, and interexchange companies. In order to replace a portion of the lost revenue, a commercial activity tax was enacted in 2005 and is imposed on gross receipts, including receipts from services, in the State.

The reimbursement of both types of tangible personal property tax revenue losses were scheduled to phase out by calendar year 2018. Instead, recent legislation generally accelerates the phase-out and reduces payments, depending on the type of levy.

For fixed-rate levies, the reimbursement amounts for fiscal year 2011 are compared to the “total resources” of a school district. “Total resources” includes fiscal year 2010 State aid; fiscal year 2010 reimbursement for current expense fixed-rate levy losses; the average current expense real and public utility taxes payable for tax years 2008 and 2009; the school district’s fiscal year 2009 receipts from a school district income tax levied for current expenses; and receipts during calendar year 2009 from a municipal income tax levied for municipal and school district purposes.

If a school district’s reimbursement payments are less than the threshold percentage of total resources for a year, then no further reimbursement is made. If the reimbursement payments exceed the threshold percentage, then the school district receives the amount in excess of the percentage. For fiscal year 2012, the threshold amount is 2%; for fiscal years 2013 and thereafter, the threshold percentage is 4%. Any reimbursement for 2013 will continue indefinitely.

For fixed sum and unvoted debt levy losses, amounts will continue to be reimbursed (less the amount attributed to one-half mill) so long as the levy continues to be imposed for fixed-sum levy purposes, and so long as the levy continues to be imposed for debt purposes until 2018, in the case of unvoted debt levies. Fixed rate levies for purposes other than current expenses are reduced by 25% over reimbursement levels for fiscal year 2010 for fiscal year 2012, and are reduced by 50% for fiscal years 2013 and thereafter.

For additional information prepared by the Ohio Department of Taxation to illustrate the amount of reimbursements for future years, go to http://www.tax.ohio.gov/personal_property/phaseout.aspx and http://www.tax.ohio.gov/public_utility_property/dereg.aspx.

OTHER SOURCES OF SCHOOL DISTRICT FUNDING

School Foundation Program

The State assists public school districts under a statutory program that includes the School Foundation Program.¹ School Foundation Program funds distributed to a school district are required to be used for current operating expenses, unless specifically allocated by the State for some other purpose. Payments made pursuant to the School Foundation Program are expected to increase due to the projected increase in need resulting from the accelerated phased elimination of the tax on tangible personal property. State reimbursement of property tax losses paid to school districts will be reduced by this increase, if any, in School Foundation Program receipts. (See “SCHOOL DISTRICT PROPERTY TAX BASE – State Reimbursement of Property Tax Revenues.”)

Basic eligibility for School Foundation Program payments is based on a school district’s compliance with State-mandated minimum standards. The School District is in compliance with those standards and has no reason to believe it will not remain in compliance.

The current State budget instituted a transitional formula for public school educational funding until a permanent formula is devised. The Governor of the State proposed a new model for providing State assistance to school districts when the budget for the next biennium was submitted to the General Assembly on February 4, 2013. The ultimate disposition of this model by the Governor and the General Assembly is not determinable at this time, nor is it possible to quantify at this time how the new model will impact the School District’s State funding. For the 2010-2011 fiscal year, State funding comprised 38.49% of the School District’s operating funds.

¹ The Supreme Court of Ohio has declared the School Foundation Program unconstitutional. See “LITIGATION - School Funding Litigation”.

The State also assists school districts by funding the School District Solvency Assistance Fund (the “Solvency Fund”). Created within the Solvency Fund is the School District Shared Resource Account and the Catastrophic Expenditures Account. A school district must be in a state of “fiscal emergency” to qualify for assistance and grants from the School District Shared Resource Account. A school district may qualify for assistance and grants from the Catastrophic Expenditures Account if the school district suffers an unforeseen catastrophic event that severely depletes the financial resources of the school district. School districts receiving assistance and grants from the Solvency Fund are required to repay such advances no later than the end of the second fiscal year following the fiscal year in which they received the assistance and grants, and if they fail to do so, the State will repay the Fund from amounts the school district would otherwise receive pursuant to the School Foundation Program. The School District does not have any outstanding advances from the Solvency Fund. The Solvency Fund, with the exception of the Catastrophic Expenditures Account, evolved from statutes declared unconstitutional in DeRolph. (See “LITIGATION – School Funding Litigation.”)

State Classroom Facilities Assistance

Revised Code Chapter 3318 establishes the Ohio School Facilities Commission (the “Commission”) to administer the provision of financial assistance to Ohio school districts for the acquisition or construction of classroom facilities in accordance with Chapter 3318. Chapter 3318 provides for several different school facilities assistance programs involving financial assistance from the State. These programs include the Classroom Facilities Assistance Program, the Exceptional Needs School Facilities Assistance Program, and the Expedited Local Partnership Program. Each of these programs provides State funding for all or a portion of qualifying school facilities projects based on financial tests, inadequate facilities, or a combination of the two. Participation in these programs also requires the school district to commit to adhere to Commission requirements for project construction.

The School District does not currently participate in any of the school facilities assistance programs.

School District Income Tax

Under Ohio law, a school district, with the approval of the voters, may impose an income tax for the purpose of providing additional funds for the operation of the school district. The tax may be imposed upon the income of individuals residing in the school district and estates of decedents who at the time of their death were residents of the school district; or solely upon the earned income of individuals residing in the school district. Such selection must be made by the board of education prior to submission of the question of an income tax to the board of elections and be clearly stated on the election ballot. The tax may be imposed either for a specified number of years or for a continuing period of time. If the tax is imposed for a period in excess of five years, the voters of the school district may, by majority vote, repeal the tax, provided that a proposal to repeal the tax may not be initiated more than once in any five-year period.

While the School District does not currently levy an income tax on its residents, this form of funding remains available to the School District. The Board does not anticipate asking voters to approve an income tax in the near future.

SCHOOL DISTRICT DEBT AND DEBT LIMITATIONS

Statutory Debt Limitations Generally

The School District may issue voted general obligation bonds, such as the Bonds, and notes issued in anticipation thereof, pursuant to a vote of the electors of the School District. Ad valorem taxes, without limitation as to amount or rate, assessed to pay debt service on voted bonds are authorized by the electors at the same time they authorize issuance of the bonds. Such voted debt is subject to the direct debt limitations but is not subject to the indirect debt limitation. Voted obligations may also be issued by certain overlapping subdivisions.

General obligation bonds, such as the Bonds, and notes issued in anticipation thereof, may also be issued by the School District (and certain overlapping political subdivisions, such as the City and the County) without a vote of the electors. Unvoted debt is subject to both the direct and indirect debt limitations.

A political subdivision's debt limitations are based on its "tax valuation," which is the aggregate of the valuations of real property, personal property, and public utility property that is subject to ad valorem property taxation. For school districts, tax valuation is calculated in accordance with R.C. 133.01(PP) and excludes the valuation of tangible personal property used in business, telephone or telegraph property, interchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations.

Direct Debt Limitations

Revised Code Section 133.06 provides that, exclusive of certain "exempt debt" (discussed below), the net principal amount of unvoted general obligation debt of a school district may not exceed the following percentages of a School District's tax valuation: (a) for permanent improvements generally, one-tenth of one percent (0.10%); and (b) for qualified energy conservation projects under Revised Code Section 133.06, nine-tenths of one percent (0.90%). Revised Code Section 133.06 also provides that the net principal amount of both voted and unvoted general obligation debt of the School District may not exceed 9% of a school district's tax valuation, except in the specific situations discussed below. These two limitations, referred to as "the direct debt limitations," may be amended from time to time by the State.

State Consents

Revised Code Section 133.06 further provides that bonds shall not be submitted to popular vote in an amount which will make the net indebtedness after the issuance of such bonds exceed 4% of a school district's tax valuation, unless the school district obtains the consent of the State Superintendent (acting under policies adopted by the State Board of Education) and the Tax Commissioner (acting under written policies of said Tax Commissioner). Revised Code Section 133.06(I) permits school districts to incur net indebtedness in excess of the 4% consent or 9% limitation under certain circumstances when the bonds are issued in connection with a Commission project.

Exempt Debt

The Revised Code provides that certain debt a school district may issue is exempt from direct debt limitations (“exempt debt”). Exempt debt includes, among other things, bonds payable from school district income taxes under Revised Code Section 3318.052(E); notes issued in anticipation of the collection of current revenues; notes issued for qualified energy savings projects under Revised Code Section 3313.372; and certain bonds issued for school construction purposes following declaration of an emergency. Notes issued in anticipation of “exempt” bonds also are exempt debt. In calculating debt subject to the direct debt limitations, the amount of money in a school district’s bond retirement fund allocable to the principal amount of non-exempt debt is deducted from gross non-exempt debt.

Indirect Debt Limitation

Unvoted general obligation bonds and bond anticipation notes cannot be issued by the School District unless the tax required to be imposed on taxable property in the School District for the payment of the debt service on (a) such bonds (or the bonds in anticipation of which notes are issued), and (b) all outstanding unvoted general obligation bonds (including bonds in anticipation of which notes are issued) of the combination of overlapping taxing subdivisions in the School District resulting in the highest tax rate required for such debt service, in any one year, is ten mills or less per \$1.00 of assessed valuation. This indirect debt limitation, the product of which is commonly referred to as the “ten-mill limitation”, is imposed by a combination of the provisions of Article XII, Sections 2 and 11 of the Ohio Constitution and Revised Code Section 5705.02.

The ten-mill limitation is the maximum aggregate millage for all purposes that may be levied on any single piece of property by all overlapping taxing subdivisions without a vote of the electors. The ten mills which may be levied without a vote of the electors is in fact levied, collected and allocated among the School District and its overlapping taxing subdivisions for general fund purposes pursuant to a statutory formula.

This “inside” millage allocated to each overlapping taxing subdivision is required by present Ohio law to be used first for the payment of debt service on unvoted general obligation debt of the subdivision, unless provision has been made for its payment from other sources. The balance of the millage is available for other purposes of the subdivision. Thus, to the extent this inside millage is required for debt service of a taxing subdivision (which may exceed the formula allocation to that subdivision), the amount that would otherwise be available to that subdivision or to other such overlapping subdivisions for general fund purposes is reduced.

A subdivision’s allocation of inside millage can be exceeded only in the event it is required for the payment of debt service on its unvoted general obligation debt and, in that case, the inside millage allocated to the other overlapping subdivisions would be reduced proportionally to bring the aggregate levies of inside millage down to ten mills.

In case of notes issued in anticipation of the issuance of unvoted general obligation bonds, the highest annual debt service estimated for the bonds anticipated by the notes is used to calculate the millage required.

The ten-mill limitation applies to all unvoted general obligation debt even if debt service on some of such debt is expected to be paid in fact from special assessments, utility earnings or other sources.

In calculating whether or not unvoted debt to be issued by the School District is within the ten-mill limitation, it is necessary to determine the total outstanding debt service requirements within the ten-mill limitation of all the taxing subdivisions overlapping the School District.

Bond Anticipation Notes

Under Ohio law, notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of twenty years from the date of issuance of the original notes. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to, and payable not later than, principal maturities that would have been required if bonds had been issued at the expiration of the initial five-year period. The last maturity of any bonds issued to refund general obligation bond anticipation notes may not be later than the year of last maturity permitted by law for the bonds anticipated.

Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes, the proceeds of the sale of the bonds anticipated by such notes, from other available funds of the School District, or from a combination of these sources.

The ability of the School District to retire outstanding bond anticipation notes from the proceeds of the sale of either renewal notes or bonds will be dependent upon the marketability of such renewal notes or bonds under market conditions then prevailing. Under present Ohio law, there is no ceiling on the annual interest rate permitted on general obligation notes and bonds of school districts.

As of the date of this Official Statement, none of the debt of the School District is in the form of general obligation bond anticipation notes.

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School District Debt Currently Outstanding

After issuance of the Bonds, the School District will have the following issues of bonds and notes outstanding (excluding the Refunded Bonds to be refunded by the Bonds):

Outstanding Debt Avon Lake City School District

Issue	Dated Date	Final Maturity	Balance Outstanding August 5, 2014 [*]
Refunding Bonds, Series 2004	07/15/2004	12/1/2019	\$ 700,000.00
Refunding Bonds, Series 2005	06/23/2005	12/1/2014	1,765,000.00 [*]
Various Purpose Construction and Improvement Bonds, Series 2010A	05/12/2010	12/1/2027	25,866.45
Various Purpose Construction and Improvement Bonds, Series 2010C (Federal Taxable-BAB-Direct Payment)	05/12/2010	12/1/2026	14,025,000.00
The Bonds	08/05/2014 [*]	12/1/2026	32,585,484.15 [*]
Total			\$49,101,350.60[*]

^{*} Preliminary, subject to change.

Source: Avon Lake City School District

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Debt Service Requirements

The following schedule presents the School District's actual debt service requirements for debt currently outstanding and the Bonds (excluding the Refunded Bonds to be refunded by the Bonds):

Debt Service Requirements Avon Lake City School District

Calendar Year	Outstanding Obligations		The Bonds		Total Gross Debt Service ⁽¹⁾	Total Net Debt Service ⁽³⁾
	Principal	Interest ⁽¹⁾	Principal ⁽²⁾	Interest ⁽³⁾		
2014	\$2,765,000.00	\$917,650.00				
2015	1,020,000.00	825,042.50				
2016	1,045,000.00	820,477.50				
2017	1,070,000.00	815,705.00				
2018	1,085,000.00	810,425.00				
2019	1,115,000.00	805,145.00				
2020	1,005,000.00	799,425.00				
2021	1,025,000.00	799,425.00				
2022	1,045,000.00	799,425.00				
2023	1,065,000.00	799,425.00				
2024	1,090,000.00	799,425.00				
2025	1,110,000.00	799,425.00				
2026	1,130,000.00	799,425.00				
2027	25,866.45	679,133.55				
2028	1,020,000.00	917,650.00				
2029	--	--				
2030	--	--				
2031	--	--				
TOTAL	\$15,595,866.45	\$11,269,553.55				

⁽¹⁾ Includes the gross interest on the outstanding Series 2010C Bonds without deduction for the credits (equal to 5.36% on the outstanding principal amount of the Series 2010C Bonds) that the School District expects to receive from the United States Department of the Treasury (the "Treasury") pursuant to Section 6431 of the Code. The remaining amount of the expected credits to be paid through maturity of the Series 2010C Bonds is \$9,772,620, which amount does not include any reduction for the implementation of certain automatic reductions in federal spending (commonly referred to as the "sequester") pursuant to the requirements of the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Although it is the intention of the School District to use such credits to pay the debt service on the Series 2010C Bonds, the School District is not required to do so under federal or State law.

⁽²⁾ Includes annual mandatory sinking fund deposits of the principal of the Series 2010C Bonds from 2014 through 2026, which deposits equal the par value of the Series 2010C Bonds.

⁽³⁾ Excludes the \$9,772,620 in credits (equal to 5.36% of the outstanding principal amount of the Series 2010C Bonds) that the School District expects to receive from the Treasury pursuant to Section 6431 of the Code. The sequester being implemented by the federal government reduced the total amount of such credit payments by 7.2% during the current federal fiscal year, but the amount of future reductions, if any, is not determinable at this time. Although it is the intention of the School District to use such credits to pay the debt service on the Series 2010C Bonds, the School District is not required to do so under federal or State law.

Source: Avon Lake City School District

No bonds have been authorized by the electors that have not yet been issued.

The School District is not and has not been in default in the payment of debt service on any of its general obligation bonds or notes.

Overlapping Subdivision Indebtedness

In addition to the School District, other political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the School District. The estimated outstanding bonded indebtedness of such political subdivisions (excluding self-supporting debt and debt payable primarily from enterprise revenues or special assessments) is as follows:

Overlapping Debt Avon Lake City School District

Overlapping Units	Estimated Outstanding Debt	Percent Applicable to School District	Estimated Amount of Overlapping Debt
City of Avon Lake	\$12,289,200	100.00%	\$12,289,000
County of Lorain	27,905,000	12.55	3,502,078
Lorain County JVSD	3,267,776	14.16	462,717
Total			\$16,253,795

Source: Ohio Municipal Advisory Council. Data as of June 20, 2014.

The following table shows the per capita debt of the residents in the School District based upon the OMAC estimate of 22,515 people residing in the School District in 2012, the above overlapping indebtedness figures, and the School District debt shown above, including the Bonds:

Debt Per Capita Avon Lake City School District

School District Debt, per capita	\$2,181*
Overlapping Debt, per capita	722*
Total Debt, per capita	\$2,903*

* Preliminary, subject to change.

Source: Ohio Municipal Advisory Council and Avon Lake City School District calculations

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Debt Capacity Analysis

The following table provides an analysis of the School District's debt capacity as of August 5, 2014*, excluding the Refunded Bonds to be refunded by the Bonds. The School District's tax valuation is calculated in accordance with Revised Code Section 133.01(PP) and is based on collection year 2014 data provided by the Department and the County Auditor.

Debt Capacity Avon Lake City School District

A.	Tax valuation	\$777,469,000
B.	Total debt, including the Bonds but excluding the Refunded Bonds	49,101,351*
C.	Exempt debt	0
D.	Total non-exempt debt (B minus C)	49,101,351*
E.	1/10 of 1% direct debt limitation (1/10 of 1% of tax valuation)	777,469
F.	Total limited tax non-exempt bonds and notes outstanding (not including Revised Code Section 133.06(G) debt)	0
G.	Debt leeway within 1/10 of 1% unvoted debt limitation, but subject to indirect debt limitation (E minus F)	777,469
H.	9/10 of 1% direct debt limitation (Section 133.06(G) debt) (9/10 of 1% of tax valuation)	6,997,221
I.	Total Revised Code Section 133.06(G) debt	0
J.	Debt leeway within 9/10 of 1% unvoted debt limitation, but subject to indirect debt limitation (H minus I)	6,997,221
K.	9% direct debt limitation	69,972,210
L.	Debt leeway within 9% direct debt limitation (K minus D)**	20,870,859*

* Preliminary, subject to change.

** Debt leeway is determined without reference to applicable moneys in the School District's bond retirement fund.

Source: Lorain County Auditor, Ohio Department of Taxation, and School District calculations

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Lease Obligations

Under Ohio law, school districts have only the authority to lease or lease purchase any capital asset that is expressly granted by statute or necessarily implied from expressly granted authority. Express statutory authority exists for true leases (i.e., leases where no portion of the lease payment is applied toward the purchase of the capital asset) or lease-purchase or installment sale arrangements for the following: land, office equipment, school buses, administrative office facilities and buildings for any school district purpose. Except in cases where lease-purchase or installment sale arrangements include certain provisions providing that the obligations under such agreement may be terminated at the end of a fiscal year (e.g., a requirement of annual appropriation in order to extend the lease term beyond the current fiscal year), such agreements would constitute “debt” for purposes of the indirect debt limitation and the statutory direct debt limitations discussed more fully herein (see “SCHOOL DISTRICT DEBT AND DEBT LIMITATIONS – Statutory Debt Limitations Generally”).

The School District currently has three separate lease obligations for computers used throughout the School District. Under the leases the School District is obligated to pay an aggregate amount of \$175,539.60 annually. The terms of the leases are for three years each and the leases are set to expire in March 2015, March 2016, and April 2017. The School District will own the property upon conclusion of the lease. The School District's current aggregate equity in all the leased computer property is \$260,818.18.

The School District currently has a lease obligation for the use of trucks used throughout the School District. Under the lease the School District is obligated to pay \$41,004.51 annually. The term of the lease is for four years and expires in 2015. The School District will own the property upon conclusion of the lease. The School District's current aggregate equity in the property is \$123,013.53.

The School District currently has a lease obligation for the use of a postage machine used throughout the School District. Under the lease the School District is obligated to pay \$5,126.52 annually. The term of the lease is for five years and expires in 2019. The School District will not own the property upon conclusion of the lease.

Future Financings

The School District does not anticipate any additional financings in the next five years.

FINANCES OF THE SCHOOL DISTRICT

Budgeting, Tax Levy and Appropriations Procedures

The Revised Code contains detailed provisions regarding School District budgeting, tax levy and appropriation procedures. These procedures involve review by County officials at several steps.

School District budgeting for a fiscal year formally begins with the preparation of a tax budget or alternative document as determined by the County Budget Commission (the “Budget Commission”), comprised of the County Auditor, County Treasurer and Prosecuting Attorney of the County. After a public hearing, this budget is adopted by the Board by the January 15th prior to the fiscal year to which it pertains. Among other items, the tax budget must show the amounts required for debt service, the estimated receipts for payment from sources other than ad valorem property taxes and the net amount for which an ad valorem property tax levy must be made. The tax budget then is presented for review by the Budget Commission. The Budget Commission holds a public hearing to review the budget, and issues,

by March 1st, the Certificate of Estimated Resources which is the basis for School District appropriations and expenditures for the coming fiscal year.

Upon approval of the tax budget and issuance of the Certificate of Estimated Resources, the Budget Commission certifies its actions to the Board together with the approved tax rates. Thereafter, the Board levies the approved taxes and certifies them to the proper County officials. The approved and certified tax rates are reflected in the tax bills sent to property owners during the collection year. Real property taxes are payable on a calendar year basis, generally in two installments with the first due usually in January and the second due in June or later.

At the start of each fiscal year, the Board adopts a temporary appropriation measure to begin that new fiscal year and then, within three months, a permanent appropriation measure for that fiscal year. Permanent appropriation measures may be amended or supplemented during the fiscal year. Annual appropriations may not exceed the Budget Commission's official estimates of resources. The County Auditor must certify that the Board's appropriation measures, including any supplements or amendments, do not appropriate moneys in excess of the amount set forth in the latest of those official estimates.

The County serves as tax collector for the School District. Investments and deposits of County funds are governed by Revised Code Chapter 135 (the "Uniform Depository Act"). The County Treasurer is responsible for those investments and deposits. The County's most recent audited financials contain a recitation of the County's current investment practices and can be obtained at the Ohio Auditor of State website: <https://www.ohioauditor.gov>.

Financial Reports and Audits

The School District's fiscal year is the twelve-month period beginning July 1 and ending June 30. The Board maintains its accounts, appropriations and other fiscal records on the basis of generally accepted accounting principles ("GAAP").

The State Auditor is charged by law with the responsibility for auditing the financial statements of each taxing subdivision and most public agencies and institutions. A financial report for each fiscal year is required to be filed with the State Auditor pursuant to Revised Code Section 117.38. Such reports are required to be submitted to the State Auditor at the close of each fiscal year. At the time of filing of such report, the Treasurer is required to publish a notice that the report is completed and available for review in the Treasurer's office.

The most recent audit of the School District's financial statements by the State Auditor was completed through the fiscal year ending June 30, 2013 and was reviewed by the Board's administrative staff on September 9, 2013 during the post-audit conference. The Auditor did not make any management recommendations, require any adjustments, or make any findings for recovery. No bring-down procedures have been undertaken by the State Auditor since the date of such financial statements. The audited Basic Financial Statements for the Year Ended June 30, 2013 are attached hereto as APPENDIX B.

Governmental Accounting Standards Board pronouncements and Financial Accounting Standards Board pronouncements are the principal sources used to determine the accounting principles employed under GAAP. These publications, among other things, provide for a modified accrual basis of accounting for governmental funds and for a full accrual basis of accounting for proprietary funds and for each major and aggregated non-major fiduciary funds. The publications also further provide for the preparation of balance sheets for each major and non-major fund, and statements of revenues and expenditures, and changes in fund balances (major and aggregated non-major governmental funds) or statements of

revenues, expenses and changes in retained earnings/equity (major and aggregated non-major proprietary funds) and statement of cash flows. The principles further require preparation of a statement of net assets and a statement of activities for the entity's business type and government type activities on the full accrual basis of accounting, and management's discussion and analysis of major events and transactions during the year.

Five-Year Projection

Boards of education are required to submit a five-year projection of operational revenues and expenditures (commonly known as the "five-year forecast") according to Department rules. Pursuant to such rules, the Department reviews the School District's five-year projection to determine if the School District has projected a deficit during the first three years of the five-year projection period. If the Department determines that further fiscal analysis is needed, the Department must forward the projection to the State Auditor, who will determine if the School District must be formally notified of a pending projected deficit. The School District must then take steps to eliminate any deficit in the current year and to plan to avoid projected deficits. The Board approved a five-year projection on May 13, 2014, and a copy thereof is attached hereto as APPENDIX C.

Deficit projections arising from the "five-year forecast" may have the effect of triggering certain fiscal oversight mechanisms created under State law.

Fiscal Oversight System

The State has created a fiscal oversight system designed to ensure the financial stability of public school districts so that they can continue to perform the vital governmental mission of educating children while meeting their ongoing obligations to creditors, employees, vendors and suppliers. Under this fiscal oversight system, a school district may be declared to be in a state of "fiscal caution," "fiscal watch," or "fiscal emergency" based on certain triggering criteria established by law. These triggering criteria relate primarily to the size of the school district's current and projected operating deficits, but also include an evaluation of the school district's financial practices and its effectiveness in taking the necessary corrective measures. Increasing levels of intervention and control are imposed with each successive determination, culminating (at the "fiscal emergency" level) in the creation of an independent governing board for the school district. This independent governing board, the Financial Planning and Supervision Commission ("FPSC"), is vested with extraordinary powers, including the power to remove the superintendent and/or the treasurer and to implement staff reductions which would otherwise violate existing collective bargaining agreements. The State Auditor may conduct a performance audit of a school district in fiscal caution, fiscal watch, or fiscal emergency at any time.¹

The School District is not subject to a declaration of fiscal caution, fiscal watch, or fiscal emergency, and is not subject to any directives from the State Auditor, the State Superintendent or a FPSC arising from any prior declaration.

General Fund Operations

The General Fund is the main operating fund of the School District. It is the fund from which most of the School District's expenditures are paid and into which most of the School District's revenues are deposited. The School District derives most of its revenues from a tax on real and tangible personal

¹ For more information about the criteria the State Auditor and State Superintendent use to determine whether a school district should be placed on fiscal caution, fiscal watch, or fiscal emergency, please visit the State Auditor's website at <https://ohioauditor.gov/fiscal/schools.html>.

property and from State aid, including the School Foundation Program. (See “OTHER SOURCES OF SCHOOL DISTRICT FUNDING – School Foundation Program.”)

General Fund Set-Aside

Ohio school districts are required to establish the following set-aside within their General Fund:

Fund	Source and Amount of Balance	Purpose
Capital and Maintenance Fund ¹	3% ² of general fund revenues ³ using the state base-cost formula amount for the preceding fiscal year multiplied by the School District's student population for the preceding fiscal year	Acquisition, replacement, enhancement, maintenance, or repair of permanent improvements

¹ A school district may elect to set aside funds pursuant to previous law by notifying the State Auditor within 90 days of the beginning of the fiscal year of such election.

² A different percentage requirement may be set by the State Auditor.

³ A school district may elect to set aside funds from the proceeds of a permanent improvement levy instead of diverting funds from the general fund to meet this requirement.

Any balance remaining in the above funds at the end of the current fiscal year is carried over to the next fiscal year.

Investment of Funds

According to the Treasurer, all moneys of the School District, specifically moneys in the general fund, the bond retirement fund, and all project funds containing proceeds of any debt issuances of the School District (including the Bonds), are presently or will be invested in accordance with the requirements of Ohio law, and in particular the Uniform Depository Act. Under Revised Code Section 135.14, the School District may invest its funds, provided that such investments generally must mature or be redeemable within five years from the date of purchase. The classifications of obligations which are eligible for such investment by the School District range from investment in the State Treasury Asset Reserve of Ohio investment pool (“STAR Ohio”) to investment in United States Treasury bills, commercial paper, certificates of deposit and bankers acceptances. Certain investment practices remain exclusive to those school districts whose fiscal officers have completed additional training in accordance with the Uniform Depository Act.

Further, pursuant to Revised Code Section 135.14, all investments of the School District, except for investments in securities in STAR Ohio and certain no-load money market mutual funds, must be made through members of the National Association of Securities Dealers, Inc., banks, savings banks, or savings and loan associations regulated by the State superintendent of financial institutions or through institutions regulated by the comptroller of the currency, Federal Deposit Insurance Corporation, or board of governors of the Federal Reserve System.

The School District interprets the limits on Federal guaranteed investments, bankers’ acceptances, commercial paper and all other legal investments very conservatively. No moneys of the School District have ever been invested in interest-only obligations, reverse-repurchase obligations, inverse floater obligations, or other investment vehicles commonly referred to as derivative investments. No moneys of the School District are invested in obligations which mature later than the time at which it is reasonably expected that the School District will need access to such moneys in order to meet current financial commitments. The Treasurer has attended special training in all of the investment areas to assure strict compliance with the strictly conservative investment philosophy of the School District. All investments

are transacted with banks or other financial institutions operating in the State. Complete detail of the current investment practices of the School District can be found in the most recent audited financial statements of the School District (see APPENDIX B herein).

School District Insurance

The School District maintains unlimited comprehensive insurance coverage with private carriers for real property, building contents and vehicles with a \$1,000 deductible clause per occurrence. In addition, the School District maintains liability coverage with no deductible and a limit of \$1,000,000 in aggregate. The School Districts also maintains insurance for sexual misconduct with no deductible and a limit of \$1,000,000, school leaders' errors and omissions with a \$2,500 deductible and a \$1,000,000 limit, and an umbrella policy with no deductible and a \$3,000,000 limit.

