

# **Coventry Local School District**

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*Basic Financial Statements*

*June 30, 2005*





**Auditor of State  
Betty Montgomery**

Board of Education  
Coventry Local School District  
3257 Cormany Road  
Akron, OH 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, 2004 through June 30, 2005. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

February 14, 2006

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**COVENTRY LOCAL SCHOOL DISTRICT**

*For the Year Ended June 30, 2005  
Table of Contents*

	<i>Page</i>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
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 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 Balance to 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 Fund.....	18
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund .....	19
Statement of Cash Flows Fund Net Assets – Proprietary Funds .....	20
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds .....	21
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	22

**COVENTRY LOCAL SCHOOL DISTRICT**

*For the Year Ended June 30, 2005*

*Table of Contents*

Notes to the Basic Financial Statements .....	23
Report on Compliance and on Internal Control Over Financial Reporting Based in an Audit of Financial Statements Performed In Accordance with Government Auditing Standards.....	51
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance In Accordance with OMB Circular A-133.....	53
Schedule of Federal Financial Assistance – CASH BASIS.....	55
Schedule of Findings and Questioned Costs OMB Circular A-133.....	56

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 15, 2005

The Board of Education  
Coventry Local School District  
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 Coventry Local School District (the School District), as of and for the year ended June 30, 2005, 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2005 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 the 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.

The Management's Discussion and Analysis on pages 3 through 10 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Hea & Associates, Inc.*



**Coventry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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The discussion and analysis of the Coventry Local School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. 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 2005 are as follows:

- q General Revenues accounted for \$14.7 million in revenue or 69.1% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for approximately \$6.6 or 30.8% of total revenues of \$21.3 million.
- q Total program expenses were \$19.4 million in Governmental Activities.
- q In total, net assets of Governmental Activities increased nearly \$1,887,000 from 2004.
- q Outstanding bonded debt increased from \$4.0 million to \$4.4 million through the issuance new debt and the payment of bond and note principal.

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

*Statement of Net Assets and the Statement of Activities*

While this document contains 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 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds 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.

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, the School District activities are listed as Governmental:

- q Governmental Activities – All of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, food service operation and extracurricular activities.

**Coventry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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

*Fund Financial Statements*

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's only major governmental fund 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 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.

**Coventry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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**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 2005 compared to 2004:

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2005	Restated 2004
<b>Assets</b>		
Current and Other Assets	\$ 13,088,367	\$ 11,108,723
Capital Assets	3,840,449	3,856,316
Total Assets	16,928,816	14,965,039
<b>Liabilities</b>		
Long-Term Liabilities	5,409,588	4,843,613
Other Liabilities	11,318,638	11,807,503
Total Liabilities	16,728,226	16,651,116
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	1,382,556	1,243,103
Restricted	1,741,968	789,928
Unrestricted (Deficit)	(2,923,934)	(3,719,108)
Total Net Assets	\$ 200,590	\$ (1,686,077)

Assets increased \$2.0 million and liabilities increased \$77,000 resulting in an increase in net assets of \$1.9 million.

**Coventry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

Table 2 shows the changes in net assets for fiscal year 2005. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

**(Table 2)**  
**Changes in Net Assets**

	Governmental Activities	
	2005	Restated 2004
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 4,976,168	\$ 4,476,371
Operating Grants	1,580,588	1,117,128
Capital Grants	12,004	0
<i>General Revenue:</i>		
Property Taxes	9,680,289	7,758,941
Grants and Entitlements	4,934,346	4,845,346
Other	88,122	91,347
<b>Total Revenues</b>	<b>21,271,517</b>	<b>18,289,133</b>
<b>Program Expenses</b>		
Instruction	10,970,488	10,180,327
Support Services	6,966,884	6,793,003
Operation of Non-Instructional	867,389	491,863
Extracurricular Activities	351,162	313,340
Interest and Fiscal Charges	228,927	246,954
<b>Total Expenses</b>	<b>19,384,850</b>	<b>18,025,487</b>
<i>Increase in Net Assets Before Transfers</i>	1,886,667	263,646
Transfers	0	3,471
<i>Increase in Net Assets After Transfers</i>	1,886,667	267,117
<i>Net Assets Beginning of Year</i>	(1,686,077)	(1,953,194)
<b>Net Assets End of Year</b>	<b>\$ 200,590</b>	<b>\$ (1,686,077)</b>

**Coventry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

**Governmental Activities**

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. All governmental activity had total revenues of \$21.3 million and expenses of \$19.4 million.

**(Table 3)**  
**Governmental Activities**

	2005		Restated 2004	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 10,970,488	\$ 5,842,154	\$ 10,180,328	\$ 5,471,677
Support Services:				
Pupils and Instructional Staff	1,725,007	1,278,524	1,986,882	1,696,342
Board of Education, Administration				
Fiscal and Business	2,213,978	2,213,978	2,315,082	2,284,970
Operation and Maintenance of Plant	2,073,866	2,073,866	1,625,108	1,620,035
Pupil Transportation and Central	954,033	934,911	865,931	839,984
Operation of Non-Instructional Services	867,389	25,372	491,863	78,166
Extracurricular Activities	351,162	218,358	313,339	193,860
Interest Charges	228,927	228,927	246,954	246,954
<b>Total</b>	<b>\$ 19,384,850</b>	<b>\$ 12,816,090</b>	<b>\$ 18,025,487</b>	<b>\$ 12,431,988</b>

Instruction, Pupils and Instructional Staff a comprise 65.5% of governmental program expenses. Pupil Transportation and the Operation/Maintenance of Plant account for 9.3% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Coventry Local School District students.

