



Dave Yost • Auditor of State

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

**Financial Forecast
For the Fiscal Year Ending June 30, 2016**

Local Government Services Section

Coventry Local School District
Summit County

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Dave Yost • Auditor of State

Financial Planning and Supervision Commission
Coventry Local School District
Ohio Department of Education
25 South Front Street
Columbus, Ohio 43215

and

Board of Education
Coventry Local School District
2910 South Main Street
Akron, Ohio 44319

CERTIFICATION

Certification is hereby made that, based upon the requirement set forth in Section 3316.08, Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the financial forecast of the general fund of the Coventry Local School District, Summit County, Ohio, and issued a report dated March 4, 2016. The forecast is based on the assumption that the School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. Additional significant assumptions are set forth in the forecast. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

The forecast reflects an operating deficit for the fiscal year ending June 30, 2016, of \$4,838,000.

The forecasted revenues include all property taxes scheduled for settlement during the forecast period. The forecast excludes the receipt of any advances against fiscal year 2016 scheduled property tax settlements. The potential advances have been excluded due to the School District's inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board's intent not to appropriate any such advances for fiscal year 2016.

Each School District receiving certification of an operating deficit under 3316.08, Revised Code, is required to recommend to the Financial Planning and Supervision commission whether a tax levy should be placed on the ballot. After considering the recommendation and supporting documentation, the Commission must adopt a resolution either stating their intent to place a tax levy on the ballot or indicating their decision not to place a tax levy on the ballot at the current time. The forecast excludes any revenue that might be generated from a new tax levy.

DAVE YOST
Auditor of State

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Unice S. Smith
Chief of Local Government Services

April 14, 2016

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Dave Yost • Auditor of State

Board of Education
Coventry Local School District
2910 South Main Street
Akron, Ohio 44319

Independent Accountant's Report

We have examined the accompanying forecasted statement of revenues, expenditures and changes in fund balance of the general fund of the Coventry Local School District for the fiscal year ending June 30, 2016. The Coventry Local School District's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, and accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The statement of revenues, expenditures and changes in fund balance arising from cash transactions of the general fund for the fiscal years ended June 30, 2013, 2014, and 2015 were compiled by us and we have not audited or reviewed the accompanying financial statements, and, accordingly, we do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements. Our responsibility is to conduct the compilation in accordance with Statements for Accounting and Review services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide assurance that no material modifications that should be made to the financial statements. Management has chosen to omit the disclosures associated with the cash basis of accounting.

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DAVE YOST
Auditor of State

March 4, 2016

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Coventry Local School District
Summit County
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2013 Through 2015 Actual;
For the Fiscal Year Ending June 30, 2016 Forecasted
General Fund

	Fiscal Year 2013 Actual	Fiscal Year 2014 Actual	Fiscal Year 2015 Actual	Fiscal Year 2016 Forecasted
Revenues				
General Property Taxes	\$9,261,000	\$9,702,000	\$10,432,000	\$10,409,000
Unrestricted Grants-in-Aid	3,218,000	3,710,000	4,184,000	4,398,000
Restricted Grants-in-Aid	24,000	38,000	241,000	120,000
Restricted Federal Grants-in-Aid - Education Jobs	63,000	0	0	0
Property Tax Allocation	1,491,000	1,499,000	1,499,000	1,476,000
All Other Revenues	5,313,000	5,144,000	5,306,000	5,656,000
<i>Total Revenues</i>	<u>19,370,000</u>	<u>20,093,000</u>	<u>21,662,000</u>	<u>22,059,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	500,000	0	0	0
Advances In	0	0	0	248,000
<i>Total Other Financing Sources</i>	<u>500,000</u>	<u>0</u>	<u>0</u>	<u>248,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>19,870,000</u>	<u>20,093,000</u>	<u>21,662,000</u>	<u>22,307,000</u>
Expenditures				
Personal Services	10,624,000	10,528,000	10,841,000	10,633,000
Employees' Retirement/Insurance Benefits	3,758,000	4,710,000	4,538,000	7,547,000
Purchased Services	4,424,000	4,292,000	4,480,000	4,593,000
Supplies and Materials	271,000	287,000	321,000	388,000
Capital Outlay	20,000	84,000	101,000	483,000
Debt Service:				
Principal	1,241,000	753,000	698,000	229,000
Interest	228,000	190,000	97,000	77,000
Other Objects	232,000	280,000	246,000	340,000
<i>Total Expenditures</i>	<u>20,798,000</u>	<u>21,124,000</u>	<u>21,322,000</u>	<u>24,290,000</u>
Other Financing Uses				
Transfers Out	0	0	16,000	1,097,000
Advances Out	0	0	248,000	50,000
<i>Total Other Financing Uses</i>	<u>0</u>	<u>0</u>	<u>264,000</u>	<u>1,147,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>20,798,000</u>	<u>21,124,000</u>	<u>21,586,000</u>	<u>25,437,000</u>
<i>Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses</i>	(928,000)	(1,031,000)	76,000	(3,130,000)
Cash Balance (Deficit) July 1	<u>300,000</u>	<u>(628,000)</u>	<u>(1,659,000)</u>	<u>(1,583,000)</u>
Cash Deficit June 30	(628,000)	(1,659,000)	(1,583,000)	(4,713,000)
Encumbrances				
Actual/Estimated Encumbrances June 30	<u>0</u>	<u>0</u>	<u>365,000</u>	<u>125,000</u>
Unencumbered/Unreserved Fund Deficit June 30	<u>(\$628,000)</u>	<u>(\$1,659,000)</u>	<u>(\$1,948,000)</u>	<u>(\$4,838,000)</u>

