

Coventry Local School District  
Summit County, Ohio

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2012





# Dave Yost • Auditor of State

Board of Education  
Coventry Local School District  
3257 Cormany Road  
Akron, Ohio 44319

We have reviewed the *Independent Auditor's Report* of the Coventry Local School District, Summit County, prepared by Rea & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

March 1, 2013

**This page intentionally left blank.**

**COVENTRY LOCAL SCHOOL DISTRICT**  
**Summit County, Ohio**

*Table of Contents*

	<i>Page</i>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities .....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Fund to the Statement of Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	17
Statement of Fund Net Assets – Proprietary Funds .....	18
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	19
Statement of Cash Flows – Proprietary Funds .....	20
Statement of Fiduciary Net Assets – Fiduciary Funds .....	21
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Fund.....	22
Notes to the Basic Financial Statements .....	23-52

**COVENTRY LOCAL SCHOOL DISTRICT**  
**Summit County, Ohio**

*Table of Contents (Continued)*

	<i>Page</i>
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	53-54
Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	55-56
Schedule of Expenditures of Federal Awards – Cash Basis .....	57
Notes to Schedule of Expenditures of Federal Awards – Cash Basis .....	58
Schedule of Findings and Questioned Costs.....	59-61
Schedule of Prior Audit Findings .....	62

December 27, 2012

To the Board of Education  
Coventry Local School District  
Summit County, Ohio  
3257 Cormany Road  
Akron, Ohio 44319

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coventry Local School District, Summit County, Ohio (the "School District"), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2012, and the respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparison for the general fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Rea & Associates, Inc.*



**Coventry Local School District**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

---

The discussion and analysis of the Coventry Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2012 are as follows:

- Net assets increased \$417,513, which represents a 13 percent increase from 2011.
- Capital assets increased \$389,649 during fiscal year 2012.
- During the year, outstanding debt increased from \$3,802,090 to \$3,925,819 due to issuance of new debt countered by principal payments.

***Using this Annual Report***

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

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term 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. In the case of the Coventry Local School District, the general fund is by far the most significant fund.

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The *Statement of Net Assets* 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. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Coventry Local School District**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

---

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes 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 which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non instructional services, i.e., food service operations.

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

***Fund Financial Statements***

The major funds financial statements begin on page 13. Fund financial reports 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 focus on the School District's most significant funds. The School District's major governmental funds is the general fund.

***Governmental Funds*** Most of 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 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Proprietary Fund*** The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 18.

***Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**Coventry Local School District**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011:

**Table 1**  
**Net Assets**

	Governmental Activities	
	2012	2011
<b>Assets</b>		
Current and Other Assets	\$ 12,149,251	\$ 12,097,828
Capital Assets	5,153,316	4,763,667
<i>Total Assets</i>	17,302,567	16,861,495
<b>Liabilities</b>		
Other Liabilities	13,621,585	13,931,376
Long-Term Liabilities	6,550,515	6,217,165
<i>Total Liabilities</i>	20,172,100	20,148,541
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	1,855,805	2,055,713
Restricted	435,192	230,242
Unrestricted	(5,160,530)	(5,573,001)
<i>Total Net Assets</i>	\$ (2,869,533)	\$ (3,287,046)

At year end, capital assets represented 30 percent of total assets. Capital assets include, land, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt were \$1,855,805 at June 30, 2012. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$435,192 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net assets is a negative \$5,160,530.

**Coventry Local School District**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

Table 2 shows the changes in net assets for fiscal year 2012 and 2011.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities	
	2012	2011
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services and Sales	\$ 5,718,719	\$ 5,808,291
Operating Grants and Contributions	2,078,629	2,927,868
<i>Total Program Revenues</i>	<u>7,797,348</u>	<u>8,736,159</u>
<i>General Revenues:</i>		
Property Taxes	10,750,221	9,960,011
Grants and Entitlements Not Restricted	5,183,827	5,378,774
Other	264,961	69,894
<i>Total General Revenues</i>	<u>16,199,009</u>	<u>15,408,679</u>
<i>Total Revenues</i>	<u>23,996,357</u>	<u>24,144,838</u>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	9,820,364	9,881,192
Special	2,711,932	2,949,356
Vocational	85,109	85,594
Student Intervention Services	217	689
Other	822,718	654,251
<i>Support Services:</i>		
Pupils	1,021,914	962,197
Instructional Staff	1,257,444	1,266,550
Board of Education	53,233	116,886
Administration	1,740,875	1,872,325
Fiscal	444,603	401,698
Business	47,889	42,401
Operation and Maintenance of Plant	2,335,043	2,450,396
Pupil Transportation	1,295,601	1,089,470
Central	208,506	151,056
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	769,826	839,202
Community Services	241,768	275,162
Extracurricular Activities	432,386	411,698
<i>Debt Service:</i>		
Interest and Fiscal Charges	289,416	258,420
<i>Total Expenses</i>	<u>23,578,844</u>	<u>23,708,543</u>
<i>Increase (Decrease) in Net Assets</i>	417,513	436,295
<i>Net Assets at Beginning of Year</i>	<u>(3,287,046)</u>	<u>(3,723,341)</u>
<i>Net Assets at End of Year</i>	<u>\$ (2,869,533)</u>	<u>\$ (3,287,046)</u>

**Coventry Local School District**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

The \$849,239 decrease in operating grants is due to the federal ARRA grants expiring. The \$194,947 decrease in grants and entitlements not restricted is due to the expiration of State Fiscal Stabilization funding.

Property taxes increased by \$790,210 due to revenue from the new emergency levy in 2010 being received offset by the decrease in the amount available for advance.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of 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 Service		Net Cost of Service	
	2012	2011	2012	2011
Instruction:				
Regular	\$ 9,820,364	\$ 9,881,192	\$ 4,581,672	\$ 3,719,375
Special	2,711,932	2,949,356	1,779,755	1,931,746
Vocational	85,109	85,594	85,109	72,606
Student Intervention Services	217	689	217	689
Other	822,718	654,251	822,718	653,353
Support Services:				
Pupils	1,021,914	962,197	993,028	937,048
Instructional Staff	1,257,444	1,266,550	1,054,240	1,043,272
Board of Education	53,233	116,886	53,233	116,886
Administration	1,740,875	1,872,325	1,643,074	1,815,589
Fiscal	444,603	401,698	444,603	401,698
Business	47,889	42,401	47,889	42,136
Operation and Maintenance of Plant	2,335,043	2,450,396	2,332,184	2,429,811
Pupil Transportation	1,295,601	1,089,470	1,278,479	1,040,430
Central	208,506	151,056	208,506	146,056
Operation of Non-Instructional Services:				
Food Service Operations	769,826	839,202	(181,143)	64,954
Community Services	241,768	275,162	14,717	9,801
Extracurricular Activities	432,386	411,698	333,799	288,514
Debt Service:				
Interest and Fiscal Charges	289,416	258,420	289,416	258,420
<b>Total Expenses</b>	<b>\$ 23,578,844</b>	<b>\$ 23,708,543</b>	<b>\$ 15,781,496</b>	<b>\$ 14,972,384</b>

The dependence upon general revenues for governmental activities is apparent. Nearly 67 percent of governmental activities are supported through taxes and other general revenues; such revenues are 68 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

**Coventry Local School District**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

---

***Governmental Funds***

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$24,045,371, including revenue from other financing sources, and expenditures, including other financing uses, of \$24,801,428 for fiscal year 2012.