**Coventry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

***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.

For the general fund, budget basis revenue was \$18.3 million, which is under the original budget estimate of \$19.7 million. Final appropriations of \$18.2 million were under original appropriations of \$19.6 million.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2005, the School District had \$3.8 million invested in land, buildings, equipment, and vehicles. Table 4 shows fiscal year 2005 balances compared with 2004 net of depreciation.

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

	Governmental Activities	
	2005	Restated 2004
Land	\$ 544,210	\$ 544,210
Buildings and Improvements	2,427,697	2,500,720
Furniture and Equipment	630,220	508,298
Vehicles	238,322	303,088
Totals	\$ 3,840,449	\$ 3,856,316

The approximately \$15,900 decrease in capital assets was attributable to depreciation expense exceeding additional purchases. See Note 11 to the basic financial statements for detail on the School District's capital assets.

A change in Ohio law required school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2005, this amounted to \$315,308 for each set aside. The School District has qualifying disbursements to partially offset these requirements for capital improvement and textbooks. See Note 21 for additional information.

**Coventry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

**Debt**

At June 30, 2005, the School District had \$4,406,198 in bonds and notes outstanding with \$379,504 due within one year. During fiscal year 2005, \$327,196 of general obligation bonds and notes were retired. Table 5 summarizes bonds and notes outstanding.

**(Table 5)**  
**Outstanding Debt, at June 30**

	Governmental Activities	
	2005	2004
Notes Payable:		
HB264 Energy Conservation Loan	\$642,132	\$687,269
Energy Conservation Loan Phase #2	681,587	723,380
Energy Conservation Loan Phase #3	709,533	0
	2,033,252	1,410,649
General Obligation Bonds Payable:		
School Improvement Bonds	2,325,000	2,520,000
Bus Acquisition Bonds, Series 2000	47,946	93,212
	2,372,946	2,613,212
 Total Debt	 4,406,198	 4,023,861

HB#264 Energy Conservations Loans were used for window replacement at the Middle School and the Junior High School. All buildings were upgraded with more cost efficient lighting. The school improvement bonds were for improvements to the buildings and the bus acquisition bonds were use to purchase new buses. See Note 17 to the basic financial statements for detail on the School District's long-term obligations.

**Coventry Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2005*  
*Unaudited*

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***Current Issues***

Coventry Local School District receives approximately 25% of its revenue from the State. The School District does receive additional revenue for open enrollment. Future projections show a consistent enrollment. Special education funding is anticipated to increase for the next two years, then begin to decline. Lastly, the School District loses revenue annually due to a decrease in tangible personal property taxes.

The School District, in turn, relies on its local property taxpayers. The last operating levy was passed in 2003, for 9.96 mills, 5-year emergency levy. The five-year forecast projects a deficit in fiscal year 2009. With House Bill 920 current levies do not provide inflationary revenue growth as valuation increases, with the exception of inside millage and new construction. Thus, as a school district dependent upon property tax and a decline in the State Foundation, the School District will need to request a renewal of the 2003 levy when it expires as well as property tax increases to maintain a constant level of service.

The School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

***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

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 3,693,555
Cash and Cash Equivalents in Segregated Accounts	50,984
Receivables:	
Taxes	9,121,605
Accrued Interest Receivable	4,539
Intergovernmental	217,684
Nondepreciable Capital Assets	544,210
Depreciable Capital Assets (Net)	<u>3,296,239</u>
<i>Total Assets</i>	<u>16,928,816</u>
<b>Liabilities:</b>	
Accounts Payable	303,409
Accrued Wages and Benefits	1,575,901
Intergovernmental Payable	557,844
Accrued Vacation Leave Payable	24,189
Matured Compensated Absences Payable	68,000
Unearned Revenue	8,254,450
Claims Payable	534,845
Long -Term Liabilities:	
Due Within One Year	541,737
Due Within More Than One Year	<u>4,867,851</u>
<i>Total Liabilities</i>	<u>16,728,226</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	1,382,556
Restricted for:	
Debt Service	31,671
Capital Outlay	772,190
Other Purposes	158,255
Set Asides	779,852
Unrestricted	<u>(2,923,934)</u>
<i>Total Net Assets</i>	<u>\$ 200,590</u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants, etc	Governmental Activities
<b>Governmental Activities:</b>					
Current:					
Instruction:					
Regular	\$ 8,474,262	\$ 506,644	\$ 461,747	\$ 0	\$ (7,505,871)
Special	1,717,083	3,940,630	219,313	0	2,442,860
Vocational	209,282	0	0	0	(209,282)
Other	569,861	0	0	0	(569,861)
Support Services:					
Pupils	900,888	0	354,088	0	(546,800)
Instructional Staff	824,119	9,396	82,999	0	(731,724)
Board of Education	62,383	0	0	0	(62,383)
Administration	1,648,039	0	0	0	(1,648,039)
Fiscal	483,043	0	0	0	(483,043)
Business	20,513	0	0	0	(20,513)
Operation and Maintenance of Plant	2,073,866	0	0	0	(2,073,866)
Pupil Transportation	809,694	0	0	12,004	(797,690)
Central	144,339	0	7,118	0	(137,221)
Operation of Non-Instructional Services	867,389	386,694	455,323	0	(25,372)
Extracurricular Activities	351,162	132,804	0	0	(218,358)
Interest and Fiscal Charges	228,927	0	0	0	(228,927)
<b>Total Governmental Activities</b>	<b>\$ 19,384,850</b>	<b>\$ 4,976,168</b>	<b>\$ 1,580,588</b>	<b>\$ 12,004</b>	<b>(12,816,090)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					9,269,606
Debt Service					410,683
Grants and Entitlements not Restricted to Specific Programs					4,934,346
Investment Earnings					71,430
Miscellaneous					16,692
<b>Total General Revenues and Transfers</b>					<b>14,702,757</b>
<i>Change in Net Assets</i>					1,886,667
<i>Net Assets Beginning of Year, Restated (See Note 3)</i>					(1,686,077)
<i>Net Assets End of Year</i>					\$ 200,590