See accompanying summary of significant forecast assumptions and accounting policies
See independent accountant's report

Coventry Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2016

Note 1 – The School District

The Coventry Local School District (the School District) is located in Summit County and encompasses Coventry Township. The School District is organized under Article VI, Sections 2 and 3, of the Constitution of the State of Ohio. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms. The School District currently operates one elementary school, one middle school, and one high school. The School District is staffed by 80 classified and 159 certificated personnel to provide services to approximately 2,139 students and other community members.

Note 2 – Nature of the Forecast

This financial forecast presents, to the best of the Coventry Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of March 4, 2016, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 – Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund revenues received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also require the general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund. For presentation in the forecast, the general fund supported debt are included in the general fund.

Note 4 – Summary of Significant Accounting Policies

Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Coventry Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2016

Fund Accounting

The School District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund – The general fund is the operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specified restricted or committed revenues should be the foundation for a special revenue fund.

Debt Service Fund – Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated (i.e. debt payable from property taxes). Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in the debt service funds.

Capital Projects Funds – Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent Funds – Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other organizations.

Proprietary Funds

Enterprise Funds – Enterprise funds account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments on a cost-reimbursement basis.

Coventry Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2016

Fiduciary Funds

Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Budgetary Process

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

Budget – A budget of estimated cash receipts and disbursements is submitted to the Summit County Fiscal Officer, as secretary of the county budget commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources – The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations – A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire fiscal year. The appropriation measure may be amended or supplemented during the fiscal year as new information becomes available.

Encumbrances – The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 5 – General Operating Assumptions

The Coventry Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Coventry Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2016

Note 6 – Significant Assumptions for Revenues and Other Financing Sources

General and Tangible Personal Property Taxes

Property taxes are applied to real property, public utility real and personal property, and manufactured homes which are located within the School District. Property taxes are collected for, and distributed to, the School District by the county auditor and treasurer. Settlement dates, on which collections are distributed to the School District, are established by State statute. The School District may request advances from the Summit County Fiscal Officer as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

Property taxes are levied and assessed on a calendar year basis while the School District’s fiscal year runs from July through June. Property tax revenue received during calendar year 2016 (the collection year) for real and public utility property taxes represents collections of 2015 taxes (the tax year). First half calendar year tax collections are received by the School District in the second half of the fiscal year. Second half calendar year tax distributions occur in the first half of the following fiscal year.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is presented in the account “Property Tax Allocation”.

Prior to fiscal year end, a school district may request an advance of real property tax collections that ordinarily would be settled in August and used to finance the upcoming fiscal year. The forecast excludes the receipt of any advances against fiscal year 2017 scheduled property tax settlements. The potential advances have been excluded due to the School District’s inability to appropriate this revenue until received and the uncertainty of the timing of any advances. Currently, it is the Board’s intent not to appropriate any such advances for fiscal year 2016.

The property tax revenues for the general fund are generated from several levies. The current levies being collected for the general fund, the year approved, first and last year of collections, and the full tax rate are as follows:

<u>Tax Levies</u>	<u>Year Approved</u>	<u>First Calendar Year of Collection</u>	<u>Last Calendar Year of Collection</u>	<u>Full Tax Rate (Per \$1,000 of Assessed Valuation)</u>
Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$5.60
Continuing Operating	1976	1977	n/a	28.76
Continuing Operating	1982	1983	n/a	6.80
Continuing Operating	1987	1988	n/a	7.50
Continuing Operating	1992	1993	n/a	7.50
Emergency (\$1,985,175)	2010	2011	2015	7.04
Emergency (\$2,880,700)	2013	2014	2018	10.22
Total Tax Rate				<u>\$73.42</u>

Coventry Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2016

The School District also has levies for bond retirement and permanent improvements with rates of \$5.71 and \$1.10, respectively, per \$1,000 of assessed valuation. The School District's total tax rate is \$80.23 per \$1,000 of assessed valuation.