The general fund's net change in fund balance for fiscal year 2012 was an increase of \$647,832, primarily due to the increase in property tax revenue as a result of recognizing revenue for the 2010 emergency levy.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2012, the School District did amend its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue was \$124,998 higher than the final budget basis revenue of \$21,047,287. Most of this difference is due to an underestimation of property tax revenue.

Final appropriations of \$23,249,467 were \$122,605 lower than the actual expenditures of \$23,372,072, mostly due to underestimation of regular and special instruction costs.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2012, the School District had \$5,153,316 invested in capital assets. Table 4 shows fiscal year 2012 balances compared with 2011.

**Table 4**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities	
	2012	2011
Land	\$ 544,210	\$ 544,210
Construction in Progress	0	642,384
Buildings and Improvements	4,132,936	2,979,851
Furniture and Equipment	350,652	425,201
Vehicles	125,518	172,021
<i>Totals</i>	\$ 5,153,316	\$ 4,763,667

**Coventry Local School District**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

The \$389,649 increase in capital assets was attributable to additional purchases exceeding current year depreciation and disposals. The School District placed assets in service which were accounted for as construction in progress at the end of fiscal year 2011. See Note 9 for more information about the capital assets of the School District.

**Debt**

At June 30, 2012, the School District had \$3,925,819 in debt outstanding. See Notes 14 and 15 for additional details. Table 5 summarizes debt outstanding.

**(Table 5)**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2012	2011
Loans Payable:		
HB264 Energy Conservation Loan	\$ 213,556	\$ 278,674
Energy Conservation Loan Phase #2	274,468	335,829
Energy Conservation Loan Phase #3	480,469	522,987
	968,493	1,137,490
General Obligation Bonds Payable:		
School Improvement Bonds	615,000	900,000
Stark County Council of Governments Note	1,018,876	0
Tax Anticipation Notes Payable	1,323,450	1,764,600
<i>Total Debt</i>	<b>\$ 3,925,819</b>	<b>\$ 3,802,090</b>

***Current Issues***

Coventry Local School District is currently funded at 37 percent state revenue and 63 percent local revenue for operating expenses. One third of the student population is open enrolled from other neighboring districts. Future student enrollment projections show a slight decrease in enrollment. Lastly, the School District continues to lose revenue annually due to a decrease in tangible personal property taxes. We are currently awaiting news regarding the funding model for FY2013 and FY2014. In the meantime, state revenue will remain flat-lined.

The School District implemented a mid-year reduction in force in January of 2012 and a larger reduction in force for the 2012-2013 school year. Through these reductions and other budget cuts, Coventry Local Schools were able to reduce expenses by \$2,649,000. This allowed Coventry to offset a projected deficit for June 30, 2012 and the following year (FY2013) which placed them in a positive cash balance.

Coventry Local School relies heavily on its local property taxpayers. The last operating levy renewal was passed in November 2012, for 9.96 mills. This was a 5-year emergency levy which generates 32% of the local property tax share.

**Coventry Local School District**  
**Summit County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

---

Coventry is currently experiencing duress spending due to the dilapidated conditions of our facilities. Duress spending is defined as: the spending of day to day funds used for the daily operating expenses. These day to day funds are ear marked for general fund expenses, not facility related expenses. Due to our poor facilities, we are forced to spend the general fund revenue on facility related repairs and replacement of equipment. Coventry Local Schools hopes to eliminate this practice through a Bond / PI combination issue on the February 2013 special election ballot. Successful passage of this issue will eliminate duress spending and provide permanent improvement funds to help offset some of the facility related debt in the general fund.

***Contacting the School District's Financial Management***

This financial report is designed 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 the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer, at Coventry Local School District, 3257 Cormany Road, Akron, OH 44319.



**Coventry Local School District**  
**Summit County, Ohio**  
*Statement of Net Assets*  
*June 30, 2012*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 718,078
Receivables:	
Intergovernmental	693,079
Property Taxes	10,607,605
Deferred Charges	130,489
Nondepreciable Capital Assets	544,210
Depreciable Capital Assets (Net)	4,609,106
<i>Total Assets</i>	17,302,567
<b>Liabilities</b>	
Accounts Payable	246,217
Accrued Wages and Benefits	1,708,312
Intergovernmental Payable	854,230
Accrued Vacation Leave Payable	30,226
Matured Compensated Absences Payable	85,053
Accrued Interest Payable	86,006
Claims Payable	200,123
Deferred Revenue	9,087,968
Notes Payable	1,323,450
Long Term Liabilities:	
Due Within One Year	696,648
Due In More Than One Year	5,853,867
<i>Total Liabilities</i>	20,172,100
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,855,805
Restricted For:	
Capital Outlay	94
Debt Service	177,064
Other Purposes	258,034
Unrestricted	(5,160,530)
<i>Total Net Assets</i>	\$ (2,869,533)

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2012

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
			Governmental Activities	
<b>Governmental Activities</b>				
Instruction:				
Regular	\$ 9,820,364	\$ 5,132,035	\$ 106,657	\$ (4,581,672)
Special	2,711,932	183,495	748,682	(1,779,755)
Vocational	85,109	0	0	(85,109)
Student Intervention Services	217	0	0	(217)
Other	822,718	0	0	(822,718)
Support Services:				
Pupils	1,021,914	0	28,886	(993,028)
Instructional Staff	1,257,444	0	203,204	(1,054,240)
Board of Education	53,233	0	0	(53,233)
Administration	1,740,875	6,813	90,988	(1,643,074)
Fiscal	444,603	0	0	(444,603)
Business	47,889	0	0	(47,889)
Operation and Maintenance of Plant	2,335,043	0	2,859	(2,332,184)
Pupil Transportation	1,295,601	0	17,122	(1,278,479)
Central	208,506	0	0	(208,506)
Operation of Non-Instructional Services:				
Food Service Operations	769,826	298,420	652,549	181,143
Community Services	241,768	0	227,051	(14,717)
Extracurricular Activities	432,386	97,956	631	(333,799)
Debt Service:				
Interest and Fiscal Charges	289,416	0	0	(289,416)
<b>Total</b>	<b>\$ 23,578,844</b>	<b>\$ 5,718,719</b>	<b>\$ 2,078,629</b>	<b>(15,781,496)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	10,311,945
Debt Service	438,276
Grants and Entitlements Not Restricted to Specific Programs	5,183,827
Investment Earnings	5,972
Miscellaneous	258,989

*Total General Revenues* 16,199,009

*Change in Net Assets* 417,513

*Net Assets Beginning of Year* (3,287,046)