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2005*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 1,361,518	\$ 1,075,192	\$ 2,436,710
Cash and Cash Equivalents in Segregated Accounts	0	50,984	50,984
Restricted Cash and Cash Equivalents	779,852	0	779,852
Receivables:			
Taxes	8,788,459	333,146	9,121,605
Interest	4,539	0	4,539
Interfund	324,091	0	324,091
Intergovernmental	31,337	186,347	217,684
<i>Total Assets</i>	<u>\$ 11,289,796</u>	<u>\$ 1,645,669</u>	<u>\$ 12,935,465</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 257,630	\$ 45,779	\$ 303,409
Accrued Wages and Benefits	1,457,912	117,989	1,575,901
Interfund Payable	0	324,091	324,091
Intergovernmental Payable	516,442	41,402	557,844
Accrued Vacation Payable	24,189	0	24,189
Matured Compensated Absences Payable	68,000	0	68,000
Unearned Revenue	8,189,696	318,796	8,508,492
<i>Total Liabilities</i>	10,513,869	848,057	11,361,926
<b>Fund Balances:</b>			
Reserved for Encumbrances	361,171	61,321	422,492
Reserved for Tax Revenue Unavailable for Appropriation	610,751	23,152	633,903
Reserved for Textbooks/Instructional Materials	336,855	0	336,855
Reserved for Capital Improvement	442,997	0	442,997
Unreserved:			
Undesignated, Reported in:			
General Fund	(975,847)	0	(975,847)
Special Revenue Funds	0	(35,426)	(35,426)
Capital Projects Funds	0	748,565	748,565
<i>Total Fund Balances</i>	<u>775,927</u>	<u>797,612</u>	<u>1,573,539</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 11,289,796</u>	<u>\$ 1,645,669</u>	<u>\$ 12,935,465</u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 June 30, 2005*

<b>Total Governmental Fund Balances</b>	\$	1,573,539
 <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.		3,840,449
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 8,801	
Excessive Costs	11,988	
Delinquent Property Taxes	233,252	254,041
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 and Notes	(4,406,198)	
Capital Leases	(84,947)	(4,491,145)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(854,443)	
Early Retirement Incentive	(64,000)	(918,443)
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.		(57,851)
 <b>Net Assets of Governmental Activities</b>	 \$	 <u>200,590</u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 9,261,684	\$ 402,164	\$ 9,663,848
Intergovernmental	5,112,633	1,385,599	6,498,232
Investment Income	71,430	0	71,430
Tuition and Fees	3,998,511	219,305	4,217,816
Extracurricular Activities	16,848	115,956	132,804
Charges for Services	202,140	386,694	588,834
Rentals	0	8,686	8,686
Gifts and Donations	7,412	20,773	28,185
Miscellaneous	24,727	8,005	32,732
<i>Total Revenues</i>	18,695,385	2,547,182	21,242,567
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	8,123,460	551,945	8,675,405
Special	1,468,014	283,308	1,751,322
Vocational	222,261	0	222,261
Other	569,861	0	569,861
Support Services:			
Pupils	805,678	134,890	940,568
Instructional Staff	653,778	199,372	853,150
Board of Education	62,383	0	62,383
Administration	1,697,637	22,482	1,720,119
Fiscal	496,546	0	496,546
Business	20,513	0	20,513
Operation and Maintenance of Plant	1,942,172	693	1,942,865
Pupil Transportation	749,627	938	750,565
Central	141,349	7,118	148,467
Operation of Non-Instructional Services	78,443	881,185	959,628
Extracurricular Activities	281,017	73,754	354,771
Capital Outlay	7,233	0	7,233
Debt Service:			
Principal Retirement	132,821	240,266	373,087
Interest and Fiscal Charges	90,181	138,746	228,927
<i>Total Expenditures</i>	17,542,974	2,534,697	20,077,671
<i>Excess of Revenues Over (Under) Expenditures</i>	1,152,411	12,485	1,164,896
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Capital Assets	5,759	0	5,759
Transfers In	0	30,719	30,719
Inception of Capital Lease	130,838	0	130,838
Proceeds from Sale of Note	0	709,533	709,533
Transfers Out	(30,294)	(425)	(30,719)
<i>Total Other Financing Sources and (Uses)</i>	106,303	739,827	846,130
<i>Net Change in Fund Balance</i>	1,258,714	752,312	2,011,026
<i>Fund Balance (Deficit) at Beginning of Year</i>	(482,787)	45,300	(437,487)
<i>Fund Balance (Deficit) at End of Year</i>	\$ 775,927	\$ 797,612	\$ 1,573,539