Ohio law provides for a reduction in the rates of voted levies to offset increased values resulting from a reappraisal of real property. Reduction factors are applied to voted levies so that each levy yields the same amount of real property tax revenues on carryover property as in the prior year. Reduction factors are also adjusted to generate the same amount of property tax revenue on carryover property when there is a decline in the assessed valuation of property. For all voted levies, except emergency and debt levies, increases in revenues are restricted to amounts generated from new construction. Emergency and debt levies are intended to generate a set revenue amount annually. The revenue generated by emergency and debt levies is not affected by changes in real property valuation. The reduction factors are computed annually and applied separately for residential/agricultural real property and commercial/industrial real property. Reduction factors are not applied to inside millage (an unvoted levy). State law also prohibits the reduction factors from reducing the effective millage of the sum of the general fund current operating levies (excluding emergency levies) plus inside millage used for operating purposes below 20 mills. For the general fund, the effective residential and agricultural real property tax rate is at \$39.48 per \$1,000 of assessed valuation for collection year 2015, and the effective commercial and industrial real property tax rate is \$45.03 per \$1,000 of assessed valuation for collection year 2016.

Public utility real and personal property taxes are collected and settled by the county with real estate taxes and are recorded as general property taxes.

General Property Tax – General property tax revenue includes real estate taxes, public utility property taxes and manufactured home taxes. The amounts shown in the revenue section of the forecast represent gross property tax revenue and are based upon information provided by the Summit County Fiscal Officer. The School District anticipates a slight decrease of \$23,000 from the prior fiscal year due to lower assessed values of taxable property.

Unrestricted Grants-in-Aid

In fiscal year 2011, Ohio school districts received their funding under the Ohio Evidence-Based Model (OEBM) that was established in Chapter 3306 of the Ohio Revised Code and linked educational research on academic achievement and successful outcomes with funding components to achieve results. It incorporated real financial data and socioeconomic factors to fund resources and implement proven school programs according to the student need to achieve educational adequacy. The adequacy amount was the sum of service support components for instruction, administrative, operations and maintenance, gifted and enrichment, professional development and an instructional materials factor. These factors were multiplied against the Ohio education challenge factor (a district's wealth factor) and the State-wide base salary for given positions and the number of positions funded. Other factors included in the calculation were student/teacher ratios, organizational units, and average daily membership (ADM). The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 22 mills for fiscal year 2011, 21 mills for 2012 and 2013, and 20 mills for 2014 and thereafter.

Coventry Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2016

Beginning in fiscal year 2012, the administration of Governor John Kasich proposed to move away from the Ohio Evidence Based Model (OEBM) to a new funding method. However, since a new funding mechanism was not formulated as of yet, the administration decided to fund school districts in fiscal years 2012 and 2013 based on a transitional approach until a new formula was devised. This transitional approach was referred to as the Bridge formula. The Bridge formula divided the fiscal year 2011 OEBM funding by a calculated ADM to determine the per pupil funding. The per pupil funding was then multiplied by the fiscal year 2012 and 2013 ADM. The adequacy amount was offset by the school district share of the adequacy amount (the charge off amount), which was equal to 21 mills of property taxes for fiscal years 2012 and 2013. In addition to this adjustment, each school district's fiscal year 2012 and 2013 funding was further adjusted so that the district received at least the total funding it received in fiscal year 2011, after subtracting the state fiscal stabilization funds from total funding, as well as to provide financial incentives for high performing districts.

In fiscal year 2014, the State General Assembly adopted a new funding method to replace the Bridge Formula. The new foundation formula includes a base amount of funding per pupil, known as the Opportunity Grant, and also provides additional funding for a number of different services designed to serve the needs of various populations of students. The Opportunity Grant is calculated using a per pupil amount times the Average Daily Membership (ADM). For fiscal year 2014, the ADM count continued to use the current fiscal year count taken during the first full week of October. This amount was then multiplied by the State Share Index, which factors in the property wealth and the income of residents of the school district. These calculations are a multi-step process and are reflected on the School Finance Payment Report (SFPR). School districts were guaranteed the amount received for fiscal year 2013 (including transportation aid and funding for career technical education) and no school district received an increase greater than 6.25 percent for fiscal year 2014. These calculations did not change in fiscal year 2015. In fiscal year 2016, the SFPR continues to be used and the calculation of foundation funding is similar to the prior fiscal year. Based on the most current foundation settlement, the School District estimates \$4,287,000 in foundation funding for fiscal year 2016.

Beginning in fiscal year 2013, the School District started receiving additional unrestricted grants-in-aid revenue due to casino revenue. Of the casino revenue collected by the State, thirty-four percent is distributed to school districts, based on student population. For fiscal year 2016, the School District anticipates casino revenue of \$111,000, for a total unrestricted grants-in-aid amount of \$4,398,000.

Restricted Grants-in-Aid

Restricted grants-in-aid consist of revenue to aid career technologies programs and State poverty based assistance programs. For fiscal year 2016, the School District anticipates receiving \$9,000 for career technologies and \$111,000 for State poverty based assistance monies for a total of \$120,000 in restricted grants-in-aid.