*Net Assets End of Year* \$ (2,869,533)

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2012*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 260,884	\$ 377,364	\$ 638,248
Receivables:			
Interfund	122,474	0	122,474
Intergovernmental	257,976	435,103	693,079
Property Taxes	10,440,594	167,011	10,607,605
<i>Total Assets</i>	<u>\$ 11,081,928</u>	<u>\$ 979,478</u>	<u>\$ 12,061,406</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 154,300	\$ 91,917	\$ 246,217
Accrued Wages and Benefits	1,599,649	108,663	1,708,312
Intergovernmental Payable	799,519	54,711	854,230
Matured Compensated Absences Payable	69,949	15,104	85,053
Accrued Interest Payable	3,230	0	3,230
Interfund Payable	0	122,474	122,474
Deferred Revenue	9,737,100	539,928	10,277,028
Notes Payable	1,323,450	0	1,323,450
<i>Total Liabilities</i>	<u>13,687,197</u>	<u>932,797</u>	<u>14,619,994</u>
<b>Fund Balances</b>			
Restricted	0	383,873	383,873
Committed	11,000	0	11,000
Assigned	10,818	0	10,818
Unassigned	(2,627,087)	(337,192)	(2,964,279)
<i>Total Fund Balances</i>	<u>(2,605,269)</u>	<u>46,681</u>	<u>(2,558,588)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 11,081,928</u>	<u>\$ 979,478</u>	<u>\$ 12,061,406</u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*June 30, 2012*

<b>Total Governmental Fund Balances</b>		\$ (2,558,588)
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,153,316
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 528,078	
Charges for Services	257,976	
Intergovernmental	<u>403,006</u>	
Total		1,189,060
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.		(120,293)
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		130,489
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported at maturity.		(82,776)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(615,000)	
Loans Payable	(968,493)	
Capital Leases	(2,813,000)	
Stark County COG Liability	(1,018,876)	
Accrued Vacation Payable	(30,226)	
Compensated Absences	<u>(1,135,146)</u>	
Total		<u>(6,580,741)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ (2,869,533)</u></u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2012*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$ 10,242,833	\$ 454,370	\$ 10,697,203
Intergovernmental	5,008,557	2,170,532	7,179,089
Investment Income	5,972	0	5,972
Tuition and Fees	5,365,402	7,154	5,372,556
Extracurricular Activities	94,208	55,839	150,047
Rentals	55,330	0	55,330
Charges for Services	46,912	298,421	345,333
Contributions and Donations	385	15,631	16,016
Miscellaneous	223,825	0	223,825
<i>Total Revenues</i>	<u>21,043,424</u>	<u>3,001,947</u>	<u>24,045,371</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	9,627,941	133,086	9,761,027
Special	2,054,928	664,993	2,719,921
Vocational	85,375	0	85,375
Other	822,468	250	822,718
Support Services:			
Pupils	1,058,448	22,961	1,081,409
Instructional Staff	1,052,110	195,115	1,247,225
Board of Education	53,233	0	53,233
Administration	1,524,153	202,516	1,726,669
Fiscal	435,686	0	435,686
Business	47,539	0	47,539
Operation and Maintenance of Plant	2,262,215	0	2,262,215
Pupil Transportation	1,265,612	12,455	1,278,067
Central	219,882	0	219,882
Extracurricular Activities	349,621	41,646	391,267
Operation of Non-Instructional Services:			
Food Service Operations	0	813,736	813,736
Community Services	53,162	194,912	248,074
Capital Outlay	63,207	745,487	808,694
Debt Service:			
Principal Retirement	225,997	285,000	510,997
Interest and Fiscal Charges	251,713	35,981	287,694
<i>Total Expenditures</i>	<u>21,453,290</u>	<u>3,348,138</u>	<u>24,801,428</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(409,866)</u>	<u>(346,191)</u>	<u>(756,057)</u>
<b>Other Financing Sources</b>			
Proceeds from Sale of Capital Assets	38,822	0	38,822
Note Proceeds	1,018,876	0	1,018,876
<i>Total Other Financing Sources</i>	<u>1,057,698</u>	<u>0</u>	<u>1,057,698</u>
<i>Net Change in Fund Balance</i>	647,832	(346,191)	301,641
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(3,253,101)</u>	<u>392,872</u>	<u>(2,860,229)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$ (2,605,269)</u>	<u>\$ 46,681</u>	<u>\$ (2,558,588)</u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	301,641
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Asset Additions	\$ 747,860	
Current Year Depreciation	<u>(350,698)</u>	397,162
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(7,513)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	53,018	
Charges for Services	44,947	
Intergovernmental	<u>(185,801)</u>	(87,836)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		510,997
Debt proceeds issued in the governmental funds that increase long-term in the statement of net assets are not reported as revenues.		
		(1,018,876)
Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred on the statement of net assets.		
		(8,419)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported at maturity.		
		6,697
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		146,495
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	(78,271)	
Accrued Vacation Payable	2,636	
Early Retirement Incentive	<u>252,800</u>	<u>177,165</u>
<i>Change in Net Assets of Governmental Activities</i>	\$	<u><u>417,513</u></u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 9,087,296	\$ 10,464,727	\$ 10,526,876	\$ 62,149
Intergovernmental	4,323,622	4,978,987	5,008,557	29,570
Investment Income	5,155	5,937	5,972	35
Tuition and Fees	4,556,790	5,247,498	5,278,662	31,164
Extracurricular Activities	36,358	41,869	42,118	249
Rentals	44,310	51,027	51,330	303
Charges for Services	40,497	46,635	46,912	277
Miscellaneous	182,886	210,607	211,858	1,251
<i>Total Revenues</i>	<u>18,276,914</u>	<u>21,047,287</u>	<u>21,172,285</u>	<u>124,998</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,993,520	9,526,679	9,578,557	(51,878)
Special	1,667,487	1,987,311	1,998,133	(10,822)
Vocational	73,567	87,678	88,155	(477)
Other	686,368	818,013	822,468	(4,455)
Support Services:				
Pupils	859,879	1,024,803	1,030,384	(5,581)
Instructional Staff	947,906	1,129,714	1,135,866	(6,152)
Board of Education	40,594	48,380	48,643	(263)
Administration	1,282,219	1,528,148	1,536,470	(8,322)
Fiscal	363,738	433,503	435,864	(2,361)
Business	39,672	47,282	47,539	(257)
Operation and Maintenance of Plant	1,886,289	2,248,079	2,260,321	(12,242)
Pupil Transportation	1,073,677	1,279,608	1,286,576	(6,968)
Central	186,268	221,994	223,203	(1,209)
Extracurricular Activities	290,049	345,681	343,563	2,118
Operation of Non-Instructional Services:				
Community Services	44,386	52,899	53,187	(288)
Capital Outlay	52,748	62,865	63,207	(342)
Debt Service:				
Principal Retirement	1,796,158	2,155,005	2,167,147	(12,142)
Interest and Fiscal Charges	223,333	251,825	252,789	(964)
<i>Total Expenditures</i>	<u>19,507,858</u>	<u>23,249,467</u>	<u>23,372,072</u>	<u>(122,605)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,230,944)</u>	<u>(2,202,180)</u>	<u>(2,199,787)</u>	<u>2,393</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	38,812	38,812	38,822	10
Proceeds of Tax Anticipation Notes	1,500,000	1,500,000	1,500,000	0
Proceeds of Notes	0	1,018,876	1,018,876	0
Advances In	271,678	271,678	271,678	0
<i>Total Other Financing Sources (Uses)</i>	<u>1,810,490</u>	<u>2,829,366</u>	<u>2,829,376</u>	<u>10</u>
<i>Net Change in Fund Balance</i>	579,546	627,186	629,589	2,403
<i>Fund Balance Beginning of Year</i>	(550,698)	(550,698)	(550,698)	0
Prior Year Encumbrances Appropriated	163,259	163,259	163,259	0
<i>Fund Balance End of Year</i>	<u>\$ 192,107</u>	<u>\$ 239,747</u>	<u>\$ 242,150</u>	<u>\$ 2,403</u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2012*