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities  
For the Fiscal Year Ended June 30, 2005*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	2,011,026
 <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 additions exceeded depreciation in the current period.		
Capital Asset Additions	\$ 417,392	
Current Year Depreciation	(431,555)	(14,163)
Net effect of transactions involving disposal of capital assets are not reflected in the funds.		
		(1,704)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	521	
Excessive Costs	11,988	
Delinquent Property Taxes	16,441	28,950
Repayment of note and bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Note Principal	86,930	
Capital Leases	45,891	
Bond Principal	240,266	373,087
Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(98,691)	
Pension Obligation	245,785	147,094
Issuance of long term debt and costs, premiums, discounts, etc are recorded in the funds when the transaction occurs		
Proceeds from issuance	(709,533)	
Inception of Capital Lease	(130,838)	(840,371)
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. The net revenue (expense) of internal service funds is reported with governmental activities.		
		182,748
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b>1,886,667</b>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 8,774,118	\$ 8,393,359	\$ 8,932,024	\$ 538,665
Intergovernmental	5,359,027	5,001,487	5,136,375	134,888
Investment Income	79,488	69,486	66,891	(2,595)
Tuition and Fees	4,751,542	4,153,636	3,998,511	(155,125)
Extracurricular	20,021	17,502	16,848	(654)
Charges for Services	240,209	209,982	202,140	(7,842)
Gifts and Donations	8,808	7,700	7,412	(288)
Miscellaneous	29,384	25,686	24,727	(959)
<i>Total Revenues</i>	<u>19,262,597</u>	<u>17,878,838</u>	<u>18,384,928</u>	<u>506,090</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	8,873,258	8,223,359	8,080,239	143,120
Special	1,678,206	1,527,568	1,528,222	(654)
Vocational	238,378	216,893	217,074	(181)
Other	616,788	561,664	561,664	0
Support Services:				
Pupils	893,318	812,977	813,481	(504)
Instructional Staff	720,590	632,793	656,190	(23,397)
Board of Education	62,963	61,551	57,336	4,215
Administration	1,834,144	1,670,481	1,670,224	257
Fiscal	524,435	487,977	477,565	10,412
Business	22,526	20,513	20,513	0
Operation and Maintenance of Plant	2,174,566	2,287,243	1,980,221	307,022
Pupil Transportation	817,954	744,948	744,852	96
Central	149,848	136,455	136,456	(1)
Operation of Non-Instructional Services	81,922	48,497	74,600	(26,103)
Extracurricular Activities	311,667	251,988	283,813	(31,825)
Capital Outlay	11,786	13,692	10,733	2,959
Debt Service:				
Principal Retirement	95,461	86,930	86,930	0
Interest & Fiscal Charges	98,856	90,021	90,021	0
<i>Total Expenditures</i>	<u>19,206,666</u>	<u>17,875,550</u>	<u>17,490,134</u>	<u>385,416</u>
Excess of Revenues Over (Under) Expenditures	55,931	3,288	894,794	891,506
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Assets	6,844	5,982	5,759	(223)
Refund of Prior Year Expenditures	30,887	27,000	25,992	(1,008)
Transfers In	67	58	56	(2)
Advance In	404,219	353,355	340,158	(13,197)
Transfers Out	(33,328)	(30,271)	(30,350)	(79)
Advance Out	(355,898)	(324,091)	(324,091)	0
<i>Total Other Financing Sources (Uses)</i>	<u>52,791</u>	<u>32,033</u>	<u>17,524</u>	<u>(14,509)</u>
<i>Net Change in Fund Balance</i>	108,722	35,321	912,318	876,997
<i>Fund Balance (Deficit) at Beginning of Year</i>	323,771	323,771	323,771	0
Prior Year Encumbrances Appropriated	437,694	437,694	437,694	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 870,187</u>	<u>\$ 796,786</u>	<u>\$ 1,673,783</u>	<u>\$ 876,997</u>

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2005*

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	<b>Governmental Activities Internal Service Fund</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 476,994
<i>Total Assets</i>	<u>476,994</u>
<b>Liabilities</b>	
Claims Payable	<u>534,845</u>
<i>Total Liabilities</i>	<u>534,845</u>
<b>Net Assets</b>	
Unrestricted	<u>(57,851)</u>
<i>Total Net Assets</i>	<u><u>\$ (57,851)</u></u>

See accompanying notes to the basic financial statements.



**Coventry Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2005*

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	<b>Governmental Activities Internal Service Fund</b>
<b>Operating Revenues:</b>	
Charges for Services	\$ 2,410,408
<i>Total Operating Revenues</i>	2,410,408
<b>Operating Expenses:</b>	
Purchased Services	297,972
Claims	1,929,688
<i>Total Operating Expenses</i>	2,227,660
<i>Change in Net Assets</i>	182,748
<i>Net Assets (Deficit) Beginning of Year</i>	(240,599)
<i>Net Assets (Deficit) End of Year</i>	\$ (57,851)

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2005

	<b>Governmental Activities Internal Service Fund</b>
<b>Cash Flows From Operating Activities:</b>	
Cash Received for Charges for Services	\$ 2,410,408
Cash Paid for Goods and Services	(297,972)
Cash Paid for Claims	(2,051,342)
<i>Net Cash Provided By (Used For) Operating Activities</i>	61,094
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	61,094
<i>Cash and Cash Equivalents at Beginning of Year</i>	415,900
<i>Cash and Cash Equivalents at End of Year</i>	\$ 476,994
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>	
Operating Income (Loss)	\$ 182,748
Adjustments:	
Increase (Decrease) in Liabilities	
Claims Payable	(121,654)
<i>Total Adjustments</i>	(121,654)
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ 61,094

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2005*

	Private Purpose Trust	Agency
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 35,095	\$ 89,099
<i>Total Assets</i>	<u>35,095</u>	<u>89,099</u>
<b>Liabilities:</b>		
Due to Students	\$ 0	\$ 89,099
<i>Total Liabilities</i>	<u>0</u>	<u>89,099</u>
<b>Net Assets:</b>		
Held in Trust for Scholarships	<u>35,095</u>	
<i>Total Net Assets</i>	<u>\$ 35,095</u>	