Ohio law provides immunity for political subdivisions such as the School District from liability in damages. The immunity covers injury, death, or loss to persons or property allegedly caused by an act or omission of such political subdivisions or their employees in connection with governmental and proprietary functions, as defined in the Ohio statutes. Included among such governmental functions is the design, construction, reconstruction, renovation, repair, maintenance, and operation of any school athletic facility, school auditorium, or gymnasium. The statutes have no effect on any liability imposed by federal law or other federal cause of action. Pursuant to Ohio law, there are, however, five areas in which a political subdivision may be held liable for such loss. These include the negligent operation of a motor vehicle by employees engaged within the scope of their employment and authority; negligent performance of proprietary functions; negligent failure to keep public roads in repair, and other negligent failure to remove obstructions from public roads; negligence of employees due to physical defects within or upon the grounds of buildings used in the performance of governmental functions, excluding jails, juvenile detention workhouses and other detention facilities; and liability specifically imposed by statute. Ohio law also imposes a two-year statute of limitations and puts limits on the damages which may be recovered from such political subdivisions. No punitive or exemplary damages can be recovered, and any insurance benefits are deducted from any award against a political subdivision. Although there is no limitation with respect to compensatory damages representing a person's economic loss, there is a \$250,000 per person ceiling on the compensatory damage that represents a person's non-economic loss in cases other than wrongful death, in which case there is no maximum limitation.

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BASIC FINANCIAL STATEMENTS

**AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

For the Fiscal Year Ended June 30, 2013



Dave Yost • Auditor of State

**AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY**

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**AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Grant Year	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education:</i>						
National School Lunch Program	10.555	2013	\$232,908	\$66,215	\$232,908	\$66,215
Total U.S. Department of Agriculture			232,908	66,215	232,908	66,215
U.S. Department of Education						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education-Grants to States	84.027	2012	444,484	0	0	0
	84.027	2013	618,461	0	618,461	
			1,062,945	0	618,461	0
Special Education Preschool	84.173	2013	18,059	0	18,059	0
Total Special Education Cluster			1,081,004	0	636,520	0
Title I, Grants to Local Educational Agencies						
	84.010	2012	38,651	0	0	0
	84.010	2013	240,149	0	234,115	0
Total Title I, Grants to Local Educational Agencies			278,800	0	234,115	0
Education Technology State Grants	84.318	2012	593	0	0	0
Improving Teacher Quality State Grants	84.367	2013	62,150	0	62,150	0
Race to the Top	84.395	2012	15,000	0	10,793	0
	84.395	2013	67,371	0	68,307	0
Total Race to the Top			82,371	0	79,100	0
Total U.S. Department of Education			1,504,918	0	1,011,885	0
Total Federal Assistance			\$1,737,826	\$66,215	\$1,244,793	\$66,215

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

**AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Avon Lake City School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Avon Lake City School District
Lorain County
175 Avon Belden Road
Avon Lake, Ohio 44012

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Avon Lake City School District, Lorain County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 9, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361

www.ohioauditor.gov

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Dave Yost". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

Dave Yost
Auditor of State
Columbus, Ohio

September 9, 2013



Dave Yost • Auditor of State

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND ON THE SCHEDULE OF FEDERAL
AWARDS RECEIPTS AND EXPENDITURES REQUIRED BY OMB CIRCULAR A-133**

Avon Lake City School District
Lorain County
175 Avon Belden Road
Avon Lake, Ohio 44012

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Avon Lake City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Avon Lake City School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Avon Lake City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Federal Awards Receipts and Expenditures Required by OMB Circular A-133

We have also audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Avon Lake City School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements. We issued our unmodified report thereon dated September 9, 2013. We conducted our audit to opine on the District's financial statements. The accompanying schedule of federal awards receipts and expenditures presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, reading "Dave Yost". The signature is fluid and cursive, with the first name "Dave" and last name "Yost" clearly legible.

Dave Yost
Auditor of State
Columbus, Ohio

September 9, 2013

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**AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<u>Special Education Cluster:</u> Special Education, Grants to States – CFDA #84.027; Special Education Preschool – CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Avon Lake City School District
Lorain County
175 Avon Belden Road
Avon Lake, Ohio 44012

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on January 8, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State

September 9, 2013

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**AVON LAKE
CITY SCHOOL DISTRICT
AVON LAKE, OHIO**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Back of cover.

INTRODUCTORY SECTION



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**AVON LAKE CITY SCHOOL DISTRICT
AVON LAKE, OHIO**

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Prepared by

**Autumn Streng
Treasurer**

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Avon Lake City School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013
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AVON LAKE CITY SCHOOLS

175 Avon Belden Road
Avon Lake, Ohio 44012
www.avonlakecityschools.org



Board of Education

Charles M. Froehlich, President
Pamela Ohradzansky, Vice President
Dale W. Cracas
Ronald D. Jantz Jr.
James A. Stobe

Superintendent

Robert D. Scott
440.933.6210
440.933.6711 fax

Treasurer

Autumn Streng
440.933.5163
440.933.7540 fax

September 9, 2013

Board of Education Members and Residents of
Avon Lake City School District

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Avon Lake City School District for the fiscal year ended June 30, 2013. This CAFR includes an opinion from the State Auditor and conforms to generally accepted accounting principles as applicable to governmental entities. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the School District. This report will provide the taxpayers of the Avon Lake City School District with the comprehensive financial data in a format which will enable them to gain an understanding of the School District's financial affairs. Copies will be made available to the Avon Lake Public Library, major taxpayers, financial rating services and other interested parties.

The School District

The Avon Lake City School District is located in a residential/commercial suburban community in eastern Lorain County, twenty-five miles west of Cleveland. In 1850, the first log cabin school was built, and as the need arose, four brick one-room school buildings were built. In 1921, a \$125,000 bond issue was passed to build a centralized school that is now a section of Avon Lake High School.

In order to meet the needs of a growing community, the high school was expanded several times. In the mid-1970's instructional classrooms and a physical education complex were added and the Learwood Middle School, Erieview Elementary, Eastview Elementary, Westview Elementary, Redwood Elementary and Troy Junior High School were constructed. Troy Junior High School was closed for educational purposes in 1982 because of the energy crisis and decreased enrollment. In 1988, Troy Junior High was reopened as the Avon Lake Community Education Center. The Community Education Center ceased to operate in the Troy Building as of July, 1991 due to the economy of operations. The Troy Intermediate School building was reopened for instruction beginning in the fall of 1995. In 1999, Avon Lake City Schools began a building project that added classrooms to all six (6) buildings. Avon Lake High School completed a major renovation, which included additional physical education facilities and an auditorium that hosted the Cleveland Pops Orchestra for the dedication of the facilities. In 2009, two (2) additional bond issues were passed totaling \$18,500,000. These renovations and additions began in March 2010 on the stadium portion of the project with completion of the stadium renovations by August 2010. Classroom additions to five (5) buildings began in May 2010 and completed August 2011. A new bus garage opened in the summer of 2011. These projects were necessary to keep up with the growing enrollment. Today the citizens have an investment of \$ 101,738,571 in the School District land, land improvements, buildings, furniture and equipment, and vehicles (excludes accumulated depreciation).

The legislative power of the School District is vested in the Board of Education. Statutorily, the School District operates under standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 of the Ohio Revised Code, to provide services authorized by charter and further mandated by State and Federal agencies.

The mission of the Avon Lake City Schools, a district committed to personalized educational excellence, is to challenge all students and develop their individual goals through community partnerships, resources, and technologies which will produce responsible and compassionate citizens.

Reporting Entity

The School District has reviewed its reporting entity definition in order to ensure conformance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No.14 and No.34". In evaluating how to define the School District for financial reporting purposes, management has considered all agencies, departments and organizations making up the Avon Lake City School District (the primary government) and its potential component units. The School District has no component units

The School District participates in three jointly governed organizations and is associated with one related organization. These organizations are the North Coast Council (NCCO), the Lorain County Joint Vocational School District, the Ohio Schools Council, Suburban Health Consortium and the Avon Lake Public Library. These organizations are presented in Notes 17 and 18 to the basic financial statements.

A complete discussion of the School District's reporting entity is provided in Note 1 to the basic financial statements.

Organizational Structure

The Avon Lake City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board of Education consisting of five members elected at-large for staggered four year terms. The School District provides educational services as mandated by State and federal agencies.

The School District is located in Avon Lake, Lorain County, Ohio, and includes an area extending roughly twelve square miles around the City. It is staffed by 236 non-certified personnel, 159 certified full-time teaching personnel and 13 administrative employees to provide services to 3,821 students and other community members. The School District operates 4 elementary schools (K-4), 1 intermediate school (5-6), 1 middle school (7-8) and 1 high school (9-12).

Economic Condition and Outlook

Ohio House Bill 920, passed in 1976, provides that the assessed value of residential and commercial property will not be changed more than once every three years, and that the property tax bill of the average homeowner for voted millage will not be increased as a result of reappraisal or readjustment. This legislation has the effect of seriously eroding the growth in revenue from the local property tax. It was enacted as a result of protests from citizens who were being served markedly higher bills following reappraisals. Because of this Ohio law, little additional revenue can be generated from the existing tax duplicate except through a vote of the people or from newly constructed commercial and residential property. If Ohio House Bill 920 had not been passed, the Avon Lake City School District would not have had to pass new millage as the growth in valuation would have been sufficient to adequately fund the Avon Lake City Schools. A direct result of this legislation is the fact that our School District will periodically have tax issues that will require voter approval.

Ohio lawmakers have also passed legislation that has reduced tangible taxes (the taxes paid by business on equipment and inventory) over the past decade. Effective July 1, 2006 with passage of H.B. 66, tangible taxes diminished, but the State Legislature at that time promised school districts would be made whole until 2015. These promises were not fulfilled once HB 153 was passed. The School District lost approximately \$735,000 in fiscal year 2012 and an additional \$735,000 in fiscal year 2013 due to the reduction in tangible personal property state reimbursements. The School District also realized revenue losses related to public utility personal property state reimbursements. Total State revenue received by the School District in FY13 is approximately \$2,900,000 less than what was received in FY11.

Another economic factor impacting local revenue growth is tax abatements. Both Ford Motor Company and the Geon Corporation received major abatements in the past. While the expansion of these local corporate giants into the City of Avon Lake is certainly a positive boost to the local economy, the abatements curtailed the local property tax income that would have benefited our local schools. Additionally, the first tax incentive agreement under the Community Reinvestment Program of the City of Avon Lake was approved for Ed Tomko Chrysler-Plymouth, Jeep-Eagle automobile dealership. This has lowered income from local property tax and increased income at the State level.

The Ohio Supreme Court decision overturning the State's method of funding schools creates another major concern for the future financing of our local schools. While the School District receives a relatively small portion of revenue from State sources, the School District is viewed by the State as a comparatively wealthy school district, due to a large property tax base. So far, the State's resolution of this funding crisis has resulted in a seemingly "flat" revenue stream; however, some loss has been realized in the area of funding special education and transportation.

Avon Lake City School District enrollment has increased by twenty percent in the last decade and new residential construction continues.

School District Local Funding

School District management will carefully control expenses during the coming years to continue to assure that tax levy revenues are adequate and well spent. Voters approved an 8.28 mill new 10 year emergency levy in May of 2013, which is expected to generate \$6,500,000 annually.

Major Initiatives

Ohio Report Card

The Ohio Local Report Card is issued in early fall of each school year. The report uses data from the previous school year to inform the public of the School District's success or failure achieving set indicators. The School District has demonstrated 10 years of Excellence with Distinction on the 2011-2012 Ohio Local Report Card. The rating system used by the Ohio State Board of Education changed for the 2012-2013 school year and were not available at the time of this publication.

Federal Projects

The School District files applications for federal funds electronically utilizing the Comprehensive Continuous Improvement Planning Application. This allows the Superintendent, Mr. Robert Scott, to coordinate the applications to the goals of the Continuous Improvement Plan. The School District continues to apply for all federal funds for which the School District is eligible. This includes the Class-Size Reduction Grant under Title II-A allowing for additional teachers in the primary grades. Student readiness for advancement in each grade has been the primary focus of these services. The School District's largest federal award generally is related to the Special Education, Part B-IDEA grant. Through the use of federal stimulus funding, the School District added two (2) special education classrooms at Redwood Elementary in fiscal year 2012.

Educational Programs and Facilities Improvement

In May 1999, the voters of Avon Lake City School District passed a \$41,800,000 bond issue for the purpose of various improvements to school buildings. Expansions of six of the School District's buildings and renovations to seven of the Avon Lake City School District buildings are complete. In January 2002, the high school expanded into the newly completed classrooms, cafeteria and commons area, and additional physical education areas. In the fall of 2003, newly renovated music areas were opened for student use. The auditorium was complete in the fall of 2003 and is being used by our students and our public. In November 2009, the voters of Avon Lake City School District passed two (2) bond issues. The first bond issue was for \$5,500,000 to renovate the athletic stadium and build a bus garage to house 40 buses. The second bond issue passed in November 2009 for \$13,000,000, which included the addition of additional classroom space at five (5) of our buildings.

Financial Information

Internal Accounting and Budgetary Control

In developing the School District's accounting system much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

The School District utilizes a fully automated accounting system as well as an automated system of control for capital assets and payroll. These systems, coupled with the manual auditing of each voucher prior to payment, ensures that the financial information generated is both accurate and reliable.

At the beginning of each fiscal year, the Board of Education adopts either a temporary appropriation measure or a permanent appropriation measure for that fiscal year. If a temporary appropriation measure is first adopted, the permanent appropriation measure must be adopted upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates, which is usually within the first three months of the fiscal year.

Annual appropriations may not exceed the County Budget Commission's official estimate of resources. The County Auditor must certify that the Board of Education's appropriation measures, including any supplements or amendments, do not exceed the amount set forth in the latest of those official estimates.

All disbursements and transfers of cash between funds require appropriation authority from the Board of Education. Budgets are controlled at the fund level. All purchase order requests must be approved by the Purchasing Agent and certified by the Treasurer; necessary funds are then encumbered and purchase orders released to vendors. Those requests that exceed the available appropriation are rejected until additional appropriations are secured.

The accounting system used by the School District provides interim financial reports which detail year-to-date expenditures and encumbrances versus the original appropriation plus any additional appropriations made to date.

The basis of accounting and the various funds utilized by Avon Lake City Schools are fully described in Note 1 of the basic financial statements.

Financial Condition

The School District's basic financial statements consist of the following:

Government-wide financial statements - These statements are prepared on an accrual basis of accounting which is similar to the basis of accounting followed by businesses. The government-wide statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

Fund financial statements - These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include a reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statement of budgetary comparisons - These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

Management is responsible for preparing a Management Discussion and Analysis (MD&A) of the School District. This discussion follows the Independent Auditor's Report, providing an assessment of the District's finances for fiscal year 2013 and a discussion of current issues affecting the School District in the future. The MD&A should be read in conjunction with this letter of transmittal. Because the MD&A focuses on major funds, only the Internal Service Fund is discussed briefly in this letter.

Financial Highlights – Internal Service Fund The only Internal Service Fund carried on the financial records of the School District is related to self-insurance. This fund was created in fiscal year 2004. This fund accounts for the revenues and expenses related to the provision of medical, surgical, prescription drug, dental and vision benefits for all School District employees. The Internal Service Fund had net position of \$ 3,335,379 at June 30, 2013.

Long-Term Financial Planning

Annually, the School District prepares a five-year financial forecast. The financial forecast is the foundation for the School District's operations and is used as a financial planning tool to assist the School District in determining its ability to meet certain financial obligations and plan future funding needs. The five-year forecast of revenue and expenditures serves as a financial planning tool and the foundation for academic and business operations of the School District. The forecast provides the Board and community stakeholders with a blueprint addressing the financial needs required to serve the student population. Assumptions are an integral part of the forecast and represent what the School District believes are significant factors impacting the forecast. Through a collaborative process, the administration assists the Board of Education in determining and prioritizing the needs of the School District. In accordance with State law, the Board of Education approves the financial forecast and submits it to the Ohio Department of Education prior to October 31 and reviews it again prior to May 31. The financial forecast can be found on the School District's web site at www.avonlakecityschools.org.

Independent Audit

State statute requires the School District to be audited at least every two fiscal years by an independent auditor. An annual audit serves to maintain and strengthen the School District's accounting and budgetary controls. Independent Auditor Dave Yost, Auditor of State, was selected to render an opinion on the School District's financial statements as of and for the year ended June 30, 2013. The opinion appears at the beginning of the financial section of this report.

Pursuant to statute, the State prescribes a uniform accounting system to standardize accounting classification and financial reporting for all school districts in Ohio. The School District adopted and has been in conformance with the automated version of that system beginning with its financial report for the 1979 year.

Awards

GFOA Certificate of Achievement - The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Avon Lake City School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards in the area of governmental financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to the Certificate of Achievement program requirements and we are submitting it to GFOA for consideration.

ASBO Certificate - The Association of School Business Officials International (ASBO) awarded a Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2012 to the Avon Lake City School District. This award certifies that the Comprehensive Annual Financial Report substantially conformed to the principles and standards of financial reporting as recommended and adopted by the Association of School Business Officials. The award is granted only after an intensive review of the financial report by an expert panel of certified public accountants and practicing school business officials.

Management believes that the Comprehensive Annual Financial Report for fiscal year ended June 30, 2013, which will be submitted to ASBO for review, will conform to ASBO's principles and standards.

Auditor of State Award – This award is presented by the Auditor of State. Fewer than five percent of all Ohio government agencies are eligible for this award. Certain criteria must be met to receive this award. Standards include: 1) The entity must complete and submit a Comprehensive Annual Financial Report (CAFR), 2) there must be no findings or issues present in the audit report, and 3) there must be no other financial concerns involving the entity. The Avon Lake City Schools have received this award the following years: 1999, 2000, 2002, 2006, 2007, 2008, 2009, 2011 and 2012. The district considers this the highest of all honors.

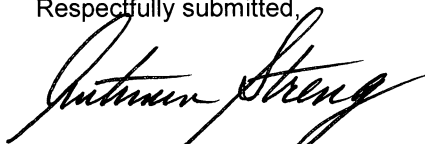
Acknowledgments

The publication of this Comprehensive Annual Financial Report is a significant step toward elevating the professional standards for Avon Lake City School District's financial reporting. It enhances the School District's accountability to the residents and provides all interested parties with a broad historical perspective of the Avon Lake City School District's financial and demographic information. Assistance from the County Auditor's staff and outside agencies made possible the fair presentation of statistical data.

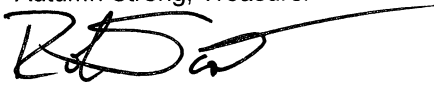
Special appreciation is expressed to Costin + Company, CPA's for assistance in the planning, designing and reviewing, of this financial report.

Finally, sincere appreciation is extended to the members of the Board of Education for their ongoing support.

Respectfully submitted,



Autumn Streng, Treasurer



Robert D. Scott, Superintendent

Avon Lake Board of Education

Principal Officials
June 30, 2013

Board of Education

Mr. Charles Froehlich	President
Mrs. Pamela Ohradzansky	Vice - President
Mr. Dale Cracas	Member
Mr. Ronald Jantz, Jr.....	Member
Mr. James Stobe.....	Member

Treasurer

Mrs. Autumn Streng

Administration

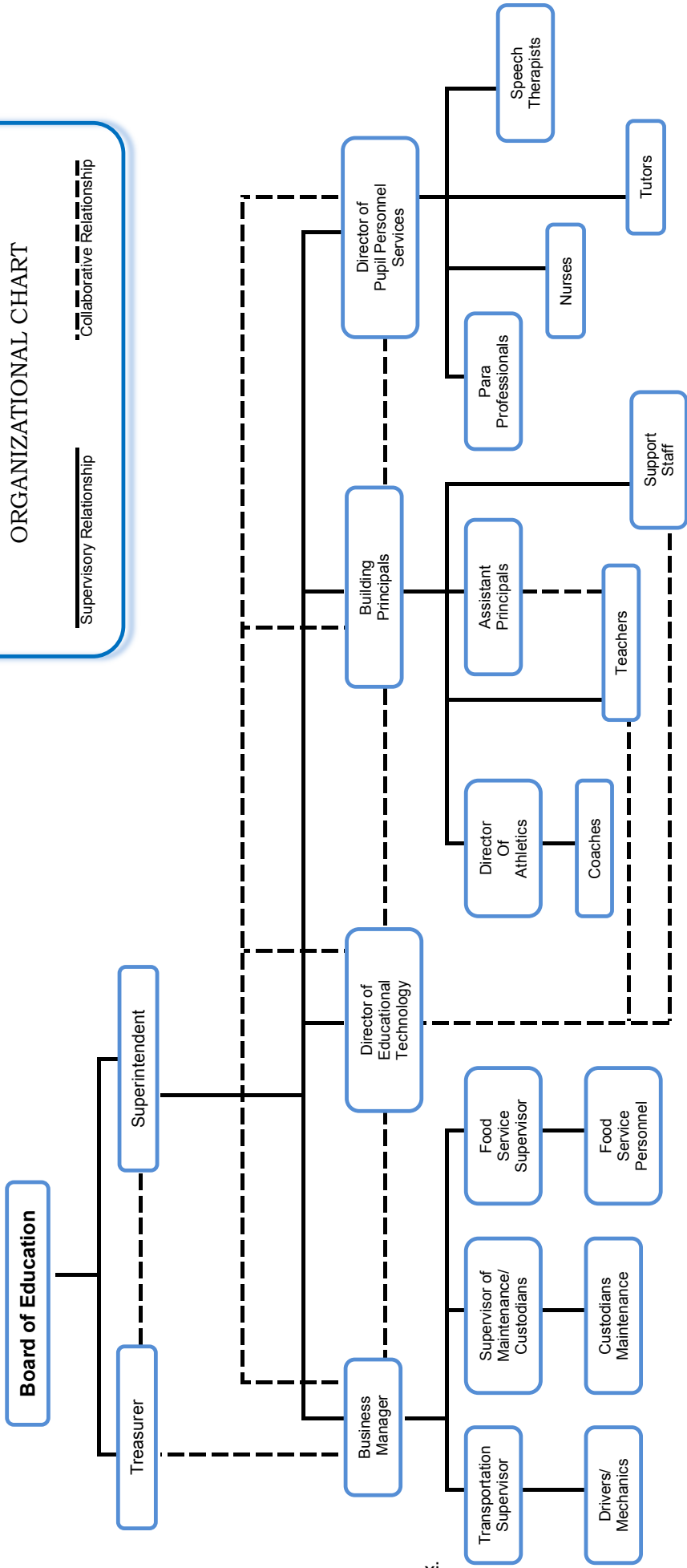
Mr. Robert D. Scott	Superintendent
Mr. Thomas R. Barone	Director of Athletics and Special Projects

Avon Lake City Schools, Avon Lake, Ohio

ORGANIZATIONAL CHART

Supervisory Relationship

Collaborative Relationship





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Avon Lake City School District
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Avon Lake City Schools

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2012*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading "Ron McCulley", is written over a horizontal line.

Ron McCulley, CPPB, RSBO
President

A handwritten signature in black ink, reading "John D. Musso", is written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director

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FINANCIAL SECTION



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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Avon Lake City School District
Lorain County
175 Avon Belden Road
Avon Lake, Ohio 44012

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Avon Lake City School District, Lorain County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Avon Lake City School District, Lorain County, Ohio, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements and schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting

or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Dave Yost". The signature is written in a cursive style with a large, looping "D" and a trailing flourish.

Dave Yost
Auditor of State
Columbus, Ohio

September 9, 2013

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Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The management's discussion and analysis of the Avon Lake City School District's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the transmittal letter, basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position for governmental activities decreased from \$ 20.3 million at June 30, 2012, to \$ 19.2 million at June 30, 2013.
- Revenues for governmental activities totaled \$ 46,705,838 in fiscal year 2013. Of this total \$ 42,931,808 or 91.92 percent consisted of general revenues while program revenues accounted for the balance of \$ 3,774,030 or 8.08 percent.
- Program expenses totaled \$ 47,821,529. Instructional expenses made up \$ 25,879,640 or 54.12 percent of this total while support services accounted for \$ 15,955,185 or 33.36 percent. Other expenses, \$ 5,986,704, rounded out the remaining 12.52 percent.
- Total outstanding debt had a net decrease of \$ 1,823,982 to \$ 51,388,178 in fiscal year 2013.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements begin at a summary level and expand to detailed financial activities.

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as an entity looks at all financial transactions and asks the question, "How did we do financially during the 2013 fiscal year?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. Accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

These two statements report the School District's net position and changes in those assets. This change in net position is important because it tells the reader whether, for the School District as a whole, the financial position of the School District has improved or diminished. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated educational programs, state funding, student enrollment, and general inflation.

In the Statement of Net Position and the Statement of Activities, all of the School District's activities are classified as governmental. The School District's programs and services are reported here including instruction, supporting services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 18. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements concentrate on the School District's most significant funds. The School District's major governmental funds are the General Fund and Bond Retirement Debt Service Fund.

Governmental Funds The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements of the governmental funds.

The School District as a Whole

The Statement of Net Position provides the perspective of the School District as a whole.

Total assets decreased by \$ 1,532,572. This decrease can be attributed primarily to decreases of \$ 5,458,537 and \$ 1,042,296 in equity in pooled cash and capital assets, respectively. This decrease was offset by an increase in taxes receivable of \$ 5,600,770.

Total liabilities decreased by \$ 2,396,707. Current liabilities decreased by \$ 816,452, primarily due to decreases in accounts and contracts payable, retainage payable and claims payable. Long-term liabilities decreased by \$ 1,580,255.

Deferred inflows of resources related to property taxes increased by \$ 1,979,826.

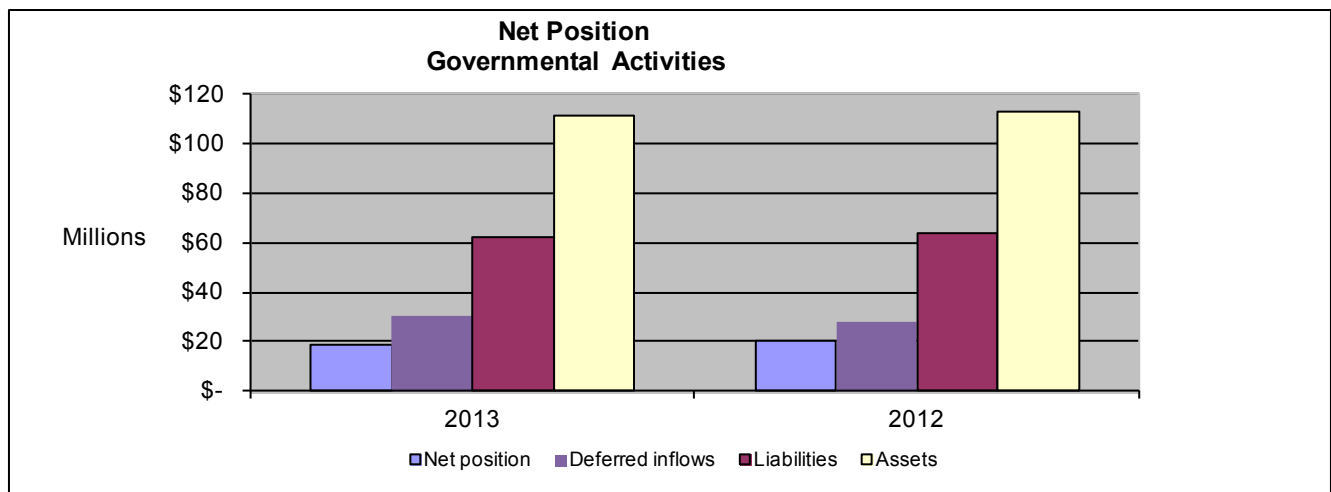
Over time, net position can serve as an indicator of a government's financial position. At June 30, 2013, the School District's assets exceeded liabilities and deferred inflows of resources by \$ 19,214,954. Of this total, \$ 6,424,518 is restricted in use.

Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to fiscal year 2012:

Table 1
Total Net Position

	2013	Restated 2012
Assets		
Current and other assets	\$ 52,640,382	\$ 53,130,658
Total capital assets, net	58,711,341	59,753,637
Total assets	<u>111,351,723</u>	<u>112,884,295</u>
Liabilities		
Current liabilities	4,711,365	5,527,817
Long term liabilities		
Due within one year	4,118,289	3,684,501
Due in more than one year	52,862,394	54,876,437
Total liabilities	<u>61,692,048</u>	<u>64,088,755</u>
Deferred inflows of resources		
Property taxes	30,411,807	28,448,462
Cafeteria receipts	32,914	16,433
Total deferred inflows of resources	<u>30,444,721</u>	<u>28,464,895</u>
Net position		
Net investment in capital assets	8,694,493	8,862,731
Restricted	6,424,518	5,850,578
Unrestricted	4,095,943	5,617,336
Total net position	<u>\$ 19,214,954</u>	<u>\$ 20,330,645</u>



Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 2 shows total revenues, expenses and changes in net position for fiscal year 2013 compared to fiscal year 2012. Total revenue for 2013 was \$ 1,328,985 higher than in 2012, while total expenses in 2013 were \$ 13,059 lower than the prior year.