---

	<u>Governmental Activities - Internal Service Fund</u>
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 79,830</u>
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Claims Payable	<u>200,123</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ (120,293)</u></u>

See accompanying notes to the basic financial statements.



**Coventry Local School District**  
**Summit County, Ohio**  
*Statement of Revenues, Expenses, and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2012*

	<u>Governmental Activities - Internal Service Fund</u>
<b>Operating Revenue</b>	
Charges for Services	<u>\$ 2,164,158</u>
<b>Operating Expenses</b>	
Purchased Services	315,626
Claims	<u>1,702,037</u>
<i>Total Operating Expenses</i>	<u>2,017,663</u>
<i>Change in Net Assets</i>	146,495
<i>Net Assets Beginning of Year</i>	<u>(266,788)</u>
<i>Net Assets End of Year</i>	<u><u>\$ (120,293)</u></u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2012

	Governmental Activities - Internal Service Fund
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 2,164,158
Cash Paid for Goods and Services	(315,626)
Cash Paid for Employee Benefits	(1,915,365)
<i>Net Cash Used For Operating Activities</i>	(66,833)
<i>Net Decrease in Cash and Cash Equivalents</i>	(66,833)
<i>Cash and Cash Equivalents Beginning of Year</i>	146,663
<i>Cash and Cash Equivalents End of Year</i>	\$ 79,830
<b>Reconciliation of Operating Income to Net Cash Used For Operating Activities</b>	
Operating Income	\$ 146,495
Adjustment:	
Decrease in Liabilities:	
Claims Payable	(213,328)
<i>Net Cash Used For Operating Activities</i>	\$ (66,833)

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2012*

	Private Purpose Trust	Agency
<b>Assets</b>		
Cash and Investments in Segregated Accounts	\$ 148,936	\$ 86,110
<b>Liabilities</b>		
Accounts Payable	20,000	\$ 2,139
Due to Students	0	83,971
<i>Total Liabilities</i>	20,000	\$ 86,110
<b>Net Assets</b>		
Held in Trust for Scholarships	\$ 128,936	

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2012*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 14,523
Interest	21
	14,544
<i>Total Additions</i>	<i>14,544</i>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	21,499
	(6,955)
<i>Change in Net Assets</i>	<i>(6,955)</i>
<i>Net Assets Beginning of Year</i>	<i>135,891</i>
<i>Net Assets End of Year</i>	<i>\$ 128,936</i>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

**Note 1 - Description of the School District**

Coventry Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District is located in Summit County in northeastern Ohio. The School District operates one primary school (Pre K-4), two elementary schools (1-4), one middle school (5-7), one junior high school (8-9), and one high school (10-12).

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements of the School District 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 Coventry Local School District, this includes general operations, preschool, food service and student related activities of the School District. The following activity is also included within the reporting entity:

Nonpublic School Within the School District boundaries, St. Francis De Sales School is operated through the Cleveland Diocese. Current State legislation provides funding for the nonpublic school. These monies are received and disbursed on behalf of the nonpublic school by the Treasurer of the School District, as directed by the nonpublic school. The activity of these State monies by the School District is reflected in a special revenue fund for financial purposes.

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 their budget, the issuance of their debt or the levying of their taxes. The School District has no component units.

The School District participates in three jointly governed organizations and one insurance purchasing pool. These organizations include Northeast Ohio Network for Educational Technology (NEONET), Portage Lakes Career Center, Interval Opportunity School, the Ohio School Boards Association Workers' Compensation Group Rating Program and the Stark County Council of Governments Health Benefit Plan. These organizations are presented in Notes 10, 17 and 18 to the basic financial statements.

**Coventry Local School District**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and its internal service funds provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

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

**Government-wide Financial Statements** The statement of net assets 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 also eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at 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 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 limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements** During the 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 governmental and proprietary 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. Fiduciary funds are reported by type.

**Coventry Local School District**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

***B. Fund Accounting***

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

***General Fund*** The general fund accounts 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.

The other governmental funds of the School District account for grants and other resources to which the District is bound to observe constraints imposed upon the use of the resources.

***Proprietary Fund*** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The following is the School District's proprietary 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's only internal service fund accounts for a self-insurance program for employee medical and prescription drug benefits.

***Fiduciary Funds*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are private purpose trusts and agency funds. The private purpose trusts provide scholarships and the School District's agency funds account for student activities.

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and all liabilities associated with the operation of the School District are included on the statement of net assets.

**Coventry Local School District**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

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

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

Private purpose trust funds are reported using the economic resources measurement focus.

***D. Basis of Accounting***

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

***Revenues - Exchange and Non-exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 the 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. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements for 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.



**Coventry Local School District**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

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

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within "operating grants and contributions" program revenue account.

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

***E. Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. The School District has segregated a portion of cash balances, reported as "investments in segregated accounts" which are for special trusts and private purpose trust funds.

During fiscal year 2012, investments were limited to donated stocks and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investments contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as "investments."

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$5,972, which includes \$4,646 assigned from other School District funds.

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets may include amounts required by statute to be set-aside for the capital improvements.

***G. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. 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 the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Buildings and Improvements	10 - 30 Years
Furniture and Equipment	5 - 20 Years
Vehicles	13 Years

***H. Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 employer will compensate the employees for the benefits through paid time off or some other means. These amounts are reported on the face of the statement of basic financial statements as "Accrued Vacation Leave Payable."

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that 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.

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

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 fund from which the employee will be paid.

***I. 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 proprietary funds are reported on the proprietary 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 and judgments and compensated absences 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, loans and capital leases are recognized as a liability on the fund financial statements when due.

***J. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes primarily include food service operations, non-instructional services, instruction of students, and extracurricular activities.

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

***K. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. 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.

**Coventry Local School District**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

*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. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

*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.

***L. 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 self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenue and expenses not meeting these definitions are classified as non-operating.

***M. Interfund Activity***

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

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

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

***N. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in the 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. Neither type of transaction occurred during fiscal year 2012.