Restricted Federal Grants-in-Aid

In 2010, Congress passed, and the President signed, legislation that provides \$10 billion in resources to assist local school districts in saving or creating education jobs during fiscal years 2011 and 2012. The Education Jobs grant was to be used only for compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. These funds had limited restrictions on their use. The School District received \$63,000 in fiscal year 2013. The School District chose to use these funds for salaries and benefits for teachers. The Education Jobs grant has not been reauthorized by the Federal government.

Coventry Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2016

Property Tax Allocation

Since 1971, the State has reimbursed local governments for lost tax revenue related to State mandated rollback and homestead exemptions. House Bill 59 signed in 2013 effected these reductions. The new law indicates that the ten percent and the two and one-half percent rollbacks will no longer apply to new levies that are enacted after August 31, 2013. In addition, House Bill 59 has adjusted the Homestead Exemption and it will now be a means tested provision only available to those otherwise eligible taxpayers with household incomes that do not exceed \$30,000. These changes reduce reimbursements from the State and increase real property tax revenue. The School District is anticipating a decrease in property tax allocation in fiscal year 2016 due to a decrease in assessed values of taxable property.

Property tax allocation revenues consist of the following:

Revenue Sources	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Forecasted Fiscal Year 2016	Variance
Homestead and Rollback	\$1,491,000	\$1,499,000	\$1,499,000	\$1,476,000	(\$23,000)

All Other Revenues

All other revenues include open enrollment, tuition, extracurricular fees, rentals, Medicaid reimbursements, and other revenues.

The increase in open enrollment tuition revenue is due to the increase in the number of students from other school districts attending the School District.

Tuition is expected to stay within range of the prior three fiscal years.

The School District has a pay to participate fee that is charged for extracurricular activities. The extracurricular fees are expected to stay in line with the prior fiscal years.

Rental revenue arising from outside parties using the School District's facilities is expected to stay in line with the prior fiscal year.

Medicaid reimbursements are expected to increase significantly due to back claims submitted for the period of July 1, 2005 to September 30, 2009, that is expected to be received during fiscal year 2016.

Refund of prior year expenditures for the forecasted fiscal year is based on what has been received fiscal year to date and is expected to decrease from the prior fiscal year. This revenue was higher in fiscal year 2015 due to a large reimbursement from the Ohio Bureau of Workers' Compensation.

Coventry Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2016

All other revenues consist of the following:

	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Forecasted Fiscal Year 2016	Variance Increase (Decrease)
Open Enrollment Tuition	\$4,645,000	\$4,442,000	\$4,540,000	\$4,581,000	\$41,000
Other Tuition	552,000	470,000	417,000	459,000	42,000
Extracurricular Fees	43,000	40,000	38,000	40,000	2,000
Rentals	33,000	0	6,000	6,000	0
Medicaid Reimbursements	113,000	96,000	42,000	348,000	306,000
Refund of Prior Year Expenditures	0	1,000	47,000	3,000	(44,000)
Other	(73,000)	95,000	216,000	219,000	3,000
Totals	<u>\$5,313,000</u>	<u>\$5,144,000</u>	<u>\$5,306,000</u>	<u>\$5,656,000</u>	<u>\$350,000</u>

Other Financing Sources

Proceeds from Sale of Notes – During fiscal year 2013, the School District issued \$500,000 in tax anticipation notes at an interest rate of 2.51 percent.

Advances In – It is anticipated that the general fund will receive \$248,000 during fiscal year 2016 from grant funds as a repayment of advances made during fiscal year 2015 to cover year end deficits.

Note 7 – Significant Assumptions for Expenditures and Other Financing Uses

Personal Services

Personal services expenditures represent the salaries and wages paid to certified employees, classified and administrative staff, substitutes, tutors and Board members. In addition to regular salaries, it includes payment for supplemental contracts and severance pay. All employees receive their compensation on a bi-weekly basis. Administrative salaries are set by an administrative agreement.

Staffing levels for the past three fiscal years and the current fiscal year are displayed in the chart below. Staffing levels for fiscal year 2016 decreased from the prior fiscal year.

	2013	2014	2015	2016
General Fund:				
Certified	161	144	147	143
Classified	65	59	60	58
Total General Fund	<u>226</u>	<u>203</u>	<u>207</u>	<u>201</u>
Other Funds				
Certified	21	17	17	16
Classified	27	23	23	22
Total Other Funds	<u>48</u>	<u>40</u>	<u>40</u>	<u>38</u>
Totals	<u>274</u>	<u>243</u>	<u>247</u>	<u>239</u>

Coventry Local School District
Summit County
Summary of Significant Assumptions and Accounting Policies
For the Fiscal Year Ending June 30, 2016

Certified (teaching) staff salaries are based on a negotiated contract, which includes step increases and educational incentives for existing staff. The contract covers the period of June 29, 2013 to July 31, 2016. The decrease in certified salaries is due to fewer teachers employed by the School District.