Table 2
Changes in Net Position

	2013	Restated 2012
Revenues		
Program revenues		
Charges for services and sales	\$ 2,169,417	\$ 2,145,200
Operating grants, interest and contributions	1,604,613	1,815,456
Total program revenues	<u>3,774,030</u>	<u>3,960,656</u>
General revenues		
Property taxes	33,029,049	30,051,045
Grants and entitlements		
not restricted to specific purposes	9,341,447	10,707,023
Investment earnings	55,891	94,718
Miscellaneous	505,421	563,411
Total general revenues	<u>42,931,808</u>	<u>41,416,197</u>
Total revenues	<u>46,705,838</u>	<u>45,376,853</u>
Program expenses		
Instruction	25,879,640	23,743,340
Supporting services		
Pupil and instructional staff	5,211,891	4,580,669
Board of education, administration,		
fiscal services and business	4,432,739	4,793,756
Operation and maintenance	4,187,039	7,165,255
Pupil transportation	1,802,544	1,362,748
Central services	320,972	217,284
Operation of non-instructional services		
Food service operation	1,356,079	1,377,802
Community services	279,348	259,851
Extracurricular activities	1,335,805	1,297,017
Interest and fiscal charges	3,015,472	3,036,866
Total expenses	<u>47,821,529</u>	<u>47,834,588</u>
Decrease in net assets	(1,115,691)	(2,457,735)
Net position at beginning of year, restated	<u>20,330,645</u>	<u>22,788,380</u>
Net position at end of year	<u>\$ 19,214,954</u>	<u>\$ 20,330,645</u>

Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The vast majority of revenue supporting all Governmental Activities is general revenue. General revenue accounted for nearly \$ 42.9 million or 91.92 percent of the total revenue. The most significant portion of general revenue is local property tax. The other type of revenue that accounts for 8.08 percent of total revenue is called program revenues. Program revenues are derived directly from the program or entities outside the School District as a whole, and can help to reduce the net cost of services provided by the School District. Program revenues decreased by \$ 186,626 in 2013 from 2012. This decrease can be attributed to an increase of \$ 24,217 in charges for services and sales and a decrease of \$ 210,843 in grants and contributions.

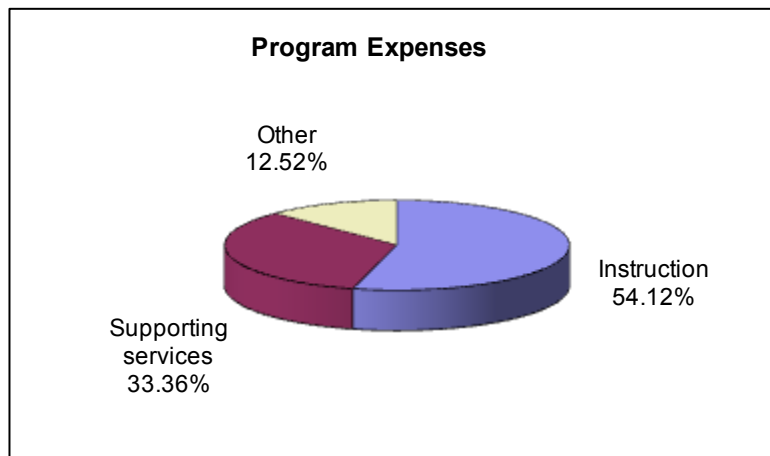
As you can see 54.12 percent of the School District's expenses were used to fund instructional expenses. Additional support services for pupils, staff, and business operation expenses were 37.36 percent. The remaining 12.52 percent of program expenses was used to facilitate other obligations of the School District such as interest and fiscal charges, the food service program and various extracurricular activities. Interest expense was primarily attributable to the outstanding bonds.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	Restated 2012	2013	Restated 2012
Instruction	\$ 25,879,640	\$ 23,743,340	\$(24,854,629)	\$(22,813,634)
Supporting services				
Pupil and instructional staff	5,211,891	4,580,669	(4,597,590)	(3,794,094)
Board of education, administration, fiscal services and business	4,432,739	4,793,756	(4,393,981)	(4,754,675)
Operation and maintenance	4,187,039	7,165,255	(4,187,039)	(7,165,255)
Pupil transportation	1,802,544	1,362,748	(1,802,544)	(1,362,748)
Central services	320,972	217,284	(308,372)	(204,684)
Operation of non-instructional services				
Food service operation	1,356,079	1,377,802	13,600	37,981
Community services	279,348	259,851	17,818	36,830
Extracurricular activities	1,335,805	1,297,017	(919,290)	(816,787)
Interest and fiscal charges	3,015,472	3,036,866	(3,015,472)	(3,036,866)
Total expenses	<u>\$ 47,821,529</u>	<u>\$ 47,834,588</u>	<u>\$(44,047,499)</u>	<u>\$(43,873,932)</u>

Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited



The dependence upon tax revenues for governmental activities is apparent. Over 69.07 percent of total expenses are supported through taxes. Grants and entitlements not restricted to specific programs support 19.53 percent, while program revenue supports 7.89 percent. Investment and other miscellaneous type revenue support the remaining activity costs. The community, as a whole, is the primary support for the School District students.

The School District's Funds

Information about the School District's major funds starts on page 18. These governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 44,311,824 and expenditures of \$ 48,901,469. In total, the net change in fund balance was a decrease of \$ 4,589,645.

The net change in fund balance for the year was most significant in the General Fund. In 2013, the General Fund received less intergovernmental revenue than in the prior year, while expenditures were slightly higher. The result of the decreased revenue was a decrease in fund balance of \$ 4,478,258 in the General Fund.

The schedule on the following page shows the significant changes between fiscal year 2012 and 2013 for the General Fund.

Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

	General Fund		
	2013	2012	Change
Revenues			
Taxes	\$ 25,776,618	\$ 25,176,356	\$ 600,262
Tuition and fees	670,144	544,695	125,449
Interest	48,922	79,524	(30,602)
Intergovernmental	7,591,212	8,907,379	(1,316,167)
Extracurricular	30,979	155,575	(124,596)
Rental	-	107,967	(107,967)
Other	343,927	208,972	134,955
Total revenues	<u>34,461,802</u>	<u>35,180,468</u>	<u>(718,666)</u>
Expenditures			
Current			
Instruction	23,017,383	23,101,688	(84,305)
Supporting services	14,877,320	14,419,786	457,534
Operation of non-instructional	4,066	13,295	(9,229)
Extracurricular activities	931,924	906,760	25,164
Debt service			
Principal	93,449	181,225	(87,776)
Interest	15,918	3,016	12,902
Total expenditures	<u>38,940,060</u>	<u>38,625,770</u>	<u>314,290</u>
Excess (deficiency) of revenues over expenditures	<u>(4,478,258)</u>	<u>(3,445,302)</u>	<u>(1,032,956)</u>
Other financing sources (uses)			
Proceeds from capital lease	-	150,915	(150,915)
Transfers-out	-	(4,620)	4,620
Total other financing sources (uses)	<u>-</u>	<u>146,295</u>	<u>(146,295)</u>
Net change in fund balances	(4,478,258)	(3,299,007)	(1,179,251)
Fund balances, beginning of year	<u>9,257,767</u>	<u>12,556,774</u>	<u>(3,299,007)</u>
Fund balances, end of year	<u>\$ 4,779,509</u>	<u>\$ 9,257,767</u>	<u>\$ (4,478,258)</u>

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the School District amended its General Fund budget several times to reflect changes in unanticipated receipts and amended appropriations. For the General Fund, the final budget basis revenue estimate, excluding other financing sources, was \$ 33,183,649 which was \$ 1,501,256 more than the original budget estimate and \$ 30,058 less than actual revenue. The final budget basis expenditures estimate, excluding other financing uses, totaled \$ 39,803,266 which was \$ 4,693,213 more than the original budget estimate. Actual expenditures were \$ 135,082 less than final budget basis expenditures. The unencumbered ending cash balance totaled \$ 4,719,670.

Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2013, the School District, net of depreciation, had \$ 58,711,332 invested in land, construction in process, land improvements, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2013 values compared to fiscal year 2012. More detailed information is presented in Note 10 of the notes to the basic financial statements.

Table 4
Capital Assets
(Net of Accumulated Depreciation)

	2013	Restated 2012
Land	\$ 6,041,645	\$ 6,041,645
Construction in process	9,645	-
Land improvements	1,510,211	875,624
Building and improvements	49,344,526	50,476,657
Furniture and equipment	960,707	1,591,977
Vehicles	844,598	767,734
Total capital assets	<u>\$ 58,711,332</u>	<u>\$ 59,753,637</u>

All capital assets, except land and construction in process, are reported net of depreciation.

Debt

At June 30, 2013, the Avon Lake School District had \$ 51,388,178 in bonds and capital leases, a decrease of \$ 1,823,982 from fiscal year 2012. \$ 3,001,485 of the bonds and capital leases are due within one year. Table 5 below summarizes the School District's bonds and capital leases. More detailed information is presented in Notes 15 and 16 of the notes to the basic financial statements.

Table 5
Outstanding Debt Year-End

	2013	Restated 2012
Term and serial bonds	\$ 49,480,000	\$ 49,935,000
Capital appreciation bonds	285,207	610,816
Accretion on capital appreciation bonds	1,371,330	2,321,254
Capital leases	251,641	345,090
Total outstanding debt	<u>\$ 51,388,178</u>	<u>\$ 53,212,160</u>

Avon Lake City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Current Issues

The School District has been impacted by the continuing national trend of rapidly escalating employee benefit costs; therefore, the School District joined a health insurance consortium January 1, 2013. By spreading the risk associated with health care trends amongst the other school districts within the consortium, the School District should limit its exposure to unpredictable increases in premiums. The School District has committed itself to a fiscal discipline based on long-term plans. The Board of Education and administration have implemented fiscal management disciplines that utilize a variety of formal plans. We are working within the five-year budget plan, the five-year capital repairs and renovations plan, the continuous improvement plan, and the five-year enrollment projections.

The School District realized approximately \$ 2,900,000 in State funding losses between fiscal year 2011 and 2013. Declines in local property value in 2009 and 2012 compounded the already existing revenue shortage. The School District failed its first attempt for a new money levy in November 2012; however, gained voter approval in May 2013 for a 10 year emergency levy. The new levy is anticipated to collect \$ 6,500,000 annually. Reducing expenditures is a priority for the School District; therefore, reductions in programming and additional pay freezes have occurred. The Family and Consumer Science program, as well as, the Occupational Work Experience program are no longer optional course offerings. The School District had ten teachers retire at the end of the 2012-2013 school year and did not replace seven of them.

Several significant legislative and judicial actions have occurred that will have a major impact on the School District. The Ohio Supreme Court has issued its fourth decision regarding school funding reform in Ohio. We believe that the ultimate resolution of funding reform is still some time away. The sudden downturn in the economy has put pressures on both the State budget as well as our local School District budget. We are concerned about current economic conditions and the continued negative impact on local tax revenues. The ongoing legislative efforts to support the existence of community (charter) schools come at the expense of our current State funding. The School District has also been affected by the redirection of State funding to community (charter) schools. Over \$ 316,000 was deducted from the School District's State funding and redirected to community (charter) schools. The School District's commitment to improve fiscal management has led to many budgeting, reporting and internal control enhancements.

The School District has received the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting awards since 1994.

Contacting the School District's Fiscal Management

This financial report was designed to comply with the most current reporting requirements and is intended to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for money it receives. Autumn Streng, Treasurer, can be contacted at the Avon Lake City School District, 175 Avon Belden Rd., Avon Lake, Ohio 44012 or by e-mail at Autumn.streng@avonlakecityschools.org.

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AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities
Assets	
Equity in pooled cash	\$ 14,154,792
Intergovernmental receivable	1,077
Inventories and supplies	61,675
Interest receivable	11,300
Taxes receivable	38,411,538
Capital assets	
Nondepreciable capital assets	6,051,299
Depreciable capital assets, net	52,660,042
Total assets	<u>111,351,723</u>
Liabilities	
Accounts and contracts payable	225,200
Accrued salaries, wages and benefits	3,420,394
Claims payable	56,000
Accrued interest payable	83,162
Intergovernmental payable	926,609
Long term liabilities	
Due within one year	4,118,289
Due in more than one year	52,862,394
Total liabilities	<u>61,692,048</u>
Deferred inflows of resources	
Property taxes	30,411,807
Cafeteria receipts	32,914
Total deferred inflows of resources	<u>30,444,721</u>
Net position	
Net investment in capital assets	8,694,493
Restricted for:	
Debt service	4,830,506
Capital projects	546,145
Food service	436,798
Extracurricular activities	227,592
State grants	46,303
Federal grants	1,154
Donations	336,020
Unrestricted	4,095,943
Total net position	<u>\$ 19,214,954</u>

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues		Net (Expense)
		Charges for	Operating Grants	Revenue and
		Services	Interest and	Changes in
	Expenses	and Sales	Contributions	Net Assets
Governmental activities				
Instruction				
Regular	\$ 21,373,667	\$ 614,733	\$ 104,653	\$ (20,654,281)
Special	3,014,516	-	297,538	(2,716,978)
Vocational	106,982	-	-	(106,982)
Adult/continuing	12,586	-	-	(12,586)
Other instruction	1,371,889	-	8,087	(1,363,802)
Supporting services				
Pupil	4,243,694	68,539	448,294	(3,726,861)
Instructional staff	968,197	-	97,468	(870,729)
Board of education	16,134	-	-	(16,134)
Administration	3,195,086	-	38,758	(3,156,328)
Fiscal services	1,068,458	-	-	(1,068,458)
Business	153,061	-	-	(153,061)
Operation and maintenance	4,187,039	-	-	(4,187,039)
Pupil transportation	1,802,544	-	-	(1,802,544)
Central services	320,972	-	12,600	(308,372)
Operation of non-instructional services				
Food service operation	1,356,079	1,069,630	300,049	13,600
Community services	279,348	-	297,166	17,818
Extracurricular activities	1,335,805	416,515	-	(919,290)
Interest and fiscal charges	3,015,472	-	-	(3,015,472)
Totals	<u>\$ 47,821,529</u>	<u>\$ 2,169,417</u>	<u>\$ 1,604,613</u>	<u>(44,047,499)</u>
General revenues				
Property taxes levied for:				
General purpose				27,718,418
Debt service				4,682,640
Capital improvements				627,991
Grants and entitlements not restricted to specific purposes:				9,341,447
Investment earnings				55,891
Miscellaneous				505,421
Total general revenues				<u>42,931,808</u>
Change in net position				(1,115,691)
Net position at beginning of year, restated				<u>20,330,645</u>
Net position at end of year				<u>\$ 19,214,954</u>

See accompanying notes to the basic financial statements.

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AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2013

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets and deferred outflow s of resources				
Assets				
Equity in pooled cash	\$ 5,469,535	\$ 3,233,203	\$ 1,944,834	\$ 10,647,572
Restricted cash	113,990	-	-	113,990
Receivables, net of allow ance				
Taxes, current	27,934,393	4,353,699	2,538,446	34,826,538
Taxes, delinquent	2,875,500	448,200	261,300	3,585,000
Interest receivable	11,300	-	-	11,300
Intergovernmental receivable	-	-	1,077	1,077
Interfund receivable	360,657	-	-	360,657
Inventories and supplies	47,316	-	14,359	61,675
Total assets	36,812,691	8,035,102	4,760,016	49,607,809
Total assets and deferred outflow s of resources	<u>\$ 36,812,691</u>	<u>\$ 8,035,102</u>	<u>\$ 4,760,016</u>	<u>\$ 49,607,809</u>
Liabilities, deferred inflow s of resources and fund balances				
Liabilities				
Accounts and contracts payable	\$ 192,531	\$ -	\$ 30,818	\$ 223,349
Accrued wages and benefits	3,337,625	-	82,769	3,420,394
Intergovernmental payable	899,240	-	27,369	926,609
Interfund payable	-	-	360,657	360,657
Matured compensated absences payable	308,387	-	-	308,387
Total liabilities	4,737,783	-	501,613	5,239,396
Deferred inflow s of resources				
Property taxes	24,416,299	3,789,918	2,205,590	30,411,807
Cafeteria receipts	-	-	32,914	32,914
Unavailable revenue	2,879,100	448,200	261,300	3,588,600
Total deferred inflow s of resources	27,295,399	4,238,118	2,499,804	34,033,321
Fund balances				
Nonspendable	47,316	-	14,359	61,675
Restricted	-	3,796,984	2,107,654	5,904,638
Committed	113,990	-	-	113,990
Assigned	665,041	-	-	665,041
Unassigned	3,953,162	-	(363,414)	3,589,748
Total fund balances	4,779,509	3,796,984	1,758,599	10,335,092
Total liabilities, deferred inflow s of resources and fund balances	<u>\$ 36,812,691</u>	<u>\$ 8,035,102</u>	<u>\$ 4,760,016</u>	<u>\$ 49,607,809</u>

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total governmental fund balances	\$ 10,335,092
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	58,711,341
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes, charges for services and accrued interest income.	3,588,600
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	3,335,379
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(5,284,118)
Bonds payable	(51,136,537)
Capital lease payable	(251,641)
Accrued interest payable	<u>(83,162)</u>
Net position of governmental activities	<u>\$ 19,214,954</u>

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 25,776,618	\$ 4,037,625	\$ 804,506	\$ 30,618,749
Tuition and fees	670,144	-	13,128	683,272
Interest	48,922	-	437	49,359
Intergovernmental	7,591,212	785,969	2,568,879	10,946,060
Extracurricular	30,979	-	385,536	416,515
Charges for services	-	-	1,069,630	1,069,630
Other	343,927	-	184,312	528,239
Total revenues	<u>34,461,802</u>	<u>4,823,594</u>	<u>5,026,428</u>	<u>44,311,824</u>
Expenditures				
Current				
Instruction				
Regular	18,834,748	-	781,286	19,616,034
Special	2,710,194	-	296,384	3,006,578
Vocational	102,276	-	495	102,771
Adult/continuing	12,586	-	-	12,586
Other instruction	1,357,579	-	8,087	1,365,666
Supporting services				
Pupil	3,720,150	-	461,454	4,181,604
Instructional staff	840,400	-	118,647	959,047
Board of education	16,134	-	-	16,134
Administration	2,982,517	-	57,864	3,040,381
Fiscal services	974,519	70,242	15,189	1,059,950
Business	145,900	-	-	145,900
Operation and maintenance	4,210,894	-	210,766	4,421,660
Pupil transportation	1,678,434	-	212,596	1,891,030
Central services	308,372	-	12,600	320,972
Operation of non-instructional services				
Food service operation	-	-	1,311,263	1,311,263
Community services	4,066	-	255,552	259,618
Extracurricular activities	931,924	-	374,800	1,306,724
Capital outlay	-	-	1,039,794	1,039,794
Debt service				
Principal	93,449	1,925,000	300,000	2,318,449
Interest	15,918	2,491,190	18,200	2,525,308
Total expenditures	<u>38,940,060</u>	<u>4,486,432</u>	<u>5,474,977</u>	<u>48,901,469</u>
Net change in fund balances	(4,478,258)	337,162	(448,549)	(4,589,645)
Fund balances, beginning of year	<u>9,257,767</u>	<u>3,459,822</u>	<u>2,207,148</u>	<u>14,924,737</u>
Fund balances, end of year	<u>\$ 4,779,509</u>	<u>\$ 3,796,984</u>	<u>\$ 1,758,599</u>	<u>\$ 10,335,092</u>

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

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

FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds	\$ (4,589,645)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay, net	1,904,988	
Depreciation expense	<u>(2,947,284)</u>	
		(1,042,296)

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

Interest	2,100	
Property taxes	<u>2,410,300</u>	
		2,412,400

Repayment of bond, loan, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

2,318,449

In the statement of activities, interest accrued on outstanding bonds and bond and notes accretion are amortized over the term of the bonds and notes, whereas in governmental funds, the expenditure is reported when the bonds and notes are issued.

Accrued interest	4,303	
Annual accretion	<u>(494,467)</u>	
		(490,164)

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

Compensated absences	(271,559)
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The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

547,124

Change in net position of governmental activities

\$ (1,115,691)

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

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

FOR THE YEAR ENDED JUNE 30, 2013

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Revenues				
Taxes	\$ 23,625,452	\$ 24,744,932	\$ 24,767,347	\$ 22,415
Tuition and fees	586,391	614,177	614,733	556
Interest	46,753	48,969	49,013	44
Intergovernmental	7,241,220	7,584,342	7,591,212	6,870
Miscellaneous	182,577	191,229	191,402	173
Total revenues	31,682,393	33,183,649	33,213,707	30,058
Expenditures				
Current				
Instruction				
Regular	17,150,826	19,443,402	19,377,418	65,984
Special	2,390,956	2,710,558	2,701,360	9,198
Vocational	93,291	105,762	105,403	359
Adult/continuing	11,164	12,656	12,613	43
Other instruction	1,205,091	1,366,178	1,361,541	4,637
Supporting services				
Pupil	3,165,968	3,589,168	3,576,987	12,181
Instructional staff	754,957	855,874	852,969	2,905
Board of education	14,540	16,483	16,427	56
Administration	2,728,830	3,093,595	3,083,098	10,497
Fiscal services	866,033	981,798	978,465	3,333
Business	132,394	150,091	149,581	510
Operation and maintenance	3,994,484	4,528,431	4,513,063	15,368
Pupil transportation	1,508,454	1,710,092	1,704,288	5,804
Central services	285,950	324,174	323,073	1,101
Operation of non-instructional services				
Community services	40	45	45	-
Extracurricular activities				
Academic and subject oriented	93,754	106,287	105,926	361
Occupation oriented	1,084	1,230	1,225	5
Sports oriented	662,619	751,191	748,642	2,549
Co-curricular activities	49,618	56,251	56,060	191
Total expenditures	35,110,053	39,803,266	39,668,184	135,082
Excess (deficiency) of revenues over expenditures	(3,427,660)	(6,619,617)	(6,454,477)	165,140
Other financing sources (uses)				
Gain (loss) on sale of assets	-	14,031	14,031	-
Advances in	-	1,444,625	1,444,625	-
Refund of prior year expenditures	-	130,821	130,821	-
Advances out	-	(306,789)	(306,789)	-
Total other financing sources (uses)	-	1,282,688	1,282,688	-
Net change in fund balance	(3,427,660)	(5,336,929)	(5,171,789)	165,140
Prior year encumbrances	2,517,503	2,517,503	2,517,503	-
Fund balances, beginning of year	7,373,956	7,373,956	7,373,956	-
Fund balances, end of year	\$ 6,463,799	\$ 4,554,530	\$ 4,719,670	\$ 165,140

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
STATEMENT OF FUND NET POSITION
INTERNAL SERVICE FUND
JUNE 30, 2013

	<u>Self Insurance</u>
Assets	
Current assets	
Equity in pooled cash	\$ 3,393,230
Total assets	<u>3,393,230</u>
Liabilities	
Current liabilities	
Accounts and contracts payable	1,851
Claims payable	56,000
Total liabilities	<u>57,851</u>
Net assets	
Unrestricted	<u>\$ 3,335,379</u>

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Self Insurance</u>
Operating revenues	
Charges for services	<u>\$ 2,698,062</u>
Operating expenses	
Purchased services	184,270
Claims	<u>1,971,100</u>
Total operating expenses	<u>2,155,370</u>
Operating income	<u>542,692</u>
Nonoperating revenues	
Interest income	<u>4,432</u>
Change in net assets	547,124
Net assets, beginning of year	<u>2,788,255</u>
Net assets, end of year	<u><u>\$ 3,335,379</u></u>

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY

STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Self Insurance</u>
Cash flow s from operating activities	
Cash received from interfund services	\$ 2,698,062
Cash payments for claims	(2,433,100)
Cash payments for goods and services	<u>(183,388)</u>
Net cash provided by operating activities	<u>81,574</u>
 Cash flow s from investing activities	
Interest income	<u>4,432</u>
Net cash provided by investing activities	<u>4,432</u>
 Net increase in cash and cash equivalents	86,006
 Cash and cash equivalents, beginning of year	<u>3,307,224</u>
 Cash and cash equivalents, end of year	<u>\$ 3,393,230</u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 542,692</u>
Adjustments	
Increase in accounts and contracts payable	882
Decrease in claims payable	<u>(462,000)</u>
Total adjustments	<u>(461,118)</u>
 Net cash provided by operating activities	<u>\$ 81,574</u>

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2013

Assets	
Equity in pooled cash	\$ 98,757
Total assets	<u>\$ 98,757</u>
Liabilities	
Accounts payable	\$ 80
Due to students	95,085
Due to others	<u>3,592</u>
Total liabilities	<u>\$ 98,757</u>

See accompanying notes to the basic financial statements.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Avon Lake City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally elected Board of Education consisting of five members elected at-large for staggered four year terms. The School District provides educational services as mandated by State and Federal agencies.

The School District is located in Avon Lake, Lorain County, Ohio, and includes an area extending roughly twelve square miles around the City. It is staffed by 236 non-certified personnel, 159 certified full-time teaching personnel, and 13 administrative employees to provide services to 3,821 students and other community members. The School District operates 4 elementary schools (K-4), 1 intermediate school (5-6), 1 middle school (7-8), and 1 high school (9-12).

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or levying of taxes. The School District does not have any component units.

The School District participates in five jointly governed organizations and is associated with a related organization. The organizations are the North Coast Council, the Lorain County Joint Vocational School District, the Ohio Schools Council Association, the Suburban Health Consortium, and the Avon Lake Public Library. These organizations are presented in Notes 17 and 18 of the basic financial statements.

B. BASIS OF PRESENTATION

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

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. Interfund services provided and used are not eliminated in the process of consolidation.

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

Fund Financial Statements

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

C. FUND ACCOUNTING

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

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

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

General Fund - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund - The Bond Retirement Fund is used to account for tax levies that are utilized for the repayment of general obligation bonds of the School District.

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

Proprietary Fund Type

Proprietary funds focus on the determination of operating income, changes in net position, financial position, and cash flows and are classified as either enterprise or internal service. The School District only has an Internal Service Fund.

Internal Service Fund - The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The School District utilizes an internal service fund to account for the operation of the School District's self insurance program for employee medical benefits.

Fiduciary Fund Type

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

D. MEASUREMENT FOCUS

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of inflows associated with the operation of the School District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. MEASUREMENT FOCUS (continued)

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

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

E. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING (continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available in advance, interest, tuition, grants, student fees and rentals.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, cafeteria receipts, and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance year 2014 operations. Cafeteria receipts represent the positive account balance on student lunch cards as of June 30, 2013, which amounts will be used to purchase lunch in future fiscal years. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized when they are incurred.

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

F. BUDGETARY PROCESS

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

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

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. BUDGETARY PROCESS (continued)

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

G. CASH AND CASH EQUIVALENTS

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash".

During fiscal year 2013, investments were limited to STAR Ohio and Federal Farm Credit Bank.

Investments are reported at fair value which is based on quoted market prices, with the exception of repurchase agreements, which are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$ 48,922, which includes \$ 10,779 assigned from other funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are reported as cash equivalents.

H. RESTRICTED ASSETS

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund include amounts required by State Statute to be set-aside for the creation of a reserve for budget stabilization. See Note 21 for additional information regarding set-asides.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are reported as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

J. INVENTORY

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of donated food, purchased food and school supplies held for resale and materials and supplies for consumption.

K. CAPITAL ASSETS

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

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

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

<u>Asset</u>	<u>Estimated Useful Life</u>
Land improvements	3 - 25 years
Buildings and improvements	5 - 90 years
Furniture and equipment	3 - 40 years
Vehicles	7 - 13 years

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. INTERFUND BALANCES

On the fund financial statements, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables". Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net position.

M. COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the General Fund.

N. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the Internal Service Fund are reported on the Internal Service Fund financial statements.

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

O. NET POSITION

Net position represent the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The government-wide statement of net position reports \$ 6,424,518 of restricted net position, none of which is restricted by enabling legislation.

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

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. FUND BALANCE

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

Q. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for health insurance in the Internal Service Fund. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

S. ESTIMATES

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

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT

A. CHANGE IN ACCOUNTING PRICIPLES

GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements". The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the School District. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus," modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units presentation and certain disclosure requirements. The implementation of GASB Statement No. 61 did not result in any change in the School District's financial statements

GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the School District. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the School District. The implementation of GASB Statement No. 63 did have an effect on the presentation of the financial statements of the School District, however the implementation did not require any restatements of beginning balances.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT (continued)

A. CHANGE IN ACCOUNTING PRICIPLES (continued)

GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions". The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011 and have been implemented by the School District. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the School District.

GASB Statement Number 65, "Items Previously Reported as Assets and Liabilities." This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the School District. The implementation of GASB Statement No. 65 did have an effect on the presentation of the financial statements of the School District, however the implementation did not require any restatements of beginning balances.

B. PRIOR PERIOD ADJUSTMENT

The School District amended the opening balance of depreciable capital assets, net, long-term obligations and net position, to properly reflect as a capital lease. This lease was previously accounted for as an operating lease.

	As Previously Reported 6/30/2012	Restatement	As Restated 6/30/2012
Depreciable capital assets, net	<u>\$ 53,493,698</u>	<u>\$ 218,294</u>	<u>\$ 53,711,992</u>
Long-term obligations	<u>\$ 58,334,055</u>	<u>\$ 226,883</u>	<u>\$ 58,560,938</u>
Net position	<u>\$ 20,339,234</u>	<u>\$ (8,589)</u>	<u>\$ 20,330,645</u>

NOTE 3 – COMPLIANCE AND ACCOUNTABILITY

Not apparent in the basic financial statements are deficit fund balances in the Race to the Top Fund, Title VI-B Fund and Building Improvement Fund of \$ 3,704, \$ 130 and \$ 359,580, respectively. These deficit fund balances result from adjustments for accrued liabilities. The General Fund is liable for any deficit in the funds and provides transfers when cash is required, not when accruals occur.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>
Budget basis	\$ (5,171,789)
Adjustments, increase (decrease)	
Revenue accruals	(566,475)
Expenditure accruals	622,244
Funds budgeted elsewhere **	14,399
Encumbrances	623,363
GAAP basis, as reported	<u>\$ (4,478,258)</u>

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the Scholarship Fund, Michael Baumhauer Scholarship Fund, and the Support Fund.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 5 – FUND BALANCES

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

<u>Fund balances</u>	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable				
Inventory	\$ 47,316	\$ -	\$ 14,359	\$ 61,675
Restricted for:				
Debt service	-	3,796,984	465,184	4,262,168
Capital projects	-	-	488,145	488,145
Food service	-	-	493,361	493,361
Extracurricular activities	-	-	227,592	227,592
State grants	-	-	96,198	96,198
Federal grants	-	-	1,154	1,154
Donations	-	-	336,020	336,020
Total restricted	-	3,796,984	2,107,654	5,904,638
Committed				
Budget reserve	113,990	-	-	113,990
Assigned to				
Encumbrances	427,536	-	-	427,536
Scholarships	92,050	-	-	92,050
Field trips and assemblies	145,455	-	-	145,455
Total assigned	665,041	-	-	665,041
Unassigned (deficit)	3,953,162	-	(363,414)	3,589,748
Total fund balances	\$ 4,779,509	\$ 3,796,984	\$ 1,758,599	\$ 10,335,092

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

State Statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper and bankers' acceptances (if authorized by the Board of Education), and;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

At fiscal year end, the School District had \$ 18,357 in cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash".