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2005*

	Private Purpose Trust
<b>Additions:</b>	
Gifts and Contributions	\$ 285
<b>Deductions:</b>	0
<i>Change in Net Assets</i>	285
<i>Net Assets Beginning of Year</i>	34,810
<i>Net Assets End of Year</i>	\$ 35,095

See accompanying notes to the basic financial statements.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**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 operates under a locally-elected five-member Board form of government and provides educational services as mandated by the State and federal agencies. Each member is elected to a four year term. The Board of Education controls the School District's six instructional support facilities staffed by 122 classified employees and 184 certified full-time teaching personnel who provide services to 2,321 students and other community members.

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 that 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 one component units, Coventry Digital Academy ("the Academy"), which ceased operations on August 16, 2004 (See Note 24). The School District appoints a voting majority of the Academy's governing board. The School District management has determined it is not significant; therefore, it has not been included as part of the School District's basic financial statements.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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The School District participates in three jointly governed organizations and one public entity risk pool. These organizations include Northeast Ohio Network for Educational Technology (NEONET), Portage Lakes Career Center, Interval Opportunity School, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 12 and 20 to the basic financial statements.

**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) as 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 proprietary funds provided they do not conflict with or contradict GASB pronouncements. For the year ended June 30, 2005, the School District has implemented GASB Statement No. 40 "*Deposit and Investment Risk Disclosures.*" There was no effect on fund balance as a result of this implementation. The most significant of the School District's accounting policies are described below.

**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

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

***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 only 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 whose use is restricted to a particular purpose.

***Proprietary Fund*** Proprietary fund reporting focuses on the determination of operating income, changes in net asset, 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.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***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. The statement of activities presents increases (revenues) and decreases (expenses) in total net assets.

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

Like the government-wide statements, 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 also 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.



**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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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 7). 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, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. See Note 19 for a summary of the School District's 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 operating statement as an expense with a like amount reported as intergovernmental revenue.

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 "Cash and cash equivalents in segregated accounts" which are for special trusts and private purpose trust funds.

During fiscal year 2005, investments were limited to certificates of deposits and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Repurchase agreements are reported at cost.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$66,891 which includes \$23,562 assigned from other School District funds.

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.

***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 include amounts required by statute to be set-aside for the purchase of textbooks and other instructional material and capital improvements. See Note 21 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

***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 five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***H. Interfund Balances***

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.

***I. 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.

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.

***J. 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, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

***K. 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 are primarily for instruction of students.

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

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***L. Fund Balance Reserves***

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, property taxes, textbook purchases, and capital improvement.

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

***M. 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 good or service that is the primary activity of the fund.

***N. 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 nonoperating 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.

***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***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was at the fund level. Budgetary modifications changing total fund appropriations may only be made by resolution of the Board of Education.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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***Tax Budget*** Prior to January 15, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission for rate determination.

***Estimated Resources*** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the School District by March 1. As part of the certification, the School District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended 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 2005.

***Appropriations*** A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

***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**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

**Note 3 – Restatement of Prior Year Net Assets**

For the period ending June 30, 2004 ending accumulated depreciation balance for buildings and improvements was overstated due to using an incorrect acquisition date for some individually tagged assets. Also it was noted that claims payable was understated in the prior year in error. The following is summary of the effect on the net asset amount reported in the basic financial statements for the period ending June 30, 2004:

	<u>Self Insurance Internal Service Fund</u>
Net Assets, June 30, 2004	\$ 154,205
Understated Claims Payable	<u>(394,804)</u>
Restated Net Assets June 30, 2004	<u>\$ (240,599)</u>
	<u>Governmental Activities</u>
Net Assets, June 30, 2004	\$ (1,641,475)
Understated Claims Payable	(394,804)
Overstated Accumulated Depreciation	<u>350,202</u>
Restated Net Assets June 30, 2004	<u>\$ (1,686,077)</u>

**Note 4 - Fund Deficits**

Fund balances and net assets at June 30, 2005 included the following individual fund deficits:

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

	Deficit	
	Fund Balance	Net Assets
Nonmajor Governmental Funds:		
Food Service	\$ 318,639	\$ 334,292
District Managed Student Activities	3,032	3,032
IDEA Preschool Grant for the Handicapped	1,221	1,659
Improving Teacher Quality	1,902	2,805
Public School Preschool	0	52
Building Incentive Grant	725	725

The deficits in the nonmajor governmental funds, except food service, 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. The food service was closed for seven of the nine months during the year. The School District's plan is to fund the deficit over the next few years as the general fund is able.

**Note 5 - 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. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

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.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**Net Change in Fund Balance**

GAAP Basis	\$ 1,258,714
Net Adjustment for Revenue Accruals	310,457
Advance In	340,158
Advance Out	(324,091)
Net Adjustment for Expenditure Accruals	(205,330)
Adjustment for Encumbrances	<u>(467,590)</u>
Budget Basis	<u><u>\$ 912,318</u></u>

**Note 6 - 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 two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts.

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

Interim monies 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, including but not limited to, the Federal National Mortgage Association,



**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to 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 twenty-five percent 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.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$3,868,733 and the bank balance was \$3,957,342. Of the bank balance:

1. \$286,079 of the bank balance was covered by depository insurance; and
2. \$3,671,263 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**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. .