Classified salaries are based on a negotiated contract, which includes step increases. The contract being followed covers the period of July 1, 2010 to June 30, 2013. Negotiations for a new contract are currently taking place. Currently, classified employees receive no base salary increase, but do get a step increase of 1.5 percent. Classified salaries are forecasted to decrease from the prior fiscal year due to fewer classified employees being employed by the School District. Should the School District agree to a base increase, each one percent increase would increase classified salaries by approximately \$17,000 and decrease the general fund cash balance by the same amount.

Substitute salaries are forecasted to increase slightly over the prior fiscal year due to the rate of substitutes needed fiscal year to date.

Supplemental salaries have had little fluctuation historically and are forecasted to stay in line with the prior three fiscal years.

The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Severance pay to certified employees is equal to 25 percent of accumulated sick leave days, not to exceed 160 days, plus 50 percent of the excess of 215 accumulated sick leave days, not to exceed 285 days. This is payable upon certification of approval of retirement benefits of STRS provided that the retirement be effected within four years of the last day of active service. Severance pay to classified employees is restricted to employees with 10 years of service with the School District. Upon meeting this criteria, classified severance is equal to 25 percent of accumulated sick leave days, not to exceed 160 days, plus 50 percent of the excess of 200 accumulated sick leave days, not to exceed 300 days. Severance is payable following certification of approval of retirement benefits by STRS and SERS and receipt of the employee's first retirement payment provided that retirement has been applied for within four years of the last day of active service. Severance costs are forecasted to fall in between the prior two fiscal years as the number of retirements is anticipated to remain relatively consistent.

Overtime has remained flat historically and is forecasted to stay in line with the prior three fiscal years.

With the consistent nature of Board of Education meetings, Board salaries are forecasted to remain consistent with the prior three fiscal years.

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The following table is a comparison of salaries and wages for fiscal years 2013, 2014, and 2015 and the forecast period.

	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Forecast Fiscal Year 2016	Variance Increase (Decrease)
Certified Salaries	\$8,279,000	\$7,784,000	\$8,601,000	\$8,483,000	(\$118,000)
Classified Salaries	1,782,000	1,819,000	1,772,000	1,658,000	(114,000)
Substitute Salaries	225,000	634,000	199,000	214,000	15,000
Supplemental Contracts	233,000	252,000	232,000	239,000	7,000
Severance	82,000	20,000	16,000	18,000	2,000
Overtime	7,000	7,000	7,000	7,000	0
Board Salaries	16,000	12,000	14,000	14,000	0
Totals	<u>\$10,624,000</u>	<u>\$10,528,000</u>	<u>\$10,841,000</u>	<u>\$10,633,000</u>	<u>(\$208,000)</u>

Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, Medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent of salaries for STRS and SERS and an additional SERS surcharge levied to fund healthcare benefits for employees earning less than a minimum salary amount. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from differences between the estimates and the actual amounts are prorated over the next calendar year. The School District pays the employee retirement contributions for its superintendent, treasurer and other administrators. The increase that appears on the employee benefits schedule is due to the School District submitting higher than actual salary estimates to STRS and SERS, which leads to higher deductions taken from State foundation funding.

In years past, SERS has been paid six months in arrears by Ohio school districts. On March 18, 2010, the SERS Board decided to give the school districts two options. Option one was for the school districts to pay the six month arrearage by June 30, 2010, to become current. Option two was for SERS to spread the six month arrearage amount over the next six years adding this to the current payment. Coventry Local School District chose option two and had a total arrearage liability of \$200,940, with annual payments of \$33,490, at that time.

Health care rates are fixed by the Board of Education on a yearly basis, from July to June. The monthly payments for health care benefits are as follows:

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	Certified				Classified			
	Medical	Dental	Vision	Total	Medical	Dental	Vision	Total
Single Rates:								
July 1, 2012 to June 30, 2013	\$500.72	\$63.61	\$13.35	\$577.68	\$547.84	\$69.60	\$14.60	\$632.04
July 1, 2013 to June 30, 2014	523.25	66.48	13.95	603.68	572.50	72.74	15.26	660.50
July 1, 2014 to June 30, 2015	549.41	69.80	14.65	633.86	601.12	76.37	16.02	693.51
July 1, 2015 to June 30, 2016	563.70	71.62	15.03	650.35	616.76	78.36	16.44	711.56
Dependent Rates:								
July 1, 2012 to June 30, 2013	\$715.55	\$93.23	\$19.96	\$828.74	\$782.89	\$102.00	\$21.84	\$906.73
July 1, 2013 to June 30, 2014	747.75	97.43	20.86	866.04	818.13	106.60	22.82	947.55
July 1, 2014 to June 30, 2015	785.12	102.29	21.90	909.31	859.01	111.92	23.97	994.90
July 1, 2015 to June 30, 2016	805.53	104.94	22.47	932.94	881.34	114.82	24.59	1,020.75
Family Rates:								
July 1, 2012 to June 30, 2013	\$1,216.27	\$156.84	\$33.31	\$1,406.42	\$1,330.74	\$171.60	\$36.44	\$1,538.78
July 1, 2013 to June 30, 2014	1,271.01	163.91	34.81	1,469.73	1,390.63	179.33	38.08	1,608.04
July 1, 2014 to June 30, 2015	1,334.53	172.09	36.55	1,543.17	1,460.14	188.29	39.99	1,688.42
July 1, 2015 to June 30, 2016	1,369.23	176.56	37.50	1,583.29	1,498.10	193.18	41.03	1,732.31