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. The School District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the School District's deposits was \$ 12,958,057 and the bank balance was \$ 13,414,779. Of the bank balance, \$ 779,301 was covered by federal depository insurance and \$ 12,635,478 was uninsured. Of the remaining balance, \$ 12,635,478 was collateralized with securities held by the pledging institution's trust department not in the School District's name. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State Statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2013, the School District had the following investments:

	<u>Fair Value</u>	<u>Percentage of</u> <u>Investments</u>	<u>Investment Maturities</u>
STAR Ohio	\$ 277,985	21.77%	Less than six months
Federal Farm Credit Bank	999,150	78.23%	Greater than one year
	<u>\$ 1,277,135</u>	<u>100.00%</u>	

D. INTEREST RATE RISK

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

E. CREDIT RISK

The School District follows the Ohio Revised Code that limits its investment choices, as disclosed in Note 6 A. As of June 30, 2013 the School District's investment in Star Ohio was rated AAAM by Standard & Poor's. The investment in Federal Farm Credit Bank was rated AAA by Moody's as of June 30, 2013 and AA+ by Standard & Poor's.

F. CONCENTRATION OF CREDIT RISK

The School District places no limit on the amount that may be invested in any one issuer.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State Statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 7 - PROPERTY TAXES (continued)

Tangible personal property taxes received from telephone companies in calendar year 2013 were levied after October 1, 2012, on the value as of December 31, 2012. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, this year the settlement was late.

The School District receives property taxes from Lorain County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only delinquent settlement of tangible personal property taxes and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2013 was \$ 3,518,094 in the General Fund, \$ 563,781 in the Bond Retirement Debt Service Fund, \$ 249,457 in the Library Bond Retirement Debt Service Fund and \$ 83,399 in the Permanent Improvements Capital Projects Fund. The amount available as an advance at June 30, 2012 was \$ 2,508,823 in the General Fund, \$ 411,782 in the Bond Retirement Debt Service Fund, \$ 224,508 in the Library Bond Retirement Debt Service Fund and \$ 53,286 in the Permanent Improvements Capital Projects Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	Amount	%	Amount	%
Agricultural/ Residential and Other Real Estate	\$ 774,133,040	93.32 %	\$ 729,211,340	92.86 %
Public Utility Personal	55,420,640	6.68	56,087,710	7.14
	<u>\$ 829,553,680</u>	<u>100.00 %</u>	<u>\$ 785,299,050</u>	<u>100.00 %</u>
Tax Rate per \$ 1,000 of Assessed Valuation:	<u>\$ 65.57</u>		<u>\$ 67.23</u>	

NOTE 8 – RECEIVABLES

Receivables at June 30, 2013, consisted of property taxes, intergovernmental receivables, interfund, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

At June 30, 2013 intergovernmental receivables consisted of miscellaneous grants.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 9 - INTERFUND ASSETS / LIABILITIES

On the fund financial statements at June 30, 2013, interfund balances consisted of the following:

	Due from Nonmajor Governmental Funds
Due to:	
General Fund	<u>\$ 360,657</u>

These amounts are represented as Interfund receivable/payable on the balance sheet. The loans were made to support programs and projects in the Race to the Top Fund and the Building Improvement Fund.

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Restated Balance June 30, 2012	Additions	Disposals	Balance June 30, 2013
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 6,041,645	\$ -	\$ -	\$ 6,041,645
Construction in process	-	9,654	-	9,654
	<u>6,041,645</u>	<u>9,654</u>	<u>-</u>	<u>6,051,299</u>
Depreciable capital assets				
Land improvements	2,083,052	724,698	-	2,807,750
Buildings and improvements	78,194,666	859,718	178,046	78,876,338
Furniture and equipment	11,898,989	101,918	356,682	11,644,225
Vehicles	2,235,924	231,818	108,783	2,358,959
Total capital assets being depreciated	<u>94,412,631</u>	<u>1,918,152</u>	<u>643,511</u>	<u>95,687,272</u>
Less accumulated depreciation				
Land improvements	1,207,428	90,111	-	1,297,539
Buildings and improvements	27,718,009	1,980,168	166,365	29,531,812
Furniture and equipment	10,307,012	722,051	345,545	10,683,518
Vehicles	1,468,190	154,954	108,783	1,514,361
Total accumulated depreciation	<u>40,700,639</u>	<u>2,947,284</u>	<u>620,693</u>	<u>43,027,230</u>
Depreciable capital assets, net of accumulated depreciation	<u>53,711,992</u>	<u>(1,029,132)</u>	<u>22,818</u>	<u>52,660,042</u>
Governmental activities capital assets, net	<u>\$ 59,753,637</u>	<u>\$ (1,019,478)</u>	<u>\$ 22,818</u>	<u>\$ 58,711,341</u>

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 10 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental activities as follows:

Instruction	
Regular	\$ 2,101,562
Supporting services	
Administration	225,065
Fiscal	619
Business	3,308
Operation and maintenance of plant	410,511
Pupil transportation	131,383
Operation of non-instructional services	
Food service	53,908
Extracurricular activities	
Sports oriented	20,928
Total depreciation expense	<u>\$ 2,947,284</u>

NOTE 11 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2013 the School District contracted with Ohio Casualty Insurance Company for property insurance. Professional liability is protected by the Ohio Casualty Insurance Company with a \$ 3,000,000 aggregate limit. Vehicles are covered by the Ohio Casualty Insurance Company and hold a \$ 1,000 deductible for comprehensive and \$ 1,000 deductible for collision. Automobile liability has a \$ 1,000,000 combined single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction in coverage from last year.

The School District maintains a \$ 50,000 public official bond for the treasurer, a \$ 20,000 public official bond for the Board of Education president, a \$ 20,000 public official bond for the superintendent. The School District maintains a \$ 250,000 employee dishonesty policy for all other employees with a \$ 1,000 deductible with Cincinnati Insurance.

The School District pays the Ohio Bureau of Workers' Compensation a premium based on a rate per \$ 100 of salaries. This rate is calculated based on accident history and administrative costs.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11 - RISK MANAGEMENT (continued)

B. EMPLOYEE MEDICAL COVERAGE

For the period July 1, 2012 through December 31, 2012, the School District was self-insured for medical, surgical, prescription drug, dental and vision benefits for the School District employees. The School District used the Self-Insurance Internal Service Fund to account for and finance its uninsured risks of loss in this program. A third party, Medical Mutual of Ohio, reviews all claims which are then paid by the School District. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The School District maintained stop-loss coverage for its insurance program. Stop-loss was maintained at \$ 150,000 per employee per calendar year.

The claims liability of \$ 56,000 reported in the Internal Service Fund at June 30, 2013, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the claims liability amount in 2013 and 2012 were:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Unpaid claims, beginning of year	\$ 518,000	\$ 461,700
Incurred claims	1,971,100	4,305,722
Paid claims	<u>(2,433,100)</u>	<u>(4,249,422)</u>
Unpaid claims, end of year	<u>\$ 56,000</u>	<u>\$ 518,000</u>

Effective January 1, 2013, the School District joined the Suburban Health Consortium, a shared risk pool to provide employee medical, surgical, prescription drug, vision and dental benefits. Rates are set through an annual calculation process. The School District pays a monthly contribution and a pro-rata share of their "buy-in" contribution to existing plan reserves which is placed in a common fund from which the claim payments are made for all participating districts. For the period January 1, 2013 through June 30, 2013, the School District paid 88% of the cost of the monthly premium for classified employees and 85% for certified and administrative employees.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$ 820,155, \$ 752,662 and \$ 718,849, respectively; \$ 768,503 (93.7%) has been contributed for fiscal year 2013 and 100% has been contributed for fiscal years 2012 and 2011.

B. STATE TEACHERS RETIREMENT SYSTEM

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

New members have a choice of three retirement plans. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 % of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the D Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio’s public colleges and university may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (continued)

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$ 1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$ 2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 % for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers.

The School District's required contributions for pension obligations to STRS of the fiscal years ended June 30, 2013, 2012, and 2011 were \$ 2,347,880, \$ 2,390,611 and \$ 2,377,345, respectively; \$ 1,914,985 (81.6%) has been contributed for fiscal year 2013 and 100% has been contributed for fiscal years 2012 and 2011.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2012 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 4321-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, one member of the Board of Education has elected Social Security. The Board's liability is 6.2% of wages.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

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

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$ 45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is .74%. The School District's contributions for the years ended June 30, 2013, 2012 and 2011 were \$ 46,329, \$ 45,041 and \$ 46,260, respectively; \$ 43,410 (93.7%) has been contributed for fiscal year 2013 and 100% has been contributed for fiscal years 2012 and 2011.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$ 104,118, \$ 178,746, and \$ 177,039, respectively; \$ 97,558 (93.7%) has been contributed for fiscal year 2013 and 100% has been contributed for fiscal years 2012 and 2011.

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

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

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM

Plan Description - STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2013, 2012, and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's contribution for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$ 180,606, \$ 183,893 and \$ 182,873, respectively; \$ 147,374 (81.6%) has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Certified employees do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of 1.25 days per month. Sick leave accumulation is unlimited. Upon retirement or death, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 40 days for classified employees and 100 days for certified employees.

B. LIFE INSURANCE

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is equal to employees' annual salary amount rounded to the nearest one thousand dollars. Life insurance is covered through the Prudential Life Insurance.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 15 - CAPITAL LEASES

The School District has entered into several lease agreements for copiers, computer equipment and vehicles. The School District's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases." Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized and depreciated as follows:

Asset	Cost	Accumulated Depreciation	Net Book Value
Copiers	\$ 267,299	\$ 102,465	\$ 164,834
Computer equipment	28,668	17,514	11,154
Vehicles	150,915	43,118	107,797
	<u>\$ 446,882</u>	<u>\$ 163,097</u>	<u>\$ 283,785</u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2012.

	Year ending June 30,	Amount
	2014	\$ 100,923
	2015	100,923
	2016	59,918
	2017	9,986
Total minimum lease payments		271,750
Less amount representing interest		20,109
Net present value of minimum lease payments		<u>\$ 251,641</u>

NOTE 16 - LONG-TERM OBLIGATIONS

The original issue date, interest rate, original issuance and date of maturity for each of the School District's long-term obligations follows:

	Original Issue Date	Interest Rate	Original Issue Amount	Date of Maturity
General obligation bonds				
Refunding				
Serial and term	2004	2.0 - 4.40%	\$ 3,410,000	12/1/2019
Refunding				
Serial	2005	3.0 - 4.75%	\$ 32,415,000	12/1/2026
Capital appreciation	2005	24.104%	\$ 584,950	12/1/2013
School facilities term and serial	2010	1.0 - 6.05%	\$ 18,470,000	12/1/2031
School facilities capital appreciation	2010	20.00%	\$ 25,866	12/1/2027

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

In 2005, the School District defeased portions of certain general obligation bonds issued in 1993, 1995, and 1999, with two separate general obligation refundings. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments of the refunded debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2013, \$ 32,735,000 of bonds outstanding are considered to be defeased.

The changes in the School District's long-term obligations during the year consist of the following:

	Restated Principal Outstanding 6/30/2012	Additions	Reductions	Principal Outstanding 6/30/2013	Due in 1 year
General obligation bonds					
Refunding bonds - 2004					
Term and serial bonds	\$ 1,530,000	\$ -	\$ 410,000	\$ 1,120,000	\$ 420,000
Refunding bonds - 2005					
Serial bonds	30,600,000	-	-	30,600,000	-
Capital appreciation bonds	584,950	-	325,609	259,341	259,341
Accretion on capital appreciation bonds	2,309,780	486,626	1,444,391	1,352,015	1,352,015
Various purpose construction bonds					
Term and serial bonds	17,805,000	-	45,000	17,760,000	875,000
Capital appreciation bonds	25,866	-	-	25,866	-
Accretion on capital appreciation bonds	11,474	7,841	-	19,315	-
Total general obligation bonds	<u>52,867,070</u>	<u>494,467</u>	<u>2,225,000</u>	<u>51,136,537</u>	<u>2,906,356</u>
Capital leases	345,090	-	93,449	251,641	95,129
Compensated absences	<u>5,348,778</u>	<u>1,609,779</u>	<u>1,366,052</u>	<u>5,592,505</u>	<u>1,116,804</u>
Total governmental activities	<u>\$ 58,560,938</u>	<u>\$ 2,104,246</u>	<u>\$ 3,684,501</u>	<u>\$ 56,980,683</u>	<u>\$ 4,118,289</u>

General obligation bonds will be paid from property taxes receipted in the Debt Service Fund.

Capital lease obligations will be paid from the General Fund. Compensated absences will be paid from the General Fund, and the Food Service and Title VI-B Special Revenue Funds, which are the funds from which the employees' salaries are paid.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Refunding Bonds, Series 2004

On July 15, 2004, the School District issued \$ 3,839,998 in voted general obligation bonds for the purpose of refunding a portion of bonds issued on June 15, 1993 and to advance refund a portion of bonds issued on June 1, 1994. The bond issue included serial, term and capital appreciation bonds in the amount of \$ 2,710,000, \$ 700,000 and \$ 429,998 respectively. The bonds were issued at a premium of \$ 216,103. The bonds will be retired with a voted property tax levy from the Debt Service Fund. The capital appreciation bonds matured in fiscal years 2009 through 2010.

The term bonds maturing on December 1, 2016 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the principal amount as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2014	\$ 105,000
2015	110,000

The remaining principal amount of such current interest bonds (\$ 115,000) will be paid at stated maturity on December 1, 2016.

The term bonds maturing on December 1, 2019 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the principal amount as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2017	\$ 120,000
2018	120,000

The remaining principal amount of such current interest bonds (\$ 130,000) will be paid at stated maturity on December 1, 2019.

Various Purpose Construction Bonds, 2010 Series –

On July 29, 2010, the School District issued \$ 18,495,866 in voted general obligation bonds for the following purposes: (i) constructing, improving, furnishing, and equipping school facilities, with related site improvements and appurtenances thereto; and (ii) constructing, improving, furnishing, and equipping a high school athletics stadium, with related site improvements and appurtenances thereto; constructing, furnishing, and equipping a transportation facility, with related site improvements and appurtenances thereto; and acquiring interests in land necessary in connection therewith (collectively, the Project), and (iii) retiring outstanding bond anticipation notes of the School District previously issued for the purpose of funding the Project. The bond issue included: Series 2010A bonds consisting of \$ 665,000 current interest serial bonds and \$ 25,866 capital appreciation bonds, Series 2010B bonds consisting of \$ 3,780,000 current interest term bond, and Series 2010C bonds consisting of \$ 14,025,000 current interest serial bonds. The bonds were issued at a premium of \$ 287,087. The bonds will be retired with a voted property tax levy from the Debt Service Fund.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 16 - LONG-TERM OBLIGATIONS (continued)

Various Purpose Construction Bonds, 2010 Series (continued)

The Series 2010B bonds maturing on December 1, 2029 are subject to a mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective amounts as follows:

<u>Dec. 1,</u>	<u>Principal Amount to be Redeemed</u>
2027	\$ 150,000
2028	860,000

The remaining principal amount of such Series 2010B bonds (\$ 890,000) will be paid at stated maturity on December 1, 2029.

The Series 2010B bonds maturing on December 1, 2031 are subject to a mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective amounts as follows:

<u>Dec. 1,</u>	<u>Principal Amount to be Redeemed</u>
2030	\$ 920,000

The remaining principal amount of such Series 2010B bonds (\$ 960,000) will be paid at stated maturity on December 1, 2031.

The current issue bonds maturing after December 1, 2019 are subject to redemption at the option of the School District, either in whole or in part, in such order of maturity as the School District shall determine, on any date on or after December 1, 2019, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The School District's overall legal debt margin was \$ 17,417,776 and the unvoted legal debt margin was \$ 785,299 at June 30, 2013. Principal and interest requirements to retire long-term obligations outstanding at June 30, 2013, are as follows:

Year ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,295,000	\$ 1,065,540	\$ 259,341	\$ 2,937,910	\$ 1,554,341	\$ 4,003,450
2015	2,765,000	2,438,086	-	-	2,765,000	2,438,086
2016	2,875,000	2,343,125	-	-	2,875,000	2,343,125
2017	2,995,000	2,248,206	-	-	2,995,000	2,248,206
2018	3,105,000	2,153,518	-	-	3,105,000	2,153,518
2019-2023	16,870,000	9,264,171	-	-	16,870,000	9,264,171
2024-2028	15,945,000	5,033,062	25,866	679,134	15,970,866	5,712,196
2029-2032	3,630,000	448,330	-	-	3,630,000	448,330
	<u>\$ 49,480,000</u>	<u>\$ 24,994,038</u>	<u>\$ 285,207</u>	<u>\$ 3,617,044</u>	<u>\$ 49,765,207</u>	<u>\$ 28,611,082</u>

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 17- JOINTLY GOVERNED ORGANIZATIONS

A. NORTH COAST COUNCIL OHIO

The North Coast Council Ohio ("NCCO"), is a jointly governed organization comprised of 31 school districts. NCCO 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 NCCO based upon a per pupil charge, dependent upon the software package utilized. The NCCO assembly consists of a superintendent or designated representative from each participating district, and a representative from the fiscal agent. NCCO is governed by a board of directors chosen from the general membership of the NCCO 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. Fiscal information for NCCO is available from the Treasurer of the Educational Service Center of Lorain County (fiscal agent), located at 5700 West Canal, Valley View, Ohio 44125. During the year ended June 30, 2013, the District paid \$ 78,591 to NCCO for basic service charges..

B. LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

The Lorain County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from the eight participating school district's elected board, which possesses its own budgeting and taxing authority. Financial information can be obtained by contacting the Treasurer at the Lorain County Joint Vocational School District at State Rt. 58, Oberlin, Ohio, 44074.

C. OHIO SCHOOLS COUNCIL ASSOCIATION

The Ohio Schools Council Association (Council) is a jointly governed organization among 126 school districts. The organization was formed to purchase quality products and services at the lowest possible cost to the member School Districts. Each School District supports the Council by paying an annual participation fee. The Council's Board consists of nine superintendents of the participating School Districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2013, the School District paid \$ 216,359 to the Council. Financial information can be obtained by contacting David A. Cottrell, the Executive Director/Treasurer of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio, 44131. The School District participates in the Council's natural gas program.

Prepaid/Natural Gas Program

The School District participates in the natural gas purchase program. This program allows the School District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 139 participants in the program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). School Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and School Districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 17- JOINTLY GOVERNED ORGANIZATIONS

D. SUBURBAN HEALTH CONSORTIUM

The Suburban Health Consortium (the "Consortium") is a shared health risk pool created on October 1, 2001, formed by the Boards of Education of several school districts in northeast Ohio, for the purposes of maximizing benefits and/or reducing costs of group health, life, dental and/or other insurance coverage's for their employees and the eligible dependents and designated beneficiaries of such employees. The Consortium was formed and operates as a legally separate entity under Ohio Revised Code Section 9.833. The Board of Directors shall be the governing body of the Consortium.

The Board of Education of each Consortium Member shall appoint its Superintendent or such Superintendent's designee to be its representative of the Board of Directors. The officers of the Board of Directors shall consist of a Chairman, Vice-Chairman and Recording Secretary, who shall be elected at the annual meeting of Board of Directors and serve until the next annual meeting. All of the authority of the Consortium shall be exercised by or under the direction of the Board of Directors. The Board of Directors shall also set all premiums and other amounts to be paid by the Consortium Members, and the Board of Directors shall also have the authority to waive premiums and other payments. All members of the Board of Directors shall serve without compensation.

The Fiscal Agent shall be the Board of Education responsible for administering the financial transactions of the Consortium (Orange City School District). The Fiscal Agent shall carry out the responsibilities of the Consortium Fund, enter into contracts on behalf of the Consortium as authorized by the Directors and carry out such other responsibilities as approved by the Directors and agreed to by the Fiscal Agent. Each District Member enrolled in a benefit program may require contributions from its employees toward the cost of any benefit program being offered by such District Member, and such contributions shall be included in the payments from such District Member to the Fiscal Agent for such benefit program. Contributions are to be submitted by each District Member, to the Fiscal Agent, required under the terms of the Consortium Agreement and any benefit program in which such District Member is enrolled to the Fiscal Agent on a monthly basis, or as otherwise required in accordance with any benefit program in which such District Member is enrolled. All general administrative costs incurred by the Consortium that are not covered by the premium payments shall be shared equally by the Consortium Members as approved by the Directors, and shall be paid by each Consortium Member upon receipt of notice from the Fiscal Agent that such payment is due. It is the express intention of the Consortium Members that the Consortium Agreement and the Consortium shall continue for an indefinite term, but may be terminated as provided in the Consortium Agreement. Any Consortium Member wishing to withdraw from participation in the Consortium or any benefit program shall notify the Fiscal Agent at least one hundred eighty (180) days prior to the effective date of withdrawal.

Upon withdrawal of a Consortium Member, the Consortium shall pay the run out of all claims for such Consortium Member provided such Consortium Member has paid to the Consortium, prior to the effective date of withdrawal a withdrawal fee in the amount equal to two months' premiums at the Consortium Member's current rate. Payment of the withdrawal fee does not extend insurance coverage for two months. Upon automatic withdrawal, for non-payment of premiums required by the Consortium Agreement, the Consortium shall pay the run out of all claims for such Consortium Member provided that the Consortium has received from such Consortium Member all outstanding and unpaid premiums and other amounts and the withdrawal fee equal to two months' premiums at the Consortium Member's current rates. Any Consortium Member which withdraws from the Consortium pursuant to the Consortium Agreement shall have no claim to the Consortium's assets. Financial information for the Consortium can be obtained from L. Greg Slemons, Treasurer of the Orange City School District (the "Fiscal Agent") at 32000 Chagrin Blvd, Pepper Pike, Ohio 44124.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 18 - RELATED ORGANIZATION

The Avon Lake Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Avon Lake City School District Board of Education. The Board possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and issues tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained by contacting the Clerk/Treasurer at the Avon Lake Public Library at 32649 Electric Blvd., Avon Lake, Ohio, 44012.

NOTE 19 – OPERATING LEASES

The School District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. During 2013, expenditures for operating leases totaled \$ 160,578.

The following is a schedule of future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2013.

	Year ending June 30,	Amount
	2014	\$ 132,581
	2015	115,015
	2016	46,737
Total minimum lease payments		<u>\$ 294,333</u>

NOTE 20 - CONTINGENCIES

The School District received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2013.

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 21 - SET-ASIDES

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward to be used for the same purposes in future fiscal years. In prior fiscal years, the School District was also required to set aside money for budget stabilization. At June 30, 2013, only the unspent portion of certain worker's compensation refunds continues to be set aside for budget stabilization.

The following cash basis information describes the change in the fiscal year end set aside amounts for capital improvements and budget stabilization. Disclosure of this information is required by State statute.

	Budget Stabilization Reserve	Capital Improvements Reserve
Set-aside reserve balance, June 30, 2012	\$ 113,990	\$ -
Current year set-aside requirements	-	636,609
Qualifying disbursements	-	(2,674,383)
Total	<u>\$ 113,990</u>	<u>\$ (2,037,774)</u>
Set-aside balance carried forward to future fiscal years	<u>\$ -</u>	<u>\$ -</u>
Set-aside reserve balance as of June 30, 2013	<u>\$ 113,990</u>	<u>\$ -</u>

Although the School District had offsets and/or qualifying disbursements during the year that reduced the capital improvements reserve set-aside amount below zero, this amount cannot be carried forward to reduce the set-aside requirements for future years.

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Combining
and
Individual Fund Statements
and Schedules

Fund Descriptions – Nonmajor Governmental Funds

Nonmajor Special Revenue Funds

Special Revenue Funds account for revenues from specific sources which legally, or otherwise, are restricted to expenditures for specific purposes.

Food Service Fund To account for monies used for the food service operations of the School District.

Local Grants Fund To account for monies received to promote community involvement and volunteer activities between the school and community.

Athletics Fund To account for gate receipts and other revenues from athletic events and all costs (except personnel services) of the School District's athletic program.

Auxiliary Services Fund To account for monies which provide services and materials to pupils attending non-public schools within the School District.

Data Communications Fund To account for State monies received to provide Ohio Educational Computer Network connections.

Race to the Top Fund To account for monies for a competitive grant program designed to encourage and reward states that are creating the conditions for education innovation and reform; achieving significant improvement in student outcomes, including making substantial gains in student achievement, closing achievement gaps, improving high school graduation rates, and ensuring student preparation for success in college and careers.

Title VI-B Fund To account for Federal monies used to assist schools in the identification of handicapped children, development of procedural safeguards, implementation of least restrictive alternative service patterns, and provisions of full educational opportunities to handicapped children at the preschool, elementary and secondary levels.

Title I Fund To account for Federal monies to provide financial assistance to state and local educational agencies to meet the needs of educationally deprived children.

Early Childhood Education Development Fund To account for Federal monies which partially support the preschool program focusing on the early education of handicapped children.

Title II-A Fund To account for Federal monies received to encourage and help fund smaller classroom size and additional staffing needs.

Miscellaneous Federal Grants Fund This fund accounts for various monies received from the Federal government through state agencies or directly from the Federal government which are not accounted for elsewhere. For the fiscal year ended June 30, 2013, this fund had only receipts of the prior year's receivable and payment of the prior year's interfund payable. Accordingly, only a schedule of budget basis activity is presented.

(continued)

Fund Descriptions – Nonmajor Governmental Funds

Nonmajor Debt Service Fund

Debt Service Funds are used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest, and related costs.

Library Bond Retirement Fund To account for the accumulation of tax monies and the payment of general obligation bond principal and interest for the bonds issued for the Avon Lake Public Library.

Nonmajor Capital Projects Funds

Capital Projects Funds account for the acquisition, construction or improvement of capital facilities other than those financed by proprietary funds.

Building Improvements Fund To account for debt proceeds to be used for the acquisition, construction, or improvement of major capital facilities.

Permanent Improvements Fund To account for property taxes levied to be used for various capital projects within the School District.