***O. Estimates***

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

***P. Budgetary Data***

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District's Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2012.

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

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

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

**Note 3 - Fund Deficits**

Fund balances at June 30, 2012 included the following individual fund deficits:

	<u>Deficit Fund Balance</u>
<i>Major Governmental Funds:</i>	
General Fund	\$ 2,605,269
<i>Nonmajor Governmental Funds:</i>	
Building	960
Food Service Operations	188,039
District Managed Students Activities	12,340
Disadvantaged Pupils	3
Miscellaneous State Grants	10,052
IDEA Part B	44,204
ARRA - Title IID	568
Title I	71,759
Improving Teacher Quality	9,267

The deficits in the nonmajor funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

**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 Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
4. Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (GAAP basis).
5. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

GAAP Basis		\$ 647,832
Net Adjustments for Revenue Accruals		1,775,640
Advances In		271,678
Net Adjustment for Expenditure Accruals		(2,060,757)
Funds Budgeted Elsewhere**		(5,364)
Encumbrances		<u>560</u>
 Budgetary Basis		 <u><u>\$ 629,589</u></u>

\*\* As part of Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” 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 uniform school supplies, public school support and underground storage tank funds.

**Note 5 - Deposits and Investments**

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 that 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 deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts.

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed 25% of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2012, the School District and public depositories complied with the provisions of these statutes.



**Coventry Local School District**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$927,803 and the bank balance was \$930,797. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2012, the entire bank balance of \$930,797 was covered by Federal Deposit Insurance Corporation.

**Investments** - Investments are reported at fair value. As of June 30, 2012, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u> <u>0-6 Months</u>
Stocks	<u>\$ 25,321</u>	<u>\$ 25,321</u>

**Interest Rate Risk** The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. It is the School District's policy to evaluate market conditions, interest rate forecasts, and cash flow requirements to consider the term of an investment, with the goal being to buy where relative value exists along the maturity spectrum.

**Custodial Credit Risk** 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. The School District also holds investments in stocks, which were donated as part of the Longworth Scholarship Trust Fund. Stocks do not report credit risk. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk** The School District investment policy is to be diversified enough to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issue or a specific class of securities. At various times during the year, the School District's stocks exceeded more than 5 percent of the School District's investments. The following table includes the percentage to total of each investment type held by the School District at June 30, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Stocks	<u>\$ 25,321</u>	<u>100.00%</u>

**Coventry Local School District**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

**Note 6 - 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Summit 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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax 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, 2012 was \$916,835 in the general fund and \$74,724 in the bond retirement debt service fund. The amount available as an advance at June 30, 2011, was \$1,245,513 in the general fund and \$43,675 in the bond retirement debt service fund.

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

On an 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 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 310,503,650	98%	\$ 282,361,240	98%
Public Utility Personal Property	6,634,100	2%	6,956,950	2%
<b>Total</b>	<b>\$ 317,137,750</b>	<b>100%</b>	<b>\$ 289,318,190</b>	<b>100%</b>
Full Tax Rate per \$1,000 of assessed valuation	\$ 71.97		\$ 73.49	

**Note 7 - Interfund Balances**

Interfund balances at June 30, 2012 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 122,474	\$ 0
<i>Nonmajor Governmental Funds:</i>		
Food Service Operations	0	48,315
District Managed Activities	0	12,340
Miscellaneous State Grants	0	3,332
Race to the Top	0	14,806
Title II-D - Technology	0	568
Title I - Disadvantaged Children	0	41,051
Improving Teacher Quality	0	2,062
<b>Total</b>	<b>\$ 122,474</b>	<b>\$ 122,474</b>

The purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the Statement of Net Assets.

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**Note 8 - Receivables**

Receivables at June 30, 2012 consisted of taxes, interfund, and intergovernmental entitlements and grants. 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 year guarantee of federal funds.

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/11	Additions	Reductions	Balance 6/30/12
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$ 544,210	\$ 0	\$ 0	\$ 544,210
Construction in Progress	642,384	703,343	1,345,727	0
<i>Total Capital Assets, not being depreciated</i>	1,186,594	703,343	1,345,727	544,210
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	9,039,422	1,357,896	0	10,397,318
Furniture and Equipment	2,126,172	32,348	52,143	2,106,377
Vehicles	915,215	0	291,257	623,958
<i>Total Capital Assets, being depreciated</i>	12,080,809	1,390,244	343,400	13,127,653
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(6,059,571)	(204,811)	0	(6,264,382)
Furniture and Equipment	(1,700,971)	(105,938)	51,184	(1,755,725)
Vehicles	(743,194)	(39,949)	284,703	(498,440)
<i>Total Accumulated Depreciation</i>	(8,503,736)	(350,698)	335,887	(8,518,547)
<i>Total Capital Assets being depreciated, net</i>	3,577,073	1,039,546	7,513	4,609,106
<i>Governmental Capital Assets, net</i>	\$ 4,763,667	\$ 1,742,889	\$ 1,353,240	\$ 5,153,316

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 217,771
Special	28,039
Student Intervention	217
Support Services:	
Pupils	1,608
Instructional Staff	29,753
Administration	3,353
Business	350
Operation and Maintenance of Plant	14,112
Pupil Transportation	32,436
Operation of Non-Instructional Services:	
Food Service Operations	6,775
Community Services	7,422
Extracurricular	8,862
Total Depreciation Expense	\$ 350,698

**Note 10 - Risk Management**

***Property and Liability***

The School District insures its buildings and their contents through insurance having a \$1,000 deductible and providing replacement costs for such items. An inventory of all loose equipment is conducted annually.

Appropriate liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 aggregate. The School District also has an excess policy in the amount of \$4,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

A bond of \$100,000 is maintained on the Treasurer. Bonds are also provided for the School Board President and Superintendent in the amount of \$50,000 each.

By State statute, bond is provided by all contractors in amounts sufficient to cover the entire bid amount awarded to the contractor.

***Workers' Compensation***

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

**Coventry Local School District**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

***Self Insurance***

Until April 1, 2012, the School District was self-insured for hospital/medical benefits. Premiums were paid into the self-insurance fund by all other funds and were available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2012, a total expense of \$2,164,434 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$95,000. The liability for unpaid claims cost of \$200,123 reported in the fund at June 30, 2012 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as interfund transactions.

Changes in the fund's claims liability in the self insurance fund were:

		<u>Balance</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2011	\$	500,606	\$ 2,343,972	\$ 2,431,127	\$ 413,451
2012	\$	413,451	\$ 1,702,037	\$ 1,915,365	\$ 200,123

Effective April 1, 2012, The School District joined the Stark County Schools Council of Governments Health Benefit Plan (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The School District accounts for the premiums paid as expenditures in the general or applicable fund.