Health care costs are based on the number of employees participating in the program and the type of coverage (single, dependent or family) provided to each employee. The health care program includes medical, prescription drug, dental, and vision care. Health care rates are fixed for a twelve month period. The significant increase in health care costs to the School District is due to catching up on delinquent payments to the Stark County Schools Council of Governments Health Benefit Plan, which contracts with third party administrators to process and pay health benefit claims incurred by its members. The health care costs that relate to fiscal year 2016 are anticipated to be \$3,096,000, while the School District still owes on late payments related to fiscal years 2015 and 2014 in the amount of \$2,344,000.

Medicare is based on a percentage of wages and is estimated to decrease in fiscal year 2016 based on an anticipated decrease in salaries that will be paid in fiscal year 2016.

Workers' compensation is based on the School District's assigned rate and the amount of wages paid in a calendar year. In previous years, premiums were paid in the following calendar year. Beginning in calendar year 2016, the Bureau of Workers' Compensation (BWC) is transitioning to prospective billing. The policy year 2016 bill will include payment on calendar year 2015 wages and on calendar year 2016 estimated wages. For this transition policy year, the BWC is giving a 50 percent credit on the retrospective bill on 2015 wages and a 50 percent credit on the prospective bill on 2016 wages. The School District paid the second half of the calendar year 2014 premium in August 2015 and intends to pay 50 percent of the calendar year 2015 and 2016 premiums in May of 2016. The workers' compensation amount for fiscal year 2016 is forecast to increase over the prior fiscal years due to these changes and rebates applied for prior periods.

Unemployment is forecast to decrease due to fewer employees leaving the School District and applying for unemployment benefits in fiscal year 2016 compared to fiscal year 2015. Tuition reimbursement is forecasted to slightly decrease due to fewer teachers applying for reimbursement.

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Presented as follows is a comparison of fiscal years 2013, 2014, 2015 and the forecast period:

	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Forecast Fiscal Year 2016	Variance Increase (Decrease)
Employer's Retirement	\$1,759,000	\$1,890,000	\$1,846,000	\$1,866,000	\$20,000
Health Care	1,826,000	2,606,000	2,471,000	5,440,000	2,969,000
Medicare	10,000	176,000	167,000	154,000	(13,000)
Workers' Compensation	114,000	25,000	24,000	68,000	44,000
Unemployment	37,000	4,000	14,000	7,000	(7,000)
Tuition Reimbursement	12,000	9,000	16,000	12,000	(4,000)
Totals	<u>\$3,758,000</u>	<u>\$4,710,000</u>	<u>\$4,538,000</u>	<u>\$7,547,000</u>	<u>\$3,009,000</u>

Purchased Services

Presented as follows are the purchased service expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Forecast Fiscal Year 2016	Variance Increase (Decrease)
Professional and Technical Services	\$2,499,000	\$2,261,000	\$2,146,000	\$2,136,000	(\$10,000)
Property Services	3,000	58,000	3,000	3,000	0
Travel and Meeting	35,000	29,000	15,000	27,000	12,000
Communication Costs	16,000	17,000	13,000	24,000	11,000
Utility Services	415,000	379,000	337,000	346,000	9,000
Trade Services	3,000	1,000	0	0	0
Tuition Payments	1,388,000	1,437,000	1,819,000	2,052,000	233,000
Pupil Transportation	10,000	110,000	147,000	5,000	(142,000)
Other Purchased Services	55,000	0	0	0	0
Totals	<u>\$4,424,000</u>	<u>\$4,292,000</u>	<u>\$4,480,000</u>	<u>\$4,593,000</u>	<u>\$113,000</u>

Professional and technical services are expected to decrease slightly from the prior fiscal year due to preschool excess costs now being recorded as tuition payments while being partially offset with higher legal service expenditures and inflationary costs. Legal service expenditures are anticipated to increase due to continuing classified contract negotiations and other potential litigation. Property services are expected to stay in line with the prior fiscal year. Travel and meeting expenses are anticipated to increase over the prior fiscal year and fall in line with fiscal years 2013 and 2014, as a portion of fiscal year 2015 travel and meeting expenditures were recorded in other objects. Communication costs are expected to increase over the prior fiscal year due to catch up on past due bills left over from the prior fiscal year. Despite lower gas rates and usage, utility services costs are expected to increase slightly due to higher electric costs associated with paying off past due bills from the prior fiscal year and paying for temporary gas heaters during construction of the new high school. Tuition payments increased significantly due to increases in preschool excess costs previously being recorded with professional and technical services, which are estimated to be \$162,000, in addition to open enrollment out anticipated to increase by \$95,000 from the prior fiscal year. Pupil transportation is expected to decrease dramatically as fuel costs that were coded to this object in the prior two years will be recorded to fuel costs with supplies and materials.