AVON LAKE CITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets and deferred outflow s of resources				
Assets				
Equity in pooled cash	\$ 1,324,361	\$ 215,727	\$ 404,746	\$ 1,944,834
Receivables, net of allow ance				
Taxes, current	-	1,974,514	563,932	2,538,446
Taxes, delinquent	-	203,300	58,000	261,300
Intergovernmental receivable	1,077	-	-	1,077
Inventories and supplies	14,359	-	-	14,359
Total assets	<u>1,339,797</u>	<u>2,393,541</u>	<u>1,026,678</u>	<u>4,760,016</u>
Total assets and deferred outflow s of resources	<u>\$ 1,339,797</u>	<u>\$ 2,393,541</u>	<u>\$ 1,026,678</u>	<u>\$ 4,760,016</u>
Liabilities, deferred inflow s of resources and fund balances				
Liabilities				
Accounts and contracts payable	\$ 30,818	\$ -	\$ -	\$ 30,818
Accrued wages and benefits	82,769	-	-	82,769
Intergovernmental payable	27,369	-	-	27,369
Interfund payable	1,077	-	359,580	360,657
Total liabilities	<u>142,033</u>	<u>-</u>	<u>359,580</u>	<u>501,613</u>
Deferred inflow s of resources				
Property taxes	-	1,725,057	480,533	2,205,590
Cafeteria receipts	32,914	-	-	32,914
Unavailable revenue	-	203,300	58,000	261,300
Total deferred inflow s of resources	<u>32,914</u>	<u>1,928,357</u>	<u>538,533</u>	<u>2,499,804</u>
Fund balances				
Nonspendable	14,359	-	-	14,359
Restricted	1,154,325	465,184	488,145	2,107,654
Unassigned	(3,834)	-	(359,580)	(363,414)
Total fund balances	<u>1,164,850</u>	<u>465,184</u>	<u>128,565</u>	<u>1,758,599</u>
Total liabilities, deferred inflow s of resources and fund balances	<u>\$ 1,339,797</u>	<u>\$ 2,393,541</u>	<u>\$ 1,026,678</u>	<u>\$ 4,760,016</u>

AVON LAKE CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ -	\$ 213,615	\$ 590,891	\$ 804,506
Tuition and fees	13,128	-	-	13,128
Interest	437	-	-	437
Intergovernmental	1,585,508	41,442	941,929	2,568,879
Extracurricular	385,536	-	-	385,536
Charges for services	1,069,630	-	-	1,069,630
Other	181,492	-	2,820	184,312
Total revenues	<u>3,235,731</u>	<u>255,057</u>	<u>1,535,640</u>	<u>5,026,428</u>
Expenditures				
Current				
Instruction				
Regular	159,416	-	621,870	781,286
Special	296,384	-	-	296,384
Vocational	495	-	-	495
Other instruction	8,087	-	-	8,087
Supporting services				
Pupil	461,454	-	-	461,454
Instructional staff	118,647	-	-	118,647
Administration	41,090	-	16,774	57,864
Fiscal services	-	3,344	11,845	15,189
Operation and maintenance	-	-	210,766	210,766
Pupil transportation	-	-	212,596	212,596
Central services	12,600	-	-	12,600
Operation of non-instructional services				
Food service operation	1,311,263	-	-	1,311,263
Community services	255,552	-	-	255,552
Extracurricular activities	374,800	-	-	374,800
Capital outlay	1,680	-	1,038,114	1,039,794
Debt service				
Principal	-	300,000	-	300,000
Interest	-	18,200	-	18,200
Total expenditures	<u>3,041,468</u>	<u>321,544</u>	<u>2,111,965</u>	<u>5,474,977</u>
Net change in fund balances	194,263	(66,487)	(576,325)	(448,549)
Fund balances, beginning of year	<u>970,587</u>	<u>531,671</u>	<u>704,890</u>	<u>2,207,148</u>
Fund balances, end of year	<u>\$ 1,164,850</u>	<u>\$ 465,184</u>	<u>\$ 128,565</u>	<u>\$ 1,758,599</u>

AVON LAKE CITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2013

	Food Service	Local Grants	Athletics
Assets and deferred outflow s of resources			
Assets			
Equity in pooled cash	\$ 602,695	\$ 355,835	\$ 230,655
Intergovernmental receivable	-	-	-
Inventories and supplies	14,359	-	-
Total assets	<u>617,054</u>	<u>355,835</u>	<u>230,655</u>
Total assets and deferred outflow s of resources	<u>\$ 617,054</u>	<u>\$ 355,835</u>	<u>\$ 230,655</u>
Liabilities, deferred inflow s of resources and fund balances			
Liabilities			
Accounts and contracts payable	\$ 95	\$ 19,815	\$ 3,063
Accrued wages and benefits	59,042	-	-
Intergovernmental payable	17,283	-	-
Interfund payable	-	-	-
Total liabilities	<u>76,420</u>	<u>19,815</u>	<u>3,063</u>
Deferred inflow s of resources			
Property taxes	-	-	-
Cafeteria receipts	32,914	-	-
Total deferred inflow s of resources	<u>32,914</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	14,359	-	-
Restricted	493,361	336,020	227,592
Unassigned	-	-	-
Total fund balances	<u>507,720</u>	<u>336,020</u>	<u>227,592</u>
Total liabilities, deferred inflow s of resources and fund balances	<u>\$ 617,054</u>	<u>\$ 355,835</u>	<u>\$ 230,655</u>

Auxiliary Services	Data Communications	Race to the Top
\$ 129,002	\$ -	\$ 141
-	-	1,077
-	-	-
129,002	-	1,218
\$ 129,002	\$ -	\$ 1,218

\$ 7,628	\$ -	\$ -
19,882	-	3,845
5,294	-	-
-	-	1,077
32,804	-	4,922

-	-	-
-	-	-
-	-	-

-	-	-
96,198	-	-
-	-	(3,704)
96,198	-	(3,704)

\$ 129,002	\$ -	\$ 1,218
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(continued)

AVON LAKE CITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2013
 (CONCLUDED)

	Title VI-B	Title I	Early Childhood Education Development
Assets and deferred outflow s of resources			
Assets			
Equity in pooled cash	\$ -	\$ 6,033	\$ -
Intergovernmental receivable	-	-	-
Inventories and supplies	-	-	-
Total assets	-	6,033	-
Total assets and deferred outflow s of resources	\$ -	\$ 6,033	\$ -
Liabilities, deferred inflow s of resources and fund balances			
Liabilities			
Accounts and contracts payable	\$ -	\$ 217	\$ -
Accrued wages and benefits	-	-	-
Intergovernmental payable	130	4,662	-
Interfund payable	-	-	-
Total liabilities	130	4,879	-
Deferred inflow s of resources			
Property taxes	-	-	-
Cafeteria receipts	-	-	-
Total deferred inflow s of resources	-	-	-
Fund balances			
Nonspendable	-	-	-
Restricted	-	1,154	-
Unassigned	(130)	-	-
Total fund balances	(130)	1,154	-
Total liabilities, deferred inflow s of resources and fund balances	\$ -	\$ 6,033	\$ -

Title II-A		Total Nonmajor Special Revenue Funds
\$	-	\$ 1,324,361
	-	1,077
	-	14,359
	-	1,339,797
\$	-	\$ 1,339,797
\$	-	\$ 30,818
	-	82,769
	-	27,369
	-	1,077
	-	142,033
	-	-
	-	32,914
	-	32,914
	-	14,359
	-	1,154,325
	-	(3,834)
	-	1,164,850
\$	-	\$ 1,339,797

AVON LAKE CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Food Service	Local Grants	Athletics
Revenues			
Tuition and fees	\$ -	\$ 13,128	\$ -
Interest	391	-	-
Intergovernmental	300,049	-	-
Extracurricular	-	-	385,536
Charges for services	1,069,630	-	-
Other	-	155,940	25,552
Total revenues	<u>1,370,070</u>	<u>169,068</u>	<u>411,088</u>
Expenditures			
Current			
Instruction			
Regular	-	54,763	-
Special	-	-	-
Vocational	-	495	-
Other instruction	-	-	-
Supporting services			
Pupil	-	13,160	-
Instructional staff	-	21,179	-
Administration	-	2,000	-
Central services	-	-	-
Operation of non-instructional services			
Food service operation	1,311,263	-	-
Community services	-	-	-
Extracurricular activities	-	13,210	361,590
Capital outlay	-	1,680	-
Total expenditures	<u>1,311,263</u>	<u>106,487</u>	<u>361,590</u>
Net change in fund balances	58,807	62,581	49,498
Fund balances, beginning of year	<u>448,913</u>	<u>273,439</u>	<u>178,094</u>
Fund balances, end of year	<u>\$ 507,720</u>	<u>\$ 336,020</u>	<u>\$ 227,592</u>

Auxiliary Services	Data Communications	Race to the Top
\$ -	\$ -	\$ -
46	-	-
254,800	12,600	79,241
-	-	-
-	-	-
-	-	-
254,846	12,600	79,241
-	-	55,441
-	-	-
-	-	-
-	-	-
-	-	-
-	-	19,977
-	-	4,155
-	12,600	-
-	-	-
232,291	-	-
-	-	-
-	-	-
232,291	12,600	79,573
22,555	-	(332)
73,643	-	(3,372)
\$ 96,198	\$ -	\$ (3,704)

(continued)

AVON LAKE CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(CONCLUDED)

	Title VI-B	Title I	Early Childhood Education Development
Revenues			
Tuition and fees	\$ -	\$ -	\$ -
Interest	-	-	-
Intergovernmental	618,461	240,148	18,059
Extracurricular	-	-	-
Charges for services	-	-	-
Other	-	-	-
Total revenues	618,461	240,148	18,059
Expenditures			
Current			
Instruction			
Regular	-	-	-
Special	116,396	179,988	-
Vocational	-	-	-
Other instruction	-	8,087	-
Supporting services			
Pupil	448,294	-	-
Instructional staff	-	46,494	18,059
Administration	34,935	-	-
Central services	-	-	-
Operation of non-instructional services			
Food service operation	-	-	-
Community services	18,836	4,425	-
Extracurricular activities	-	-	-
Capital outlay	-	-	-
Total expenditures	618,461	238,994	18,059
Net change in fund balances	-	1,154	-
Fund balances, beginning of year	(130)	-	-
Fund balances, end of year	\$ (130)	\$ 1,154	\$ -

Title II-A		Total Nonmajor Special Revenue Funds	
\$	-	\$	13,128
	-		437
62,150			1,585,508
-			385,536
-			1,069,630
-			181,492
62,150			3,235,731
	49,212		159,416
	-		296,384
	-		495
	-		8,087
	-		461,454
	12,938		118,647
	-		41,090
	-		12,600
	-		1,311,263
	-		255,552
	-		374,800
	-		1,680
62,150			3,041,468
	-		194,263
	-		970,587
\$	-	\$	1,164,850

AVON LAKE CITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2013

	Building Improvement Fund	Permanent Improvements	Total Nonmajor Capital Projects Funds
Assets and deferred outflow s of resources			
Assets			
Equity in pooled cash	\$ -	\$ 404,746	\$ 404,746
Receivables, net of allow ance			
Taxes, current	-	563,932	563,932
Taxes, delinquent	-	58,000	58,000
Total assets	-	1,026,678	1,026,678
Total assets and deferred outflow s of resources	\$ -	\$ 1,026,678	\$ 1,026,678
Liabilities, deferred inflow s of resources and fund balances			
Liabilities			
Interfund payable	\$ 359,580	\$ -	\$ 359,580
Total liabilities	359,580	-	359,580
Deferred inflow s of resources			
Property taxes	-	480,533	480,533
Unavailable revenue	-	58,000	58,000
Total deferred inflow s of resources	-	538,533	538,533
Fund balances			
Restricted	-	488,145	488,145
Unassigned	(359,580)	-	(359,580)
Total fund balances	(359,580)	488,145	128,565
Total liabilities, deferred inflow s of resources and fund balances	\$ -	\$ 1,026,678	\$ 1,026,678

AVON LAKE CITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Building Improvement	Permanent Improvements	Total Nonmajor Capital Projects Funds
Revenues			
Taxes	\$ -	\$ 590,891	\$ 590,891
Intergovernmental	795,281	146,648	941,929
Other	2,820	-	2,820
Total revenues	<u>798,101</u>	<u>737,539</u>	<u>1,535,640</u>
Expenditures			
Current			
Instruction			
Regular	2,128	619,742	621,870
Supporting services			
Administration	16,774	-	16,774
Fiscal services	1,792	10,053	11,845
Operation and maintenance	13,830	196,936	210,766
Pupil transportation	-	212,596	212,596
Capital outlay	1,002,691	35,423	1,038,114
Total expenditures	<u>1,037,215</u>	<u>1,074,750</u>	<u>2,111,965</u>
Net change in fund balances	(239,114)	(337,211)	(576,325)
Fund balances, beginning of year	<u>(120,466)</u>	<u>825,356</u>	<u>704,890</u>
Fund balances, end of year	<u>\$ (359,580)</u>	<u>\$ 488,145</u>	<u>\$ 128,565</u>

Fund Descriptions

Agency Funds

These funds are purely custodial (assets equal liabilities) and thus do not involve the measurement of results of operations.

Student Activities Fund To account for purchases of supplies on behalf of those student activity programs which have student participation in the activity and have student involvement in the management of the program.

Staff Services Fund To account for purchases of supplies and equipment on behalf of employees of the School District.

AVON LAKE CITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Student Activities Fund				
	Beginning Balance June 30, 2012	Additions	Deductions	Ending Balance June 30, 2013
Assets				
Equity in pooled cash	\$ 85,689	\$ 204,485	\$ 195,089	\$ 95,085
Total assets	<u>\$ 85,689</u>	<u>\$ 204,485</u>	<u>\$ 195,089</u>	<u>\$ 95,085</u>
Liabilities				
Accounts payable	\$ 10,941	\$ -	\$ 10,941	\$ -
Due to students	74,748	204,485	184,148	95,085
Total liabilities	<u>\$ 85,689</u>	<u>\$ 204,485</u>	<u>\$ 195,089</u>	<u>\$ 95,085</u>

Staff Services Fund				
	Beginning Balance June 30, 2012	Additions	Deductions	Ending Balance June 30, 2013
Assets				
Equity in pooled cash	\$ 3,649	\$ 1,681	\$ 1,658	\$ 3,672
Total assets	<u>\$ 3,649</u>	<u>\$ 1,681</u>	<u>\$ 1,658</u>	<u>\$ 3,672</u>
Liabilities				
Accounts payable	-	\$ 80	\$ -	80
Due to others	3,649	1,601	1,658	3,592
Total liabilities	<u>\$ 3,649</u>	<u>\$ 1,681</u>	<u>\$ 1,658</u>	<u>\$ 3,672</u>

Total Agency Funds				
	Beginning Balance June 30, 2012	Additions	Deductions	Ending Balance June 30, 2013
Assets				
Equity in pooled cash	\$ 89,338	\$ 206,166	\$ 196,747	\$ 98,757
Total assets	<u>89,338</u>	<u>206,166</u>	<u>196,747</u>	<u>98,757</u>
Liabilities				
Accounts payable	\$ 10,941	\$ 80	\$ 10,941	\$ 80
Due to students	74,748	204,485	184,148	95,085
Due to others	3,649	1,601	1,658	3,592
Total liabilities	<u>\$ 89,338</u>	<u>\$ 206,166</u>	<u>\$ 196,747</u>	<u>\$ 98,757</u>

AVON LAKE CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts			
	Original	Final	Actual	
Revenues				
Taxes	\$ 23,625,452	\$ 24,744,932	\$ 24,767,347	\$ 22,415
Tuition and fees	586,391	614,177	614,733	556
Interest	46,753	48,969	49,013	44
Intergovernmental	7,241,220	7,584,342	7,591,212	6,870
Miscellaneous	182,577	191,229	191,402	173
Total revenues	31,682,393	33,183,649	33,213,707	30,058
Expenditures				
Current				
Instruction				
Regular				
Salaries	11,397,876	12,921,447	12,877,596	43,851
Benefits	4,524,320	5,129,092	5,111,686	17,406
Purchased services	500,860	567,811	565,884	1,927
Materials and supplies	706,695	801,160	798,441	2,719
Capital outlay	21,075	23,892	23,811	81
Total regular	17,150,826	19,443,402	19,377,418	65,984
Special				
Salaries	1,609,697	1,824,868	1,818,675	6,193
Benefits	540,401	612,637	610,558	2,079
Purchased services	229,343	259,999	259,117	882
Materials and supplies	11,499	13,036	12,992	44
Capital outlay	16	18	18	-
Total special	2,390,956	2,710,558	2,701,360	9,198
Vocational				
Salaries	68,281	77,409	77,146	263
Benefits	25,010	28,353	28,257	96
Total vocational	93,291	105,762	105,403	359
Adult/continuing				
Salaries	9,577	10,857	10,820	37
Benefits	1,587	1,799	1,793	6
Total adult/continuing	11,164	12,656	12,613	43
Other				
Salaries	88,950	100,840	100,498	342
Benefits	24,608	27,898	27,803	95
Purchased services	616,413	698,810	696,438	2,372
Other	475,120	538,630	536,802	1,828
Total other instruction	1,205,091	1,366,178	1,361,541	4,637
Total instruction	20,851,328	23,638,556	23,558,335	80,221

(continued)

AVON LAKE CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts			
	Original	Final	Actual	
Supporting services				
Pupil				
Salaries	1,971,491	2,235,023	2,227,438	7,585
Benefits	962,372	1,091,014	1,087,311	3,703
Purchased services	179,845	203,885	203,193	692
Materials and supplies	47,833	54,227	54,043	184
Capital outlay	4,427	5,019	5,002	17
Total pupil	3,165,968	3,589,168	3,576,987	12,181
Instructional staff				
Salaries	534,422	605,859	603,803	2,056
Benefits	181,152	205,367	204,670	697
Purchased services	25,366	28,757	28,659	98
Materials and supplies	13,486	15,289	15,237	52
Capital outlay	531	602	600	2
Total instructional staff	754,957	855,874	852,969	2,905
Board of education				
Salaries	3,319	3,763	3,750	13
Benefits	126	142	142	-
Purchased services	4,367	4,951	4,934	17
Other	6,728	7,627	7,601	26
Total business	14,540	16,483	16,427	56
Administration				
Salaries	1,697,407	1,924,302	1,917,772	6,530
Benefits	744,073	843,535	840,672	2,863
Purchased services	247,536	280,624	279,672	952
Materials and supplies	19,841	22,493	22,417	76
Capital outlay	127	143	143	-
Other	19,846	22,498	22,422	76
Total administration	2,728,830	3,093,595	3,083,098	10,497
Fiscal				
Salaries	261,988	297,008	296,000	1,008
Benefits	117,412	133,107	132,655	452
Purchased services	43,910	49,780	49,611	169
Materials and supplies	4,818	5,462	5,443	19
Other	437,905	496,441	494,756	1,685
Total fiscal	866,033	981,798	978,465	3,333

(continued)

AVON LAKE CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts			
	Original	Final	Actual	
Business				
Salaries	79,148	89,728	89,423	305
Benefits	38,948	44,154	44,004	150
Purchased services	10,557	11,968	11,927	41
Capital outlay	3,741	4,241	4,227	14
Total fiscal	132,394	150,091	149,581	510
Operation and maintenance				
Salaries	1,420,999	1,610,946	1,605,479	5,467
Benefits	566,577	642,312	640,132	2,180
Purchased services	1,644,312	1,864,109	1,857,783	6,326
Materials and supplies	332,998	377,510	376,229	1,281
Capital outlay	29,598	33,554	33,440	114
Total operation and maintenance	3,994,484	4,528,431	4,513,063	15,368
Pupil transportation				
Salaries	918,204	1,040,942	1,037,409	3,533
Benefits	250,554	284,046	283,082	964
Purchased services	117,364	133,053	132,601	452
Materials and supplies	207,282	234,989	234,192	797
Capital outlay	14,712	16,679	16,622	57
Other	338	383	382	1
Total pupil transportation	1,508,454	1,710,092	1,704,288	5,804
Central services				
Salaries	7,810	8,854	8,824	30
Benefits	3	3	3	-
Purchased services	142,600	161,662	161,113	549
Capital outlay	47,028	53,314	53,133	181
Other	88,509	100,341	100,000	341
Total central services	285,950	324,174	323,073	1,101
Total supporting services	13,451,610	15,249,706	15,197,951	51,755
Operation of non-instructional services				
Community services				
Benefits	40	45	45	-
Total community services	40	45	45	-
Total operation of non-instructional services	40	45	45	-
Extracurricular activities				
Academic and subject oriented				
Salaries	71,240	80,763	80,489	274
Benefits	10,684	12,112	12,071	41
Purchased services	4,381	4,967	4,950	17
Materials and supplies	7,449	8,445	8,416	29
Total academic and subject oriented	93,754	106,287	105,926	361

(continued)

AVON LAKE CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

(Concluded)				
	General Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts			
	Original	Final	Actual	
Occupation oriented				
Salaries	945	1,072	1,068	4
Benefits	139	158	157	1
Total occupation oriented	1,084	1,230	1,225	5
Sports oriented				
Salaries	511,353	579,706	577,739	1,967
Benefits	119,358	135,312	134,853	459
Purchased services	31,589	35,812	35,690	122
Other	319	361	360	1
Total sports oriented	662,619	751,191	748,642	2,549
Co-curricular activities				
Salaries	43,719	49,563	49,395	168
Benefits	5,899	6,688	6,665	23
Total co-curricular activities	49,618	56,251	56,060	191
Total extracurricular activities	807,075	914,959	911,853	3,106
Total expenditures	35,110,053	39,803,266	39,668,184	135,082
Excess (deficiency) of revenues over expenditures	(3,427,660)	(6,619,617)	(6,454,477)	165,140
Other financing sources (uses)				
Gain (loss) on sale of assets	-	14,031	14,031	-
Advances in	-	1,444,625	1,444,625	-
Refund of prior year expenditures	-	130,821	130,821	-
Advances out	-	(306,789)	(306,789)	-
Total other financing sources (uses)	-	1,282,688	1,282,688	-
Net change in fund balance	(3,427,660)	(5,336,929)	(5,171,789)	165,140
Prior year encumbrances	2,517,503	2,517,503	2,517,503	-
Fund balances, beginning of year	7,373,956	7,373,956	7,373,956	-
Fund balances, end of year	6,463,799	\$ 4,554,530	\$ 4,719,670	\$ 165,140

AVON LAKE CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Bond Retirement Fund			Variance with Final Budget Positive (Negative)
	Budget Amounts		Actual	
	Original	Final		
Total revenues and other sources	\$ 4,033,797	\$ 4,671,595	\$ 4,671,595	\$ -
Total expenditures and other uses	4,429,361	4,486,432	4,486,432	-
Net change in fund balance	(395,564)	185,163	185,163	-
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	3,048,040	3,048,040	3,048,040	-
Fund balances, end of year	\$ 2,652,476	\$ 3,233,203	\$ 3,233,203	\$ -

AVON LAKE CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Food Service Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 1,290,000	\$ 1,314,062	\$ 1,319,410	\$ 5,348
Total expenditures and other uses	1,405,490	1,515,490	1,238,112	277,378
Net change in fund balance	(115,490)	(201,428)	81,298	282,726
Prior year encumbrances	72,568	72,568	72,568	-
Fund balances, beginning of year	447,651	447,651	447,651	-
Fund balances, end of year	<u>\$ 404,729</u>	<u>\$ 318,791</u>	<u>\$ 601,517</u>	<u>\$ 282,726</u>

Local Grants Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 83,589	\$ 169,068	\$ 169,068	\$ -
Total expenditures and other uses	91,671	126,671	125,788	883
Net change in fund balance	(8,082)	42,397	43,280	883
Prior year encumbrances	22,534	22,534	22,534	-
Fund balances, beginning of year	260,475	260,475	260,475	-
Fund balances, end of year	<u>\$ 274,927</u>	<u>\$ 325,406</u>	<u>\$ 326,289</u>	<u>\$ 883</u>

AVON LAKE CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Athletics Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 334,600	\$ 410,634	\$ 411,524	\$ 890
Total expenditures and other uses	382,367	412,367	390,408	21,959
Net change in fund balance	(47,767)	(1,733)	21,116	22,849
Prior year encumbrances	52,567	52,567	52,567	-
Fund balances, beginning of year	128,137	128,137	128,137	-
Fund balances, end of year	<u>\$ 132,937</u>	<u>\$ 178,971</u>	<u>\$ 201,820</u>	<u>\$ 22,849</u>

Auxiliary Services Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 207,598	\$ 254,847	\$ 254,847	\$ -
Total expenditures and other uses	303,800	327,609	327,609	-
Net change in fund balance	(96,202)	(72,762)	(72,762)	-
Prior year encumbrances	43,859	43,859	43,859	-
Fund balances, beginning of year	52,343	52,343	52,343	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ 23,440</u>	<u>\$ 23,440</u>	<u>\$ -</u>

AVON LAKE CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Data Communications Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 12,000	\$ 12,600	\$ 12,600	\$ -
Total expenditures and other uses	3,238	12,600	12,600	-
Net change in fund balance	8,762	-	-	-
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ 8,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Race to the Top Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 82,000	\$ 83,448	\$ 83,448	\$ -
Total expenditures and other uses	92,558	93,865	93,865	-
Net change in fund balance	(10,558)	(10,417)	(10,417)	-
Prior year encumbrances	10,558	10,558	10,558	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ 141</u>	<u>\$ 141</u>	<u>\$ -</u>

AVON LAKE CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Title VI-B Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 618,461	\$ 1,062,945	\$ 1,062,945	\$ -
Total expenditures and other uses	618,461	1,062,945	1,062,945	-
Net change in fund balance	-	-	-	-
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Title I Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 254,310	\$ 278,799	\$ 278,799	\$ -
Total expenditures and other uses	254,310	277,472	277,472	-
Net change in fund balance	-	1,327	1,327	-
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ 1,327</u>	<u>\$ 1,327</u>	<u>\$ -</u>

AVON LAKE CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Early Childhood Education Development Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 18,059	\$ 18,059	\$ 18,059	\$ -
Total expenditures and other uses	18,059	18,059	18,059	-
Net change in fund balance	-	-	-	-
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Title II-A Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 60,327	\$ 67,862	\$ 67,862	\$ -
Total expenditures and other uses	60,327	67,862	67,862	-
Net change in fund balance	-	-	-	-
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

AVON LAKE CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Miscellaneous Federal Grants Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ -	\$ 593	\$ 593	\$ -
Total expenditures and other uses	-	593	593	-
Net change in fund balance	-	-	-	-
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Scholarship Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 17,000	\$ 19,286	\$ 19,287	\$ 1
Total expenditures and other uses	13,257	13,257	7,225	6,032
Net change in fund balance	3,743	6,029	12,062	6,033
Prior year encumbrances	3,257	3,257	3,257	-
Fund balances, beginning of year	66,463	66,463	66,463	-
Fund balances, end of year	<u>\$ 73,463</u>	<u>\$ 75,749</u>	<u>\$ 81,782</u>	<u>\$ 6,033</u>

AVON LAKE CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Michael Baumhauer Scholarship Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 1,000	\$ 6	\$ 6	\$ -
Total expenditures and other uses	1,299	1,799	1,759	40
Net change in fund balance	(299)	(1,793)	(1,753)	40
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	12,021	12,021	12,021	-
Fund balances, end of year	<u>\$ 11,722</u>	<u>\$ 10,228</u>	<u>\$ 10,268</u>	<u>\$ 40</u>

Public School Support Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 165,300	\$ 200,798	\$ 205,799	\$ 5,001
Total expenditures and other uses	211,166	241,166	232,813	8,353
Net change in fund balance	(45,866)	(40,368)	(27,014)	13,354
Prior year encumbrances	25,593	25,593	25,593	-
Fund balances, beginning of year	126,788	126,788	126,788	-
Fund balances, end of year	<u>\$ 106,515</u>	<u>\$ 112,013</u>	<u>\$ 125,367</u>	<u>\$ 13,354</u>

AVON LAKE CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Library Bond Retirement Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 230,108	\$ 230,108	\$ 230,108	\$ -
Total expenditures and other uses	321,544	321,544	321,544	-
Net change in fund balance	(91,436)	(91,436)	(91,436)	-
Prior year encumbrances	-	-	-	-
Fund balances, beginning of year	307,163	307,163	307,163	-
Fund balances, end of year	<u>\$ 215,727</u>	<u>\$ 215,727</u>	<u>\$ 215,727</u>	<u>\$ -</u>

Building Improvements Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 970,000	\$ 1,098,101	\$ 1,098,101	\$ -
Total expenditures and other uses	1,923,915	2,058,658	2,058,658	-
Net change in fund balance	(953,915)	(960,557)	(960,557)	-
Prior year encumbrances	263,490	263,490	263,490	-
Fund balances, beginning of year	697,067	697,067	697,067	-
Fund balances, end of year	<u>\$ 6,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

AVON LAKE CITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (NON-GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

Permanent Improvements Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 625,339	\$ 707,426	\$ 707,426	\$ -
Total expenditures and other uses	752,746	1,202,746	1,153,537	49,209
Net change in fund balance	(127,407)	(495,320)	(446,111)	49,209
Prior year encumbrances	197,195	197,195	197,195	-
Fund balances, beginning of year	576,875	576,875	576,875	-
Fund balances, end of year	<u>\$ 646,663</u>	<u>\$ 278,750</u>	<u>\$ 327,959</u>	<u>\$ 49,209</u>

Self Insurance Fund				
	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total revenues and other sources	\$ 3,999,653	\$ 2,702,381	\$ 2,702,495	\$ 114
Total expenditures and other uses	5,500,831	3,400,831	3,071,701	329,130
Net change in fund balance	(1,501,178)	(698,450)	(369,206)	329,244
Prior year encumbrances	271,172	271,172	271,172	-
Fund balances, beginning of year	3,036,052	3,036,052	3,036,052	-
Fund balances, end of year	<u>\$ 1,806,046</u>	<u>\$ 2,608,774</u>	<u>\$ 2,938,018</u>	<u>\$ 329,244</u>

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STATISTICAL SECTION



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STATISTICAL SECTION

This part of the Avon Lake City School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents	Page
Financial Trends	S 2
These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	
Revenue Capacity	S 12
These schedules contain information to help the reader assess the affordability of the District's most significant local revenue source, the property tax.	
Debt Capacity	S 27
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
Demographic and Economic Information	S 32
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
Operating Information	S 34
These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

AVON LAKE CITY SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2013	2012	2011	2010
Governmental activities				
Net investment in capital assets	\$ 8,694,493	\$ 8,871,320	\$ 12,743,280	\$ 11,156,547
Restricted	6,424,518	5,964,568	4,720,978	4,999,853
Unrestricted	4,095,943	5,494,757	5,324,122	9,744,093
Total primary government net position	<u>\$ 19,214,954</u>	<u>\$ 20,330,645</u>	<u>\$ 22,788,380</u>	<u>\$ 25,900,493</u>

Note:

Year 2012 has been restated to reflect the effects of a prior period adjustment recorded in 2013.

Years 2011 and 2010 have been restated to reflect the effects of a prior period adjustment recorded in 2012.