**Credit Risk:** The School District investments during June 30, 2005 included certificate of deposits with maturities of one year or less and in an overnight repurchase account. None of which are rated by Standard & Poor's or Moody's Investors Service.

**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 certificates of deposits and overnight repurchase account exceeded more than 5 percent of the School District's investments. These investments were insured by the FDIC and with pledged collateral, held and in the name of the pledging institution in which the deposit and investments are held.

#### **Note 7 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a subsequent fiscal year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1, and are collected with real property taxes. Assessed values for real property are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 100% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25% of true value for capital assets and 23% of true value of inventory.

The assessed values upon which the fiscal year 2005 taxes were collected are:

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 232,522,410	78.90%
Commercial/Industrial	45,136,980	15.32%
Public Utility Personal	8,570,080	2.91%
Tangible Personal Property	<u>8,444,012</u>	<u>2.87%</u>
Total	<u>\$ 294,673,482</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$ 66.12	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30, with the remainder payable by September 20.

The Summit County Fiscal Officer collects property tax on behalf of all taxing districts within the county. The County Fiscal Officer periodically advances to the School District their portion of the taxes collected. The amount available to the School District as an advance at June 30, 2005 is available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2005. Although total property tax collections for the next fiscal year are measurable, only the amount available and measurable are recorded as revenue. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount measurable and available to the School District at June 30, 2005, was \$633,903.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

**Note 8 - Interfund Transfers**

Transfers made during fiscal year 2005 were as follows:

	Transfer In	Transfer Out
General Fund	\$ 0	\$ 30,294
Other Governmental Funds:		
Bond Retirement	0	0
Food Service	9,523	0
Special Trust	0	10
Uniform School Supplies	0	370
Other Grants	0	45
Special Enterprise	370	0
District Managed Student Activities	20,270	0
Drug Free Grant	556	0
Total	\$ 30,719	\$ 30,719

These transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

**Note 9 - Interfund Balances**

Interfund balances at June 30, 2005 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 324,091	\$ 0
Nonmajor Governmental Funds	0	324,091
Total	\$ 324,091	\$ 324,091

Interfund receivables and payables resulted from the time lag between the dates that payments between funds are made. As of June 30, 2005, all interfund payables outstanding are anticipated to be repaid in fiscal year 2006.

**Note 10 - Receivables**

Receivables at June 30, 2005 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.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2005

**Note 11 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance 6/30/04	Additions	Reductions	Balance 6/30/05
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 544,210	\$ 0	\$ 0	\$ 544,210
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	7,467,636	54,625	0	7,522,261
Furniture and Equipment	2,130,487	362,767	(76,182)	2,417,072
Vehicles	807,990	0	(37,098)	770,892
	<u>10,406,113</u>	<u>417,392</u>	<u>(113,280)</u>	<u>10,710,225</u>
Total Capital Assets, being depreciated				
Less Accumulated Depreciation:				
Buildings and Improvements	(4,966,916)	(127,648)	0	(5,094,564)
Furniture and Equipment	(1,622,189)	(239,566)	74,903	(1,786,852)
Vehicles	(504,902)	(64,341)	36,673	(532,570)
	<u>(7,094,007)</u>	<u>(431,555)</u>	<u>111,576</u>	<u>(7,413,986)</u>
Total Accumulated Depreciation				
Total Capital Assets being depreciated, net	<u>3,312,106</u>	<u>(14,163)</u>	<u>(1,704)</u>	<u>3,296,239</u>
Governmental Capital Assets, net	<u>\$ 3,856,316</u>	<u>\$ (14,163)</u>	<u>\$ (1,704)</u>	<u>\$ 3,840,449</u>

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 183,501
Special	11,291
Vocational	644
Support Services:	
Pupil	4,351
Instructional Staff	13,473
Administration	3,750
Fiscal	229
Operation and Maintenance of Plant	141,080
Pupil Transportation	61,573
Central	363
Operation of Non Instructional	9,594
Extracurricular Activities	<u>1,706</u>
Total Depreciation	<u>\$ 431,555</u>

## **Note 12 - 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 2005, 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**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

***Self Insurance***

The School District has established a limited risk management program for hospital/medical benefits. Premiums are paid into the self-insurance fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2005, a total expense of \$2,227,660 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of \$75,000. The liability for unpaid claims cost of \$534,845 reported in the fund at June 30, 2005 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 amount in 2004 and 2005 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>
2005	\$	656,499	1,929,688	2,051,342	\$ 534,845
2004	\$	339,633	2,290,340	1,973,474	\$ 656,499

**Note 13 - 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.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**Note 14 - Pension Plans**

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

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System 300 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$333,972, \$353,292, and \$352,296, respectively; 53.29% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$156,000 represents the unpaid contribution for fiscal year 2005, and is recorded as a liability within the respective funds.

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

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.



**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. 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 the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,104,643, \$1,045,584, and \$1,071,850, respectively; 82% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$9,709 made by the School District and \$14,231 made by the plan members. \$205,885 represents the unpaid contribution for fiscal year 2005, and is recorded as a liability within the respective funds.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, all members of the Board of Education have elected the School Employees Retirement System. The Board's liability is 14% of wages paid.

**Note 15 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$79,597 during the 2005 fiscal year.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, the health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2004, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$137,573.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS had approximately 62,000 participants currently receiving health care benefits.