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

**Note 11 - Employee Benefits**

***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per year, depending upon length of service and hours worked. Vacation days are credited to non-certified employees on the anniversary of their employment and must be used within the next twelve months. An employee may carry over no more than one (1) week of vacation per year unless otherwise approved by the superintendent. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 300 days. Payment at retirement for employees with at least 10 years of service is made at one-fourth of the total sick leave accumulation, up to a maximum accumulation of 160 days plus one-half of the days in excess of 205 not to exceed 300 days for classified employees. Certified employees are paid a maximum accumulation of 160 days plus one-half of the days in excess of 215 not to exceed 285 days.

**Note 12 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

Plan Description - 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 by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$345,502, \$364,851 and \$390,389, respectively; 42 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

**Coventry Local School District**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,251,962, \$1,204,186 and \$1,176,589, respectively; 82 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$27,074 made by the School District and \$19,339 made by the plan members.



**Coventry Local School District**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

**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 have an option to choose Social Security or the School Employees Retirement system/State Teachers Retirement System. As of June 30, 2012, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**Note 13 - Postemployment Benefits**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 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 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

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

**Coventry Local School District**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$15,022, \$44,178, and \$14,052, respectively; 42 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$20,484, \$23,479, and \$23,216, respectively; 42 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System**

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$96,305, \$92,630, and \$90,507, respectively; 82 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**Note 14 - Tax Anticipation Notes Payable**

Note activity for the year ended June 30, 2012, consisted of the following:

	Outstanding 6/30/2011	Issued	Retired	Outstanding 6/30/2012
Tax Anticipation Notes				
3.00% Maturity 6/1/2015	\$ 1,764,600	\$ 0	\$ 441,150	\$ 1,323,450
Tax Anticipation Notes				
2.40% Maturity 4/30/2012	0	1,500,000	1,500,000	0
	\$ 1,764,600	\$ 1,500,000	\$ 1,941,150	\$ 1,323,450

The notes are backed by the full faith and credit of the School District. They will be paid from the general fund.

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

Principal and interest requirements to retire notes outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30,	Long-Term Tax Anticipation Notes		
	Principal	Interest	Total
2013	441,150	37,365	478,515
2014	441,150	23,778	464,928
2015	441,150	10,191	451,341
Total	<u>\$ 1,323,450</u>	<u>\$ 71,334</u>	<u>\$ 1,394,784</u>

**Note 15 - Long - Term Obligations**

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

	Balance 6/30/2011	Additions	Reductions	Balance 6/30/2012	Due Within One Year
<b>Governmental Activities</b>					
<i>Loans Payable:</i>					
HB264 Energy Conservation Loan, 6.32%, Due 03/15/2015	\$ 278,674	\$ 0	\$ 65,118	\$ 213,556	\$ 68,062
Energy Conservation Loan Phase #2, 6.44%, Due 10/15/2015	335,829	0	61,361	274,468	64,135
Energy Conservation Loan Phase #3, 4.43%, Due 06/01/2020	522,987	0	42,518	480,469	44,441
Total Loans Payable	<u>1,137,490</u>	<u>0</u>	<u>168,997</u>	<u>968,493</u>	<u>176,638</u>
<i>General Obligation Bonds Payable:</i>					
School Improvement Bonds, 5.50%, Due 12/01/2013	900,000	0	285,000	615,000	300,000
<i>Note Payable:</i>					
Stark County Council of Governments	0	1,018,876	0	1,018,876	0
<i>Other Long-Term Liabilities</i>					
Capital Leases	2,870,000	0	57,000	2,813,000	124,000
Compensated Absences	1,056,875	105,818	27,547	1,135,146	96,010
Early Retirement Incentive	252,800	0	252,800	0	0
Total Other Long-Term Liabilities	<u>4,179,675</u>	<u>105,818</u>	<u>337,347</u>	<u>3,948,146</u>	<u>220,010</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 6,217,165</u>	<u>\$ 1,124,694</u>	<u>\$ 791,344</u>	<u>\$ 6,550,515</u>	<u>\$ 696,648</u>

**Coventry Local School District**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

Energy Conservation Notes – On January 10, 2000, the School District issued \$834,205 for the purpose of providing energy conservation measures for the School District. The notes were issued for a fifteen year period with final maturity during fiscal year 2015. On March 1, 2000, the School District issued another \$842,535 for energy conservation measures for a fifteen year period with final maturity during fiscal year 2016. On June 13, 2005 the School District issued \$709,533 for the purpose making energy improvements to various school buildings in the School District. The notes were issued for a fifteen year period with final maturity during fiscal 2020.

School Improvement Bonds – On December 1, 1993, the School District issued \$4,000,000 for the purpose of school improvements. The bonds were issued for a ten year period with final maturity during fiscal year 2014.

On April 1, 2012, the School District entered into an agreement to join the Stark County Schools Council of Governments Health Benefit Plan (the Council). Within the agreement, the Council has deferred health insurance premiums for April, May, June and July of 2012 and January of 2013 with the School District agreeing to repay in total the amount of \$1,233,876. The total amount due at June 30, 2012 is \$1,018,876. This amount does not include the premium for January of 2013, which is not a liability at the end of fiscal year 2012. The School District will make principal payments in September of 2013 and March 2014 and then annually in September of 2014, 2015 and 2016. Interest is accrued monthly at the rate of .88 percent. The rate will be reviewed annually by the Council and is variable.

The energy conservation loans and the Stark County Council of Governments note will be paid from the general fund. The school improvement bonds will be paid from the debt service fund. The compensated absences and early retirement incentive will be paid from the funds which the employee's salaries are paid. In prior years this has primarily been paid by the general fund. Capital leases will be paid from the general fund.

**Coventry Local School District**  
**Summit County, Ohio**

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds		Energy Conservation Loans	
	Principal	Interest	Principal	Interest
2013	\$ 300,000	\$ 22,087	\$ 176,638	\$ 43,786
2014	315,000	7,481	184,624	35,800
2015	0	0	192,970	27,454
2016	0	0	123,978	18,729
2017 - 2021	0	0	290,283	40,532
Total	<u>\$ 615,000</u>	<u>\$ 29,568</u>	<u>\$ 968,493</u>	<u>\$ 166,301</u>

Fiscal Year Ending June 30,	Stark County Council of Governments Note		Total	
	Principal	Interest	Principal	Interest
2013	\$ 0	\$ 0	\$ 476,638	\$ 65,873
2014	460,502	14,497	960,126	57,778
2015	257,539	2,461	450,509	29,915
2016	257,342	2,658	381,320	21,387
2017	43,493	384	333,776	40,916
Total	<u>\$ 1,018,876</u>	<u>\$ 20,000</u>	<u>\$ 2,602,369</u>	<u>\$ 215,869</u>

**Note 16 - Capitalized Lease**

The capital lease obligation relates to lease-purchase agreements. During fiscal year 2008, the School District entered into a lease agreement for modular buildings. The lease meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee. Capital lease payments in the governmental funds have been reclassified and are reflected as debt service in the basic financial statements for the general fund.

The assets being acquired have been capitalized in the amount of \$1,500,000, which is the present value of the minimum lease payments at the inception of the lease. A corresponding liability was recorded in the statement of net assets and is reduced for each required principal payment.