2009	2008	2007	2006	2005	2004
\$ 10,893,237	\$ 9,766,753	\$ 12,683,960	\$ 13,050,247	\$ 13,551,954	\$ 12,403,818
4,855,418	5,505,639	5,998,643	6,018,615	5,115,807	4,677,199
11,777,501	10,858,024	4,867,661	(1,432,914)	(562,847)	(639,465)
<u>\$ 27,526,156</u>	<u>\$ 26,130,416</u>	<u>\$ 23,550,264</u>	<u>\$ 17,635,948</u>	<u>\$ 18,104,914</u>	<u>\$ 16,441,552</u>

AVON LAKE CITY SCHOOL DISTRICT
EXPENSES, PROGRAM REVENUES AND NET (EXPENSES) REVENUE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2013	2012	2011	2010
Expenses				
Governmental activities:				
Instruction				
Regular	\$ 21,373,667	\$ 19,371,019	\$ 21,087,414	\$ 19,551,234
Special	3,014,516	2,727,407	2,982,052	3,061,161
Vocational	106,982	65,886	217,831	213,572
Adult/continuing	12,586	17,130	24,489	19,879
Other instruction	1,371,889	1,544,720	1,430,175	1,147,296
Supporting services				
Pupil	4,243,694	3,685,135	3,771,628	3,304,479
Instructional staff	968,197	895,534	975,585	974,710
Board of education	16,134	21,129	19,913	32,737
Administration	3,195,086	3,516,540	3,408,972	3,492,495
Fiscal services	1,068,458	1,111,341	1,130,131	1,135,733
Business	153,061	144,746	146,305	417,440
Operation and maintenance	4,187,039	7,165,255	7,717,754	6,781,144
Pupil transportation	1,802,544	1,362,748	1,724,226	1,530,111
Central services	320,972	217,284	160,103	158,131
Operation of non-instructional services				
Food service operation	1,356,079	1,377,802	1,305,908	1,246,386
Community services	279,348	259,851	283,718	219,142
Extracurricular activities	1,335,805	1,297,017	1,318,728	1,212,842
Interest	3,015,472	3,036,866	3,394,925	2,220,063
Total primary government expenses	<u>47,821,529</u>	<u>47,817,410</u>	<u>51,099,857</u>	<u>46,718,555</u>
Program revenues				
Governmental activities:				
Charges for services and sales				
Instruction	614,733	507,683	614,720	797,192
Supporting services	68,539	50,507	64,416	16,155
Food service	1,069,630	1,106,780	1,065,511	1,053,176
Extracurricular activities	416,515	480,230	494,972	380,392
Operating grants, interest and contributions	1,604,613	1,815,456	1,748,392	1,743,573
Capital grants and contributions	-	-	-	-
Total primary government program revenues	<u>3,774,030</u>	<u>3,960,656</u>	<u>3,988,011</u>	<u>3,990,488</u>
Net (expense) revenue				
Total primary government net expense	<u>\$ (44,047,499)</u>	<u>\$ (43,856,754)</u>	<u>\$ (47,111,846)</u>	<u>\$ (42,728,067)</u>

Note:

Year 2012 has been restated to reflect the effects of a prior period adjustment recorded in 2013.

Years 2011 and 2010 have been restated to reflect the effects of a prior period adjustment recorded in 2012.

2009	2008	2007	2006	2005	2004
\$ 18,279,003	\$ 17,922,399	\$ 16,867,890	\$ 17,283,670	\$ 17,067,490	\$ 17,041,281
2,818,062	2,436,905	2,268,431	2,074,881	2,057,130	1,726,273
204,700	224,077	194,969	187,079	252,331	226,332
18,913	12,723	16,538	13,409	36,793	32,974
1,000,656	873,473	754,362	718,927	649,596	-
3,318,731	2,823,282	2,670,535	3,279,597	2,530,881	2,235,500
922,353	761,803	690,660	495,175	873,051	1,583,121
20,568	22,687	19,802	17,999	18,202	12,284
3,334,181	2,961,136	2,785,367	2,900,181	3,090,189	3,032,320
997,105	1,004,099	1,090,308	949,135	922,519	875,443
114,110	152,539	114,811	87,500	86,459	72,063
4,926,928	4,891,117	4,073,937	4,667,818	4,582,836	3,716,052
1,500,578	1,507,204	1,292,500	1,210,650	1,318,645	1,157,158
190,642	280,156	160,111	62,203	12,498	11,129
1,161,495	1,088,114	1,002,790	802,400	829,674	694,053
261,704	340,766	272,981	219,150	334,781	288,654
1,195,904	1,186,993	1,020,672	1,046,500	1,243,236	1,098,085
2,241,575	2,219,378	2,251,030	2,285,814	2,427,174	2,727,315
42,507,208	40,708,851	37,547,694	38,302,088	38,333,485	36,530,037
552,773	390,215	427,914	412,502	378,491	316,206
34,303	37,203	33,162	26,135	40,630	68,667
946,830	866,132	737,172	619,103	586,662	531,639
324,217	497,279	476,264	340,212	448,435	454,198
1,353,955	1,341,274	1,300,348	1,033,158	1,010,702	1,327,736
-	-	-	-	-	13,585
3,212,078	3,132,103	2,974,860	2,431,110	2,464,920	2,712,031
\$ (39,295,130)	\$ (37,576,748)	\$ (34,572,834)	\$ (35,870,978)	\$ (35,868,565)	\$ (33,818,006)

AVON LAKE CITY SCHOOL DISTRICT
GENERAL REVENUES AND TOTAL CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	2013	2012	2011	2010
Net (expense) revenue				
Total primary government net expense	<u>\$ (44,047,499)</u>	<u>\$ (43,856,754)</u>	<u>\$ (47,111,846)</u>	<u>\$ (42,728,067)</u>
General revenues and other changes in net assets				
Governmental activities:				
Property taxes levied for:				
General purposes	27,718,418	25,420,556	26,250,202	25,322,233
Debt service	4,682,640	4,058,496	4,289,589	3,484,747
Capital improvemetns	627,991	571,993	588,220	570,598
Grants and entitlements				
not restricted to specific purposes	9,341,447	10,707,023	11,894,621	11,093,394
Investment earnings	55,891	94,718	180,345	305,142
Miscellaneous	505,421	563,411	796,756	326,290
Total primary government	<u>42,931,808</u>	<u>41,416,197</u>	<u>43,999,733</u>	<u>41,102,404</u>
Change in net position				
Total primary government	<u>\$ (1,115,691)</u>	<u>\$ (2,440,557)</u>	<u>\$ (3,112,113)</u>	<u>\$ (1,625,663)</u>

Note:

Year 2012 has been restated to reflect the effects of a prior period adjustment recorded in 2013.

Years 2011 and 2010 have been restated to reflect the effects of a prior period adjustment recorded in 2012.

2009	2008	2007	2006	2005	2004
<u>\$ (39,295,130)</u>	<u>\$ (37,576,748)</u>	<u>\$ (34,572,834)</u>	<u>\$ (35,870,978)</u>	<u>\$ (35,868,565)</u>	<u>\$ (33,818,006)</u>
25,550,920	25,621,127	27,006,784	23,165,725	24,308,114	22,600,586
2,876,031	2,816,421	3,215,144	3,532,839	3,900,350	3,179,264
584,393	591,528	661,413	664,825	700,018	641,184
10,613,902	9,621,349	8,289,402	7,096,997	6,973,114	6,114,769
701,154	991,730	893,618	602,965	331,950	120,589
364,470	514,745	420,789	338,661	271,569	538,981
<u>40,690,870</u>	<u>40,156,900</u>	<u>40,487,150</u>	<u>35,402,012</u>	<u>36,485,115</u>	<u>33,195,373</u>
<u>\$ 1,395,740</u>	<u>\$ 2,580,152</u>	<u>\$ 5,914,316</u>	<u>\$ (468,966)</u>	<u>\$ 616,550</u>	<u>\$ (622,633)</u>

AVON LAKE CITY SCHOOL DISTRICT
FUND BALANCES – GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2013	2012	2011	2010
General Fund				
Nonspendable	\$ 47,316	\$ 45,491	\$ 35,732	\$ 32,990
Committed	113,990	113,990	113,990	113,990
Assigned	665,041	2,359,708	1,762,398	190,855
Unassigned	3,953,162	6,738,578	10,644,654	14,004,294
Total General Fund	<u>\$ 4,779,509</u>	<u>\$ 9,257,767</u>	<u>\$ 12,556,774</u>	<u>\$ 14,342,129</u>
All other governmental funds				
Nonspendable	\$ 14,359	\$ 15,520	\$ 11,702	\$ 12,286
Restricted	5,904,638	5,775,418	6,850,257	16,541,940
Unassigned	(363,414)	(123,968)	(50,134)	-
Total all other governmental funds	<u>\$ 5,555,583</u>	<u>\$ 5,666,970</u>	<u>\$ 6,811,825</u>	<u>\$ 16,554,226</u>

The District implemented GASB Statement No. 54 in 2011.

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AVON LAKE CITY SCHOOL DISTRICT
FUND BALANCES – GOVERNMENTAL FUNDS
LAST SIX FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2009	2008	2007	2006
General Fund				
Reserved	\$ 3,346,802	\$ 3,946,887	\$ 6,638,795	\$ 5,815,564
Unreserved	10,818,347	8,013,360	2,938,192	(957,142)
Total General Fund	<u>\$ 14,165,149</u>	<u>\$ 11,960,247</u>	<u>\$ 9,576,987</u>	<u>\$ 4,858,422</u>
All other governmental funds				
Reserved	\$ 530,529	\$ 1,049,532	\$ 1,155,863	\$ 1,596,764
Unreserved, reported in				
Special Revenue Funds	456,708	399,154	517,234	606,911
Debt Service Funds	3,528,921	3,510,634	3,378,684	2,852,044
Capital Projects Funds	366,052	563,974	979,842	898,290
Total all other governmental funds	<u>\$ 4,882,210</u>	<u>\$ 5,523,294</u>	<u>\$ 6,031,623</u>	<u>\$ 5,954,009</u>

The District implemented GASB Statement No. 54 in 2011.

2005	2004
\$ 4,687,670	\$ 2,877,394
1,099,541	2,780,039
<u>\$ 5,787,211</u>	<u>\$ 5,657,433</u>
\$ 1,573,675	\$ 629,297
444,599	459,923
2,191,254	1,879,686
787,624	1,363,806
<u>\$ 4,997,152</u>	<u>\$ 4,332,712</u>

AVON LAKE CITY SCHOOL DISTRICT
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2013	2012	2011	2010	2009
Taxes	\$ 30,618,749	\$ 29,737,745	\$ 30,522,111	\$ 29,380,946	\$ 28,993,866
Tuition and fees	683,272	558,190	561,156	813,347	637,145
Interest	49,359	87,668	183,515	314,202	624,928
Intergovernmental	10,946,060	12,522,479	13,643,013	12,836,967	11,967,857
Extracurricular	416,515	480,230	612,952	380,392	324,217
Charges for services	1,069,630	1,106,780	1,065,511	1,053,176	946,830
Rental	-	107,967	-	-	-
Other	528,239	455,819	497,609	366,952	313,843
Total	<u>\$ 44,311,824</u>	<u>\$ 45,056,878</u>	<u>\$ 47,085,867</u>	<u>\$ 45,145,982</u>	<u>\$ 43,808,686</u>

Source: School District Financial Records, All Governmental Fund Types.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 28,945,490	\$ 30,878,851	\$ 27,353,596	\$ 28,925,023	\$ 26,350,410
392,331	429,498	413,904	396,737	315,929
964,222	696,609	496,026	327,617	114,933
10,962,623	9,589,750	8,130,155	7,994,271	7,304,436
532,721	508,682	370,501	446,956	503,878
866,132	737,172	619,103	586,662	550,903
-	-	-	-	-
<u>519,105</u>	<u>405,813</u>	<u>333,105</u>	<u>291,547</u>	<u>667,027</u>
<u><u>\$ 43,182,624</u></u>	<u><u>\$ 43,246,375</u></u>	<u><u>\$ 37,716,390</u></u>	<u><u>\$ 38,968,813</u></u>	<u><u>\$ 35,807,516</u></u>

AVON LAKE CITY SCHOOL DISTRICT
GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2013	2012	2011	2010	2009
Expenditures					
Current					
Instruction					
Regular	\$ 19,616,034	\$ 19,398,187	\$ 18,704,165	\$ 17,796,812	\$ 17,382,770
Special	3,006,578	2,769,506	2,938,897	2,960,127	2,690,806
Vocational	102,771	104,068	211,155	210,124	177,680
Adult/continuing	12,586	17,130	24,489	19,879	18,913
Other instruction	1,365,666	1,540,655	1,424,724	1,140,459	999,671
Supporting services					
Pupil	4,181,604	3,600,350	3,772,336	3,228,080	3,204,774
Instructional staff	959,047	881,209	977,290	956,756	894,123
Board of education	16,134	21,129	19,913	32,737	20,568
Administration	3,040,381	3,139,182	3,039,568	3,340,083	3,052,822
Fiscal services	1,059,950	1,132,733	1,122,087	1,125,868	986,045
Business	145,900	137,857	140,589	117,271	109,264
Operation and maintenance	4,421,660	4,505,781	4,905,476	4,980,130	4,695,334
Pupil transportation	1,891,030	1,563,521	1,576,223	1,641,022	1,439,131
Central services	320,972	217,284	160,103	158,131	190,642
Operation of non-instructional services					
Food service operation	1,311,263	1,318,768	1,264,265	1,198,927	1,122,933
Community services	259,618	252,561	272,656	214,944	260,846
Extracurricular activities	1,306,724	1,301,928	1,492,792	1,184,128	1,131,542
Capital outlay	1,039,794	2,833,760	14,427,006	3,857,450	283,812
Debt service					
Principal	2,318,449	2,817,336	18,184,699	2,532,353	2,356,701
Interest	2,525,308	2,366,009	2,738,143	1,630,373	1,678,758
Total expenditures	<u>\$ 48,901,469</u>	<u>\$ 49,918,954</u>	<u>\$ 77,396,576</u>	<u>\$ 48,325,654</u>	<u>\$ 42,697,135</u>
Debt service as a percentage of noncapital expenditures	<u>10.31%</u>	<u>11.34%</u>	<u>32.28%</u>	<u>9.10%</u>	<u>9.91%</u>

Source :School District Financial Records, All Governmental Fund Types.

Year 2012 has been restated to reflect the effects of a prior period adjustment recorded in 2013.

Years 2011 and 2010 have been restated to reflect the effects of a prior period adjustment recorded in 2012.

2008	2007	2006	2005	2004
\$ 16,937,907	\$ 15,986,540	\$ 15,389,028	\$ 15,174,910	\$ 14,917,287
2,465,979	2,248,108	2,042,418	2,035,391	1,712,208
225,510	191,448	182,050	247,656	220,233
12,723	17,641	13,449	37,489	32,829
873,680	752,655	718,927	649,596	-
2,822,913	2,719,829	3,276,384	2,654,253	2,021,379
813,483	775,914	693,314	904,103	1,625,559
22,687	19,802	17,999	18,249	12,386
2,825,802	2,764,553	2,690,840	2,975,064	2,989,248
1,006,220	1,110,120	952,909	900,934	887,229
152,428	119,427	85,006	83,903	74,498
4,246,416	4,062,031	4,180,675	4,112,400	3,783,645
1,566,804	1,334,046	1,169,507	1,281,848	1,162,022
280,156	160,111	62,203	12,498	11,129
1,045,573	978,364	764,245	761,281	726,173
340,386	290,382	206,188	331,941	288,491
1,136,892	972,308	991,341	1,176,253	1,081,643
459,960	249,233	240,474	333,521	2,143,711
2,360,022	2,220,806	2,226,686	2,173,153	2,011,312
1,712,152	1,795,160	1,784,679	2,722,220	2,509,149
<u>\$ 41,307,693</u>	<u>\$ 38,768,478</u>	<u>\$ 37,688,322</u>	<u>\$ 38,586,663</u>	<u>\$ 38,210,131</u>
<u>10.01%</u>	<u>10.42%</u>	<u>10.86%</u>	<u>13.59%</u>	<u>15.42%</u>

AVON LAKE CITY SCHOOL DISTRICT
OTHER FINANCING SOURCES AND USES AND NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2013	2012	2011	2010	2009
Excess of revenues over (under) expenditures	<u>\$ (4,589,645)</u>	<u>\$ (4,862,076)</u>	<u>\$ (30,310,709)</u>	<u>\$ (3,179,672)</u>	<u>\$ 1,111,551</u>
Other financing sources (uses)					
Proceeds of refunding bonds	-	-	-	-	-
Transfers-in	-	224,620	223,545	221,850	224,604
Loan issuance	-	-	-	-	-
Note issuance	-	-	-	15,000,000	-
Bond issuance	-	-	18,495,866	-	-
Premium on debt issuance	-	-	287,087	-	-
Capital lease proceeds	-	418,214	-	28,668	452,267
Transfers-out	-	(224,620)	(223,545)	(221,850)	(224,604)
Payment to bond escrow agent	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>418,214</u>	<u>18,782,953</u>	<u>15,028,668</u>	<u>452,267</u>
Net change in fund balances	<u>\$ (4,589,645)</u>	<u>\$ (4,443,862)</u>	<u>\$ (11,527,756)</u>	<u>\$ 11,848,996</u>	<u>\$ 1,563,818</u>

Source: School District Financial Records, All Governmental Fund Types.

Year 2012 has been restated to reflect the effects of a prior period adjustment recorded in 2013.

Years 2011 and 2010 have been restated to reflect the effects of a prior period adjustment recorded in 2012.

2008	2007	2006	2005	2004
<u>\$ 1,874,931</u>	<u>\$ 4,477,897</u>	<u>\$ 28,068</u>	<u>\$ 382,150</u>	<u>\$ (2,402,615)</u>
-	-	-	40,569,842	-
330,858	361,451	360,568	389,564	355,825
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	318,282	-	-	1,076,745
(330,858)	(361,451)	(360,568)	(389,564)	(355,825)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,157,774)</u>	<u>-</u>
<u>-</u>	<u>318,282</u>	<u>-</u>	<u>412,068</u>	<u>1,076,745</u>
<u>\$ 1,874,931</u>	<u>\$ 4,796,179</u>	<u>\$ 28,068</u>	<u>\$ 794,218</u>	<u>\$ (1,325,870)</u>

AVON LAKE CITY SCHOOL DISTRICT
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Year	Agriculture, Residential and Other Real Property		Public Utility Property		Tangible Personal Property	
	Assessed Value	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value (2)	Assessed Value	Estimated Actual Value (3)
2013	\$ 729,211,340	\$ 2,083,460,971	\$ 56,087,710	\$ 63,736,034	\$ - (4)	\$ -
2012	774,133,040	2,211,808,686	55,420,640	62,978,000	- (4)	-
2011	768,801,730	2,196,576,371	57,136,730	64,928,102	- (4)	-
2010	760,700,870	2,173,431,057	56,540,920	64,251,045	348,889 (4)	1,395,556
2009	784,317,250	2,240,906,429	78,262,550	88,934,716	357,129 (4)	1,428,516
2008	764,003,830	2,182,868,086	80,644,620	91,641,614	16,228,352 (4)	259,653,632
2007	732,930,700	2,094,087,714	82,074,850	93,266,875	32,948,472 (4)	263,587,776
2006	639,000,320	1,825,715,200	89,484,090	101,686,466	52,701,113 (4)	210,804,452
2005	608,828,450	1,739,509,857	94,787,120	107,712,636	71,691,440	311,701,913
2004	577,484,470	1,649,955,629	89,826,130	102,075,148	76,118,840	330,951,478

Source: Lorain County Auditor - Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Auditor.

(1) This amount is calculated based upon an assessed value of 35 percent of actual value.

(2) This amount is calculated based upon the current assessed value of 88 percent of actual value.

(3) The amount in calculated based on an assessed value of 25 percent of actual value.

(4) Decrease is due to effect of State legislation enacted in June 2005 w hich phased out over four years, from 2006 to 2009, the taxation of personal property. Tangible personal property value beginning in 2009 consisted of telephone communications tangible value, for w hich 2010 w as the final collection year.

(5) Total assessed rate is per \$ 1,000 assessed valuation.

Assessed Value	Total Estimated Actual Value	Total Assessed Rate (5)
\$ 785,299,050	\$ 2,147,197,005	67.23
829,553,680	2,274,786,686	65.57
825,938,460	2,261,504,473	65.89
817,590,679	2,239,077,658	66.03
862,936,929	2,331,269,661	68.62
860,876,802	2,534,163,332	60.26
847,954,022	2,450,942,365	64.51
781,185,523	2,138,206,118	60.36
775,307,010	2,158,924,406	60.69
743,429,440	2,082,982,255	61.14

AVON LAKE CITY SCHOOL DISTRICT
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$ 1,000 ASSESSED VALUATION)

LAST TEN FISCAL YEARS

Year	Avon Lake City School District			Total Direct Tax Rate
	General Fund	Debt Service Fund (1)	Capital Projects Fund	
2013	59.43	6.30	1.50	67.23
2012	58.93	5.14	1.50	65.57
2011	58.96	5.43	1.50	65.89
2010	59.06	5.47	1.50	66.03
2009	58.50	3.89	1.50	63.89
2008	58.57	3.95	1.50	64.02
2007	58.71	4.16	1.50	64.37
2006	53.85	4.91	1.50	60.26
2005	53.85	4.91	1.50	60.26
2004	53.95	4.91	1.50	60.36

Source: Lorain County Auditor - Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Auditor.

(1) - Includes .76 mills for debt retirement for the Avon Lake Public Library.

Library	County Levy	JVS Levy	City Levy	Total Direct and Overlapping Governments
2.80	13.66	2.45	8.13	94.27
2.80	13.69	2.45	7.34	91.85
1.80	13.69	2.45	7.34	91.17
1.80	13.39	2.45	7.35	91.02
1.80	13.39	2.45	7.36	88.89
1.80	13.39	2.45	6.95	88.61
1.80	13.49	2.45	6.95	89.06
1.80	13.49	2.45	6.95	84.95
1.80	13.19	2.45	6.95	84.65
1.80	12.89	2.45	7.24	84.74

AVON LAKE CITY SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN YEARS

Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections (2)	Total Tax Collections (3)
2013	\$ 35,554,953	\$ 33,201,145	93.38%	\$ 659,679	\$ 33,860,824
2012	35,151,187	34,962,596	99.46%	688,241	35,650,837
2011	34,849,546	32,758,150	94.00%	795,340	33,553,490
2010 (4)	Not available	Not available	Not available	Not available	Not available
2009	32,564,062	31,764,096	97.54%	843,204	32,607,300
2008	33,151,604	32,586,663	98.30%	541,056	33,127,719
2007	33,809,716	33,207,530	98.22%	2,936,395	36,143,925
2006	28,644,396	27,902,337	97.41%	413,543	28,315,880
2005	28,283,085	27,988,587	98.96%	504,570	28,493,157
2004	23,975,086	23,572,502	98.32%	277,716	23,850,218

Source: Lorain County Auditor - Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Auditor.

(1) Includes Homestead/Rollback taxes assessed locally but distributed through the State and reported as Intergovernmental Revenue.

(2) The Lorain County Auditor does not identify delinquent tax collections by levy year.

(3) The Lorain County Auditor does not identify delinquent tax collections by levy year, accordingly, total tax collections could exceed 100% of total tax levy.

(4) This data, provided by the Lorain County Auditor, is a "snapshot" in time. Due to implementation of a new computer system at the offices of the Lorain County Auditor, this data was not generated for 2010, and cannot be recreated.

(5) A principal taxpayer was delinquent in filing its personal property tax return with the Lorain County Auditor.

Ratio of Total Tax Collections to Total Tax Levy (3)	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
95.24%	\$ 3,584,931	10.08%
101.42%	1,846,481	5.25%
96.28%	861,370	2.47%
Not available	Not available	Not available
100.13%	554,362	1.70%
99.93%	272,778	0.82%
106.90%	197,744	0.58%
98.85%	2,240,206 (5)	7.82%
100.74%	204,731	0.72%
99.48%	143,552	0.60%

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AVON LAKE CITY SCHOOL DISTRICT
 PRINCIPAL TAXPAYERS –
 REAL ESTATE TAX
 AS OF JUNE 30, 2013 AND JUNE 30, 2004

December 31, 2012		
Name of Taxpayer	Assessed Value (1)	Percent of Total Assessed Value
Ford Motor Company	\$ 4,739,550	0.60%
PolyOne Corporation	4,163,470	0.53%
Health Care Reit Inc	3,756,040	0.48%
181 Somerset Realty I LLC	3,311,050	0.42%
Legacy Pointe Ltd	3,022,270	0.38%
Kopf Properties II Ltd	2,156,510	0.27%
Learwood Square Co LLC	2,103,260	0.27%
Towne Independent Living	1,892,090	0.24%
Landings Shops & Offices Ltd	1,563,560	0.20%
Pin Oak Holdings LLC	1,534,720	0.20%
	<u>\$ 28,242,520</u>	<u>3.59%</u>
Total assessed value	<u>\$ 785,299,050</u>	

December 31, 2003		
Name of Taxpayer	Assessed Value (1)	Percent of Total Assessed Value
Orion Power Midwest LP	\$ 85,837,970	11.55%
Ford Motor Company	12,073,570	1.62%
American Transmission	4,876,050	0.66%
Geon Company	3,889,810	0.52%
AvonLake Village LLC	3,738,080	0.50%
Legacy Pointe LTD	2,325,210	0.31%
KOPF Properties LTD	2,296,720	0.31%
Learwood Square Company LLC	1,815,420	0.24%
PMD Group INC	1,785,010	0.24%
Landing Shops and Offices	1,281,320	0.17%
	<u>\$ 119,919,160</u>	<u>16.12%</u>
Total assessed value	<u>\$ 743,429,440</u>	

Source: Lorain County Auditor - Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Auditor.

(1) Assessed Values are for the 2012 and 2003 collection year, respectively.

AVON LAKE CITY SCHOOL DISTRICT
 PRINCIPAL TAXPAYERS –
 PUBLIC UTILITY TAX
 AS OF JUNE 30, 2013 AND JUNE 30, 2004

December 31, 2012		
Name of Taxpayer	Assessed Value (1)	Percent of Total Assessed Value
Genon Pow er Midw est	\$ 35,913,530	4.57%
Orion Pow er Midw est	18,858,560	2.40%
Cleveland Electric	11,095,660	1.41%
American Transmission	7,099,910	0.90%
Columbia Gas of Ohio LLC	2,032,820	0.26%
	<u>\$ 75,000,480</u>	<u>9.54%</u>
Total assessed value	<u>\$ 785,299,050</u>	

December 31, 2003		
Name of Taxpayer	Assessed Value (1)	Percent of Total Assessed Value
Orion Pow er Midw est LP	\$ 73,693,357	9.91%
Cleveland Electric	10,868,962	1.46%
American Transmission Systems Inc	5,263,811	0.71%
	<u>\$ 89,826,130</u>	<u>12.08%</u>
Total assessed value	<u>\$ 743,429,440</u>	

Source: Lorain County Auditor - Data is presented on a calendar year basis because that is the manner in which the information is maintained by the County Auditor.

(1) Assessed Values are for the 2011 and 2002 collection year, respectively.

AVON LAKE CITY SCHOOL DISTRICT
COMPUTATION OF DIRECT AND OVERLAPPING GENERAL OBLIGATION DEBT
AS OF JUNE 30, 2013

Jurisdiction	General Obligation Debt Outstanding	Total Assessed Value	Percentage Applicable to School District (1)	Amount Applicable to School District
Direct				
Avon Lake City School District	\$ 51,388,178	\$ 829,553,680	100.00%	<u>\$ 51,388,178</u>
Overlapping				
Lorain County (2)	32,020,000	6,644,357,120	12.49%	3,999,298
City of Avon Lake (2)	<u>14,520,336</u>	829,553,680	100.00%	<u>14,520,336</u>
Sub Total				<u>18,519,634</u>
Total	<u>\$ 97,928,514</u>			<u>\$ 69,907,812</u>

Source: Lorain County Auditor - Total Assessed Value is presented on a calendar year basis (including School District's) because that is the manner in which the information is maintained by the County Auditor.

(1) - Percentages are computed by dividing the assessed valuation of the political subdivision located within the boundaries of the School District by the total assessed valuation of the subdivision.

(2) - Debt is as of July 12, 2012

AVON LAKE CITY SCHOOL DISTRICT
OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Year	General Obligation Bonded Debt (1) (3)	Notes Payable	Loans Payable	Capital Leases (4)	Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)	Per ADM (2)
2013	\$ 51,136,537	\$ -	\$ -	\$ 251,641	\$ 51,388,178	5.48%	\$ 2,276	\$ 13,502
2012	52,867,070	-	-	345,090	53,212,160	5.85%	2,357	13,875
2011	54,427,867	220,000	-	148,517	54,796,384	5.95%	2,427	14,496
2010	38,090,898	15,430,000	-	378,216	53,899,114	9.19%	2,970	14,611
2009	39,639,503	630,000	-	561,902	40,831,405	6.96%	2,250	11,292
2008	41,122,890	825,000	-	226,336	42,174,226	7.19%	2,324	12,095
2007	42,669,901	1,013,730	51,069	285,289	44,019,989	7.50%	2,426	12,730
2006	44,143,314	1,188,182	104,069	221,606	45,657,171	7.78%	2,516	13,425
2005	45,473,372	1,345,701	324,019	543,292	47,686,384	8.13%	2,628	14,543
2004	46,654,726	1,500,300	534,703	925,761	49,615,490	8.46%	2,734	15,201

Source:

(1) School District Financial Records

(2) See Schedule S-32 for personal income, population, and ADM data.

These ratios are calculated using data for the prior calendar year.

(3) Years 2011 and 2010 have been restated to reflect the effects of a prior period adjustment recorded in 2012.

(4) Year 2012 has been restated to reflect the effects of a prior period adjustment in 2013.

AVON LAKE CITY SCHOOL DISTRICT
RATIOS OF GENERAL NET BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

<u>Year</u>	<u>General Obligation Bonded Debt (1)</u>	<u>Debt Service Funds Available</u>	<u>Net Bonded Debt</u>	<u>Percentage of Actual Taxable Property Value (2)</u>	<u>Per Capita (3)</u>
2013	\$ 51,136,537	\$ -	\$ 51,136,537	2.38%	2,264.58
2012	52,867,070	3,355,203	49,511,867	2.18%	2,192.63
2011	54,427,867	3,511,799	50,916,068	2.25%	2,254.82
2010	38,090,898	3,988,789	34,102,109	1.52%	1,879.42
2009	39,639,503	3,988,789	35,650,714	1.53%	1,964.77
2008	41,122,890	3,528,921	37,593,969	1.48%	2,071.86
2007	42,669,901	3,510,634	39,159,267	1.60%	2,158.13
2006	44,143,314	3,378,603	40,764,711	1.91%	2,246.61
2005	45,473,372	2,852,044	42,621,328	1.97%	2,348.93
2004	46,654,726	2,191,255	44,463,471	2.13%	2,450.45

Source: (1) School District Financial Records.

(2) See Schedule S-19 for assessed valuation of property.

(3) See Schedule S-32 for population data.