**Note 16 - Contingencies**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

**B. Litigation**

The Coventry Local School District is party to legal proceedings. The School District's management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2005

**Note 17 - Long - Term Obligations**

	Balance 06/30/04	Additions	Reductions	Balance 06/30/05	Due Within One Year
<b>Governmental Activities</b>					
<i>Notes Payable:</i>					
HB264 Energy Conservation Loan, 6.32%, Due 03/15/2015	\$ 687,269	\$ 0	\$ (45,137)	\$ 642,132	\$ 47,990
Energy Conservation Loan Phase #2, 6.44%, Due 10/15/2005	723,380	0	(41,793)	681,587	44,483
Energy Conservation Loan Phase #3, 4.43%, Due 06/01/2020	0	709,533	0	709,533	34,085
	<u>\$ 1,410,649</u>	<u>\$ 709,533</u>	<u>\$ (86,930)</u>	<u>\$ 2,033,252</u>	<u>\$ 126,558</u>
<i>General Obligation Bonds Payable:</i>					
School Improvement Bonds, 5.50%, Due 12/01/2013	2,520,000	0	(195,000)	2,325,000	205,000
Bus Acquisition Bonds, Series 2000, 5.91%, Due 7/1/2005	93,212	0	(45,266)	47,946	47,946
	<u>2,613,212</u>	<u>0</u>	<u>(240,266)</u>	<u>2,372,946</u>	<u>252,946</u>
Capital Leases	<u>0</u>	<u>130,838</u>	<u>(45,891)</u>	<u>84,947</u>	<u>41,323</u>
Compensated Absences	<u>819,752</u>	<u>217,416</u>	<u>(182,725)</u>	<u>854,443</u>	<u>72,910</u>
Early Retirement Incentive	<u>0</u>	<u>116,000</u>	<u>(52,000)</u>	<u>64,000</u>	<u>48,000</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 4,843,613</u>	<u>\$ 1,173,787</u>	<u>\$ (607,812)</u>	<u>\$ 5,409,588</u>	<u>\$ 541,737</u>

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

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 bonds were issued for a fifteen year period with final maturity during fiscal 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 district. The bonds 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.

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

Bus Acquisition Bonds – On November 15, 2000, the School District issued \$220,000 for the purpose of bus acquisitions. The bonds were issued for a five year period with final maturity during fiscal year 2006.

The energy conservation notes, school improvement bonds and the bus acquisition bonds will be paid from the debt service fund. The compensated absences will be paid from the funds which the employee's salaries are paid. In prior year's this has primarily been the general fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005 are as follows:

Ending June 30,	Principal	Interest	Total
2006	252,946	125,071	378,017
2007	220,000	110,550	330,550
2008	230,000	98,175	328,175
2009	245,000	85,112	330,112
2010	255,000	71,362	326,362
2010-2014	1,170,000	132,827	1,302,827
Total	\$ 2,372,946	\$ 623,097	\$ 2,996,043

Principal and interest requirements to retire notes payable outstanding at June 30, 2005 are as follows:

Fiscal Year Ending June 30,	Energy Conversation Loans		
	Principal	Interest	Total
2006	126,558	116,557	243,115
2007	133,997	109,118	243,115
2008	141,881	101,234	243,115
2009	150,238	92,876	243,114
2010	159,097	84,018	243,115
2011-2015	948,189	267,383	1,215,572
2016-2020	373,292	45,879	419,171
Total	\$ 2,033,252	\$ 817,065	\$ 2,850,317

The notes are backed by the full faith and credit of the Coventry Local School District.

**Note 18 - Capitalized Leases**

Capital lease obligations relate to computer equipment which are leased under long-term agreements. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 "Accounting for Leases". 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. These expenditures are reflected as program/function

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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expenditures on a budgetary basis. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2005.

	2006	\$	46,051
	2007		46,051
	Total payments		92,102
	Less Amount Representing Interest		7,155
	Present Value of Minimum Lease Payments	\$	84,947

The assets being acquired have been capitalized in the general fund in the amount of \$130,838, which is the present value of the minimum lease payments at the inception of each lease.

**Note 19 - Deferred Revenue**

Deferred revenue at June 30, 2005 consisted of the following:

	Statement of Net Assets		Balance Sheet
	\$		\$
Property Taxes Receivable	8,254,450		8,487,702
Grants Receivable	0		8,802
Excessive Cost	0		11,988
Deferred Revenue	\$ 8,254,450		\$ 8,508,492

**Note 20 - Jointly Governed Organizations and Public Entity**

*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

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2005

which serves as fiscal agent, located at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221. During the year ended June 30, 2005, the School District paid approximately \$37,994 to NEONET for basic service charges.

***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 21 - 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 purchase of textbooks and other instructional materials and an equal amount for 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.

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set-Aside Cash Balance as of June 30, 2004	\$ 302,968	\$ 277,738	\$ 580,706
Current Year Set-Aside Requirement	315,308	315,308	630,616
Qualifying Disbursements	(175,279)	(256,191)	(431,470)
Total	<u>\$ 442,997</u>	<u>\$ 336,855</u>	<u>\$ 779,852</u>
Cash Balance Carried Forward FY 2005	<u>\$ 442,997</u>	<u>\$ 336,855</u>	<u>\$ 779,852</u>
Amount for Set-Asides			<u>\$ 779,852</u>

**Coventry Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2005*

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**Note 22 - State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "the Ohio General Assembly to enact a school funding scheme that is thorough and efficient".

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**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. Also, in November, 2003, the School District passed a 9.96 mill levy.

**Note 24 - Coventry Digital Academy**

The Coventry Digital Academy has been determined to be a discrete component unit. The School District management has determined it is not significant; therefore, it has not been included as part of the School District's basic financial statements.