During fiscal year 2011, the School District entered into a lease-purchase agreement for building and property renovations. The School District is leasing the project site from the Ohio School Building Leasing Corporation. Ohio School Building Leasing Corporation assigned Huntington National Bank as trustee, transferring rights, title and interest in the project to the trustee. The School District is acting as an agent for the lessor, and is renovating facilities from the proceeds provided by the lessor. Huntington National Bank has sold Certificates of Participation (COPS) in the building lease. The School District will make annual lease payments to Huntington National Bank. Interest rates range between 1.75 and 5.75 percent. The lease is renewable annually and expires in 2028. The intention of the School District is to renew the lease annually.

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

The issuance costs of \$143,117 are reported as deferred charges and are being amortized over the life of the lease-purchase agreement using the straight-line method. The amortization of the issuance costs for fiscal year 2012 was \$8,419.

As of June 30, 2012, \$1,500,000 of capital assets acquired by lease have been capitalized as buildings and improvements. There were no principal payments made in fiscal year 2012. The first principal payment is due on October 1, 2012. Payments will be made on the lease from the building fund.

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

	Modular Units	Ohio School Building	Total
Fiscal Year Ending June 30, 2013	\$ 124,256	\$ 133,831	\$ 258,087
2014	124,324	132,547	256,871
2015	123,242	130,955	254,197
2016	123,062	133,853	256,915
2017	122,732	131,403	254,135
2018-2022	604,492	664,530	1,269,022
2023-2027	586,637	655,706	1,242,343
2028-2029	115,467	264,663	380,130
	1,924,212	2,247,488	4,171,700
Less: Amount Representing Interest	611,212	747,488	1,358,700
Present Value of Net Minimum Lease Payments	\$ 1,313,000	\$ 1,500,000	\$ 2,813,000

**Note 17 - Jointly Governed Organizations**

***Northeast Ohio Network for Educational Technology***

The Northeastern Ohio Network (NEONET) is a jointly governed organization among eighteen school districts and the Summit County Educational Service Center, and was formed July 1, 1995. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports NEONET based on a per pupil charge dependent upon the software package utilized. The NEONET assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. NEONET is governed by a board of directors chosen from the general membership of the NEONET assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Summit County Educational Service Center which serves as fiscal agent, located at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2012 the School District paid \$73,445 to NEONET for basic service charges.

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

***Portage Lakes Career Center***

Portage Lakes Career Center is a jointly governed organization created to provide for the vocational and special education needs of the students. The Board is comprised of representatives from the elected board of each participating school district. The Board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Coventry Local School District students may attend the vocational school. Each school district's control is limited to its representation on the Board. Financial information can be obtained by writing to the Portage Lakes Career Center, 4401 Shriver Road, Green, Ohio 44232.

***Interval Opportunity School***

The Interval Opportunity School is a jointly governed organization of three area public districts, to provide "at risk students" with a better opportunity to succeed in both their academic and social maturation. Each member district pays an annual fee based on the number of students serviced. The Interval Opportunity School is governed by a Board of Directors comprised of the superintendents from Portage Lakes Career Center, Green Local School District and Coventry Local School District. The continued existence of the Interval Opportunity School is not dependent on the School District's continued participation and no equity interest exists.

**Note 18 - Public Entity Risk Pools**

***Risk Sharing Pool***

The School District is a member of the Stark County Schools Council of Governments Health Benefit Plan (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The School District accounts for the premiums paid as expenditures in the general or applicable fund.

**Note 19 - Statutory Reserves**

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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

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

	<u>Capital Improvements</u>
Set-aside Restricted Balance as of June 30, 2011	\$ 0
Current Year Set-aside Requirement	392,992
Current Year Qualified Expenditures	(817,177)
Excess Qualified Expenditures from Prior Years	0
Totals	\$ (424,185)
Balance Carried Forward to Fiscal Year 2013	\$ 0
Set-aside Restricted Balance as of June 30, 2012	\$ 0

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

**Note 20 - Fund Balance**

Fund balance can be 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 governmental funds.



**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Other Governmental Funds	Total
Restricted for:			
Debt Service	\$ 0	\$ 177,064	\$ 177,064
Other Purposes	0	206,809	206,809
Total Restricted	0	383,873	383,873
Committed for:			
Underground Storage Tank	11,000	0	11,000
Assigned for:			
Encumbrances:			
Instruction	1,002	0	1,002
Support Services	379	0	379
Subsequent Year Appropriations	9,437	0	9,437
Total Restricted	10,818	0	10,818
Unassigned	(2,627,087)	(337,192)	(2,964,279)
<i>Total Fund Balance (Deficit)</i>	\$ (2,605,269)	\$ 46,681	\$ (2,558,588)

**Note 21 - Contingencies**

**A. Review of Statewide Attendance Data**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

**B. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**Coventry Local School District**  
**Summit County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

---

***C. Litigation***

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

**Note 22 - Subsequent Event**

On June 25, 2012, the board authorized the issuance of a \$500,000 current tax revenue note. The School District issued the \$500,000 tax anticipation note on December 7, 2012. The board intends to retire the note in fiscal year 2013.

**Note 23 - Fiscal Watch**

The State Auditor's Office declared the School District in fiscal watch on May 15, 1997, due to the School District's financial condition. School Districts declared in fiscal watch are required to immediately develop a financial recovery plan to eliminate the operating deficit and avoid future deficits. The School District has submitted an updated financial recovery plan which was approved by the State Superintendent of Public Instruction. In November, 2003, the School District passed a 9.96 mill levy. In May, 2010, the School District passed a 6.25 mill levy.

December 27, 2012

To the Board of Education  
Coventry Local School District  
Summit County, Ohio  
3257 Cormany Road  
Akron, Ohio 44319

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Coventry Local School District, Summit County, Ohio (the "School District") as of and for the year ended June 30, 2012, and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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

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

Coventry Local School District  
Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

December 27, 2012

Page 2

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the School District in a separate letter dated December 27, 2012.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Rea & Associates, Inc.*

December 27, 2012

To the Board of Education  
Coventry Local School District  
Summit County, Ohio  
3257 Cormany Road  
Akron, OH 44319

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Coventry Local School District, Summit County, Ohio (the “School District”) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item 2012-001.