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Supplies and Materials

Presented as follows are the supplies and materials expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2013	Actual Fiscal Year 2014	Actual Fiscal Year 2015	Forecast Fiscal Year 2016	Variance Increase (Decrease)
General Supplies	\$263,000	\$276,000	\$312,000	\$223,000	(\$89,000)
Fuel	0	0	0	156,000	156,000
Other Supplies and Materials	8,000	11,000	9,000	9,000	0
Totals	<u>\$271,000</u>	<u>\$287,000</u>	<u>\$321,000</u>	<u>\$388,000</u>	<u>\$67,000</u>

General supplies are anticipated to decrease. Curriculum supplies costs increased significantly in fiscal year 2015. It's not anticipated that fiscal year 2016 will necessitate that level of expenditures and they should fall in line with fiscal years 2013 and 2014. Fuel costs will increase due to these expenditures being recorded with purchased services in prior fiscal years. Other supplies and materials are anticipated to stay consistent with the prior fiscal years.

Capital Outlay

The costs of property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. In fiscal year 2016, the School District is forecasting \$483,000 for general capital outlay needs due to necessary renovations to the old high school for elementary students to move in to, and building site demolition and the removal of modular classrooms from the Turkeyfoot Elementary School site and installing 11 modular classrooms at the Middle School site.

Debt Service

Presented as follows are the debt service expenditures for the past three fiscal years and the forecast period:

	Actual Fiscal Year 2013		Actual Fiscal Year 2014		Actual Fiscal Year 2015		Forecast Fiscal Year 2016	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2000 HB 264 Loan #1 (\$834,205)	\$68,000	\$10,000	\$71,000	\$6,000	\$74,000	\$3,000	\$0	\$0
2000 HB 264 Loan #2 (\$842,535)	64,000	\$12,000	67,000	10,000	70,000	7,000	111,000	6,000
2005 HB 264 Loan #3 (\$709,533)	44,000	22,000	47,000	20,000	49,000	18,000	51,000	15,000
2008 Capital Lease (\$1,500,000)	59,000	65,000	62,000	62,000	64,000	59,000	67,000	56,000
2011 Capital Lease (\$1,500,000)	65,000	69,000	65,000	68,000	0	0	0	0
2010 Tax Anticipation Note (\$1,985,175)	441,000	37,000	441,000	24,000	441,000	10,000	0	0
2013 Tax Anticipation Note (\$500,000)	500,000	13,000	0	0	0	0	0	0
Totals	<u>\$1,241,000</u>	<u>\$228,000</u>	<u>\$753,000</u>	<u>\$190,000</u>	<u>\$698,000</u>	<u>\$97,000</u>	<u>\$229,000</u>	<u>\$77,000</u>

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During fiscal year 2000, the School District issued loans in the amounts of \$834,205 and \$842,535 in House Bill 264 energy conservation loans, each with interest rates of 4.43 percent. The School District made combined payments on these loans of \$132,000, \$138,000, and \$144,000 in fiscal years 2013 through 2015, respectively. Total debt service required for these loans in fiscal year 2016 is \$111,000 in principal and \$6,000 in interest.

During fiscal year 2005, the School District issued \$709,533 in an additional House Bill 264 energy conservation loan with an interest rate of 4.43 percent. The payments on this loan for fiscal years 2013 through 2015 were \$44,000, \$47,000, and \$49,000, respectively. Total debt service required for this loan in fiscal year 2016 is \$51,000 in principal and \$15,000 in interest.

During fiscal year 2008, the School District entered into a \$1,500,000 capital lease for modular buildings with an interest rate of 4.18 percent. Payments made for the lease were \$59,000, \$62,000, and \$64,000 in fiscal years 2013 through 2015, respectively. Total debt service required for this lease in fiscal year 2016 is \$67,000 in principal and \$56,000 in interest.

During fiscal year 2011, the School District entered into a \$1,500,000 capital lease for building and property renovations with interest rates ranging from 1.75 to 5.75 percent. Payments made for the lease were \$65,000 in fiscal years 2013 and 2014 each. In fiscal year 2015, the principal and interest payments were made out of the permanent improvement capital projects fund. It is anticipated that the debt service requirements for the capital lease will be made from the permanent improvement capital projects fund again in fiscal year 2016.

During fiscal year 2010, the School District issued \$1,985,175 for a tax anticipation note at an interest rate of 3 percent. Payments made for the tax anticipation note were \$441,000 in fiscal years 2013 through 2015 each, in which the note was retired in fiscal year 2015.

During fiscal year 2013, the School District issued \$500,000 in tax anticipation notes at an interest rate of 2.51 percent and retired the notes in the same fiscal year.