AVON LAKE CITY SCHOOL DISTRICT
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS

	2013(1)	2012(1)	2011(1)	2010(1)	2009 (1)
Assessed Valuation	\$ 785,299,050	\$ 829,553,680	\$ 825,938,460	\$ 817,590,679	\$ 784,317,250
Debt Limit -9% of Assessed Value (2)	70,676,915	74,659,831	74,334,461	73,583,161	70,588,553
Debt applicable to limitation					
Total voted general obligation debt	49,810,207	50,545,816	51,456,509	52,951,059	35,191,070
Total unvoted general obligation debt	-	-	220,000	430,000	630,000
Less amount available in debt service funds	3,448,932	(3,355,203)	(3,511,799)	(3,988,789)	(3,528,921)
Amount of debt subject to debt limit:	53,259,139	47,190,613	48,164,710	49,392,270	32,292,149
Overall debt margin	\$ 17,417,776	\$ 27,469,218	\$ 26,169,751	\$ 24,190,891	\$ 38,296,404
Overall Limit - .10% of Assessed Value (2)	\$ 785,299	\$ 829,554	\$ 825,938	\$ 817,591	\$ 784,317
Amount of debt subject to debt limit:	-	-	-	-	-
Unvoted Debt Margin	\$ 785,299	\$ 829,554	\$ 825,938	\$ 817,591	\$ 784,317
Additional Limit for Unvoted Energy Conservation Bonds and Notes:					
Debt Limit - .9% of Assessed Value	\$ 7,067,691	\$ 7,465,983	\$ 7,433,446	\$ 7,358,316	\$ 7,058,855
Amount of debt subject to debt limit:	-	-	220,000	430,000	630,000
Additional Unvoted Debt Margin	\$ 7,067,691	\$ 7,465,983	\$ 7,213,446	\$ 6,928,316	\$ 6,428,855

Source: Lorain County Auditor and School District Financial Records.

(1) Beginning in fiscal year 2006, HB530 changed the assessed valuation utilized in the legal debt margin calculation to exclude tangible personal property as well as railroad and telephone tangible property.

(2) Ohio Bond Law established a limit of 9% for voted debt and 1/10 of 1% of unvoted debt.

<u>2008 (1)</u>	<u>2007 (1)</u>	<u>2006 (1)</u>	<u>2005</u>	<u>2004</u>
<u>\$ 764,003,830</u>	<u>\$ 732,930,700</u>	<u>\$ 639,000,320</u>	<u>\$ 775,307,010</u>	<u>\$ 743,429,440</u>
<u>68,760,345</u>	<u>65,963,763</u>	<u>57,510,029</u>	<u>69,777,631</u>	<u>66,908,650</u>
37,084,925	42,569,901	43,918,314	42,424,925	43,699,977
825,000	1,113,730	1,413,182	1,610,717	1,915,717
<u>(3,510,634)</u>	<u>(3,378,682)</u>	<u>(2,852,044)</u>	<u>(3,197,332)</u>	<u>(2,302,495)</u>
<u>34,399,291</u>	<u>40,304,949</u>	<u>42,479,452</u>	<u>40,838,310</u>	<u>43,313,199</u>
<u>\$ 34,361,054</u>	<u>\$ 25,658,814</u>	<u>\$ 15,030,577</u>	<u>\$ 28,939,321</u>	<u>\$ 23,595,451</u>
\$ 764,004	\$ 732,931	\$ 639,000	\$ 775,307	\$ 743,429
-	-	-	-	-
<u>\$ 764,004</u>	<u>\$ 732,931</u>	<u>\$ 639,000</u>	<u>\$ 775,307</u>	<u>\$ 743,429</u>
\$ 6,876,034	\$ 6,596,376	\$ 5,751,003	\$ 6,977,763	\$ 6,690,865
825,000	1,113,730	1,413,182	735,000	1,025,000
<u>\$ 6,051,034</u>	<u>\$ 5,482,646</u>	<u>\$ 4,337,821</u>	<u>\$ 6,242,763</u>	<u>\$ 5,665,865</u>

AVON LAKE CITY SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Calendar Year	Population		Per Capita Income	Personal Income	Average Daily Student Enrollment (3)	Unemployment Rate (4)		
						Lorain County	Ohio	U.S.
2013	22,581	(1)	\$ 41,559	\$ 938,443,779	3,086	8.3%	7.3%	7.6%
2012	22,581	(1)	40,269	909,314,289	3,835	8.3%	7.7%	8.2%
2011	22,581	(1)	40,790	921,078,990	3,780	8.2%	9.2%	9.2%
2010	18,145	(2)	32,336	586,736,720	3,689	9.8%	10.4%	9.5%
2009	18,145	(2)	32,336	586,736,720	3,616	11.5%	11.2%	9.5%
2008	18,145	(2)	32,336	586,736,720	3,487	7.8%	6.6%	5.5%
2007	18,145	(2)	32,336	586,736,720	3,458	6.6%	6.1%	4.5%
2006	18,145	(2)	32,336	586,736,720	3,401	5.4%	5.1%	4.6%
2005	18,145	(2)	32,336	586,736,720	3,279	6.5%	6.2%	5.7%
2004	18,145	(2)	32,336	586,736,720	3,264	6.2%	6.4%	5.6%

Source:

(1) Based on the 2010 Census.

(2) Based on the 2000 Census.

(3) Average Daily Student Enrollment is compiled as of the first week in October reported to the Ohio Department of Education for the fiscal year.

(4) Bureau of Labor Statistics for June, 2011.

AVON LAKE CITY SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
AS OF DECEMBER 31, 2012 AND 2005

December 2012				
Employer	Nature of Activity or Business	Approximate Number of Employees (1)	Percentage To Total Employment (2)	Rank
Ford Motor Company	Van and sport utility vehicle assembly	2,147	Not available	1
Avon Lake City Schools	Public education	802	Not available	2
Polyone Corporation	Distributor of thermoplastics, compounds & resins	647	Not available	3
City of Avon Lake	Government	379	Not available	4
Lubrizol Advanced Materials, Inc.	Manufactures polymers & specialties chemicals	216	Not available	5
Grace Management Services, Inc.	Retirement village	190	Not available	6
Riser Foods Company	Grocery store	189	Not available	7
Thogus Products Co.	Provider of plastic injection molding services	161	Not available	8
Genon Energy Services, LLC	Electric power plant	150	Not available	9
Western/Scott Fetzer Co.	Gas control technology	128	Not available	10

December 2005 (3)				
Employer	Nature of Activity or Business	Approximate Number of Employees (1)	Percentage To Total Employment (2)	Rank
Ford Motor Company	Van and sport utility vehicle assembly	2,693	Not available	1
PolyOne Corporation	Distributor of thermoplastics, compounds & resins	600	Not available	2
Avon Lake City School District	Public education	382	Not available	3
Cleveland Electric	Electric power distribution service	315	Not available	4
Noveon, Inc	Manufactures polymers & specialties chemicals	250	Not available	5
The City of Avon Lake	Governmental	153	Not available	6
Giant Eagle/Riser Foods Company	Grocery store	150	Not available	7
Kopf Construction Corp	Commercial / residential contractor	125	Not available	8
Sunrise Medical HHG, Inc	Manufactures customized wheelchair	120	Not available	9
TNT Logistics North America	Freight forwarding & automobile carrier services	100	Not available	10

Sources: The City of Avon Lake in cooperation with the Regional Income Tax Agency and School District Records.

(1) Number of employees is based on forms W-2 filed with the Regional Income Tax Agency and include seasonal and part-time employees.

(2) Data to compute the percentage of total employment that each listed employer represents is not available.

(3) Information prior to 2005 is not available

AVON LAKE CITY SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY TYPE
LAST NINE FISCAL YEARS

	<u>2013 (1)</u>	<u>2012 (1)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Professional Staff					
Teaching Staff:					
Elementary K-6	107.30	106.90	110.40	113.65	113.20
Middle	37.19	36.00	38.59	39.58	38.50
High	65.24	67.00	69.11	76.72	76.46
Mutiple Buidings	11.64	10.42	-	-	-
Tutors	9.88	6.89	7.64	11.65	13.15
Administrators					
District/Building	14.00	14.00	14.00	15.00	14.00
Auxiliary Positions					
Psychologist	1.00	1.00	1.00	2.00	2.00
Nurse	4.00	4.00	4.00	2.52	1.89
Speech & Language Therapist	3.41	3.32	3.32	3.32	3.23
Physical Therapist	1.00	1.00	1.00	1.00	1.00
Occupational Therapist/Assistant	2.00	2.00	2.00	2.00	2.00
Support Staff					
Counseling	8.31	8.31	9.31	10.31	10.28
Computer Tech	3.00	3.00	3.00	3.00	2.00
Printer	1.00	1.00	1.00	1.00	1.00
Librarian/Media	2.91	2.91	2.80	3.69	3.78
Library Aide	5.75	5.00	6.00	5.25	4.50
Clerical	28.48	28.59	27.59	35.52	26.53
Teaching Aide	43.80	44.30	49.83	35.85	34.76
General Maintenance	6.00	6.00	6.00	6.00	6.00
Mechanic	2.00	2.00	2.00	2.00	2.00
Transportation Supervisor	1.00	1.00	1.00	2.00	1.00
Bus Drivers	23.90	20.75	22.44	17.62	21.60
Custodial	29.88	29.37	32.99	30.50	28.00
Food Service	17.91	17.13	18.44	17.73	16.47
Security	1.62	1.12	1.12	3.78	2.99
Attendants & Monitors	<u>22.71</u>	<u>21.05</u>	<u>21.23</u>	<u>20.50</u>	<u>19.99</u>
Total	<u>454.93</u>	<u>444.06</u>	<u>455.81</u>	<u>462.19</u>	<u>446.33</u>

Source: School District records.

(1) Reporting methodology changed due to new softw are integration in Fiscal Year 2012

2008	2007	2006	2005
110.00	100.76	102.62	98.12
39.00	37.12	37.00	40.00
70.50	66.00	66.50	73.00
-	-	-	-
19.41	14.15	14.16	10.77
15.00	15.00	15.00	20.00
1.00	1.00	1.00	1.00
1.64	1.26	1.63	1.26
3.23	2.43	2.43	2.43
1.00	1.00	1.00	0.00
2.00	2.00	1.00	0.75
9.10	9.10	9.00	9.00
3.00	3.00	2.00	2.00
1.00	1.00	1.00	1.00
3.00	2.00	3.00	6.00
4.50	4.50	4.75	5.25
24.78	24.28	27.96	27.34
26.26	23.07	24.51	22.87
6.00	6.00	8.00	6.00
2.00	2.00	2.00	2.00
1.00	1.00	1.00	1.00
23.03	20.60	29.81	24.11
28.00	28.00	28.00	30.00
15.84	15.46	22.18	14.88
3.32	2.33	1.50	1.00
24.03	25.44	35.50	26.01
437.64	408.50	442.55	425.79

AVON LAKE CITY SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS

Year	Average Daily Student Enrollment (1)	General Fund Expenditures	Cost Per Pupil (1) (2)	Percent Change	Teaching Staff	Pupil Teacher Ratio	Percentage of Students Receiving Free or Reduced-Price Meals
2013	3,806	\$ 38,940,060	n/a	n/a	232	16.41	5.49%
2012	3,835	38,625,770	10,858	-0.42%	239	15.56	5.45%
2011	3,780	38,748,151	10,904	3.22%	232	16.29	5.22%
2010	3,689	36,689,971	10,564	2.23%	230	16.04	5.26%
2009	3,458	34,810,283	10,334	2.86%	229	15.10	6.02%
2008	3,401	33,446,761	10,047	4.08%	230	14.79	6.84%
2007	3,279	31,526,703	9,653	0.86%	230	14.26	11.00%
2006	3,264	31,244,700	9,571	-2.33%	222	14.70	7.70%
2005	3,261	30,945,649	9,799	4.29%	224	14.56	7.40%
2004	3,152	30,504,120	9,396	#DIV/0!	231	13.65	9.10%

Source: School District Financial Records.

(1) Ohio Department of Education
EFM - Expenditure per Pupil Report

(2) Cost per pupil for 2012 was not available as of the date of this report, as the Ohio Department of Education postponed the release of the information needed.

AVON LAKE CITY SCHOOL DISTRICT
TEACHER BASE SALARIES
LAST TEN FISCAL YEARS

Year		Minimum Salary (a)	Maximum Salary (a)	Avon Lake Average Salary (b)
2013	(e) \$	36,779	\$ 81,282	\$ 64,756
2012	(d)	36,779	81,282	62,969
2011	(c)	36,779	81,282	62,969
2010		36,779	81,282	61,599
2009		35,879	79,293	59,822
2008		34,318	74,985	57,721
2007		33,318	72,800	55,908
2006		32,988	72,079	55,782
2005		31,950	69,811	53,245
2004		30,989	67,711	51,385

Sources:

(a) District salary schedules

(b) Ohio Department of Education

(c) Various wage and/or step increases were frozen

(d) Various wage and/or step increases were frozen

(e) Various wage and/or step increases were frozen

AVON LAKE CITY SCHOOL DISTRICT
TEACHER EDUCATION AND EXPERIENCE
JUNE 30, 2013

<u>Degree</u>	<u>Number of Teachers</u>	<u>Percentage of Total</u>
Bachelor's Degree	13	5.6%
Bachelor + 10	8	3.4%
Bachelor + 20	12	5.2%
Master's Degree	77	33.2%
Master's + 10	42	18.1%
Master's + 20	33	14.2%
Master's + 30	34	14.7%
Master's + 45	<u>13</u>	<u>5.6%</u>
	<u><u>232</u></u>	<u><u>100.0%</u></u>

<u>Experience</u>	<u>Number of Teachers</u>	<u>Percentage of Total</u>
0 - 5	28	12.1%
6-10	65	28.0%
11 and over	<u>139</u>	<u>59.9%</u>
	<u><u>232</u></u>	<u><u>100.0%</u></u>

Source: School District records.

AVON LAKE CITY SCHOOL DISTRICT

AVERAGE ACT SCORES

LAST TEN FISCAL YEARS

English:	Avon Lake	State of Ohio	National	Science:	Avon Lake	State of Ohio	National
2012 - 2013	25.0	21.2	20.2	2012 - 2013	24.6	21.8	20.7
2011 - 2012	22.9	21.1	20.5	2011 - 2012	23.9	21.8	20.9
2010 - 2011	23.3	21.1	20.6	2010 - 2011	23.9	21.8	20.9
2009 - 2010	23.9	21.2	20.5	2009 - 2010	24.3	21.8	20.9
2008 - 2009	23.5	21.1	20.6	2008 - 2009	23.9	21.7	20.9
2007 - 2008	22.8	21.1	20.6	2007 - 2008	23.1	21.7	20.8
2006 - 2007	23.0	21.0	20.7	2006 - 2007	23.1	21.6	21.0
2005 - 2006	22.2	20.8	20.6	2005 - 2006	23.0	21.5	20.9
2004 - 2005	22.7	20.7	20.4	2004 - 2005	23.4	21.5	20.9
2003 - 2004	21.9	20.7	20.4	2003 - 2004	22.8	21.5	20.9
2002 - 2003	21.8	20.6	20.3	2002 - 2003	22.5	21.4	20.8

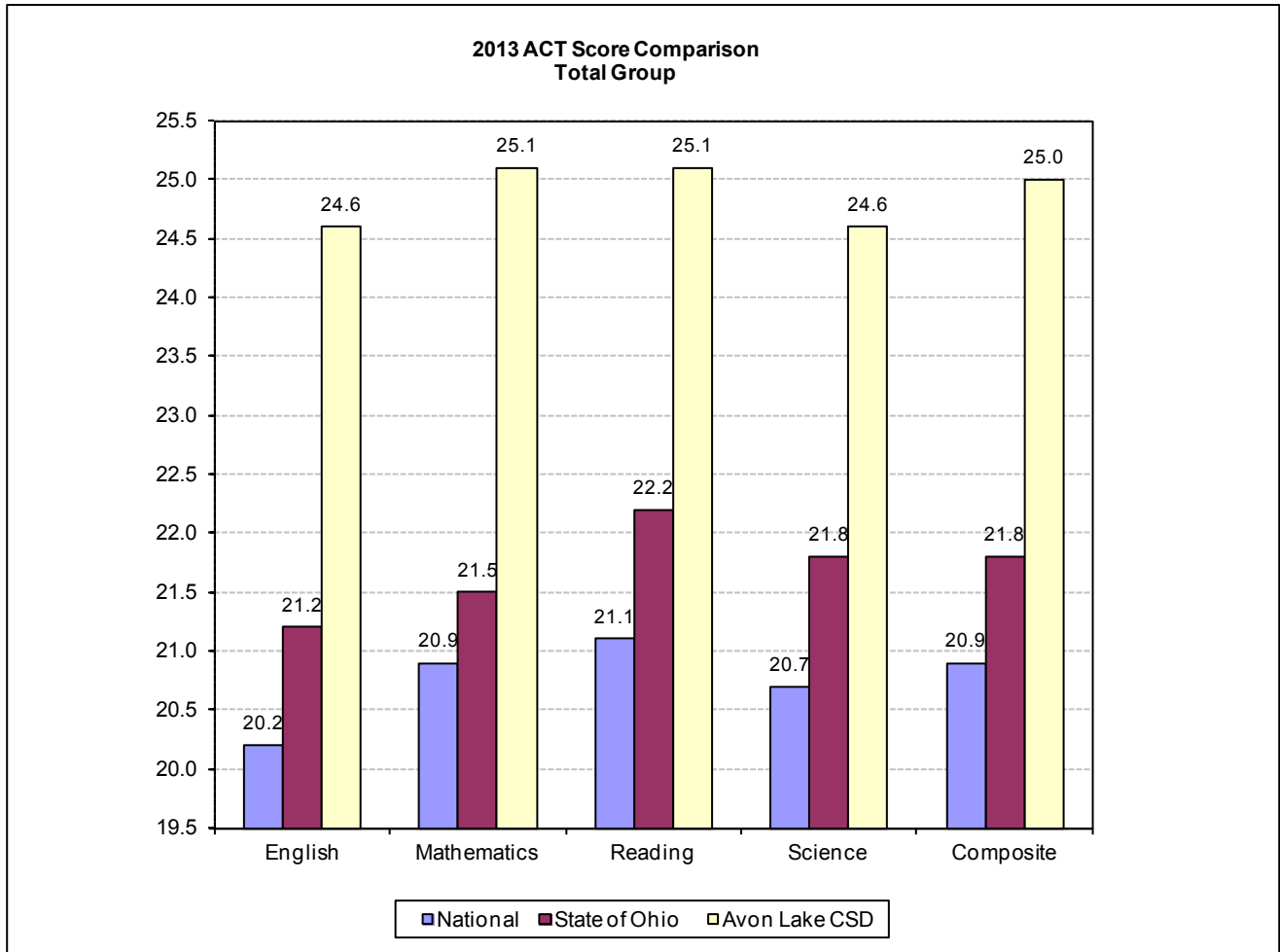
Math:	Avon Lake	State of Ohio	National	Composite:	Avon Lake	State of Ohio	National
2012 - 2013	25.1	21.5	20.9	2012 - 2013	25.0	21.8	20.9
2011 - 2012	24.3	21.5	21.1	2011 - 2012	23.8	21.8	21.1
2010 - 2011	24.3	21.5	21.1	2010 - 2011	24.0	21.8	21.1
2009 - 2010	24.9	21.5	21.0	2009 - 2010	24.5	21.8	21.0
2008 - 2009	24.5	21.4	21.0	2008 - 2009	24.1	21.7	21.1
2007 - 2008	24.1	21.5	21.0	2007 - 2008	23.5	21.7	21.1
2006 - 2007	24.3	21.3	21.0	2006 - 2007	23.7	21.6	21.2
2005 - 2006	23.9	21.3	20.8	2005 - 2006	23.2	21.5	21.1
2004 - 2005	24.2	21.2	20.7	2004 - 2005	23.7	21.4	20.9
2003 - 2004	23.3	21.1	20.7	2003 - 2004	22.9	21.4	20.9
2002 - 2003	23.3	21.1	20.6	2002 - 2003	22.6	21.4	20.8

Reading:	Avon Lake	State of Ohio	National
2012 - 2013	25.1	22.2	21.1
2011 - 2012	23.4	22.1	21.3
2010 - 2011	24.1	22.1	21.3
2009 - 2010	24.2	22.1	21.3
2008 - 2009	24.0	22.2	21.4
2007 - 2008	23.3	22.1	21.4
2006 - 2007	23.6	22.0	21.5
2005 - 2006	23.0	21.9	21.4
2004 - 2005	23.9	21.9	21.3
2003 - 2004	23.3	21.9	21.3
2002 - 2003	22.3	21.8	21.2

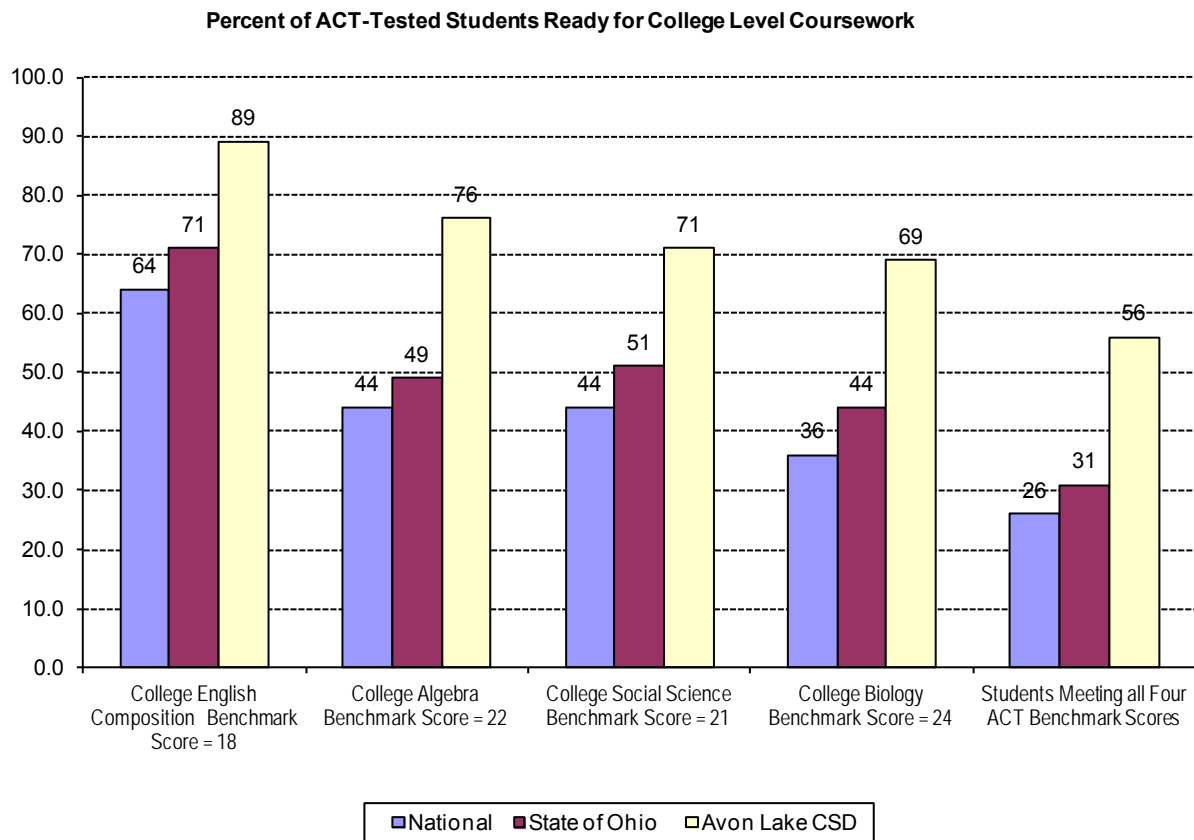
AVON LAKE CITY SCHOOL DISTRICT

2010 ACT SCORE COMPARISON

JUNE 30, 2013



AVON LAKE CITY SCHOOL DISTRICT
PERCENT OF ACT TESTED STUDENTS READY FOR COLLEGE LEVEL COURSEWORK
JUNE 30, 2013



AVON LAKE CITY SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

	2013	2012	2011	2010	2009
Elementary Schools					
Eastview (1950)					
Square feet	42,048	42,048	42,048	34,158	34,158
Enrollment	428	408	350	340	337
Erievue (1950)					
Square feet	34,593	34,593	34,593	31,445	31,445
Enrollment	288	289	286	282	280
Redwood (1962)					
Square feet	58,780	58,780	58,780	50,220	50,220
Enrollment	460	484	498	448	441
Troy (1970)					
Square feet	86,150	86,150	86,150	86,150	86,150
Enrollment	601	590	594	566	537
Westview (1957)					
Square feet	41,961	41,961	41,961	39,505	39,505
Enrollment	261	272	280	279	264
Middle School					
Learwood (1959)					
Square feet	110,911	110,911	110,911	98,767	98,767
Enrollment	605	582	576	572	582
High School					
Avon Lake High (1927)					
Square feet	314,612	314,612	314,612	314,612	314,612
Enrollment	1,178	1,210	1,197	1,202	1,175

Source: District records.

2008	2007	2006	2005	2004
34,158 315	34,158 330	34,158 317	34,158 328	34,158 346
31,445 261	31,445 244	31,445 258	31,445 260	31,445 258
50,220 379	50,220 357	50,220 357	50,220 311	50,220 313
86,150 529	86,150 547	86,150 553	86,150 497	86,150 469
39,505 257	39,505 235	39,505 230	39,505 224	39,505 226
98,767 581	98,767 536	98,767 512	98,767 531	98,767 531
314,612 1,164	314,612 1,197	314,612 1,173	314,612 1,128	314,612 1,122

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Dave Yost • Auditor of State

AVON LAKE CITY SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 24, 2013**

FIVE-YEAR PROJECTION OF OPERATIONAL REVENUES AND EXPENDITURES

**AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO**

Following is a summary of a five-year financial projection prepared by the Treasurer of the School District in compliance with Revised Code Section 5705.391 (see discussion in APPENDIX A under “FINANCES OF THE SCHOOL DISTRICT – Five-Year Projection”). The projection is based upon certain assumptions required to be made in accordance with rules promulgated by the Department, including the assumption that no revenues from future voter-approved tax levies will be available. A complete version of the projection may be obtained from the Treasurer’s office or from the Department. Readers of this Official Statement are cautioned that actual circumstances may differ from the assumptions required to be used in preparation of this projection. As a result, the actual future financial situation of the School District may be materially different from that stated in this projection, and investors are cautioned not to place undue reliance on such forward-looking statements.