Coventry Local School District  
Independent Auditor's Report on Compliance with Requirements that  
Could Have a Direct and Material Effect on Each Major Program and  
Internal Control Over Compliance In Accordance with OMB Circular A-133

December 27, 2012

Page 2

Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying *Schedule of Findings and Questioned Costs* as items 2012-001 and 2012-002. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The School District's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Rea & Associates, Inc.*

COVENTRY LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Pass Through Entity Number	Receipts	Disbursements
<b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Child Nutrition Cluster</i>				
School Breakfast Program (A)	10.553		\$ 138,327	\$ 138,327
National School Lunch Program (Food Distribution)	10.555		43,223	43,223
National School Lunch Program (A,B)	10.555		459,813	459,813
Total National School Lunch Program			503,036	503,036
Total Child Nutrition Cluster			641,363	641,363
School Lunch Equipment	10.579		10,900	10,900
Total U.S. Department of Agriculture			652,263	652,263
<b><u>U. S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Title I Cluster</i>				
ARRA - Title I Grants to Local Educational Agencies	84.389	2011	32,615	33,422
ARRA - Title I Grants to Local Educational Agencies (Neglected)	84.389	2011	146	-
Title I Grants to Local Educational Agencies	84.010	2011	106,021	92,949
Title I Grants to Local Educational Agencies	84.010	2012	306,266	307,987
Title I Grants to Local Educational Agencies (Neglected)	84.010	2011	3,117	6,464
Title I Grants to Local Educational Agencies (Neglected)	84.010	2012	0	3,111
Total Title I Cluster			448,165	443,933
<i>Special Education Cluster</i>				
ARRA - Special Education - Grants to States	84.391	2011	13,428	24,116
Special Education - Grants to States	84.027	2011	78,049	66,988
Special Education - Grants to States	84.027	2012	313,685	312,206
Total Special Education Cluster			405,162	403,310
ARRA - Education Technology State Grants	84.386	2011	58,537	75,868
Education Technology State Grants	84.318	2010	0	568
Education Technology State Grants	84.318	2011	3,810	2,971
Total Education Technology State Grants			62,347	79,407
Improving Teacher Quality State Grants	84.367	2011	14,004	15,446
Improving Teacher Quality State Grants	84.367	2012	62,338	62,309
Total Improving Teacher Quality State Grants			76,342	77,755
Education Jobs Fund	84.410	2011	51,479	55,214
Education Jobs Fund	84.410	2012	148,546	82,343
Total Education Jobs Fund			200,025	137,557
ARRA Race-to-the-Top	84.395	2011	4,466	0
ARRA Race-to-the-Top	84.395	2012	17,290	37,288
Total ARRA Race-to-the-Top			21,756	37,288
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	2011	-	33,504
Total U.S. Department of Education			1,213,797	1,212,754
Total Federal Financial Assistance			\$ 1,866,060	\$ 1,865,017

See accompanying notes to the schedule of expenditures of federal awards.

**Coventry Local School District  
Summit County, Ohio**

*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis  
For the Fiscal Year Ended June 30, 2012*

---

**Note A – Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Coventry Local School District (the “School District”) and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.” Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note B – Child Nutrition Cluster**

Federal money is commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**Note C – Food Donation Program**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

**Note D – Transfers**

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a School District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2012, the ODE authorized the following transfers:

<u>CFDA</u>		<u>Program</u>	<u>Transfers</u>	<u>Transfers</u>
<u>Number</u>	<u>Program Title</u>	<u>Year</u>	<u>Out</u>	<u>In</u>
84.395	ARRA Race-to-the-Top	2011	\$ 5,191	
84.395	ARRA Race-to-the-Top	2012		\$ 5,191



**COVENTRY LOCAL SCHOOL DISTRICT**  
**SUMMIT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2012**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

A-133 Ref.  
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any internal control deficiencies reported for major programs which were not considered to be material?	Yes
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	Yes
(d) (1) (vii)	Major Programs (list): Special Education Cluster (ARRA) Nutrition Cluster	CFDA # 84.027, 84.391 10.553, 10.555
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

COVENTRY LOCAL SCHOOL DISTRICT  
SUMMIT COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
JUNE 30, 2012

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

None

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

**Questioned Cost / Significant Deficiency / Non-compliance – Eligibility**

<b>FINDING NUMBER</b>	<b>2012-001</b>
-----------------------	-----------------

**CFDA Title and Number:** Child Nutrition Cluster – CFDA #10.553, 10.555  
**Federal Award Number/Year:** 2012  
**Federal Agency:** U.S. Department of Agriculture  
**Pass-Through Agency:** Ohio Department of Education

**Criteria:** 7 CFR part 245.3(a) states that each State agency, shall by July 1 of each year announce family-size income standards to be used by local educational agencies, as defined in Section §245.2, under the jurisdiction of such State agency, in making eligibility determinations for free or reduced price meals and for free milk. Such family size income standards for free and reduced price meals and for free milk shall be in accordance with Income Eligibility Guidelines published by the Department by notice in the Federal Register.

42 U.S.C. §175(b)(1) states the income guidelines for determining eligibility for free lunches shall be 130 percent of the applicable family size income levels contained in the nonfarm income poverty guidelines prescribed by the Office of Management and Budget, as adjusted annually in accordance with subparagraph (B). The income guidelines for determining eligibility for reduced price lunches for any school year shall be 185 percent of the applicable family size income levels contained in the nonfarm income poverty guidelines prescribed by the Office of Management and Budget, as adjusted annually in accordance with subparagraph (B).

**Condition/Context:** During testing of certain free and reduced lunch applications, 3 out of 46 applications tested were improperly awarded free or reduced lunches rather than being denied.

**Effect:** As a result, the School District’s federal Nutrition Cluster reimbursement was overstated. This overstatement resulted in actual questioned costs totaling \$2,033 and immaterial likely questioned costs over \$10,000.

**Recommendation:** The School District should implement procedures to help reduce the risk that a child’s free or reduced lunch status is improperly determined or verified through proper training of employees who handle the data entry at the School District.

**Management Response:** We have had some changes with our Food Service Director. The new director is aware of the error and has personally set controls in place to avoid this from happening in the future.

**COVENTRY LOCAL SCHOOL DISTRICT**  
SUMMIT COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)  
JUNE 30, 2012

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (CONTINUED)</b>
--

**Significant Deficiency**

<b>FINDING NUMBER</b>	<b>2012-002</b>
-----------------------	-----------------

**Criteria:** OMB Circular A-133 §\_\_\_.310 states “the auditee shall prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements.”

**Condition/Context:** The School District does not have an adequate process in place to maintain or prepare an accurate schedule of expenditures of federal awards.

**Effect:** Significant changes were proposed and made to the original schedule of expenditures of federal awards presented for audit.

**Recommendation:** We recommend the School District establish a procedure that accurately reflects the activity in each grant in the financial records. This will help the School District to identify all federal grant expenditures and can aid in preparing the federal schedule that will appear in the School District's financial report.

**Management Response:** Now that the deficiency has come to our attention, we will allocate appropriate resources to ensure accurate reporting going forward. We feel some of the inaccuracies are due to our inability to make reduction of expenditure adjustments to the federal grants due to cash flow deficiencies in the general fund. We intend to make the necessary adjustments for all federal grants by the end of FY13. In addition, we will perform a review of the expenditures recorded within our accounting system to ensure adequate records exist to prepare our schedule of expenditures of federal awards.

**COVENTRY LOCAL SCHOOL DISTRICT**  
SUMMIT COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133, SECTION .315(b)  
JUNE 30, 2012

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2010-001	Significant Deficiency; improper eligibility determinations the Nutrition Cluster	No	Not Corrected; Re-issued as 2012-001



# Dave Yost • Auditor of State

COVENTRY LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 14, 2013