On August 16, 2004, the Academy fell below the 25 student minimum to be fully operational. As a result the Academy presently ceased operations and does not expect to reinstitute its programs. The 13 remaining students withdrew from the Academy and then enrolled as full-time students into Tri Rivers Educational Computer Association (TRECA) Digital Academy. The Academy continues to provide various services for these students, such as tutoring, speech & hearing, and any other services required for special needs students. The remaining funds are being used for these services and will be exhausted 2005-2006 school year. The equipment acquired by the Academy will be donated to the Coventry Local School District. The unused IDEA-B funding for the special needs students will be returned to the Ohio Department of Education at the end of the 2005-2006 school year.

The Academy issues a publicly available, stand alone-financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Treasurer, at Coventry Digital Academy, 3089 Manchester Road, Akron, OH 44319.

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December 15, 2005

To the Board of Education  
Coventry Local School District  
Summit County, Ohio

**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 Coventry Local School District as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 15, 2005. 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**

In planning and performing our audit, we considered Coventry Local School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Coventry Local School District in a separate letter dated December 15, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coventry Local 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Coventry Local School District in a separate letter dated December 15, 2005.

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

*Rea & Associates, Inc.*

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 15, 2005

To the Board of Education  
Coventry Local Schools District  
Summit County, Ohio

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE OMB CIRCULAR A-133**

### Compliance

We have audited the compliance of Coventry Local Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to the School District's major program for the year ended June 30, 2005. The School District's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Coventry Local School District's management. Our responsibility is to express an opinion on Coventry Local School'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 the 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about Coventry Local School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Coventry Local School's compliance with those requirements.

In our opinion, Coventry Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major program for the year ended June 30, 2005. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Coventry Local School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Coventry Local School District internal control over compliance with requirements that could have a direct and material effect on its major program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over compliance that we have reported to management of Coventry Local School District in a separate letter dated December 15, 2005.

Schedule of Expenditures of Federal Awards – Non GAAP Budgetary Basis

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Coventry Local Schools as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 15, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Rea & Associates, Inc.*

**COVENTRY LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
<b>U. S. Department of Education (Passed Through Ohio Department of Education):</b>					
Title I	84.010	C1-S1-2004	\$ (7,944)	\$ 24,132	\$ 0
Title I	84.010	C1-S1-2005	94,403	85,124	0
Title I-D	84.010	C1-SD-2005	26,060	1,096	0
Title I-D {C}	84.010	C1-SD-2004	(24,532)	199	0
Total Title I			87,987	110,551	0
<i>Special Education Cluster</i>					
IDEA-B	84.027	6B-SF-2004	34,492	29,157	0
IDEA-B	84.027	6B-SF-2005	345,487	362,046	0
LEP Grant	84.027	6B-SF-2003	0	521	0
Total IDEA-B			379,979	391,724	0
ERATE 2003 - 04	84.173	PG-S1-2003		26,866	
Preschool Grants	84.173	PG-S1-2005	18,643	17,633	
Preschool Grants	84.173	PG-S1-2004	1,767	1,767	0
Total Preschool Grants			20,410	46,266	0
<i>Total Special Education Cluster</i>			400,389	437,990	0
Safe and Drug-Free Schools and Communities	84.186	DR-S1-2004	2,162	3,360	0
Safe and Drug-Free Schools and Communities	84.186	DR-S1-2005	7,308	2,362	0
Safe and Drug-Free Schools and Communities	84.186	DR-S1-2003	0	1,237	0
Total Safe and Drug-Free Schools and Communities			9,470	6,959	0
Goals 2000-State & Local Education Systemic Improvement Grants {C}	84.276	G2-S2-2000	(945)	0	0
Total Goals 2000			(945)	0	0
Title V ©	84.298	C2-S1-2004	(3,685)	6,251	0
Title V	84.298	C2-S1-2005	10,726	12,698	0
Title V	84.298	C2-S1-2003	0	159	0
Total Title V			7,041	19,108	0
Title II-D	84.318	TJ-S1-2004	1,154	264	0
Title II-D	84.318	TJ-S1-2005	1,461	0	0
Total Title II-D			2,615	264	0
Title II-A	84.340	TR-S1-2005	65,135	65,150	0
Title II-A	84.340	TR-S1-2004	5,931	7,681	0
Title II-A	84.340	TJ-S1-02-04	0	30	0
Title II-A	84.340	TJ-S1-200	0	4,690	0
Total Title II-A			71,066	77,551	0
Title II-A	84.367	TR-S1-2004	0	0	0
Title II-A	84.367	TR-S1-2003	0	0	0
Total Title II-A			0	0	0
Total Department of Education			577,623	652,423	0
<b>U.S. Department of Health and Human Services (Passed Through Ohio Department of Mental Retardation and Developmental Disabilities)</b>					
Medical Assistance Program/CAFS	93.778		124,738	124,738	0
State Childrens Health Insurance Program	93.767		17,257	17,257	0
			141,995	141,995	0
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>					
Nutrition Cluster:					
Food Distribution Program (A) (B)	10.550		47,515	0	47,515
National School Lunch Program (A)	10.555		174,184	174,184	0
Total Department of Agriculture: Nutrition Cluster			221,699	174,184	47,515
Total Federal Assistance			\$ 941,317	\$ 968,602	\$ 47,515

(A) Government commodities are reported at the fair market value of the commodities received and disbursed.

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

{C} Refunded Receipt

**COVENTRY LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 , Section .505  
JUNE 30, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

(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 reportable control weakness conditions 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 other reportable internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Special Education Cluster #84.027 & 84.173
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None noted.

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

None noted.



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

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**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  
FEBRUARY 28, 2006**