5-Year Extended Historical Financial Statement

AVON LAKE CITY SCHOOL DISTRICT -- LORAIN COUNTY
Schedule Of Revenue, Expenditures and Changes In Fund Balances
Actual and Forecasted Operating Fund

	ACTUAL						FORECASTED				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Revenue:											
1.010 - General Property Tax (Real Estate)	20,362,771	20,767,291	21,028,262	21,467,443	21,448,258	21,692,198	24,652,459	27,324,891	27,440,827	27,626,018	27,777,667
1.020 - Public Utility Personal Property	6,926,375	5,731,090	4,570,460	3,375,263	3,318,570	3,075,149	3,284,103	2,601,412	2,591,004	2,580,671	2,575,052
1.030 - Income Tax	-	-	-	-	-	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	2,328,437	2,339,964	2,132,159	2,101,649	2,200,247	2,274,812	2,580,291	2,726,048	2,773,272	2,821,441	2,870,573
1.040 - Restricted Grants-in-Aid	22,125	44,611	143,331	181,782	108,330	17,360	16,652	1,160	1,160	1,160	1,160
1.045 - Restricted Federal Grants-in-Aid - SPSF	-	-	-	-	-	-	-	-	-	-	-
1.050 - Property Tax Allocation	6,423,244	7,372,378	8,015,516	8,067,855	6,705,210	5,299,040	5,728,553	6,148,187	6,174,951	6,201,924	6,223,900
1.060 - All Other Operating Revenues	1,558,148	1,211,936	1,346,533	803,569	802,153	866,972	1,032,581	1,032,581	1,032,581	1,032,581	1,032,581
1.070 - Total Revenue	37,621,100	37,467,270	37,236,261	35,997,561	34,582,768	33,225,531	37,294,640	39,834,278	40,013,795	40,263,795	40,480,932
Other Financing Sources:											
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-	-	-	-	-	-
2.020 - State Emergency Loans and Advancements	-	-	-	-	-	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	32,050	-	-	-	-	-	-	-	-	-
2.050 - Advances-In	20,182	-	46,572	16,456	272,187	1,444,623	360,657	-	-	-	-
2.060 - All Other Financing Sources	157,758	126,872	51,846	17,145	86,198	133,028	112,685	15,000	-	-	-
2.070 - Total Other Financing Sources	177,940	158,922	98,418	33,601	358,385	1,577,651	473,342	15,000	-	-	-
2.080 - Total Revenues and Other Financing Sources	37,799,040	37,626,192	37,334,679	36,031,162	34,941,153	34,803,182	37,767,981	39,849,278	40,013,795	40,263,795	40,480,932
Expenditures:											
3.010 - Personnel Services	20,239,244	21,068,649	22,808,654	24,071,542	24,034,928	23,383,322	22,494,164	22,367,779	22,199,344	22,722,170	23,226,602
3.020 - Employees' Retirement/Insurance Benefits	6,357,874	6,645,042	7,032,585	7,536,939	7,507,125	9,159,178	8,053,527	8,578,972	8,675,264	8,976,262	9,287,113
3.030 - Purchased Services	3,106,060	3,416,607	4,037,997	4,166,500	3,866,367	3,862,702	3,937,989	3,998,576	4,060,118	4,122,629	4,186,127
3.040 - Supplies and Materials	1,129,799	1,287,047	1,251,144	1,436,542	1,295,648	1,355,634	1,341,536	1,521,313	1,344,133	1,364,295	1,184,760
3.050 - Capital Outlay	867,674	1,169,109	149,905	330,697	445,011	133,952	107,967	251,880	279,399	307,193	310,265
3.060 - Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Debt Service:											
4.010 - Principal-All Years	-	-	-	-	-	-	-	-	-	-	-
4.020 - Principal - Notes	-	-	-	-	-	-	-	-	-	-	-
4.030 - Principal - State Loans	-	-	-	-	-	-	-	-	-	-	-
4.040 - Principal - State Advances	-	-	-	-	-	-	-	-	-	-	-
4.050 - Principal - HB264 Loan	-	-	-	-	-	-	-	-	-	-	-
4.055 - Principal - Other	-	-	-	-	-	-	-	-	-	-	-
4.060 - Interest and Fiscal Charges	-	-	-	-	-	-	-	-	-	-	-
4.300 - Other Objects	1,070,253	1,028,568	1,107,114	1,190,593	1,084,775	1,150,028	1,136,539	1,312,064	1,325,184	1,338,436	1,351,821
4.500 - Total Expenditures	32,770,904	34,615,022	36,387,399	38,732,813	38,233,854	39,044,816	37,071,723	38,030,584	37,883,442	38,830,985	39,546,687
Other Financing Uses											
5.010 - Operating Transfers-Out	35,858	29,604	84,878	13,545	4,620	-	-	-	-	-	-
5.020 - Advances-Out	20,182	32,050	-	1,265,982	504,698	306,789	-	-	-	-	-
5.030 - All Other Financing Uses	-	-	-	-	-	-	-	-	-	-	-
5.040 - Total Other Financing Uses	56,040	61,654	84,878	1,279,527	509,318	306,789	-	-	-	-	-
5.050 - Total Expenditures and Other Financing Uses	32,826,944	34,676,676	36,472,277	40,012,340	38,743,172	39,351,605	37,071,723	38,030,584	37,883,442	38,830,985	39,546,687
Excess of Rev & Other Financing Uses Over (Under)											
6.010 - Expenditures and Other Financing Uses	4,972,097	2,949,516	862,402	(3,981,178)	(3,802,019)	(4,548,423)	696,259	1,818,694	2,130,353	1,432,810	934,246
Cash Balance July 1 - Excluding Proposed Renewal/											
7.010 - Replacement and New Levies	8,890,639	13,862,735	16,812,251	17,674,653	13,693,475	9,891,456	5,343,033	6,039,292	7,857,986	9,988,338	11,421,149
7.020 - Cash Balance June 30	13,862,735	16,812,251	17,674,653	13,693,475	9,891,456	5,343,033	6,039,292	7,857,986	9,988,338	11,421,149	12,355,394
8.010 - Estimated Encumbrances June 30				1,665,493	2,517,502	614,561	500,000	500,000	500,000	500,000	500,000
Reservations of Fund Balance:											
9.010 - Textbooks and Instructional Materials	-	-	-	-	-	-	-	-	-	-	-
9.020 - Capital Improvements	-	-	-	-	-	-	-	-	-	-	-
9.030 - Budget Reserve	-	-	-	-	-	-	-	-	-	-	-
9.040 - DPLA	-	-	-	-	-	-	-	-	-	-	-
9.050 - Debt Service	-	-	-	-	-	-	-	-	-	-	-
9.060 - Property Tax Advances	-	-	-	-	-	-	-	-	-	-	-
9.070 - Bus Purchases	-	-	-	-	-	-	-	-	-	-	-
9.080 - Subtotal	-	-	-	-	-	-	-	-	-	-	-
Fund Balance June 30 for Certification											
10.010 - of Appropriations	13,862,735	16,812,251	17,674,653	12,027,982	7,373,954	4,728,472	5,539,292	7,357,986	9,488,338	10,921,149	11,855,394
Rev from Replacement/Renewal Levies											
11.010 - Income Tax - Renewal	-	-	-	-	-	-	-	-	-	-	-
11.020 - Property Tax - Renewal or Replacement	-	-	-	-	-	-	-	-	-	-	-
11.030 - Cumulative Balance of Replacement/Renewal Levies	-	-	-	-	-	-	-	-	-	-	-
Fund Balance June 30 for Certification											
12.010 - of Contracts, Salary and Other Obligations	13,862,735	16,812,251	17,674,653	12,027,982	7,373,954	4,728,472	5,539,292	7,357,986	9,488,338	10,921,149	11,855,394
Revenue from New Levies											
13.010 - Income Tax - New	-	-	-	-	-	-	-	-	-	-	-
13.020 - Property Tax - New	-	-	-	-	-	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-	-	-	-	-	-
14.010 - Revenue from Future State Advancements											
15.010 - Unreserved Fund Balance June 30	13,862,735	16,812,251	17,674,653	12,027,982	7,373,954	4,728,472	5,539,292	7,357,986	9,488,338	10,921,149	11,855,394
ADM Forecasts											
20.010 - Kindergarten	-	-	-	-	-	-	247	220	230	242	250
20.015 - Grades 1-12	-	-	-	-	-	-	3,449	3,494	3,513	3,549	3,584

AVON LAKE CITY SCHOOLS



FINANCIAL FORECAST ASSUMPTIONS MAY 2014

Introduction

The Avon Lake City Schools 5 year forecast is an estimate of the most probable financial position as a result of operation and changes in our financial situation for the future. "Most probable" means the assumptions have been evaluated by the Treasurer, Superintendent and reviewed by the Board of Education. This forecast is based on management's judgment of the most likely set of conditions and most likely course of action.

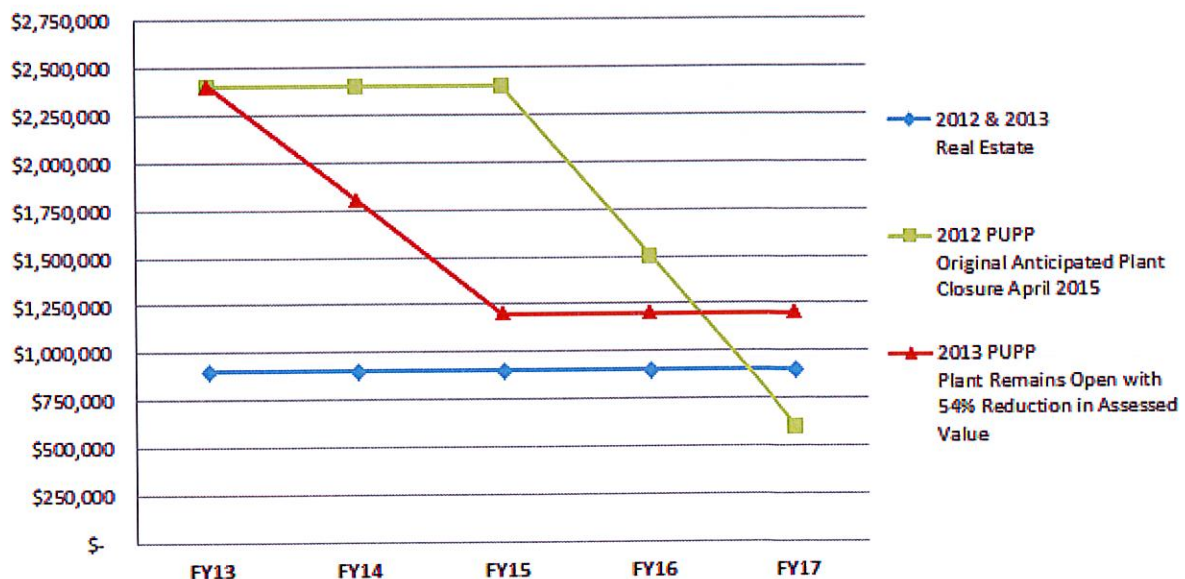
The 5 year forecast is derived through a combination of variables, including but not limited, to history, future projected growth, course options, fiscal and physical constraints. The 5 year forecast is also based on the assumption of future events, which are based on present circumstances and information currently available both internal and external sources of data. Other factors that affect the 5 year forecast (favorably or unfavorably) are changes in law, state funding, and general economic conditions.

Please visit the Ohio Department of Education web site at <ftp://ftp.ode.state.oh.us/geodoc/5-yrForecast/> to see the complete forecast assumptions file.

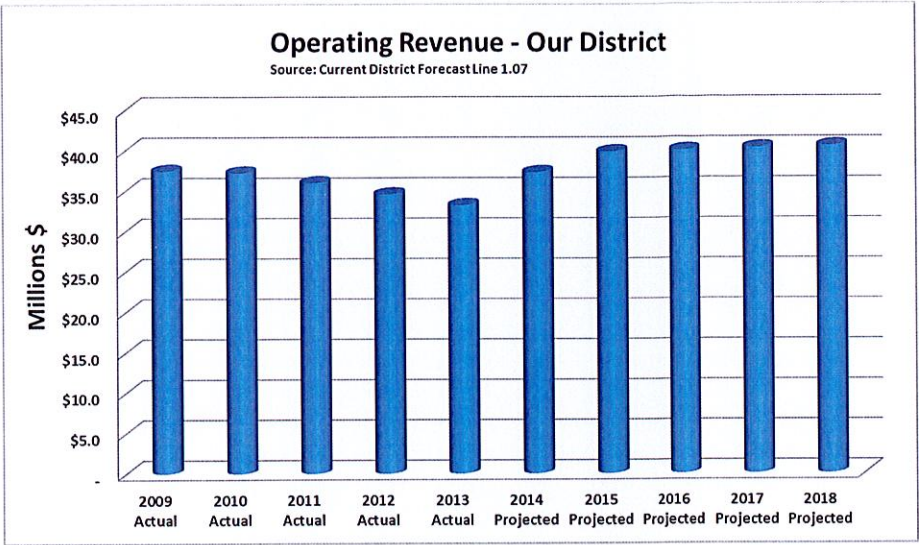
Summary

The Avon Lake community supported a 10 year \$6.5 million emergency levy in May 2013 to help offset state and local revenue losses incurred and anticipated by the District. Though already sustained losses were the primary driver for the need in additional local funding, projected losses related to the shutdown of the power plant also contributed. The Avon Lake City Schools will be impacted financially by the power plant earlier than originally expected. Initially, the District's projections were based upon Genon's announcement the plant would shut down in April 2015. The plant, owned now by NRG, is expected to remain open as a peaker plant with the capability of being operated by natural gas and coal. The District receives two types of revenue streams from the power plant: commercial property tax revenue and public utility personal property (PUPP) tax revenue. The Lorain County Auditor determines the value related to commercial property taxes; whereas, the Ohio Department of Taxation (ODT) calculates the PUPP value and notifies the County Auditor of this value annually in October. Upon receiving the PUPP calculation, the County Auditor contacted the District to communicate ODT reduced the power plant's PUPP assessed valuation by 54%, which in turn reduces the amount of PUPP revenue received. The District is projected to lose approximately \$1.2 million in PUPP revenue realizing half of this loss in FY 2014. The overall revenue reduction should be approximately \$970,000 once local and state changes are factored into this loss. There are many unknown variables related to the power plant; therefore, the District will continue to closely monitor the situation and be as proactive as possible in dealing with unforeseen circumstances like these.

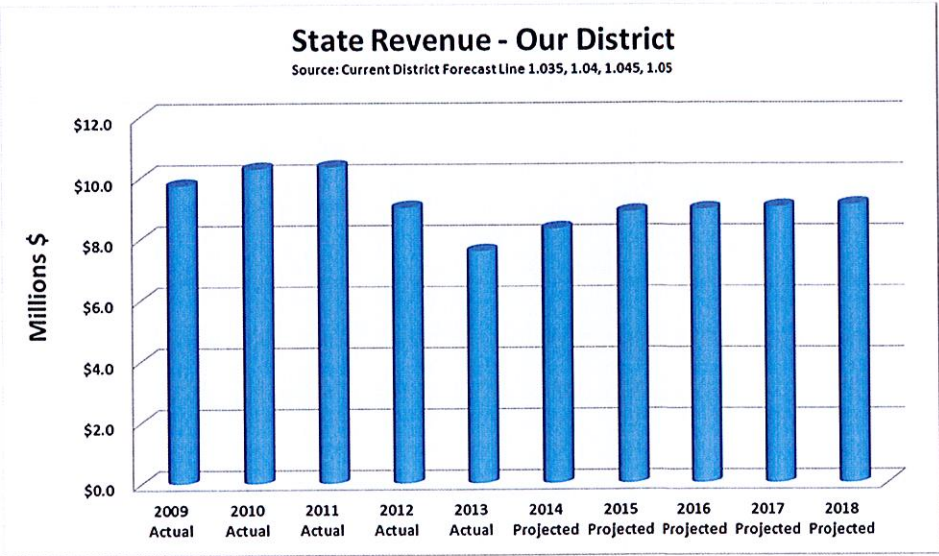
The District will lose PUPP revenue two fiscal years earlier than originally projected due to the October 2013 devaluation



The graph below illustrates the District’s operating revenue from 2009 through 2018. Several factors contributed to operating revenue declines from 2009 - 2013. In 2009 the power plant devaluation equated to approximately \$1.2 million in revenue loss. The 2009 triennial update for Lorain County was unfavorable in Avon Lake, because residential property values declined by 4.79% followed by a 6% reduction in 2012 due to reappraisal. Losses at a local and state level have a cumulative effect on the District’s finances and are not one time revenue reductions.



As a result of the current biennial budget (House Bill 59), the Avon Lake City Schools is projected to benefit from an increase in state funding in FY 2014 and FY 2015. State Aid estimates project the increase will be capped for both fiscal years with the District remaining on the guarantee. It is important to keep into perspective what this increase actually means for the Avon Lake City Schools. In FY 2014, the District is projected to receive a 6.25% increase in State funding or an additional \$124,696. In FY 2015 the increase is projected to be 10.5% or an additional \$224,367. Avon Lake taxpayers are the major investor in supporting the finances of the District even with the additional state funding provided in House Bill 59. Any increase in funding is welcomed; however, the increase is minor compared to the loss in State funding the District realized in the previous biennial budget. In FY 2012 and FY 2013 a key source of revenue loss was due to reductions in State funding equivalent to approximately \$2.9 million dollars. The chart below reflects State revenue change from 2009 through 2018.



Key Revenue Assumptions

Real Estate Revenue

Approximately 81% of the local property tax revenue is paid on residential property. Lorain County went through a reappraisal process in 2012 with a county wide 7.9% reduction in property values; whereas, Avon Lake experienced a 6% decline in values. The next reassessment will occur in 2015 and the District is projecting approximately 1% change in valuation. The commercial valuations, while the smaller component within this category, are expected to remain consistent. The District is not modeling any reduction in commercial property tax revenue related to the power plant situation at this time.

Tangible Personal Property Tax

The primary source of revenue in this category is known as public utility personal property (PUPP). Revenue is understated in FY 2013, which is attributed to the power plant paying their tax bill late; however, in FY 2014 the revenue is overstated to compensate for the FY 2013 shortage. For tax year 2013, the ODT reduced the power plant's assessed valuation by 54%. As a result of this reduction, the District will lose approximately \$1.2 M in PUPP revenue. The net revenue reduction should be approximately \$970,000 once local and state changes are factored into this loss. There are many unknown variables related to the power plant; therefore, the District will continue to closely monitor the situation and be as proactive as possible in dealing with unforeseen circumstances like these.

Unrestricted Grants in Aid

The State of Ohio has introduced a new funding model, which changed the way Ohio school districts are funded in FY 2014. Based upon State Aid estimates, a 6.25% increase in FY 2014 and 10.5% increase in FY 2015 are reflected in the forecast. An increase of 3% in state aid is projected through FY 2018 based upon current expectations and economic climate. Also included in this line item is the continuation of the high performing subsidy, casino revenue and Medicaid.

Property Tax Allocation

State reimbursements related to Homestead & Rollback, Tangible Personal Property tax (TPP) and Electric Deregulation (PUPP) are included in this category. The District has lost substantial state reimbursements for property taxes. The District's "HB 66" payment for personal property taxes lost to Ohio's 2005 tax policies was reduced in the last biennial budget. TPP and PUPP state reimbursements were each reduced by \$710,158 in FY 2012 and in FY 2013. The overall impact to the District was a reduction in state funding of \$1.4 million in FY 2012 and additional \$1.4 million in FY 2013. There is continued concern the remaining TPP and PUPP direct reimbursements may be jeopardy; therefore, the District will continue its efforts to educate legislatures of the need for this funding.

Key Expenditure Assumptions

Personal Services (Salaries)

Concessions from all employees have positively impacted the District's forecast. A 0% cost of living increase was negotiated for FY 2011, FY 2012, FY 2013, FY 2014 and FY 2015. The District is projecting a 1% base increase in salaries beginning in FY 2016 through FY 2018.

Fringe Benefits

Health insurance costs remained stable from 2005-2012; however, the District was faced a 44% increase in premium for FY 2013. Claims usage was the main driver of increases to the health insurance plan's funding rates. The result of this increase has significantly impacted the forecast and employees. In an effort to control costs, provide more stability in funding rates and spread the risk over more belly buttons, the District's Health Care Committee made the decision to join a health insurance consortium January 1, 2013. The Affordable Care Act has provided financial challenges for the District; therefore, additional costs associated with the new federal law are included in this projection.

The forecast was positively impacted by increased insurance premium contributions from both the teaching and non-teaching unions. The teaching union went from 9% to 15% contribution rate in FY 2013, while the non-teaching union went from 9% to 12% in FY 2013. An additional 3% increase with the non-teaching union was effective this year, which takes their contribution rate to 15%.

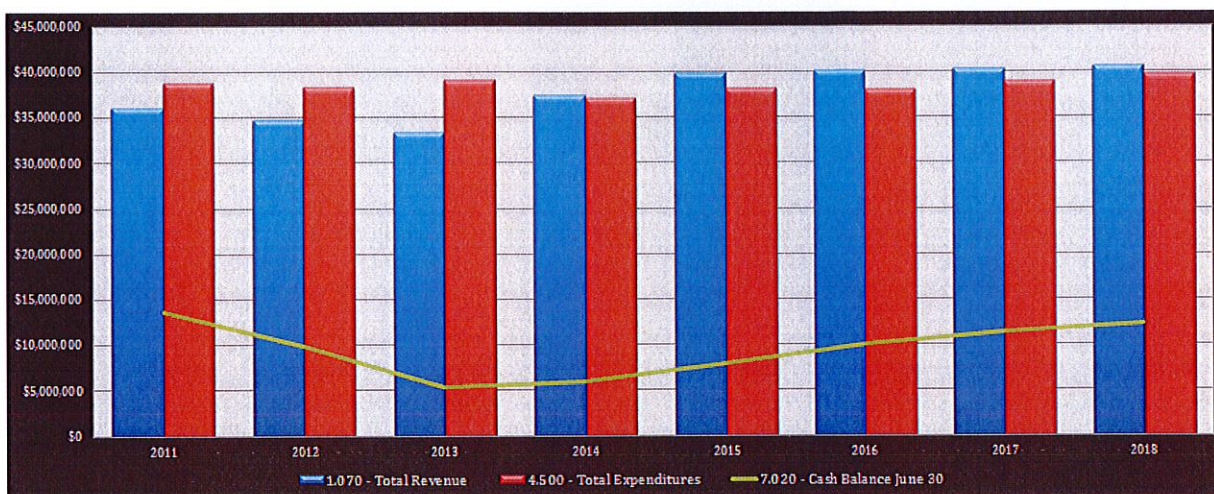
Supplies and Materials

The New Common Core Standards are being implemented in all Ohio school districts during the 2013-2014 school year. Avon Lake has been planning this transition for the last 2 years in anticipation of this implementation, as well as, the implementation of a new state assessment system in the 2013-2014 school year and the 2014-2015 school year. The financial effect of this implementation can be seen in teacher training and in resources needed for standards which have changed or been moved to a different grade level. The largest increase will be in textbooks or materials that now take the place of traditional textbooks. The District received a Race to the Top grant, Peer Assistance and Review grant and Student Growth Measures grant to help offset some of the cost of this training. The District has included new textbook adoptions in FY 2014 for \$250,000, FY 2015 \$400,000, FY 2016 \$200,000 and FY 2017 \$200,000.

Conclusion

In the State's eyes, Avon Lake is a community associated with high property valuation; therefore, the taxpayers of Avon Lake remain the primary source of funding for its schools. The Avon Lake City Schools has incurred significant reductions in both state and local revenue over the past few years. Although the projected increases in state funding for FY 2014 and FY 2015 equate to additional revenue for the District it is nominal in comparison to TPP and PUPP state reimbursements lost in FY 2012 and FY 2013. The District will continue its efforts at a state level to educate legislatures regarding TPP and PUPP state reimbursements since there is continued concern these could be reduced or eliminated in the future. It is imperative the legislatures understand the District relies on this revenue stream to educate our children.

A summary of the District's revenues, expenditures and cash balances as of June 30th for the respective years are listed below.



**FORM OF APPROVING LEGAL OPINION
OF BRICKER & ECKLER LLP**

Stifel, Nicolaus & Company, Incorporated
Cleveland, Ohio

We have acted as bond counsel to the Avon Lake City School District, Lorain County, Ohio (the "School District") in connection with the issuance by the School District of its \$3,780,000* Refunding Bonds, Series 2014A, dated August 5, 2014* (the "Series 2014A Bonds"), and its \$28,805,484.15* Refunding Bonds, Series 2014B (Federally Taxable), dated August 5, 2014* (the "Series 2014B Bonds," and together with the Series 2014A Bonds, the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized and executed by the School District, and are valid and binding general obligations of the School District.
2. The Bonds are secured by the pledge of the full faith and credit of the School District for the payment thereof and by the pledge of the School District to levy ad valorem taxes outside the ten mill limitation of Article XII, Section 2 of the Constitution of the State of Ohio, upon all property on the general tax lists and duplicates of the School District, in an amount sufficient to pay the principal of and interest on the Bonds when due, which taxes are unlimited as to rate and amount.
3. The interest on the Series 2014A Bonds is excludable from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the School District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2014A Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The School District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2014A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2014A Bonds.

* Preliminary, subject to change

4. Interest on the Series 2014B Bonds is **not** excludable from gross income for federal income tax purposes.
5. Interest on the Bonds, the transfer thereof, and any profit made on their sale, exchange or other disposition, are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the net income base of the Ohio corporate franchise tax, and municipal, school district, and joint economic development district income taxes in Ohio.

The School District has designated the Series 2014A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Although we have participated in the preparation of portions of the Official Statement, dated July __, 2014 (the "Official Statement"), relating to the Bonds, we have not been engaged to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion and make no representation relating thereto (excepting only the matters set forth as our opinion in the Official Statement). Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

Please be advised that the rights of the holders of the Bonds and the enforceability thereof are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. We bring to your attention the fact that our legal opinions are an expression of our professional judgment and are not a guarantee of a result.

SAMPLE CLOSING CERTIFICATE

Avon Lake City School District
Lorain County, Ohio

\$3,780,000*
Refunding Bonds, Series 2014A
(General Obligation - Unlimited Tax)

\$28,805,484.15*
Refunding Bonds, Series 2014B
(Federally Taxable)
(General Obligation - Unlimited Tax)

To: Stifel, Nicolaus & Company, Incorporated

It is my understanding that, in considering whether to purchase the above-captioned obligations, you have relied on the Official Statement for such obligations dated July __, 2014* (the "Official Statement"), which Official Statement was prepared and executed by and for the Avon Lake City School District, Lorain County, Ohio (the "School District") under the direction of the Board of Education.

In connection with your reliance as stated above, I hereby certify that:

1. I have reviewed the Official Statement and have made such investigation and inquiries as I deemed necessary in the circumstances;
2. The statements and information contained in the Official Statement are correct and complete in all material respects, and they do not omit any statement or information necessary in order to make the statements and information therein, in light of the circumstances under which they were made, not misleading or incomplete in any material respect; and
3. To the best of my knowledge, since the date of the Official Statement, nothing has occurred which has caused, or which might reasonably be expected to cause, a material adverse change in the condition or prospects of the School District.

Date: August 5, 2014*

Treasurer, Board of Education
Avon Lake City School District
Lorain County, Ohio

* Preliminary, subject to change

APPENDIX F

Avon Lake City School District Lorain County, Ohio

\$3,780,000*
Refunding Bonds, Series 2014A
(General Obligation - Unlimited Tax)

\$28,805,484.15*
Refunding Bonds, Series 2014B
(Federally Taxable)
(General Obligation - Unlimited Tax)

SAMPLE CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Treasurer of the Avon Lake City School District, Lorain County, Ohio (the "School District") pursuant to the resolution of the Board of Education of the School District authorizing the issuance and sale of the above-captioned obligations (the "Bonds"). The School District covenants and agrees as follows:

Section 1. Definitions. The following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the School District referred to in the Official Statement and any appendix thereto.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB for use in the collection and dissemination of information, which system the Securities and Exchange Commission has stated to be consistent with its Rule 15c2-12. Currently, the following is the website address for EMMA: emma.msrb.org.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board, located at:

1900 Duke Street, Suite 600
Alexandria, VA 22314
Phone: (703) 797-6600
Fax: (703) 797-6700
Internet: www.msrb.org

"Official Statement" shall mean the Official Statement prepared in connection with the sale of the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the United States Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time.

* Preliminary, subject to change

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the School District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 3. Provision of Annual Reports.

- (a) The School District shall, not later than December 1 of each year, commencing December 1, 2014, provide to the MSRB in an electronic format as prescribed by the MSRB an Annual Report for the fiscal year of the School District ended June 30 of such year, which Annual Report shall be consistent with the requirements of Section 4 of this Disclosure Certificate. The School District shall furnish an Annual Report to any person requesting the same. Requests for Annual Reports shall be made to: Autumn Streng, Treasurer, 175 Avon Beldon Road, Avon Lake, Ohio 44012. Telephone: (440) 933-5163.
- (b) If the School District fails to provide an Annual Report to the MSRB by the date set forth in subsection (a) of this Section 3, the School District shall send in a timely manner to the MSRB notice of such failure, which shall include a statement as to the date by which the School District anticipates that the Annual Report will be provided to the MSRB.

Section 4. Contents of the Annual Report.

- (a) The Annual Report shall contain or incorporate by reference the following:
 - (1) Basic Financial Statements of the School District.
 - (2) Five-Year Projection of the School District.
 - (3) Fiscal year data for the table entitled "History of Voted Taxes" and contained in APPENDIX A to the Official Statement under the caption "SCHOOL DISTRICT PROPERTY TAX BASE – History of Voted Taxes."
 - (4) Fiscal year data for the table entitled "Property Tax Collections" and contained in APPENDIX A to the Official Statement under the caption "SCHOOL DISTRICT PROPERTY TAX BASE – Property Tax Rates and Collections."

All or any of the items listed above may be included by specific reference from other documents which have previously been provided to the MSRB or to the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. If this School District prepares a Comprehensive Annual Financial Report ("CAFR") that includes each of the items listed above, the School District may designate the CAFR as the Annual Report.

- (b) The basic financial statements of the School District to be included in the Annual Report shall be initially prepared in accordance with generally accepted accounting principles (provided, however, that if the School District shall subsequently change its accounting method, the basic financial statements shall indicate the accounting method then in use) and shall be accompanied by a report of the Auditor of the State of Ohio, or, if applicable, the independent certified public accountants who audited the financial statements; provided, however, if such report is not available to the School District at the time of providing the Annual Report to the MSRB as provided in Section 3 of this Disclosure

Certificate, the School District will provide such report to the MSRB as provided in Section 3 of this Disclosure Certificate as soon as it is available.

Section 5. Reporting of Significant Events. The School District shall provide to the MSRB in a timely manner not in excess of ten business days after the occurrence of the event notice of any of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) Modifications to rights of holders of the Bonds, if material;
- (h) (1) Calls for redemption of the Bonds, if material, other than calls pursuant to the mandatory sinking fund provisions of the Bonds, if any, and (2) tender offers;
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the School District;
- (m) The consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of subsection (l), above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the School District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the School District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization,

arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the School District.

Section 6. Means of Reporting Information. The School District shall provide information to the MSRB's EMMA disclosure service as prescribed by the MSRB. As of the date hereof, submissions must be by electronic submission in an electronic portable document format ("PDF") that shall have a word-search function permitting a user to search the document.

The School District is authorized to transmit information to the MSRB by whatever means are mutually acceptable to the School District and the MSRB.

Section 7. Termination of Reporting Bond. The School District's obligation under this Disclosure Certificate shall terminate upon the defeasance, redemption or payment in full of all of the Bonds.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the School District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if the School District has received an opinion of counsel knowledgeable in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the School District from disseminating any other information (using the means of dissemination set forth in this Disclosure Certificate or any other means of communication) or including any other information in any Annual Report or providing notice of occurrence of events, in addition to that which is required by this Disclosure Certificate. If the School District chooses to include any information in an Annual Report or provide notice of occurrence of events which are not Listed Events in addition to that which is specifically required by this Disclosure Certificate, the School District shall have no obligation to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default; Remedies. Failure of the School District to perform any of its undertakings contained in this Disclosure Certificate shall not constitute an event of default with respect to the Bonds. The exclusive remedy for any such failure shall be enforcement of the School District's obligations to so perform by actions or proceedings taken in accordance with Ohio Revised Code Section 133.25(B)(4)(b) or Section 133.25(C)(1).

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the School District, the Participating Underwriter and the holders of the Bonds, and shall create no rights in any other person or entity.

Date: August 5, 2014*

AVON LAKE CITY SCHOOL DISTRICT
LORAIN COUNTY, OHIO

By: _____

Title: Treasurer, Board of Education

* Preliminary, subject to change.