Other Objects

Other object expenditures consist of dues, fees, and liability insurance. Other object expenditures are forecasted in the amount of \$340,000. This amount is lower than the prior fiscal year primarily due to the School District posting a large audit adjustment related to expenditures misspent out of other funds.

Operating Transfers and Advances Out

Transfers Out – In fiscal year 2015, the School District made small transfers totaling \$16,000 to various funds due to incorrectly posting various receipts in the general fund. For fiscal year 2016, \$1,097,000 in transfers is anticipated to be made, with the majority going to the buildings and classroom facilities capital projects funds to replace monies that were spent out of those funds for general fund operations.

Advances Out – In fiscal year 2015, the general fund advanced \$248,000 to various grant funds for the purpose of covering year end deficits related to the timing of grant monies. For fiscal year 2016, \$50,000 is anticipated to be advanced out to other funds to temporarily cover operational shortfalls in grant funds.

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Note 8 – Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects for the fiscal year ended June 30, 2016, are estimated to be \$125,000.

Note 9 – Capital Acquisition and Improvements Set-Aside

The School District is required by State statute to annually set aside in the general fund three percent of certain revenues for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

The set aside amount required is approximately \$382,000 for fiscal year 2016. The School District anticipates \$315,000 in offsets during the current fiscal year due to the permanent improvement tax levy and \$483,000 in capital outlay within the general fund. The offset and forecasted capital outlay exceeds the required set-aside amount in fiscal year 2016; therefore, no reserve amount is anticipated for the forecast period.

Note 10 – Pending Litigation

The School District's management is of the opinion that there are no issues that would have a material effect on the financial forecast.

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Note 11 – Levies

The School District has placed several levies on the ballot in the last 10 years. The type of levy, millage amount, term and election results are as follows:

Date	Type	Mills	Term	Election Result
November 2006	Bond Retirement	2.90	28 Years	Failed
November 2006	Permanent Improvement	1.00	28 Years	Failed
May 2007	Bond Retirement	2.90	28 Years	Failed
May 2007	Permanent Improvement	1.00	28 Years	Failed
August 2007	Permanent Improvement	1.55	Continuing	Failed
March 2008	Emergency (Renewal)	9.00	5 Years	Passed
November 2009	Emergency	4.99	3 Years	Failed
May 2010	Emergency	6.25	5 Years	Passed
August 2012	Bond Retirement	4.89	34 Years	Failed
August 2012	Permanent Improvement	1.10	34 Years	Failed
November 2012	Emergency (Renewal)	9.96	5 Years	Passed
February 2013	Bond Retirement	4.89	34 Years	Failed
February 2013	Permanent Improvement	1.10	34 Years	Failed
May 2013	Bond Retirement	4.89	34 Years	Passed
May 2013	Permanent Improvement	1.10	34 Years	Passed
November 2014	Emergency (Renewal)	6.25	5 Years	Failed
May 2015	Emergency (Renewal)	6.25	5 Years	Passed

Note 12 – Other Funds

The School District has numerous other funds that account for resources that are restricted for specific purposes. All other funds of the School District are anticipated to have sufficient resources to meet their obligations during the forecasted period.

Note 13 – Financial Planning and Supervision Commission

On December 4, 2015, the School District was declared to be in a state of “Fiscal Emergency” by the Auditor of State. Legislation effective September 1996, permitted this declaration due to the School District’s declining financial condition. In accordance with the law, a five-member Financial Planning and Supervision Commission has been established to oversee the financial affairs of the School District. The Commission is comprised of the State Superintendent of Public Instruction and the State Director of Budget and Management or their designees, and three appointed members. The appointments are made by the Governor of the State of Ohio, the State Superintendent of Public Instruction and the Summit County Fiscal Officer. The Commission’s primary charge is to develop, adopt and implement a financial recovery plan. Once the plan has been adopted, the Board of Education’s discretion is limited in that all financial activity of the School District must be in accordance with the plan. The School District is in the process of developing its initial financial recovery plan.

Coventry Local School District
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Note 14 – Information Related to Periods Beyond the Forecast Period

Management is required to annually prepare and file a five-year financial plan with the Ohio Department of Education. Management believes that the following information, although it does not constitute a financial forecast, is necessary in order for users to make a meaningful analysis of the forecast results. The plan filed with the Ohio Department of Education in October 2015 covered fiscal years 2016 through 2020 and assumed the continued operation of the School District with no significant changes in revenue and moderate increases in expenditures. At that time, the School District anticipated an operating deficit of \$4,433,000 for fiscal year 2016 and an accumulated operating deficit of \$5,948,000 by the end of fiscal year 2020. An updated five-year financial forecast is required to be filed with the Ohio Department of Education by the end of May 2016 and will cover fiscal years 2016 through 2020, reflecting any changes in assumptions.

The information presented in this note is less reliable than the information presented in the financial forecast and, accordingly, is presented for analysis purposes only. Furthermore, there can be no assurance that events and circumstances described in this note will occur.



Dave Yost • Auditor of State

COVENTRY LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 14, 2016**